

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 April 26, 1997

Commission file no. 1-10299

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

New York

13-3513936

(State or other jurisdiction of incorporation  
or organization)

(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                NO  
      ---                    ---

Number of shares of Common Stock outstanding at June 2, 1997: 134,286,970

## WOOLWORTH CORPORATION

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## PART I - FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## WOOLWORTH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(in millions)

	April 26, 1997 ---- (Unaudited)	April 27, 1996 ---- (Unaudited)	January 25, 1997 ----
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 50	\$ 46	\$ 321
Merchandise inventories	1,386	1,497	1,269
Other current assets	192	232	233
	-----	-----	-----
	1,628	1,775	1,823
PROPERTY AND EQUIPMENT, net	1,017	1,182	1,058
DEFERRED CHARGES AND OTHER ASSETS	684	650	595
	-----	-----	-----
	\$3,329	\$3,607	\$3,476
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term debt	\$ -	\$ 247	\$ -
Accounts payable	401	372	334
Accrued liabilities	369	356	505
Current portion of long-term debt and obligations under capital leases	16	19	17
	-----	-----	-----
	786	994	856
LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES	575	616	580
DEFERRED TAXES AND OTHER LIABILITIES	677	797	706
SHAREHOLDERS' EQUITY			
Preferred stock	-	-	-
Common stock and paid-in capital	302	291	299
Retained earnings	1,051	869	1,050
Foreign currency translation adjustment	(25)	75	22
Minimum pension liability adjustment	(37)	(35)	(37)
	-----	-----	-----
Total shareholders' equity	1,291	1,200	1,334
COMMITMENTS			
	-----	-----	-----
	\$3,329	\$3,607	\$3,476
	=====	=====	=====

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	
	April 26, 1997 ----	April 27, 1996 ----
SALES	\$ 1,768	\$ 1,820
COSTS AND EXPENSES		
Cost of sales	1,253	1,295
Selling, general and administrative expenses	459	492
Depreciation and amortization	45	50
Interest expense	14	20
Other income	(5)	--
	-----	-----
	1,766	1,857
	-----	-----
INCOME/(LOSS) BEFORE INCOME TAXES	2	(37)
Income tax expense (benefit)	1	(15)
	-----	-----
NET INCOME/(LOSS)	\$ 1	\$ (22)
	-----	=====
Net Income/(Loss) Per Common Share	\$ 0.01	\$ (0.17)
Weighted-average Common Shares outstanding	134.1	133.1

See accompanying notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

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

	Thirteen weeks ended	
	April 26, 1997 ----	April 27, 1996 ----
RETAINED EARNINGS AT BEGINNING OF YEAR	\$1,050	\$ 891
Net Income/(Loss)	1	(22)
Cash dividends declared:		
Preferred Stock (1996 - \$0.55 per share)	--	--
	-----	-----
RETAINED EARNINGS AT END OF INTERIM PERIOD	\$1,051 =====	\$ 869 =====

See accompanying notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

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

	Thirteen weeks ended	
	April 26, 1997	April 27, 1996
	----	----
<b>FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ 1	\$ (22)
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and amortization	45	50
Gain on sales of real estate	(4)	--
Change in assets and liabilities, net of acquisitions:		
Merchandise inventories	(102)	(137)
Accounts payable	60	52
Other, net	(107)	(71)
	-----	-----
Net cash used in operating activities	(107)	(128)
	-----	-----
<b>FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of real estate	12	--
Capital expenditures	(25)	(16)
Payments for business acquired, net of cash acquired	(140)	--
Proceeds from sales of assets and investments	--	7
	-----	-----
Net cash used in investing activities	(153)	(9)
	-----	-----
<b>FROM FINANCING ACTIVITIES</b>		
Increase in short-term debt	--	179
Reduction in long-term debt and capital lease obligations	(1)	(8)
Issuance of common stock	3	--
Dividends paid	--	--
	-----	-----
Net cash provided by financing activities	2	171
	-----	-----
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS</b>		
	(13)	(1)
	-----	-----
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(271)	33
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	321	13
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF INTERIM PERIOD</b>	\$ 50	\$ 46
	=====	=====
<b>Cash Paid During the Period:</b>		
Interest	\$ 1	\$ 9
Income Taxes	\$ 33	\$ 4

See accompanying notes to Condensed Consolidated Financial Statements.

## WOOLWORTH CORPORATION

## 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 1996 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 25, 1997, 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 weeks ended April 26, 1997 are not necessarily indicative of the results expected for the year.

## Merchandise Inventories

Domestic merchandise inventories are stated at the lower of cost or market determined using the last-in, first-out method. At April 26, 1997, April 27, 1996, and January 25, 1997 domestic merchandise inventories are stated at \$98 million, \$102 million and \$98 million less than the amounts that would have been determined on the first-in, first-out basis.

## 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. On March 13, 1997, the parties' representatives engaged in a mediation proceeding with a view toward settling the issues in dispute. As a result, the parties have agreed in principle to a settlement of the class action, subject to final documentation and the approval of the court. In the opinion of management, the settlement, if approved by the court, would not have a material adverse effect on the financial position or results of operations of the Registrant.

Five separate state-court derivative actions filed in April 1994 were consolidated under the caption *In re Woolworth Corporation Derivative Litigation* and are now pending 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 filed a notice of appeal from the dismissal to the Appellate Division, First Department. On June 5, 1997, the court affirmed the dismissal of this action. 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. The results of these actions will not have a material adverse effect on the financial position or results of operations of the Registrant.

During 1994, the staff of the SEC initiated an inquiry relating 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. In the opinion of management, the result of the inquiry will not have a material adverse effect on the financial position or results of operations of the Registrant.

The information in this section on Legal Proceedings is current as of June 6, 1997.

#### Recent Accounting Pronouncement

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 128, "Earnings per Share" ("SFAS No. 128"), which is effective for financial statements issued for periods ending after December 15, 1997 and therefore, effective for the Registrant for the fiscal year ending January 31, 1998. SFAS No. 128 simplifies the standards for computing earnings per share previously found in Accounting Principles Board Opinion No. 15 and establishes new standards for computing and presenting earnings per share. Application of SFAS No. 128 is not expected to have a significant impact on the Registrant's earnings per share.

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

Total sales for the 1997 first quarter decreased 2.9 percent to \$1,768 million compared with \$1,820 million for the 1996 first quarter. This decline reflects 550 fewer stores year-over-year and, in part, was attributable to unseasonably cool spring weather. Comparable-store sales decreased 1.4 percent. Excluding the effect of foreign currency fluctuations and sales from disposed operations, sales increased \$54 million, or 3.1 percent. Total Specialty segment sales increased 6.5 percent in the first quarter and comparable-store sales increased 1.5 percent. General Merchandise segment sales decreased 10.3 percent for the first quarter of 1997, compared with the first quarter of 1996. Comparable-store sales in the General Merchandise segment decreased 6.0 percent during the period. Excluding the impact of foreign currency fluctuations, sales decreased by 2.9 percent, as compared with the first quarter of 1996.

First quarter operating profit (before corporate expense, interest expense and income taxes) of \$33 million improved as compared with break-even results in the first quarter of 1996. This improvement stemmed directly from the continuing implementation of the Registrant's strategic plan. Selling, general and administrative expenses declined by \$33 million compared with the first quarter of 1996 which reflected the cost reduction initiatives undertaken.

The Registrant reported net income of \$1 million, or \$0.01 per share, for the first quarter of 1997, compared with a net loss of \$22 million, or \$0.17 per share, in the corresponding year-earlier period.



As of April 26, 1997, the Registrant operated a total of 7,558 stores consisting of 6,556 Specialty stores and 1,002 General Merchandise stores. This compares to 8,108 stores consisting of 7,091 Specialty stores and 1,017 General Merchandise stores operated at April 27, 1996.

The net gain on the divestiture of non-strategic real estate totaled \$4 million in the first quarter of 1997. This primarily related to the sale of a vacant distribution center.

#### SALES

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

(in millions)	Thirteen weeks ended	
	April 26, 1997 ----	April 27, 1996 ----
By segment:		
Specialty:		
Athletic Group	\$ 907	\$ 838
Specialty Footwear	121	122
Northern Group	74	66
Other Specialty	72	76
	-----	-----
Specialty total	1,174	1,102
	-----	-----
General Merchandise:		
Germany	326	370
United States	224	244
Other	42	46
	-----	-----
General Merchandise total	592	660
	-----	-----
Disposed operations	2	58
	-----	-----
	\$1,768	\$1,820
	=====	=====
By geographic area:		
Domestic	\$1,208	\$1,164
International	558	598
Disposed operations	2	58
	-----	-----
	\$1,768	\$1,820
	=====	=====

#### Specialty Segment

Athletic footwear and apparel division sales increased by 8.2 percent as compared with the prior year period. This was primarily due to the opening of 108 stores domestically and sales from Eastbay, Inc. ("Eastbay"), a first quarter acquisition. Comparable-store sales increased by 1.6 percent. Northern Group sales increased by 12.1 percent which was attributable to a combination of store openings in the Northern Reflections U.S. format and the Canadian children's apparel store, Northern Getaway. Comparable-store sales increased by 5.8 percent.

Specialty Footwear sales were level with the prior-year period, however, comparable-store sales increased by 1.8 percent. Sales declines in the Kinney format were offset by increases at Footquarters and the Registrant's

Australian formats. Other Specialty sales, adjusted for dispositions, decreased by 5.3 percent while comparable-store sales declined by 3.3 percent. This decline in Other Specialty sales was mainly due to the closure of 74 under-performing stores related to ongoing formats.

#### General Merchandise

German general merchandise first quarter sales decreased by 11.9 percent. However, excluding the impact of foreign currency fluctuations, sales increased 1.2 percent.

United States general merchandise sales decreased by \$20 million or 8.2 percent. Comparable-store sales declined by 7.9 percent. The decline in sales was primarily attributable to both the discontinuance of certain unprofitable merchandise categories and unseasonably cool weather.

A slight decline in sales was experienced by both the Mexican and Canadian operations. Sales in this group fell by \$4 million, or 8.7 percent, and comparable-store sales declined by 3.4 percent. Excluding the favorable impact of foreign currency fluctuations, sales declined by 7.3 percent. This decline was primarily attributable to store closures and elimination of low-margin merchandise categories.

#### OPERATING RESULTS

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

(in millions)	Thirteen weeks ended	
	April 26, 1997	April 27, 1996
	----	----
By Segment:		
Specialty	\$ 57	\$ 40
General Merchandise	(26)	(21)
Disposed operations	(2)	(19)
Net gain on sales of real estate	4	--
	----	----
	\$ 33	\$ --
	====	====
By geographic area:		
Domestic	\$ 42	\$ 42
International	(11)	(23)
Disposed operations	(2)	(19)
Net gain on sales of real estate	4	--
	----	----
	\$ 33	\$ --
	====	====

#### Specialty Segment

Specialty operating profits improved by \$17 million over the 1996 first quarter. This was primarily due to higher sales and significant gross margin increases achieved by the Athletic Group as well as a positive earnings contribution from Eastbay.

Within the Specialty Footwear group, significant inventory clearances of aged merchandise in the Kinney format contributed an additional \$8 million of losses in the first quarter as compared with the prior year. The Northern

Group, which historically had an operating loss in the first quarter, reduced its operating loss by 8.5 percent through higher margins and expense reductions.

#### General Merchandise

The General Merchandise Segment's operating loss increased by \$5 million as compared with the first quarter of 1996. This decline was primarily attributable to declines in the United States general merchandise group offset by improvements in Germany. Germany has significantly reduced expenses by operating with a more flexible, smaller workforce. The benefits from this new structure helped lower losses from \$7 million to less than \$1 million.

#### 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 used in operating activities was \$107 million for the thirteen weeks ended April 26, 1997, compared with \$128 million in the comparable prior-year period. The decrease in cash utilization during the 1997 first quarter compared with 1996 was primarily due to improved operating results and better inventory management.

Net cash used in investing activities amounted to \$153 million for the thirteen weeks ended April 26, 1997, compared with cash used in investing activities of \$9 million during the corresponding period in 1996. The increase in cash used for investing was due to the January 30, 1997 cash acquisition of Eastbay by the Registrant in a transaction accounted for as a purchase. Under the purchase agreement, stockholders of Eastbay received cash in amounts between \$22 and \$24 for their shares. The total acquisition cost was \$140 million with an additional \$6 million contingently payable. Capital expenditures increased by \$9 million as compared to the prior-year first quarter; approximately \$285 million of capital expenditures are planned for the 1997 fiscal year as compared with \$134 million in 1996.

Inventories decreased \$111 million to \$1,386 million as of April 26, 1997, from \$1,497 million as of April 27, 1996. The decrease from the first quarter of 1996 reflects the Registrant's merchandise improvement efforts as well as the divestiture of the Rx Place Drug Mart and Accessory Lady chains and the sale of Silk & Satin, Lady Plus, Rubin and Moderna chains. The \$117 million increase in inventory levels from January 25, 1997 is a normal seasonal increase, as inventory levels are at their lowest in the fourth quarter.

Accounts payable at April 26, 1997 increased by \$29 million as compared with the first quarter 1996 and increased by \$67 million to \$401 million as compared with the year-end level. The increase from January 25, 1997 coincides with the increase in inventory.

Short-term debt decreased \$247 million as compared with the level at April 27, 1996 due to repayment using cash generated from operations and did not change from the year-end level.

The \$1.5 billion credit agreement which was negotiated in 1995 included a \$1.0 billion three-year facility and an additional \$500 million facility for the first year of the agreement. At the Registrant's election, in February 1997, the \$1.0 billion facility was reduced to \$500 million and the terms were modified. The new five-year agreement will

expire in April 2002.

Interest expense for the thirteen weeks ended April 26, 1997, decreased \$6 million over the comparable 1996 period. This was attributable to the reduction in total debt levels of \$291 million as compared with the prior-year period.

Shareholders' equity at April 26, 1997 increased \$91 million from the level at April 27, 1996. This change was attributable to the Registrant's improved results, offset by foreign currency translation.

## 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 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 14 through 16. The exhibits which are in this report immediately follow the index.

#### (b) Reports on Form 8-K

The Registrant filed a Form 8-K dated April 9, 1997 (date of earliest event reported), which announced that Andrew P. Hines resigned as Senior Vice President and Chief Financial Officer of the Registrant effective April 30, 1997.

## 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: June 6, 1997  
-----

/s/ Bruce L. Hartman  
-----  
BRUCE L. HARTMAN  
Vice President and Controller  
(Principal Accounting 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 "July 28, 1990 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 July 28, 1990 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 FW with the SEC on January 13, 1989). The rights and obligations of FW 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 FW 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).

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Employment Agreement with Dale W. Hilpert dated April 30, 1997.

11

Computation of Net Income (Loss) Per Common Share.

12

Computation of Ratio of Earnings to Fixed Charges.

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Letter re: Unaudited Interim Financial Statements.

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19	*
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23	*
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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.

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10	Employment Agreement with Dale W. Hilpert.
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.

## EMPLOYMENT AGREEMENT

THIS AGREEMENT made April 30, 1997, by and between Woolworth Corporation, a New York corporation having its principal place of business at 233 Broadway, New York, New York 10279 (the "Company"), and Dale W. Hilpert (the "Executive").

## W I T N E S S E T H :

WHEREAS, the Executive is employed by the Company as its President and Chief Operating Officer pursuant to the provisions of an employment agreement dated as of March 23, 1995 (the "1995 Agreement"), the term of which ends on May 14, 1998; and

WHEREAS, the Company desires the Executive to continue as its President and Chief Operating Officer for a period extending beyond May 14, 1998, and the Executive is willing to serve in such capacity beyond such date; and

WHEREAS, the Company and the Executive desire to set forth the terms and conditions of such continued employment; and

WHEREAS, the Executive and the Company desire to terminate the 1995 Agreement as of April 30, 1997, so that, from and after May 1, 1997, the terms and conditions of the employment of the Executive with the Company shall be governed by the provisions of this agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the Company and the Executive agree as follows:

1. Employment. (a) The Company hereby agrees to continue the employment of the Executive as its President and Chief Operating Officer, and the Executive hereby agrees to accept such continued employment with the Company, on the terms and conditions herein contained. The Executive shall continue to serve as President and Chief Operating Officer and as a member of the Board of Directors of the Company (the "Board").

(b) Except for earlier termination as provided pursuant to this Agreement, the Executive's employment under this Agreement shall be for a period commencing on May 1, 1997 (the "Commencement Date"), and ending on April 30, 2000 (the "Employment Period").

2. Duties. (a) The Executive shall serve during the Employment Period as President and Chief Operating Officer of the Company, reporting only to the Chairman of the Board and Chief Executive Officer of the Company (the "CEO"). The Executive agrees that in such offices he shall perform such duties and functions as are commensurate with his status as President and Chief Operating Officer of the Company as may from time to time be determined or directed by the Board or by the CEO. The Executive shall devote substantially all of his working time, attention, skill, and efforts to the performance of his duties hereunder; provided, however, that with the prior approval of the CEO, which he may grant or deny in his sole discretion, the Executive may serve on the boards of

directors of other for profit corporations, if such service does not conflict with his duties hereunder or his fiduciary duty to the Company. It is further understood and agreed that nothing herein shall prevent the Executive from managing his passive personal investments (subject to applicable Company policies on permissible investments), and (subject to applicable Company policies) participating in charitable and civic endeavors, so long as such activities do not interfere in more than a de minimis manner with the Executive's performance of his duties hereunder. The services to be performed by the Executive pursuant to the terms of this Agreement shall be rendered principally at the Company's principal offices; provided, however, that the Executive agrees to travel for reasonable periods of time for business purposes whenever such travel is necessary or appropriate to the performance of his duties hereunder.

(b) Upon request of the CEO, the Executive shall also serve as an officer and director of subsidiaries and affiliates of the Company without additional compensation.

3. Compensation and Benefits. As full compensation for his services hereunder, and subject to all the provisions hereof:

(a) During the Employment Period, the Company shall pay the Executive, in accordance with its normal payroll practices and subject to required withholding, a salary calculated at such rate per annum as may be fixed by the Compensation Committee of the Board from time to time, but in no event at a rate less than \$825,000 per annum ("Base Salary").

(b) During the Employment Period, the Executive shall be eligible to participate in all bonus, incentive and equity plans that are maintained by the Company from time to time for its senior executive employees in accordance with the terms of such plans at the time of participation. Subject to Compensation Committee approval, if required, to the extent not already vested, the stock option granted to the Executive by the Company on May 15, 1995 to purchase 300,000 shares of the Company's Common Stock shall fully vest upon a Change in Control, as defined in Exhibit A hereto.

(c) During the Employment Period, the Executive shall be eligible to participate in all pension, welfare and fringe benefit plans, as well as perquisites, maintained by the Company from time to time for its senior executive employees in accordance with their respective terms as in effect from time to time (other than any special arrangement entered into by contract with an executive). In addition, during the Executive's active employment during the Employment Period, the Company shall provide the Executive with life insurance, with its group term life insurance plan or otherwise, on the life of the Executive for the benefit of his designated beneficiaries in amount equal to three times his annual earnings reported as "wages" for Form W-2 purposes (other than earnings attributable to the exercise of stock options or attributable to other equity-based incentive plans).

(d) During the Employment Period, the Executive shall be reimbursed for his out-of-pocket travel and entertainment expenses in accordance with the Company's normal policy for senior executive officers, including appropriate documentation.

(e) The Executive shall be entitled to four weeks vacation for each fiscal year

during the Employment Period to be taken at such time as mutually convenient to the Executive and the Company. Unused vacation shall be forfeited.

(f) The Company shall provide to Executive a transportation allowance of \$10,000 per year.

4. Termination. The Employment Period shall terminate upon the earliest of the following:

- (a) the Executive's death;
- (b) the Executive's disability in accordance with Section 6;
- (c) the Executive's termination for cause in accordance with Section 7;
- (d) the termination of the Executive by the Company without cause; (e) the termination by the Executive in accordance with Section 8; or
- (f) the termination of the Executive in accordance with Section 10.

5. Death. The death of the Executive shall serve to terminate the Employment Period, in which event the Company shall have no liability or further obligation except as follows:

(a) The Company shall pay the Executive's estate (or, if properly designated under an applicable plan or arrangement, his beneficiary) when otherwise due any unpaid Base Salary for the period prior to such termination of the Employment Period, any declared but unpaid bonuses, any declared but unpaid amounts due under any incentive plan, and any other unpaid amounts due the

Executive under employee benefit, fringe benefit or incentive plans ("Entitlements").

(b) The Executive shall have such rights under any employee benefit, fringe benefit or incentive plan, including any stock option plan, as provided in such plans and any grants thereunder ("Rights").

(c) The Executive's estate or his designated beneficiary shall be entitled to receive those benefits afforded by the Company under its then existing policies to employees who die while employed by the Company.

6. Disability. If the Company reasonably shall determine that the Executive has become physically or mentally incapable of performing his material duties as provided in Section 2 of this Agreement and such incapacity is likely to last for a period of at least one hundred eighty (180) days from the onset of such incapacity, the Company may, at its election at any time after the date of such onset while the Executive remains incapable of performing his duties, terminate the Executive's employment hereunder effective immediately by giving the Executive written notice of such termination. In such event, the Company shall continue the Executive as an employee on payroll (but not as an officer hereunder) at his same Base Salary until he qualifies for the Company's long term disability policy and the Company shall have no other obligation to the Executive or his dependents other than Entitlements, Rights, amounts due under the Company's long term disability plan, and any benefits offered by the Company under its then policy to employees who become disabled while employed by the Company.

7. Cause. (a) If the Company shall determine that there are grounds for terminating the Employment Period and discharging the Executive for "cause" (as hereinafter defined), the Company may, at its election at any time within six months after the Company shall obtain knowledge of the grounds for termination, give the Executive notice of its intention to terminate the Executive for cause and stating the grounds for termination. In the event of any arbitration in accordance with Section 16 hereof with regard to the Company's determination of cause, the determination by the Company shall be reviewed on a de novo basis by the arbitrator(s).

(b) If the grounds for termination are those specified in clause (ii)(X), (iv) or (vi) of paragraph (d) hereof, the Executive shall have a period of ten days from giving of the notice to cure the neglect, refusal, or breach, as the case may be, provided that if similar grounds arise again within one year of such cure, no new notice need be given and the Company, at its option, may immediately terminate the Executive for cause.

(c) If the grounds for termination are those specified in clauses (i), (ii)(Y), (ii)(Z), (iii) or (v) of paragraph (d) hereof, it is understood and agreed that no satisfactory cure is available and such termination shall be effective immediately upon notice by the Company.

(d) For purposes of this Section 7 and Section 9 hereof, the term "cause" shall mean:

(i) the conviction (or plea of guilty or nolo contendere) of the Executive of



any felony, or of any crime involving fraud, dishonesty or misappropriation, or moral turpitude or, if any of the foregoing involves the Company or any subsidiary or affiliate (collectively the "Control Group"), the commission of any of the foregoing (other than good faith disputes involving expense account items);

(ii) the Executive's (X) continued willful neglect of his duties and responsibilities under this Agreement; (Y) grossly negligent conduct in connection with his duties and responsibilities under this Agreement; or (Z) gross negligence in connection with his handling of the assets of the Company or any other member of the Control Group;

(iii) the Executive's willful misconduct with regard to the Control Group;

(iv) the Executive's refusal to follow the written direction of the Board or the CEO with regard to the Executive's responsibilities as set forth herein;

(v) the Executive's willful failure to comply with the covenants in Section 12 hereof; or

(vi) material breach of any of the provision of this Agreement by the Executive.

(e) If the Company shall terminate the Executive's employment pursuant to this Section 7, it shall have no further liability or obligation hereunder except as follows:

(i) The Company shall promptly pay the Executive his then current Base Salary through the effective date of such termination;

(ii) The Executive shall receive the benefits, if any, and have the rights afforded by the Company under its then existing policies to employees whose employment is terminated for cause or under the specific terms of any welfare, pension, fringe benefit or incentive plan.

8. Good Reason. In the event that the Company shall (i) fail to continue the appointment of the Executive as President and Chief Operating Officer of the Company, or (ii) reduce the Executive's annual salary below the Base Salary, or (iii) materially diminish the duties and responsibilities of the Executive as President and Chief Operating Officer, assign to the Executive duties and responsibilities inconsistent with his positions, or materially diminish his authority, or (iv) locate the Executive at other than at the Company's main executive office, or (v) breach any payment provision of this Agreement (to the extent not disputed in good faith) or any other material provision of this Agreement (each of the foregoing hereinafter referred to as a "Triggering Event"), then the Executive may give notice to the Company of his election to terminate the Employment Period pursuant to this Section 8, effective thirty (30) days from the date of such notice, unless the Company shall have cured prior thereto the default giving rise to his notice of election to terminate. Such notice

from the Executive shall state the Triggering Event which provides the grounds for his termination, and such notice must be given, if at all, within 90 days of the date the Executive obtains knowledge of the Triggering Event referred to as providing such grounds for termination. Within the 30 day period specified in the Executive's notice to the Company, the Company shall have the opportunity to cure the default involved in the Triggering Event specified by the Executive. If the Employment Period is terminated pursuant to this Section 8, the Company shall have no liability or further obligation hereunder except as provided in Section 9 hereof. If the Executive does not give notice to the Company of his election to terminate within 90 days following the occurrence of a Triggering Event, then the Executive shall be deemed to have waived his right to terminate the Employment Period based on such Triggering Event, but such waiver shall not prejudice his right to terminate pursuant to this Section 8 based on the occurrence of another Triggering Event occurring subsequent in time, whether of the same or a different type.

9. Termination. In the event of a termination of the Employment Period pursuant to Section 8 hereof, or in the event the Company shall terminate the Employment Period without cause, or if as of April 30, 2000, the Company does not offer to extend this agreement under the same terms and conditions then existing (other than with respect to the one-year extension provision under this Section 9) for an additional one year, then, except as provided in Section 10 hereof, the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive his Entitlements and have his Rights. Thereafter, and during the period until the earliest of (i) the later of April 30, 2000 or one year from the date of termination, (ii) the Executive's death, or (iii) the Executive's violation of the post employment requirements of Section 12 hereof, and subject to paragraph (f) below, following the date of such

termination (hereinafter referred to as the "Severance Period"), the Company shall make payments to the Executive, either bi-weekly or monthly as the Company shall elect, calculated at the annual rate of Base Salary which the Executive was receiving pursuant to Section 3(a) hereof immediately prior to such termination.

(b) During the Severance Period the Executive shall not be an employee and shall not be entitled to receive any fringes, perquisites or benefits from the Company, except the Company shall pay the premiums for his and his dependents' health coverage under COBRA until the earliest of (i) such time as he commences other employment, (ii) such time as he or a dependent, as the case may be, is no longer entitled to COBRA coverage, or (iii) as provided in paragraph (f) below.

(c) The Company shall provide the Executive, at no cost to the Executive, with out-placement at a level commensurate with the Executive's position.

(d) The Executive shall not be required to mitigate the amount of any payment provided for in the second sentence of paragraph (a) or in paragraph (d) by seeking other employment nor shall any amounts to be received by the Executive hereunder be reduced by any other compensation earned.

(e) The Company shall be entitled to withhold from any payments made to the Executive under this Section 9 any amounts required to be withheld by applicable federal, state or local tax law.

(f) Any amounts being paid to or on behalf of the Executive under this Section 9 (other than vested benefits that are required to be paid under the Company's tax-qualified pension plans pursuant to the provisions of the Employee Retirement Income Security Act of 1974, as amended) shall immediately cease if the Executive enters into Competition with the Control Group. For purposes of this Agreement, "Competition" shall mean the:

(i) participating, directly or indirectly, as an individual proprietor, stockholder, officer, employee, director, consultant, joint venturer, investor, lender, or in any capacity whatsoever (within the United States of America, or in any country where the Control Group does business) in activities competitive with any business of the Control Group, provided, however, that such participation shall not include (x) the mere ownership of not more than one percent of the total outstanding stock of a publicly held company; or (y) any activity engaged in with the prior written approval of the Board; or

(ii) intentionally recruiting, soliciting or inducing, any employee or employees of the Control Group to terminate their employment with, or otherwise cease their

relationship with, the Control Group where such employee or employees do in fact so terminate their employment.

If any restriction set forth with regard to Competition is found by any court of competent jurisdiction, or an arbitrator, to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend over the maximum period of time, range of activities, or geographic area as to which it may be enforceable.

10. Change in Control. In the event the Company shall terminate the Executive's employment without cause or the Executive shall terminate his employment for Good Reason (as defined in Section 8 hereof) within one year following a Change in Control, as defined in Exhibit A hereto, the Company shall have no obligation to the Executive except as follows:

(a) The Executive shall receive all amounts and benefits under Section 9 hereof as if he had terminated his employment for Good Reason pursuant to Section 8 hereof.

(b) In addition to any payments to which the Executive may be entitled pursuant to the provisions of paragraph (a) of this section, if the sum of the payments that the Company would anticipate making to the Executive under the provisions of the second sentence of Section 9(a) if such payments continued until the later of April 30, 2000 or one year from the date of termination (the "Section 9(a) Payments"), is less than 78 weeks' of Base Salary plus 150 percent of the Executive's bonus payable under the Annual Incentive Compensation Plan at target in the year of the termination of the Employment Period (the "Change-in-Control Amount"), then the Company shall make a lump

sum cash payment of 50 percent of the difference between the Change-in-Control Amount and the Section 9(a) Payments to Executive within five business days of the date of the termination of the Employment Period and, provided that the Executive has not, during the one year period following the termination of the Employment Period, engaged in Competition with the Control Group, as defined in Section 9(f) hereof, or violated the provisions of Section 12 hereof, the Company shall make an additional lump sum payment equal to 50 percent of the difference between the Change-in-Control Amount and the Section 9(a) Payments on the first anniversary of the termination of the Employment Period.

11. Supplemental Executive Retirement Plan. During the Employment Period, Executive shall participate in the Company's Supplemental Executive Retirement Plan (the "SERP"). If, at the time of a termination of the Employment Period (a) pursuant to Section 8 hereof, (b) without cause, (c) pursuant to Section 10 hereof, or (d) on April 30, 2000 (if the Company and Executive have not entered into an employment agreement extending Executive's employment with the Company beyond such date) (the "Retirement Events"), the Total Retirement Benefit, as hereinafter defined, is less than \$1,300,000, the Company shall, effective as of the date of such termination of the Employment Period, increase the amount of Executive's Account in the SERP by the difference between the Total Retirement Benefit and \$1,300,000. Further, if at any time during the Employment Period the Board freezes or terminates the SERP or terminates the participation of Executive thereunder, (i) Executive shall, as of the day preceding such action, if it is not the case, be deemed to be at least 55 years of age and have at least five "Years of Service" as defined in the SERP and, (ii) the Company shall, if the Total Retirement Benefit to which the Executive would be entitled, as of the day preceding such

action, is less than \$1,300,000, increase the amount of Executive's Account in the SERP by the difference between the Total Retirement Benefit, calculated as of such date, and \$1,300,000. For purposes of this section, Total Retirement Benefit shall be the sum of (a) the lump sum benefit to which Executive is entitled under the provisions of Section 4.03 (C) (2) of the Woolworth Retirement Plan plus (b) the amount of the lump sum Excess Cash Balance Benefit payable under the provisions of the Excess Cash Balance Plan plus (c) the amount of Executive's Account under the SERP, prior to any adjustment provided for herein. In the event a Retirement Event occurs and either (i) such Retirement Event occurs before the Executive reaches age 55 or (ii) such Retirement Event occurs after the Executive has reached age 55 and the Compensation Committee of the Board does not provide the consent required by Section 2(v) of the SERP to permit Executive's "Retirement", as defined therein, to occur before he attains age 65, then the Company shall make a payment to Executive equal to the amount that would have been in Executive's Account in the SERP following the adjustment, if any, provided for in this section, such payment to be made to Executive in the same manner, and subject to the same restrictions, as provided for in the SERP.

12. Confidential Information, Nondisparagement. (a) In consideration of the covenants by the Company contained herein, the Executive undertakes and agrees that during the Employment Period and thereafter he shall hold in a fiduciary capacity for the benefit of the Control Group all secret or confidential information, knowledge, or data relating to the Control Group or its business (which shall be defined as all such information, knowledge, and data coming to the Executive's attention by virtue of his employment at the Company except that which is otherwise public knowledge or known within the Company's industry). During such period, the Executive shall not, without prior written consent of the Company, unless compelled pursuant to the order of a court or other body having



jurisdiction over such matter or unless required by lawful process or subpoena, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The foregoing shall not limit the disclosure by the Executive of such information in the course of the performance of his duties as President and Chief Operating Officer so long as such disclosure is in good faith.

(b) During the Employment Period and thereafter while the Executive is receiving any amounts pursuant to Section 9(a), Section 10, or Section 11 hereof, the Executive shall not make any statements or comments (i) to any form of media or likely to come to the attention of any form of media of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group, the Board or any senior officer of the Control Group, or (ii) to any employee of the Control Group or to any supplier or customer of the Control Group of a negative nature that reasonably could be considered to have an adverse impact on the business or reputation of the Control Group or the Board or any senior officer of the Control Group, provided that in no event shall the foregoing limitation apply to (i) compliance with legal process or subpoena, (ii) statements in response to inquiry from a court or regulatory body, (iii) in rebuttal of media stories with regard to the Executive, (iv) to a possible future employer in connection with employment discussions, or (v) in response to inquiry from the Board or the CEO.

(c) Furthermore, (i) during the Employment Period, (ii) thereafter while the Executive is receiving any amounts pursuant to Section 9(a) hereof, or, (iii) if the employment of Executive hereunder is terminated for cause, prior to April 30, 2000, the Executive shall not enter into Competition with the Control Group, as defined in Section 9(f) hereof.

(d) Notwithstanding any other provision of this Agreement, in the event of a breach or threatened breach by the Executive of any provision of this Section, the Executive and the Company agree that the Company shall be entitled to injunctive and declaratory relief from a court of competent jurisdiction to restrain the Executive from committing such breach of the Agreement. Nothing in this Agreement shall be construed as prohibiting the Company from pursuing any other remedy or remedies including, without limitation, the recovery of damages.

(e) The provisions of this section shall survive the expiration of this Agreement or the termination of the Agreement for any reason.

13. Indemnification. The Company agrees that the Executive shall be entitled to the benefits of the indemnity provisions set forth in the By-laws from time to time in accordance with their terms both during his employment and thereafter with regard to his actions as an officer or director of the Company. In addition, the Company agrees to continue in effect for the benefit of the Executive during the Employment Period directors' and officers' liability insurance of the type and in the amount currently maintained by the Company to the extent such insurance is available at a premium cost which the Company considers reasonable and, thereafter, with regard to his prior activities as an officer or director, such insurance as is maintained for active directors and officers.

14. Assignment. This Employment Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs (in the case of the Executive) and

permitted assigns. This Agreement is personal to the Executive and neither this Agreement or any rights hereunder may be assigned by the Executive. No rights or obligations of the Company under this Employment Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or pursuant to a sale of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Employment Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale as described in the preceding sentence, it shall use its best efforts to cause such assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

15. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, other than injunctive relief pursuant to Section 12(d) hereof, shall be settled by arbitration in the City of New York, in accordance with the rules of the American Arbitration Association (the "AAA") before three arbitrators. The decision of the arbitrator(s) shall be final and binding on the parties hereto and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The costs assessed by the AAA for arbitration shall be borne equally by both parties.

16. Notice. Any notice to either party hereunder shall be in writing, and shall be deemed to be sufficiently given to or served on such party, for all purposes, if the same shall be personally

delivered to such party, or sent to such party by registered mail, postage prepaid, at, in the case of the Company, the address first given above and, in the case of the Executive, his principal residence address as shown in the records of the Company. Notices to the Company shall be addressed to the CEO with a copy similarly sent to the General Counsel. Either party hereto may change the address to which notices are to be sent to such party hereunder by written notice of such new address given to the other party hereto. Notices shall be deemed given when received if delivered personally or three days after mailing if mailed as aforesaid.

17. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to contracts to be performed therein.

18. 1995 Agreement. The 1995 Agreement is hereby terminated, effective as of the close of business on April 30, 1997, without further obligation of either party to the other, and shall thereafter be of no force or effect.

19. Miscellaneous. (a) This Agreement represents the entire understanding of the parties hereto, supersede any prior understandings or agreements between the parties, and the terms and provisions of this Agreement may not be modified or amended except in a writing signed by both parties.

(b) No waiver by either party of any breach by the other party of any condition or provision contained in this Agreement to be fulfilled or performed by such other party

shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Except to the extent otherwise specifically provided herein, any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

20. Beneficiary. The Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable under this Agreement following his death by giving the Company written notice thereof in accordance with applicable Company policies. In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

WOOLWORTH CORPORATION

By \_\_\_\_\_

\_\_\_\_\_

Change in Control of the Company shall mean any of the following: (i) (A) the making of a tender or exchange offer by any person or entity or group of associated persons or entities (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) (a "Person") (other than the Company or its subsidiaries) for shares of Common Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of the Company's then issued and outstanding voting securities; (B) the merger or consolidation of the Company with, or the sale or disposition of all or substantially all of the assets of the Company to, any Person other than (a) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) fifty percent (50%) or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation; or (b) a merger or capitalization effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), of securities representing more than the amounts set forth in (C) below; (C) the acquisition of direct or indirect beneficial ownership (as determined under Rule 13d-3 promulgated under the Securities Exchange Act of 1934), in the aggregate, of securities of the Company representing twenty percent (20%) or more of the total combined voting power of the Company's then issued and outstanding voting securities by any Person acting in concert as of the date of this Agreement; provided, however, that the Board of Directors of the Company (referred to herein as the "Board") may at any time and from time to time and in the sole

discretion of the Board, as the case may be, increase the voting security ownership percentage threshold of this item (C) to an amount not exceeding forty percent (40%); or (D) the approval by the shareholders of the Company of any plan or proposal for the complete liquidation or dissolution of the Company or for the sale of all or substantially all of the assets of the Company; or (ii) during any period of not more than two (2) consecutive years, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into agreement with the Company to effect a transaction described in clause (i)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

Hilpert

## WOOLWORTH CORPORATION

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

	Thirteen weeks ended	
	April 26, 1997	April 27, 1996
FINANCIAL STATEMENT PRESENTATION		
Weighted-average number of common shares outstanding	134.1 =====	133.1 =====
Net income/(loss)	\$ 1	\$ (22)
Less: Preferred dividends	--	--
Net income/(loss) applicable to common shares	\$ 1 =====	\$ (22) =====
Net income/(loss) per share of common stock	\$ 0.01 =====	\$ (0.17) =====
PRIMARY(1)		
Weighted-average number of common shares outstanding and common share equivalents	135.2 =====	133.1 =====
Net income/(loss) applicable to common shares	\$ 1 =====	\$ (22) =====
Primary net income/(loss) per share of common stock	\$ 0.01 =====	\$ (0.17) =====
FULLY DILUTED (1) (2)		
Weighted-average number of common shares outstanding and fully diluted common share equivalents	135.2	133.6
Assumed conversion of preferred stock	--	0.5
Adjusted weighted-average number of common shares and common share equivalents	135.2 =====	134.1 =====
Net income/(loss) applicable to common shares	\$ 1 =====	\$ (22) =====
Fully diluted net income/(loss) per share of common stock	\$ 0.01 =====	\$ (0.16) =====

(1) This calculation is submitted in accordance with Securities Exchange Act of 1934 Release No. 9083 although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

(2) This calculation is submitted for the 1996 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  
 (Unaudited)  
 (dollars in millions)

	Quarter ended Apr. 26, 1997 ----	Fiscal Year ended Jan. 25, 1997 ----	Fiscal Year ended Jan. 27, 1996 ----	Fiscal Year ended Jan. 28, 1995 ----	Fiscal Year ended Jan. 29, 1994 ----	Fiscal Year ended Jan. 30, 1993 ----
<b>NET EARNINGS</b>						
Net income/(loss)	\$ 1	\$ 169	\$ (164)	\$ 47	\$ (495)	\$ 280
Income taxes	1	111	(69)	49	(303)	157
Interest expense, excluding capitalized interest	17	77	124	110	86	94
Portion of rents deemed representative of the interest factor (1/3)	57 ----	230 ---	224 ----	211 ----	210 ---	199 ---
	\$ 76 ===	\$ 587 ===	\$ 115 ===	\$ 417 ===	\$ (502) =====	\$ 730 ===
<b>FIXED CHARGES</b>						
Gross interest expense	\$ 17	\$ 77	\$ 124	\$ 111	\$ 86	\$ 94
Portion of rents deemed representative of the interest factor (1/3)	57 ----	230 ---	224 ----	211 ----	210 ----	199 ----
	\$ 74 ===	\$ 307 ===	\$ 348 =====	\$ 322 =====	\$ 296 =====	\$ 293 =====
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>	1.0 =====	1.9 =====	.3 =====	1.3 =====	- =====	2.5 =====

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

## Accountants' Acknowledgment

Woolworth Corporation  
New York, New York

Board of Directors:

Re: Registration Statements Numbers 33-10783, 33-91888, 33-91886, 33-97832,  
333- 07215 and 333-21131 on Form S-8 and Numbers 33-43334 and 33-86300  
on Form S-3

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 14, 1997 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.

/s/ KPMG Peat Marwick LLP  
New York, New York  
June 6, 1997

## Independent Accountants' 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 26, 1997 and April 27, 1996, and the related condensed consolidated statements of operations, retained earnings, and cash flows for the thirteen weeks ended April 26, 1997 and April 27, 1996. These condensed consolidated financial statements are the responsibility of 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 25, 1997, 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 11, 1997 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 25, 1997, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Our report, referred to above, contains an explanatory paragraph that states that Woolworth Corporation, in 1995, adopted the position of the Financial Accounting Standards Board's Statement of Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

/s/ KPMG Peat Marwick LLP  
New York, New York  
May 14, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED APRIL 26, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF APRIL 26, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000,000

3-MOS	DEC-31-1996	JAN-26-1997	APR-26-1997
			50
		0	
		0	
		0	
		1,386	
	1,628		0
	0		
	3,329		
786			575
0			
		0	
		0	
		1,291	
3,329			
			1,768
	1,768		
			1,253
	1,253		
	40		
	0		
	14		
	2		
		1	
1			
		0	
		0	
			0
			1
	0.01		
	0.01		