

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

F O R M 10 - Q

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

For the quarterly period ended July 27, 1996

Commission file no. 1-10299

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

New York  
(State or other jurisdiction of incorporation  
or organization)

13-3513936  
(I.R.S. Employer Identification No.)

233 Broadway, New York, New York  
(Address of principal executive offices)

10279-0003  
(Zip Code)

Registrant's telephone number: (212) 553-2000

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  
   ---       ---

Number of shares of Common Stock outstanding at August 23, 1996: 133,483,992

## WOOLWORTH CORPORATION

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

WOOLWORTH CORPORATION  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in millions)

	July 27, 1996 ----- (Unaudited)	July 29, 1995 ----- (Unaudited)	Jan. 27, 1996 -----
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 80	\$ 105	\$ 13
Merchandise inventories	1,491	1,804	1,364
Other current assets	234	345	241
	-----	-----	-----
	1,805	2,254	1,618
PROPERTY AND EQUIPMENT, NET	1,136	1,518	1,225
DEFERRED CHARGES AND OTHER ASSETS	644	705	663
	-----	-----	-----
	\$ 3,585	\$ 4,477	\$ 3,506
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term debt	\$ 137	\$ 860	\$ 69
Accounts payable	419	475	321
Accrued liabilities	413	366	426
Current portion of long-term debt and obligations under capital leases	19	25	25
	-----	-----	-----
	988	1,726	841
LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES	611	568	619
DEFERRED TAXES AND OTHER LIABILITIES	781	826	817
SHAREHOLDERS' EQUITY			
Preferred stock	--	--	--
Common stock and paid-in capital	297	290	290
Retained earnings	891	964	891
Foreign currency translation adjustment	52	113	83
Minimum pension liability adjustment	(35)	(10)	(35)
	-----	-----	-----
Total shareholders' equity	1,205	1,357	1,229
CONTINGENCIES (Legal Proceedings)			
	-----	-----	-----
	\$ 3,585	\$ 4,477	\$ 3,506
	=====	=====	=====

See accompanying Notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(in millions, except per share amounts)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 27, 1996	July 29, 1995	July 27, 1996	July 29, 1995
SALES	\$ 1,856	\$ 1,922	\$ 3,676	\$ 3,716
COSTS AND EXPENSES				
Costs of sales	1,273	1,334	2,568	2,639
Selling, general and administrative expenses	491	532	983	1,078
Depreciation and amortization	50	59	100	118
Interest expense	19	33	39	65
Other income	(14)	(17)	(14)	(32)
	-----	-----	-----	-----
	1,819	1,941	3,676	3,868
	-----	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	37	(19)	--	(152)
Income tax expense (benefit)	15	(8)	--	(61)
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 22	\$ (11)	\$ --	\$ (91)
	=====	=====	=====	=====
Net income (loss) per share				
Primary	\$ 0.17	\$ (0.09)	\$ --	\$ (0.69)
	=====	=====	=====	=====
Fully diluted	\$ 0.17	\$ *	\$ --	\$ *
	=====	=====	=====	=====
Number of shares used to calculate earnings per share				
Primary	134.3	132.7	133.7	132.7
Fully diluted	134.9	*	134.5	*

\* Fully diluted earnings per share is not presented as it produces an anti-dilutive result.

See accompanying Notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF RETAINED EARNINGS  
(Unaudited)  
(in millions)

	Twenty-six weeks ended	
	July 27, 1996	July 29, 1995
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 891	\$ 1,055
Net income (loss)	-	(91)
Cash dividends declared:		
Preferred Stock - \$0.55 per share	-	-
	\$ 891	\$ 964
RETAINED EARNINGS AT END OF PERIOD	\$ 891	\$ 964

See accompanying Notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(in millions)

	Twenty-six weeks ended	
	July 27, 1996	July 29, 1995
FROM OPERATING ACTIVITIES		
Net income (loss)	\$--	\$ (91)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	100	118
Gain on sales of real estate	(13)	(32)
Deferred income taxes	(16)	(56)
Change in assets and liabilities, net of acquisitions:		
Increase in merchandise inventories	(143)	(133)
Increase in accounts payable	103	105
Other, net	(18)	(107)
Net cash provided by (used in) operating activities	13	(196)
FROM INVESTING ACTIVITIES		
Capital expenditures	(47)	(68)
Proceeds from sale of real estate	21	86
Proceeds from sale of assets	19	33
Purchase of investments	--	(74)
Net cash used in investing activities	(7)	(23)
FROM FINANCING ACTIVITIES		
Increase in short-term debt	69	4
Increase in long-term debt	--	263
Reduction in long-term debt and capital lease obligations	(11)	(12)
Issuance of common stock	6	7
Dividends paid	--	(20)
Net cash provided by financing activities	64	242
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(3)	10
NET CHANGE IN CASH AND CASH EQUIVALENTS	67	33
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13	72
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 80	\$ 105
Cash Paid During the Period:		
Interest	\$ 32	\$ 57
Income Taxes	\$ 9	\$ 10

See accompanying Notes to Condensed Consolidated Financial Statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## Basis of Presentation

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in the 1995 Annual Report to Shareholders of Woolworth Corporation (the "Registrant"), portions of which Annual Report are incorporated by reference in the Registrant's Annual Report on Form 10-K for the year ended January 27, 1996, as filed with the Securities and Exchange Commission (the "SEC"). Certain items included in these statements are based on management's estimates. In the opinion of management, all material adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim period have been included. The results for the thirteen and twenty-six weeks ended are not necessarily indicative of the results expected for the year.

## Merchandise Inventories

Domestic merchandise inventories valued on the last-in, first-out basis at July 27, 1996, July 29, 1995 and January 27, 1996 are stated, respectively, at \$102 million, \$100 million and \$102 million less than the amounts that would have been determined on the first-in, first-out basis.

## Reclassifications

Certain balances in prior periods have been reclassified to conform with the presentation adopted in the current period.

## Legal Proceedings

Between March 30, 1994 and April 18, 1994, the Registrant and certain of its present and former directors and officers were named as defendants in lawsuits brought by certain shareholders claiming to represent classes of shareholders that purchased shares of the Registrant's Common Stock during different periods between January 1992 and March 1994.

These class action complaints purport to present claims under the federal securities and other laws and seek unspecified damages based on alleged misleading disclosures during the class periods.

On April 29, 1994, United States Senior District Judge Richard Owen entered an order consolidating 25 actions, purportedly brought as class actions, commenced against the Registrant and certain officers and directors of the Registrant in the United States District Court for the Southern District of New York, under the caption *In re Woolworth Corporation Securities Class Action Litigation*. Plaintiffs served an Amended and Consolidated Class Action Complaint, to which the defendants responded. On February 17, 1995, Judge Owen entered an order for certification of the action as a class action on behalf of all persons who purchased the Registrant's Common Stock or options on the Registrant's Common Stock from May 12, 1993 to March 29, 1994 inclusive, pursuant to a stipulation among the parties.

Five separate state-court derivative actions filed in April 1994 were consolidated under the caption *In re Woolworth Corporation Derivative Litigation* in the Supreme Court of the State of New York, County of New York.

Plaintiffs served a Consolidated Complaint on behalf of the plaintiffs in these five actions together with the plaintiff in the former federal derivative action Sternberg v. Woolworth Corp., which has been dismissed. Defendants moved to dismiss the Consolidated Complaint, and on April 27, 1995, the court granted defendants' motion, with leave to the plaintiffs to replead. On June 7, 1995, plaintiffs served a Consolidated Amended Derivative Complaint. On June 27, 1995, defendants moved to dismiss the Consolidated Amended Derivative Complaint with prejudice. On April 10, 1996, the court granted defendants' motion with prejudice. Plaintiffs have filed a notice of appeal from the dismissal to the Appellate Division, First Department.

There is one federal derivative action pending in the United States District Court for the Southern District of New York under the caption Rosenbaum v. Sells et al. There have been no material developments in this action.

These actions are all at a preliminary stage of proceedings. Accordingly, the outcomes cannot be predicted with any degree of certainty. As a result, the Registrant cannot determine if the results of the litigation will have a material adverse effect on the Registrant's results of operations, liquidity or financial position.

During 1994, the staff of the SEC initiated an inquiry related to the matters that were reviewed by the Special Committee of the Board of Directors as well as in connection with trading in the Registrant's securities by certain directors and officers of the Registrant. The SEC staff has advised that its inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. There have been no material developments in the inquiry to date.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Total sales for the 1996 second quarter decreased 3.4 percent to \$1,856 million compared to \$1,922 million for the 1995 second quarter. Comparable-store sales decreased by 0.2 percent. Sales were negatively impacted by the unseasonably cooler weather in several markets and the operation of 290 fewer stores. Excluding the effect of foreign currency fluctuations and sales from disposed operations, sales decreased by 0.9 percent. Total Specialty segment sales for the second quarter increased 3.0 percent and comparable-store sales increased 2.9 percent. Total General Merchandise second quarter sales decreased 10.6 percent compared to the same period of 1995 while comparable-store sales decreased 5.0 percent. The decrease in the General Merchandise segment primarily relates to lower sales in the United States and Germany.

Year-to-date 1996 sales decreased 1.1 percent to \$3,676 million compared to \$3,716 million for 1995. Excluding the effect of foreign currency fluctuations and sales from disposed operations, sales increased 0.3 percent, and comparable-store sales increased 0.3 percent during the year-to-date period.

Fiscal 1996 second quarter operating results of \$69 million improved by \$39 million over the comparable prior year operating result of \$30 million. The improvement stems directly from the continuing implementation of the Registrant's strategic plan which includes reducing inventory levels, lowering expenses and the divestiture of non-strategic assets. For the thirteen weeks ended July 27, 1996, selling, general and administrative expenses declined by \$41 million compared to the same prior year period. Year-to-date selling, general and administrative expenses were \$95 million less than the first half of 1995. These decreases reflect the ongoing success of the Registrant's cost reduction initiatives. Included in the 1995 year-to-date results is a \$38 million charge recorded in the first quarter related to the inventory improvement program implemented to lower inventory levels and clear stores of aged and discontinued merchandise for new product assortments.

The Registrant reported net income of \$22 million, or \$0.17 per share, for the thirteen weeks ended July 27, 1996, compared to a net loss of \$11 million, or \$0.09 per share, for the corresponding prior year period. The Registrant reported break-even results for the twenty-six weeks ended July 27, 1996, an improvement from the loss of \$91 million or \$0.69 per share for corresponding 1995 period.

As of July 27, 1996, the Registrant operated a total of 7,951 stores consisting of 6,933 specialty stores and 1,018 general merchandise stores, compared to 8,241 stores consisting of 7,203 specialty stores and 1,038 general merchandise stores operated as of July 29, 1995.

The net gain on the divestiture of non-strategic real estate in the second quarter totaled \$13 million. This included a distribution center in Greenville, SC whose closing was announced earlier this year and other real estate operated by Woolworth Germany, Woolworth U.S., and Woolworth Canada.

In line with the Registrant's strategic plan to dispose of underperforming businesses, the Registrant announced the closing of the 109-store Accessory Lady chain on May 2, 1996. All stores were closed by August 24, 1996. The Registrant took a charge of \$8.3 million in the second quarter to cover employee, wind-down and estimated lease costs. The Registrant intends to redeploy approximately one-half of the stores to formats principally in the Athletic Group and the Northern Group.

The Registrant entered into an agreement on June 24, 1996 to sell the 34-store Lady Plus chain in Germany. The charge for disposed operations includes \$5 million related to the sale of Lady Plus and its loss on operations through disposal.

#### SALES

The following table summarizes sales by segment and by geographic area:

(in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	July 27, 1996	July 29, 1995	July 27, 1996	July 29, 1995
By segment:				
Specialty:				
Athletic Group	\$ 840	\$ 803	\$1,680	\$1,587
Specialty Footwear	174	179	327	340
Other Specialty	92	105	173	196
Northern Group	79	64	145	119
	-----	-----	-----	-----
Specialty total	1,185	1,151	2,325	2,242
	-----	-----	-----	-----
General Merchandise:				
Germany	369	411	739	772
United States	242	274	486	538
Other	54	59	100	111
	-----	-----	-----	-----
General Merchandise total	665	744	1,325	1,421
	-----	-----	-----	-----
Disposed operations	6	27	26	53
	-----	-----	-----	-----
	\$1,856	\$1,922	\$3,676	\$3,716
	=====	=====	=====	=====

## By geographic area:

Domestic	\$1,152	\$1,156	\$2,316	\$2,297
International	698	739	1,334	1,366
Disposed operations	6	27	26	53
	-----	-----	-----	-----
	\$1,856	\$1,922	\$3,676	\$3,716
	=====	=====	=====	=====

## Specialty Segment

The Athletic Group and Northern Group turned in strong second quarter performances. Athletic Group sales increased for both the second quarter and the year-to-date periods, by 4.6 percent and 5.9 percent respectively, over the corresponding prior year periods. Northern Group sales increased by 23.4 percent and 21.8 percent, for the second quarter and year-to-date periods, respectively.

Specialty Footwear second quarter sales decreased by 2.8 percent compared to the prior year period while year-to-date sales decreased by 3.8 percent. These declines were attributable to store closures, principally in the Kinney format.

Other Specialty second quarter sales, adjusted for dispositions, decreased by 12.4 percent from \$105 million to \$92 million. For the year-to-date period, sales declined 11.7 percent to \$173 million. This decline in sales was mainly due to the closure of 153 underperforming stores related to ongoing formats coupled with second quarter and year-to-date comparable-store sale declines.

## General Merchandise

German general merchandise second quarter sales decreased by 10.2 percent, while comparable-store sales declined by 3.1 percent. Year-to-date period sales have declined 4.3 percent while comparable-store sales declined 2.5 percent. Excluding the impact of foreign currency fluctuations, sales decreased by 3.9 percent and 1.0 percent for the quarter and year-to-date periods, respectively. Sales were impacted by the unseasonably cooler weather in Germany coupled with difficult economic conditions.

United States general merchandise sales decreased for both the second quarter and the year-to-date period by 11.7 percent and 9.7 percent, respectively. These declines are mainly due to the continued competitive pressures in the retail industry coupled with the closure of underperforming stores under the Registrant's store closing program.

A decline in sales was experienced by both the Mexican and Canadian operations for the second quarter as well as the year-to-date period. Sales in this group fell by \$5 million, or 8.5 percent for the second quarter, and \$11 million, or 9.9 percent for the year-to-date period. Excluding the negative impact of foreign currency fluctuations, sales declined 4.1 percent for the second quarter and 6.7 percent year-to-date. Cooler weather conditions and 16 fewer stores contributed to these declines.

## OPERATING RESULTS

Operating results (before corporate expense, interest, and income taxes) are as follows:

(in millions)	Thirteen weeks ended		Twenty-six weeks ended	
	July 27, 1996	July 29, 1995	July 27, 1996	July 29, 1995
By Segment:				
Specialty	\$ 96	\$ 36	\$ 131	\$ 16
General Merchandise	(26)	(16)	(47)	(62)
Net gain on sales of real estate	13	17	13	32
Disposed operations	(14)	(7)	(28)	(35)
	-----	-----	-----	-----
	\$ 69	\$ 30	\$ 69	\$ (49)
	=====	=====	=====	=====
By geographic area:				
Domestic	\$ 71	\$ 41	\$ 113	\$ 14
International	(1)	(21)	(29)	(60)
Net gain on sales of real estate	13	17	13	32
Disposed operations	(14)	(7)	(28)	(35)
	-----	-----	-----	-----
	\$ 69	\$ 30	\$ 69	\$ (49)
	=====	=====	=====	=====

## Specialty Segment

Specialty operating profits improved by \$60 million and \$115 million over the 1995 second quarter and year-to-date periods, respectively. This was primarily due to the specialty businesses' expense reduction combined with increased sales achieved by the Athletic Group. Specialty operating results for 1995 included a \$16 million first quarter charge to reduce aged and discontinued merchandise, as part of the Registrant's inventory improvement program.

## General Merchandise

Total General Merchandise second quarter operating results decreased by \$10 million compared to the second quarter of 1995, mainly attributable to declines in the United States. German operational results for the quarter were comparable with 1995 second quarter operating results, despite a second quarter 1996 \$10 million charge for early retirement costs relating to workforce reduction programs being implemented. Year-to-date operating results show improvement compared to 1995. U.S. general merchandise operations have reduced losses through expense control. Germany and other countries' operating results reflect modest year-to-date loss reductions. General Merchandise operating results for 1995 include a first quarter \$22 million charge to reduce aged and discontinued merchandise.

## SEASONALITY

The Registrant's businesses are highly seasonal in nature. Historically, the greatest proportion of sales and net income is generated in the fourth quarter and the lowest proportion of sales and net income is generated in the first quarter, reflecting seasonal buying patterns.

## LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$13 million for the twenty-six weeks ended July 27, 1996, compared to \$196 million used in the comparable prior-year period. The increase cash provided during 1996 compared to 1995 primarily reflects improved operating results, produced by the Registrant's inventory and cost reduction programs.

Net cash used in investing activities amounted to \$7 million for the twenty-six weeks ended July 27, 1996, compared to \$23 million during the corresponding period in 1995. The reduced utilization of cash in 1996 reflects a reduction in capital expenditures and a reduction in proceeds from the sale of real estate and other assets. Capital expenditures of approximately \$176 million are planned for the full year 1996, an increase of \$28 million over earlier plans. This relates principally to the acceleration of Athletic Group store growth and logistics improvements.

Inventories declined \$313 million to \$1,491 million at July 27, 1996, from the level at July 29, 1995, but increased \$127 million from the level at January 27, 1996. The decrease from the second quarter of 1995 reflects the Registrant's successful inventory improvement program and the reduction of inventories as a result of the divestiture of the Drug Mart and Accessory Lady chains. The increase from January 27, 1996 levels is a normal seasonal increase prior to peak selling periods, and is financed by short-term debt and accounts payable.

Accounts payable of \$419 million decreased by \$56 million compared to the second quarter 1995 and increased \$98 million compared to January 27, 1996. These changes are directly associated with inventory levels.

Short-term debt decreased \$723 million compared to July 29, 1995 levels and increased by \$68 million from the year-end level to \$137 million. The decrease from July 29, 1995 primarily reflects the refinancing of short-term debt through the issuance of \$90 million of long-term debt combined with lower levels necessary to finance inventories. Aggregate debt has declined \$686 million from the prior year. The Registrant was also able to reduce debt levels by selling non-strategic assets and continuing cost reduction programs.

The Registrant has a \$1.0 billion three-year facility available through May 1998.

Interest expense for the second quarter of 1996, decreased \$14 million or 42.4 percent over the comparable 1995 period. Interest expense for the year-to-date period decreased \$26 million, or 40.0 percent. The decrease from the second quarter is attributable to the reduction in total debt levels of \$686 million compared to the prior year period.

Shareholders' equity at July 27, 1996 decreased \$152 million from the level at July 29, 1995. The decrease includes a non-cash pre-tax charge of \$241 million (\$165 million after-tax) for the adoption of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" in the fourth quarter of 1995.

On August 14, 1996, the Registrant announced that its Board of Directors called for the redemption of all of the outstanding shares of the Registrant's \$2.20 Series A Convertible Preferred Stock ("Preferred Stock") on October 23, 1996 at the redemption price of \$45 per shares. Shares of Preferred Stock may be converted into shares of the Registrant's Common Stock at the rate of 5.68 shares of Common Stock for each share of Preferred Stock.

## PART II - OTHER INFORMATION

## Item 1. Legal Proceedings

This information is incorporated by reference to the Legal Proceedings section of the Notes to Condensed Consolidated Financial Statements on pages 7 through 8 of Part I, Item 1.

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

(a) The Registrant's annual meeting of shareholders was held on June 13, 1996, in New York, New York. Proxies were solicited by management of the Registrant pursuant to Regulation 14A under the Securities Exchange Act of 1934; there was no solicitation in opposition to management's nominees as listed in the Notice of 1996 Annual Meeting and Proxy Statement, both dated May 6, 1996.

(b) Each of J. Carter Bacot, Purdy Crawford, Philip H. Geier, Jr. and Dale W. Hilpert was elected as a director in Class II for a three-year term ending at the 1999 annual meeting of shareholders of the Registrant. All of such individuals previously served as directors of the Registrant. Roger N. Farah, Helen Galland, Jarobin Gilbert, Jr., Margaret P. MacKimm, John J. Mackowski, James E. Preston and Christopher A. Sinclair, having previously been elected directors of the Registrant for terms continuing beyond the 1996 annual meeting of shareholders, continue in office as directors. Seymour H. Knox III, whose term of office would have continued beyond the 1996 annual meeting, died on May 22, 1996. John W. Adams retired as a director at the 1996 annual meeting of shareholders, having reached the mandatory retirement age for directors.

(c) The matters voted upon and the results of the voting were as follows:

## (1) Election of Directors:

Name	Votes For	Votes Withheld	Abstentions and Broker Non-Votes
J. Carter Bacot	112,993,247	1,488,421	0
Purdy Crawford	113,015,187	1,466,481	0
Philip H. Geier, Jr.	112,994,002	1,487,666	0
Dale W. Hilpert	112,986,294	1,495,374	0

## (2) Woolworth Corporation Directors' Stock Plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
109,591,653	3,765,064	1,124,951	0

## (3) Amended and Restated Annual Incentive Compensation Plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
108,698,532	4,236,859	1,546,277	0

## (4) Amended and Restated Long-Term Incentive Compensation Plan:

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
108,664,715	4,201,205	1,615,748	0

## (5) Ratification of the appointment of KPMG Peat Marwick LLP as independent accountants for the fiscal year beginning January 28, 1996:

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
113,413,923	545,226	522,519	0

## (6) Shareholder Proposal regarding the spinoff of the Athletic Division:

Votes For	Votes Against	Abstentions	Broker Non-Votes
-----	-----	-----	-----
13,353,247	86,230,256	1,447,810	13,450,355

At the close of business on the record date of May 1, 1996, there were issued and outstanding 133,083,673 shares of the Registrant's Common Stock, par value \$.01 per share ("Common Stock"), and 97,240 shares of the Registrant's \$2.20 Series A Convertible Preferred Stock, par value \$1.00 per share ("Preferred Stock"). There were represented at the meeting, in person or by proxy, 114,421,973 shares of Common Stock and 59,695 shares of Preferred Stock. Such shares represented 85.95 percent of the total number of shares of such classes of stock issued and outstanding on the record date.

## Item 6. Exhibits and Reports on Form 8-K

## (a) Exhibits

An index of the exhibits that are required by this item, and which are furnished in accordance with Item 601 of Regulation S-K, appears on pages 16 through 18. The exhibits which are in this report immediately follow the index.

## (b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended July 27, 1996.

SIGNATURE

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.

WOOLWORTH CORPORATION  
(Registrant)

Date: September 6, 1996

/s/ Andrew P. Hines  
-----  
ANDREW P. HINES  
Senior Vice President  
and Chief Financial Officer

WOOLWORTH CORPORATION  
 INDEX OF EXHIBITS REQUIRED BY ITEM 6(a) OF FORM 10-Q  
 AND FURNISHED IN ACCORDANCE WITH ITEM 601 OF REGULATION S-K

Exhibit No. in Item 601 of Regulation S-K -----	Description -----
1	*
2	*
3(i)(a)	Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated herein by reference to Exhibit 3(a) to the Registration Statement on Form S-4 filed by the Registrant with the Securities and Exchange Commission ("SEC") on May 9, 1989 (Registration No. 33-28469) (the "S-4 Registration Statement").
3(i)(b)	Certificates of Amendment of the Certificate of Incorporation of the Registrant, as filed by the Department of State of the State of New York on (a) July 20, 1989 (incorporated herein by reference to Exhibit 3(b) to the Registration Statement on Form 8-B filed by the Registrant with the SEC on August 7, 1989 (Registration No. 1-10299) (the "8-B Registration Statement")) and (b) July 24, 1990 (incorporated herein by reference to Exhibit 4(a) to the Quarterly Report on Form 10-Q for the quarterly period ended July 28, 1990, filed by the Registrant with the SEC on September 7, 1990 (the "Form 10-Q")).
3(ii)	By-laws of the Registrant, as amended (incorporated herein by reference to Exhibit 3(ii) to the Registrant's Annual Report on Form 10-K for the year ended January 28, 1995, filed by the Registrant with the SEC on April 24, 1995 (the "1994 10-K")).
4(a)	The rights of holders of the Registrant's equity securities are defined in the Registrant's Certificate of Incorporation, as amended (incorporated herein by reference to: (a) Exhibit 3(a) to the S-4 Registration Statement, (b) Exhibit 3(b) to the 8-B Registration Statement and (c) Exhibit 4(a) to the Form 10-Q).
4(b)	Rights Agreement dated as of April 4, 1988, as amended January 11, 1989, between F.W. Woolworth Co. ("FWW") and Morgan Shareholder Services Trust Company (now, First Chicago Trust Company of New York), as Rights Agent (incorporated herein by reference to (a) Exhibit 1 to the Registration Statement on Form 8-A filed by FWW with the SEC on April 12, 1988 (Registration No. 1-238) and (b) the Form 8 Amendment to such Form 8-A filed

by FWB with the SEC on January 13, 1989). The rights and obligations of FWB under said Rights Agreement were assumed by the Registrant pursuant to an Agreement and Plan of Share Exchange dated as of May 4, 1989, by and between FWB and the Registrant (incorporated herein by reference to Exhibit 2 to the S- 4 Registration Statement).

- 4(c) Indenture dated as of October 10, 1991 (incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
- 4(d) Forms of Medium-Term Notes (Fixed Rate and Floating Rate) (incorporated herein by reference to Exhibits 4.4 and 4.5 to the Registration Statement on Form S-3 (Registration No. 33-43334) previously filed with the SEC).
- 4(e) Form of 8-1/2% Debentures due 2022 (incorporated herein by reference to Exhibit 4 to Registrant's Form 8-K dated January 16, 1992).
- 4(f) Purchase Agreement dated June 1, 1995 and Form of 7% Notes due 2000 (incorporated herein by reference to Exhibits 1 and 4, respectively, to Registrant's Form 8-K dated June 7, 1995).
- 4(g) Distribution Agreement dated July 13, 1995 and Forms of Fixed Rate and Floating Rate Notes (incorporated herein by reference to Exhibits 1, 4.1 and 4.2, respectively, to Registrant's Form 8-K dated July 13, 1995).
- 5 \*
- 8 \*
- 9 \*
- 11 Computation of Net Income (Loss) Per Common Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 13 \*
- 15 Letter re: Unaudited Interim Financial Statements.
- 16 \*
- 17 \*
- 18 \*
- 19 \*
- 20 \*
- 21 \*

18		
	22	*
	23	*
	24	*
	25	*
	26	*
	27	Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
	99	Independent Accountants' Review Report.

- - - - -  
\* Not applicable

Exhibits filed with this Form 10-Q:

Exhibit No.

- - - - -

11	Computation of Net Income (Loss) Per Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Letter re: Unaudited Interim Financial Statements.
27	Financial Data Schedule.
99	Independent Accountants' Review Report.

## WOOLWORTH CORPORATION

COMPUTATION OF NET INCOME (LOSS) PER COMMON SHARE  
(Unaudited)  
(in millions, except per share amounts)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 27, 1996	July 29, 1995	July 27, 1996	July 29, 1995
<b>PRIMARY</b>				
Weighted-average number of common shares outstanding and common share equivalents	134.3 =====	132.7 =====	133.7 =====	132.7 =====
Net income (loss) applicable to common shares	\$ 22.4 =====	\$ (11.5) =====	\$ -- =====	\$ (91.3) =====
Primary net income (loss) per share of common stock	\$ 0.17 =====	\$ (0.09) =====	\$ -- =====	\$ (0.69) =====
<b>FULLY DILUTED (1)</b>				
Weighted-average number of common shares outstanding and fully diluted common share equivalents	134.3	132.8	133.9	132.8
Assumed conversion of preferred stock	0.6 -----	0.6 -----	0.6 -----	0.6 -----
Adjusted weighted-average number of common shares and common share equivalents	134.9 =====	133.4 =====	134.5 =====	133.4 =====
Net income (loss) applicable to common shares	\$ 22.4 =====	\$ (11.5) =====	\$ -- =====	\$ (91.2) =====
Fully diluted net income (loss) per share of common stock	\$ 0.17 =====	\$ (0.08) =====	\$ -- =====	\$ (0.68) =====

(1) This calculation is submitted for the 1995 loss in accordance with Regulation S-K, Item 601(b)(11) although it is contrary to paragraph 40 of APB Opinion No. 15 because it produces an anti-dilutive result.

WOOLWORTH CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (dollars in millions)

	26 weeks ended July 27, 1996	Fiscal Years Ended				
		Jan. 27, 1996	Jan. 28, 1995	Jan. 29, 1994	Jan. 30, 1993	Jan. 25, 1992
<b>EARNINGS</b>						
Net income (loss)	\$--	\$(164)	\$ 47	\$(495)	\$ 280	\$ (53)
Income tax expense (benefit)	--	(69)	49	(303)	157	(30)
Gross interest expense, excluding capitalized interest	40	124	110	86	94	99
Portion of rents deemed representative of the interest factor (1/3)	56	224	211	210	199	192
	-----	-----	-----	-----	-----	-----
	\$ 96	\$ 115	\$ 417	\$(502)	\$ 730	\$ 208
	=====	=====	=====	=====	=====	=====
<b>FIXED CHARGES</b>						
Gross interest expense	\$ 40	\$ 124	\$ 111	\$ 86	\$ 94	\$ 99
Portion of rents deemed representative of the interest factor (1/3)	56	224	211	210	199	192
	-----	-----	-----	-----	-----	-----
	\$ 96	\$ 348	\$ 322	\$ 296	\$ 293	\$ 291
	=====	=====	=====	=====	=====	=====
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>	1.0	.3	1.3	--	2.5	.7
	=====	=====	=====	=====	=====	=====

Earnings were not adequate to cover fixed charges by \$233 million, \$798 million and \$83 million for the fiscal years ended January 27, 1996, January 29, 1994 and January 25, 1992, respectively.

## Accountants' Acknowledgment

Woolworth Corporation  
New York, New York

Board of Directors:

Re: Registration Statement Numbers 33-43334 and 33-86300 on Form S-3 and Numbers 2-98142 and 33-10783 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated September 6, 1996 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

New York, New York  
September 6, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED JULY 27, 1996 AND THE CONSOLIDATED BALANCE SHEET AS OF JULY 27, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

3-MOS	JAN-25-1997	JAN-28-1996	JUL-27-1996
			80
		0	
		0	
		0	
		1,491	
	1,805		1,136
		0	
		3,585	
988			0
	0		0
		0	
		1,205	
3,585			1,856
	1,856		1,273
		1,273	
		50	
		0	
		19	
		37	
		15	
	22		
		0	
		0	
			0
		22	
		.17	
		.17	

## Independent Auditors' Review Report

The Board of Directors and Shareholders  
Woolworth Corporation:

We have reviewed the condensed consolidated balance sheets of Woolworth Corporation and subsidiaries as of April 27, 1996 and April 29, 1995, and the related condensed consolidated statements of operations, retained earnings, and cash flows for the thirteen-week periods ended April 27, 1996 and April 29, 1995. These condensed consolidated financial statements are the responsibility of the Woolworth Corporation's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Woolworth Corporation and subsidiaries as of January 27, 1996, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 12, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 27, 1996, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/KPMG Peat Marwick LLP  
New York, New York  
May 14, 1996