SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 31, 1998

COMMISSION FILE NUMBER 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, INCLUDING AREA CODE: (212) 553-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

See pages 21 through 24 for Index of Exhibits.

Number of shares of Common Stock outstanding at April 1, 1998: 135,219,715

Aggregate market value of voting stock held by non-affiliates at April 1, 1998: $3,361,909,334*

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* For purposes of this calculation only (a) all directors plus one executive officer of the Registrant are deemed to be affiliates of the Registrant and (b) shares deemed to be "held" by such persons at April 1, 1998, include only outstanding shares of the Registrant's voting stock with respect to which such persons had, on such date, voting or investment power.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's definitive Proxy Statement to be dated April 28, 1998 (the "Proxy Statement") issued in connection with the annual meeting of shareholders: Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Woolworth Corporation (the "Company"), incorporated under the laws of the State of New York in 1989, has origins dating back to 1879. The Company and its retail divisions operate a multinational retailing business selling a broad range of merchandise through 7,237 stores in North America, Europe, Asia and Australia.

The Company's retailing business is conducted through two major segments: Specialty and International General Merchandise. The Specialty segment includes: the Athletic Group, the Northern Group, Specialty Footwear and Other Specialty. The International General Merchandise segment includes operations in Germany and Canada.

STORE PROFILE

FORMATS	AT JANUARY 25, 1997	OPENED	CLOSED	AT JANUARY 31, 1998
Foot Locker	1,980	93	65	2,008
Lady Foot Locker	626	33	10	649
Kids Foot Locker	186	93	5	274
Champs Sports	602	74	19	657
TOTAL ATHLETIC GROUP	3,394	293	99	3,588
Northern Reflections	541	28	12	557
Northern Getaway	109	31	1	139
Northern Elements	66	18	4	80
Northern Traditions	44	8	1	51
TOTAL NORTHERN GROUP	760	85	18	827
Kinney Shoes	643	6	67	582
Footquarters	97	13	6	104
Williams the Shoeman	162	1	20	143
Mathers	114	2	1	115
Colorado	13	5	--	18
Other	170	--	111	59
TOTAL SPECIALTY FOOTWEAR	1,199	27	205	1,021
Afterthoughts	834	19	62	791
The San Francisco Music Box Company	179	8	6	181
Weekend Edition	192	23	50	165
Randy River	107	--	11	96
Burger King	26	2	8	20
Other	67	5	50	22
TOTAL OTHER SPECIALTY	1,405	57	187	1,275
German general merchandise	374	2	11	365
The Bargain! Shop	172	1	12	161
INTERNATIONAL GENERAL MERCHANDISE	546	3	23	526
Total continuing operations	7,304	465	532	7,237
DOMESTIC GENERAL MERCHANDISE	442	--	442	--
Total	7,746	465	974	7,237

The service marks and trademarks appearing on this page and elsewhere in this report (except for Burger King) are owned by Woolworth Corporation or its subsidiaries.

SPECIALTY SEGMENT

Athletic Group

The Athletic Group, the Company's largest and most profitable business, operates 3,588 stores in North America, Europe, Asia and Australia. In the United States, the Athletic Group operates 3,083 stores which are located primarily in regional malls. Additionally, it operates an apparel imprint/embroidery factory located in the United States. In Europe, there are 252 Foot Locker stores located in the Netherlands, Belgium, England, Germany, France, Italy, Spain, Austria and Luxembourg. In Canada, the group operates 195 Foot Locker and Champs Sports stores which are primarily located in regional malls. The group also operates 55 Foot Locker stores in Australia and 3 in Japan.

The following is a brief description of the Athletic Group's operating businesses:

Foot Locker -- Offering the latest in technical, performance and athletic-inspired products, both branded as well as private-label, Foot Locker is the leading global athletic retailer with 2,008 stores in 12 countries. The stores range in size from 1,500 to 4,000 selling square feet and product categories include running, basketball, tennis, aerobics, fitness, baseball, football, soccer and more.

Lady Foot Locker -- Lady Foot Locker is the premier retailer of athletic footwear, apparel and related products for today's active women. The stores carry all major brands of athletic footwear and apparel for a variety of sports including running, basketball and aerobics. Its 649 stores are located in the United States and Puerto Rico and typically range from 800-1200 selling square feet.

Kids Foot Locker -- The Company's 274 Kids Foot Locker stores are located in major malls in the United States, Hawaii and Puerto Rico. They offer the largest selection of brand name merchandise for infants, boys and girls. The stores offer a fun and easy-to-shop layout pleasing to both parents and children. Average selling square footage for these stores is between 1,000-1,500 square feet.

Champs Sports -- Champs Sports is a mall-based chain selling athletic branded, trend-setting products for the sportsminded consumer. Stores are located throughout North America and plans include expansion in key markets, such as the mid-west, as indicated by last year's acquisition of 27 Koenig Sports Goods stores, a privately held Cleveland-based company. Champs Sports stores range from 3,500-3,700 selling square feet.

Eastbay, Inc. -- Acquired in January 1997, Eastbay, Inc. ("Eastbay") is the largest direct marketer of athletic footwear, apparel, equipment and licensed private-label merchandise. Its distinctive catalogues provide convenience, superior customer service and broad selection of products to its technically oriented customers.

Northern Group

The Northern Group consists of 827 stores in the United States (401 stores) and Canada (426 stores) that offer a unique range of private label casual apparel for women (Northern Reflections), children (Northern Getaway) and men (Northern Elements) in addition to private label coordinates for dressy, non-formal occasions (Northern Traditions). The average selling square footage for each concept is between 1,500-1,700 square feet.

Specialty Footwear

Specialty Footwear includes formats in the United States, Canada, and Australia, the largest of which is the Kinney shoe store chain. This group operates 1,021 retail stores and 3 factories located in the United States which manufacture footwear.

The following is a brief summary of the Specialty Footwear businesses:

Kinney Shoes -- The Kinney family of shoe stores offers trend-setting, moderately priced, branded footwear for the entire family. Kinney operates 582 primarily mall-based stores in the United States. Kinney stores range from 1,200-1,600 selling square feet.

Colorado -- Colorado offers only top quality name brand and private-label merchandise designed for the lifestyle of the active outdoor consumer. Colorado operates 18 primarily mall-based stores and the average selling square footage is 3,000 square feet.

Other Specialty

Other Specialty is comprised of non-footwear specialty chains and operates 1,275 stores in the United States and abroad.

The following is a brief description of the Other Specialty businesses:

Afterthoughts -- Afterthoughts provides today's pre-teen, teenage girl, as well as the young woman, with the latest in fashion jewelry, accessories, cosmetics and gifts. Afterthoughts stores provide customers with value, fun and excitement, especially with its new "backstage to a concert" design. Store sizes range from 800 to 1,500 square feet.

The San Francisco Music Box Company -- The San Francisco Music Box operates 181 year-round retail stores and over 200 kiosks during the Christmas holiday season which sell unique musical giftware in an enchanting shopping environment. Store sizes range from 800-1,200 selling square feet.

Burger King -- The Company operates 20 Burger King locations as a franchisee of the Burger King Corporation.

INTERNATIONAL GENERAL MERCHANDISE SEGMENT

Through Retail Company of Germany, Inc., the Company operates 365 Woolworth general merchandise stores in Germany and Austria. They offer a wide variety of household and personal products. Woolworth Canada Inc. operates 161 general merchandise stores through The Bargain! Shop chain, which operates high volume/low margin sales of manufacturers' excess inventory.

INFORMATION REGARDING BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

For information regarding sales, operating results and identifiable assets of the Company by business segment and by geographic area as required by Item 101(d) of Regulation S-K, refer to footnote 4 to the Consolidated Financial Statements on pages F-12 and F-13. For additional information on format descriptions, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 8 to 17.

EMPLOYEES

The Company and its consolidated subsidiaries had approximately 75,000 full and part-time employees at January 31, 1998. It considers employee relations to be satisfactory.

SEASONALITY

The Company's retail businesses are 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. As a result of these seasonal sale patterns, inventory increases in the third quarter in anticipation of the strong fourth quarter sales.

COMPETITION

The retailing business is highly competitive. Competition is based upon such factors as price, quality, selection of merchandise, reputation, store location, advertising and customer service.

MERCHANDISE PURCHASES

The Company and its consolidated subsidiaries purchase merchandise and supplies from thousands of vendors worldwide. The Company purchased approximately 25 percent of its 1997 merchandise from one major vendor. The Company considers vendor relations to be satisfactory and maintains a minimal amount of backlog orders in its retailing and manufacturing operations.

The Company's policy is to maintain sufficient quantities of inventory on hand in its retail stores and distribution centers so that it can offer customers a full selection of current merchandise. The Company emphasizes turnover and takes markdowns where required to keep merchandise fresh and current with trends.

ITEM 2. PROPERTIES

The properties of the Company and its consolidated subsidiaries consist of land, leased and owned stores, factories and administrative and distribution facilities. Total selling area at the end of the year was approximately 17.11 million square feet, of which approximately 10.48 million square feet pertained to the Specialty segment and approximately 6.63 million square feet to the International General Merchandise segment, the majority of which is leased. These properties are located in the United States, Europe, and elsewhere. The Company operated 9 distribution centers, of which 4 are owned and 5 are leased, occupying an aggregate of 2.85 million square feet. Each of the distribution centers serve major regions. The Company also has an additional 3 distribution centers occupying 0.66 million square feet, the majority of which is leased and sublet. Of the 12 distribution centers, 7 are located in the United States, 2 are located in Europe and 3 are located in other countries. Included among the Company's owned properties is the national historical landmark Woolworth Building in New York City in which its corporate headquarters and the executive offices of the Athletic Group and Specialty Footwear Group are located. Refer to footnote 9 on page F-15 for additional information regarding the Company's and its consolidated subsidiaries' properties.

ITEM 3. LEGAL PROCEEDINGS

In 1994, the Company 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 Company's common stock during different periods between January 1992 and March 1994. These class action complaints purported to present claims under the federal securities and other laws and sought unspecified damages based on alleged misleading disclosures during the class periods. In 1994, 25 of these actions, brought in the United States District Court for the Southern District of New York, were consolidated under the caption In re Woolworth Corporation Securities Class Action Litigation. On October 6, 1997, the court entered a final judgment approving the settlement of the class action that provides for the payment to the class of $20 million and dismissing the class action with prejudice. The amount of the settlement, net of amounts to be paid by insurance carriers under relevant insurance policies, had been reserved by the Company. In the opinion of management, the settlement did not have a material adverse effect on the financial position or results of operations of the Company.

On December 5, 1997, the 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. was dismissed with prejudice pursuant to a Stipulation and Order of Dismissal submitted by the parties and so ordered by the court.

During 1994, the staff of the SEC initiated an inquiry relating to the matters that were reviewed by the Special Committee established by the Board of Directors in 1994 as well as in connection with trading in the Company's securities by certain directors and officers of the Company. 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 Company.

The information in this section on Legal Proceedings is current as of April 17, 1998.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended January 31, 1998.

EXECUTIVE OFFICERS OF THE COMPANY

Information with respect to Executive Officers of the Company, as of April 1, 1998, is set forth below:

Chairman of the Board and Chief Executive Officer...........	Roger N. Farah
President and Chief Operating Officer and Director..........	Dale W. Hilpert
Senior Vice President -- Corporate Development.............	M. Jeffrey Branman
Senior Vice President -- Real Estate........................	John E. DeWolf III
Senior Vice President -- Human Resources....................	John F. Gillespie
Senior Vice President and Chief Financial Officer...........	Reid Johnson
Vice President, General Counsel and Secretary..............	Gary M. Bahler
Vice President and Treasurer................................	John H. Cannon
Vice President and Controller...............................	Bruce L. Hartman

Roger N. Farah, age 45, has served as Chairman of the Board since December 15, 1994 and Chief Executive Officer since December 11, 1994. From July 1994 to October 1994, Mr. Farah served as President and Chief Operating Officer of R. H. Macy & Co., Inc. From June 1991 to July 1994, Mr. Farah served as the Chairman and Chief Executive Officer of Federated Merchandising Services, the central buying and product development arm of Federated Department Stores, Inc.

Dale W. Hilpert, age 55, has served as President and Chief Operating Officer since May 15, 1995. From January 1985 to April 1995, Mr. Hilpert served as Chairman and Chief Executive Officer of Payless ShoeSource, a division of The May Department Stores Company.

M. Jeffrey Branman, age 42, has served as Senior Vice President -- Corporate Development since March 4, 1996. From August 1989 to March 4, 1996, Mr. Branman served as a Managing Director of Financo, Inc.

John E. DeWolf III, age 42, has served as Senior Vice President -- Real Estate since March 11, 1996. From June 1993 to February 1996, Mr. DeWolf was Senior Vice President -- Property Development for The Disney Store, Inc., a division of The Walt Disney Company. Mr. DeWolf served as Vice President -- Real Estate Counsel of The Limited, Inc. from October 1982 to June 1993.

John F. Gillespie, age 50, has served as Senior Vice President -- Human Resources since April 1, 1996. Mr. Gillespie served as Senior Vice President -- Human Resources of Lever Brothers Company, a subsidiary of Unilever, from 1990 to April 1996.

Reid Johnson, age 55, has served as Senior Vice President and Chief Financial Officer since September 8, 1997. From July 27, 1994 to August 6, 1997, Mr. Johnson served as the Executive Vice President and Chief Financial Officer of Musicland Inc., the Minneapolis based entertainment chain of retail stores. Mr. Johnson served as the Vice Chairman and Chief Administrative Officer of the Department store division of Dayton Hudson Department Store Corporation from February 1985 to July 1994.

Gary M. Bahler, age 46, has served as Vice President and General Counsel since February 1, 1993, and as Secretary since February 1, 1990. Mr. Bahler served as Deputy General Counsel from May 1, 1991 until February 1, 1993.

John H. Cannon, age 56, has served as Vice President and Treasurer since October 12, 1983.

Bruce L. Hartman, age 44, has served as Vice President and Controller since November 18, 1996. From March 1993 to October 1996, Mr. Hartman served as the Chief Financial Officer of various divisions of the May Department Stores Company. Mr. Hartman served as controller of Robinson's, a division of The May Department Stores Company, from September 1990 to March 1993.

There are no family relationships among the executive officers or directors of the Company.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

SHAREHOLDER INFORMATION AND MARKET PRICES

Woolworth Corporation common stock is listed on the New York, Toronto, Amsterdam, as well as the Lausanne and Elektronische Borse Schweiz (EBS) stock exchanges in Switzerland. In addition, the stock is traded on the Boston, Cincinnati, Chicago, Philadelphia and Pacific stock exchanges. The New York Stock Exchange ticker symbol for the Company's common stock is "Z."

At January 31, 1998, 38,287 shareholders of record owned 134,976,174 common shares.

Market prices for the Company's common and preferred stock is as follows:

	1997		1996	
	HIGH	LOW	HIGH	LOW
COMMON STOCK				
QUARTER				
1st Q.	24 1/8	18 1/2	19 3/4	10 7/8
2nd Q.	28 3/16	19 3/8	23 1/4	18 1/4
3rd Q.	28 3/4	19 1/4	22 3/8	18 5/8
4th Q.	23 1/4	18 1/4	25 1/4	20 1/4
PREFERRED STOCK				
QUARTER				
1st Q.	--	--	112	61
2nd Q.	--	--	131 3/8	104
3rd Q.	--	--	130 3/8	105 3/8
4th Q.	--	--	--	--

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data below should be read in conjunction with the Consolidated Financial Statements and the notes thereto and other information contained elsewhere in this report. All selected financial data has been restated for the discontinuance of the domestic general merchandise business, except for return on average investment.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	1997	1996	1995	1994	1993
	($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
SUMMARY OF CONTINUING OPERATIONS					
Sales	$6,624	7,017	7,031	6,904	7,820
Gross Margin	$2,056	2,234	2,168	2,179	2,333
Selling, general and administrative expenses	$1,535	1,712	1,801	1,849	2,037
Depreciation and amortization	$ 168	171	216	210	226
Interest expense	$ 44	59	104	90	64
Other income	$ (29)	(28)	(31)	(50)	(48)
Net income (loss) from continuing operations	$ 213	193	(98)	38	(226)
Basic earnings per share	$ 1.58	1.45	(0.73)	0.29	(1.72)
Diluted earnings per share	$ 1.57	1.44	(0.73)	0.29	(1.72)
Common stock dividends declared	$ --	--	--	0.74	1.16
Preferred stock dividends declared	$ --	1.10	2.20	2.20	2.20
Weighted-average common shares outstanding (in millions)	134.6	133.5	132.9	132.3	131.7
Weighted-average common shares assuming dilution (in millions)	135.8	134.3	132.9	132.9	131.7
FINANCIAL CONDITION					
Merchandise inventories	$1,159	1,066	1,185	1,351	1,300
Property and equipment, net	$1,053	983	1,130	1,395	1,395
Total assets	$3,182	3,339	3,339	3,970	4,349
Short-term debt	$ --	--	69	853	533
Long-term debt and obligations under capital leases	$ 557	590	621	308	338
Total shareholders' equity	$1,271	1,334	1,229	1,358	1,349
FINANCIAL RATIOS					
Return on equity (ROE)	16.3%	15.1	(7.5)	2.8	(13.3)
Return on average investment (ROI)	8.3%	6.9	0.8	3.6	(6.7)
Operating profit (loss) as a percentage of sales	6.5%	6.3	0.3	3.4	(3.0)
Net income (loss) from continuing operations as a percentage of sales	3.2%	2.8	(1.4)	0.6	(2.9)
Debt capitalization percent	66.4%	65.6	69.0	70.5	68.4
Debt capitalization percent (without present value of operating leases)	30.5%	30.7	36.0	46.1	39.2
Current ratio	1.9X	2.4	2.4	1.3	1.3
Number of stores at year end	7,237	7,304	7,734	8,170	7,899
Total selling square footage at year end (in millions)	17.11	17.13	17.92	19.0	28.8

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company operates in two retail business segments, Specialty and International General Merchandise. The Specialty segment includes the Athletic Group, the Northern Group, Specialty Footwear and Other Specialty. The International General Merchandise segment includes operations in Germany and Canada. In 1997, the Company discontinued its domestic Woolworth general merchandise business and, accordingly, prior year financial information has been restated. A summary of sales by segment, after reclassification for disposed operations (representing businesses closed other than the discontinued domestic Woolworth general merchandise business) and the restatement to exclude the domestic Woolworth general merchandise business, is as follows:

	1997	1996	1995
	(IN MILLIONS)		
Specialty	$5,140	$4,996	$4,763
International General Merchandise	1,479	1,803	1,928
Disposed operations	5	218	340
	$6,624	$7,017	$7,031

A summary of operating results from continuing operations (excluding corporate expense, corporate gains on real estate, interest expense and income taxes) by segment is as follows:

	1997	1996	1995
	(IN MILLIONS)		
Specialty:			
Operating results before non-recurring items	$ 411	$ 496	$ 318
Charge for adoption of SFAS No. 121	--	--	(121)
Net gain on sales of real estate	4	1	--
Disposed operations	(4)	(49)	(57)
Total operating results	$ 411	$ 448	$ 140
International General Merchandise:			
Operating results before non-recurring items	$ 15	$ (32)	$ (33)
Charge for adoption of SFAS No. 121	--	--	(90)
Net gain on sales of real estate	6	27	6
Disposed operations	--	(2)	--
Total operating results	$ 21	$ (7)	$ (117)
Total Company:			
Operating results before non-recurring items	$ 426	$ 464	$ 285
Charge for adoption of SFAS No. 121	--	--	(211)
Net gain on sales of real estate	10	28	6
Disposed operations	(4)	(51)	(57)
Total operating results	$ 432	$ 441	$ 23

SALES

Total Company sales of $6.6 billion in 1997 decreased 5.6 percent from sales of $7.0 billion in 1996. Excluding the effect of foreign currency fluctuations and disposed operations, total Company sales increased 1.4 percent as compared with 1996. Comparable-store sales decreased by 4.3 percent in 1997. The Specialty segment sales of $5.1 billion (excluding disposed operations) in 1997 increased by 2.9 percent as compared with 1996 while the International General Merchandise segment sales decreased 18.0 percent to $1.5 billion in 1997 as compared with $1.8 billion in the prior year. Excluding the effect of foreign currency fluctuations, International General Merchandise sales decreased by 6.0 percent. Comparable-store sales declined 3.6 percent and 6.3 percent in 1997 for the Specialty and International General Merchandise segments, respectively.

Sales of $7.0 billion in 1996 were unchanged from 1995. Excluding disposed operations and the effect of foreign currency fluctuations, sales increased by 2.8 percent as compared with 1995. Comparable-store sales increased by 1.6 percent in 1996.

The 1997 reporting year includes 53 weeks as compared with the 52-week 1996 reporting year. The impact on sales and operating results of the additional week in 1997 is not significant.

OPERATING RESULTS

Operating profit from continuing operations declined to $432 million in 1997 as compared with $441 million in 1996. Operating profit before non-recurring items decreased to $426 million as compared with $464 million in 1996. These declines primarily resulted from lower sales and a decrease in gross margin due to increased markdowns in the Specialty segment reflecting the Company's strategy to maintain current inventories. This was partially offset by an improvement in selling, general and administrative expenses in both the Specialty and the International General Merchandise segments. The ratio of selling, general and administrative expense to sales in 1997 declined by 1.2 percentage points as compared with 1996 reflecting the continued success of the Company's expense management initiatives. Operating results for 1997 and 1996 include a total reduction of $22 million and $32 million, respectively, in the restructuring reserve established in 1991 and the repositioning reserve established in 1993. These adjustments were made to revise original estimates based on actual experience to date.

The Company reported operating profit of $441 million in 1996 as compared with $23 million in 1995. Operating profit before non-recurring items increased to $464 million in 1996 from $285 million in the prior year. Major factors which contributed to these improvements were increased Athletic Group sales, higher gross margins, and lower selling, general and administrative expenses. The Company's operating profit for 1995 includes a non-cash pre-tax charge of $211 million, on a restated basis, arising from the adoption of Statement of Financial Accounting Standard No. 121 ("SFAS No. 121").

In 1997 and 1996, the Company recognized gains in operating results on sales from non-strategic real estate of $10 million and $28 million, respectively. The 1997 gain related primarily to the sale of real estate in Germany and the sale of a vacant distribution center. These gains have been included in Other Income in the Consolidated Statements of Operations. Also included in Other Income is $12 million in 1997 and $17 million in 1995 of real estate gains on corporate properties. During 1997, the Company sold or disposed of seven businesses: the Gallery chain in Australia, the Moderna chain in Germany, the Kinney Leased departments in Canada, Foot Locker in Mexico and Hong Kong and the Best of Times and Basics stores, domestically. In 1996, five businesses were sold or disposed: the Accessory Lady and Rx Place Drug Mart chains in the United States, the Silk & Satin chain in Canada, the Lady Plus and Rubin chains in Germany as well as its investment in the New Yorker Sud business. The cost related to disposed operations was $4 million in 1997 and $51 million in 1996. In March 1998, the Company sold its Woolworth Nursery business and will record the resultant gain in the first quarter of 1998. Also subsequent to year end, the Company decided to close its Kinney shoe stores in Canada, reflecting a commitment to monitor and close under-performing operations. The gain from the sale of the Woolworth Nursery business is expected to more than offset the cost of closing Kinney Canada, both of which will be recorded in the first quarter of 1998.

The Company ended the year with 7,237 stores consisting of 6,711 specialty stores and 526 international general merchandise stores. During 1997, the Company opened 465 stores, closed 974 stores (including disposed, sold and discontinued operations) and remodeled or relocated 418 stores.

DISCONTINUED OPERATIONS

On July 17, 1997, the Company announced that it was exiting its domestic Woolworth general merchandise business and recorded a charge for the disposal of $310 million before-tax ($195 million after-tax). This charge includes outlays for lease liabilities and other occupancy costs of $108 million, severance and other personnel related costs of $72 million and non-cash charges to cover asset write-downs of $42 million. Also included in the cost for disposal is the charge for liquidation of working capital and other shut down costs. The loss from discontinued operations recorded through July 17, 1997 was $47 million before-tax ($28 million after-tax).

During the fourth quarter, the Company sold its general merchandise business in Mexico. The impact of this sale is not significant and is included in the reserve for discontinued operations.

Prior year financial statements have been restated to present the operating results of these businesses as a discontinued operation.

SEGMENTS

The results by segment are as follows:

SPECIALTY SEGMENT

ATHLETIC GROUP

	1997	1996	1995
	($ IN MILLIONS)		
Sales	$3,720	$3,603	$3,407
Disposed operations	3	12	17
Total Sales	$3,723	$3,615	$3,424
Operating profit before non-recurring items	$ 376	$ 466	$ 312
Charge for adoption of SFAS No. 121	--	--	(28)
Disposed operations	(1)	(5)	(7)
Operating profit	$ 375	$ 461	$ 277
Sales as a percentage of consolidated total	56%	52%	49%
Number of stores at year end	3,588	3,394	3,367
Selling square footage (millions)	6.28	5.49	5.29

The Athletic Group, the Company's largest and most profitable business, includes the Foot Locker businesses: Foot Locker, Lady Foot Locker, Kids Foot Locker, World Foot Locker, as well as Champs Sports, Going to the Game! and Eastbay, which was acquired in January 1997. These stores are in North America, Europe, Asia and Australia. The Athletic Group, which leads the industry in sales of branded athletic footwear and apparel in the U.S., had record worldwide sales of $3.7 billion in 1997, representing an increase of $108 million, or 3.0 percent, as compared with 1996. This increase was primarily attributable to sales from Eastbay (acquired in January 1997) and an increase of 194 stores over the prior year, offset by a comparable-store sales decrease of 5.0 percent. Operating profit before non-recurring items in 1997 was $376 million as compared with $466 million in the prior year. The decline was primarily a result of lower gross margin due to higher markdowns required to keep inventories current. As part of its strategy to continue its growth trend, the Athletic Group is introducing new store designs combining trend setting assortments with exciting and entertaining retail environments. The Company has targeted $154 million in spending to open approximately 275 new stores and remodel approximately 375 existing stores in 1998.

In 1996, the Athletic Group reported sales of $3.6 billion, an increase of 5.6 percent as compared with 1995. Comparable-store sales growth was 5.0 percent in 1996. Operating profit (before non-recurring items) in 1996 was $466 million, representing a 49.4 percent increase over the prior year, attributable to higher gross margins, lower operating expenses and successful inventory management.

NORTHERN GROUP

	1997	1996	1995
	($ IN MILLIONS)		
Sales	$455	$426	$367
Operating profit before non-recurring items	$ 40	$ 42	$ 38
Charge for adoption of SFAS No. 121	--	--	(6)
Operating profit	$ 40	$ 42	$ 32
Sales as a percentage of consolidated total	7%	6%	5%
Number of stores at year end	827	760	692
Selling square footage (millions)	1.34	1.27	1.19

The Northern Group consists of four formats: Northern Reflections, Northern Traditions, Northern Getaway and Northern Elements. These stores sell specialty apparel in Canada and the United States, specializing in a range of casual and career apparel for women, and casual apparel for men and children. Of the 827 Northern Group stores in operation at January 31, 1998, 426 stores are located in Canada and 401 stores are located in the United States. The Northern Group sales of $455 million in 1997 increased 6.8 percent as compared with the prior year. This increase was driven by 85 new store openings and comparable-store sales gains of 1.9 percent. Operating profit before non-recurring items in 1997 was $40 million as compared with $42 million in 1996. This profit decline resulted primarily from increased occupancy and wage costs associated with additional stores.

The Company premiered its "Authentic Northern Experience" which links formats together to create cross-shopping opportunities and operating expense synergies. During 1997, the Northern Group opened 33 locations that incorporate the new design.

Sales for 1996 increased by 16.1 percent over 1995, as a result of the opening of 81 new stores and comparable-store sales gains of 4.0 percent. Operating profit (before non-recurring items) in 1996 was $42 million as compared with $38 million in 1995. This improvement was primarily related to the increase in sales.

SPECIALTY FOOTWEAR

	1997	1996	1995
	($ IN MILLIONS)		
Sales	$ 544	$ 560	$ 566
Disposed operations	2	161	163
Total Sales	$ 546	$ 721	$ 729
Operating loss before non-recurring items	$ (12)	$ (9)	$ (23)
Charge for adoption of SFAS No. 121	--	--	(43)
Net gain on sales of real estate	4	1	--
Disposed operations	(1)	(2)	5
Operating loss	$ (9)	$ (10)	$ (61)
Sales as a percentage of consolidated total	8%	10%	10%
Number of stores at year end	1,021	1,199	1,382
Selling square footage (millions)	1.61	1.97	2.66

Specialty Footwear consists of various footwear store formats in the United States, Canada and Australia, the largest of which is the Kinney shoe store chain operating in the United States and Canada. Sales declined by $175 million in 1997 as compared with 1996. This decline in sales was mainly attributable to the closing in January 1997 of the Kinney leased department stores in Canada and the sale of Moderna in Germany. The operating loss of $9 million in 1997 is comparable with the operating loss of $10 million in 1996.

Sales of $721 million in 1996 represented a slight decline as compared with 1995, mainly due to the closing of 85 under-performing stores and a 1.0 percent decline in comparable-store sales. The 1996 operating loss (before non-recurring items) improved by $14 million as compared with 1995 primarily related to a positive adjustment in 1996 of $11 million arising from a re-evaluation of the repositioning reserve originally established in 1993. The 1993 charge reflected the estimated cost to close under-performing specialty footwear stores in the United States. The adjustment was made for revisions to original estimates based on actual experience relating to lease costs, operating expenses, severance and other personnel and related costs. Operating results for 1995 were also negatively impacted by a $43 million charge for the adoption of SFAS No. 121.

OTHER SPECIALTY

	1997	1996	1995
	($ IN MILLIONS)		
Sales	$ 421	$ 407	$ 423
Disposed operations	--	45	160
Total sales	$ 421	$ 452	$ 583
Operating profit (loss) before non-recurring items	$ 7	$ (3)	$ (9)
Charge for adoption of SFAS No. 121	--	--	(44)
Disposed operations	(2)	(42)	(55)
Operating profit (loss)	$ 5	$ (45)	$ (108)
Sales as a percentage of consolidated total	7%	6%	8%
Number of stores at year end	1,275	1,405	1,736
Selling square footage (millions)	1.25	1.23	1.74

Other Specialty consists of non-footwear specialty chains including Afterthoughts, The San Francisco Music Box Company, Burger King franchised food operations and the Woolworth Nursery business. The Company's Afterthoughts business offers moderately priced costume jewelry and accessories. The San Francisco Music Box Company features music boxes and gifts. Sales of $421 million in 1997 declined 6.9 percent from the prior year as a result of closing 187 stores during 1997. Excluding disposed operations, sales increased 3.4 percent as compared with 1996. Operating results improved due to the closure of under-performing stores and lower operating expenses resulting from the Company's ongoing expense management program.

Sales declined by $131 million in 1996 as compared with 1995. This decline in sales was mainly attributable to the closing of 352 stores, of which 271 stores were primarily related to disposed businesses and 81 stores were under-performing from ongoing businesses. In the United States, the Accessory Lady and Rx Place Drug Mart businesses were disposed and the Company sold its Silk & Satin chain in Canada and its Rubin and Lady Plus chains in Germany. Operating results (before non-recurring items) improved in 1996 due to the closure of under-performing stores, higher margins related to a better mix of current merchandise and lower expense levels as a result of expense management programs.

INTERNATIONAL GENERAL MERCHANDISE SEGMENT

The International General Merchandise segment is comprised of the Woolworth stores in Germany and The Bargain! Shop chain in Canada.

	1997	1996	1995
	($ IN MILLIONS)		
Sales	$1,479	$1,803	$1,928
Operating profit (loss) before non-recurring items	$ 15	$ (32)	$ (33)
Charge for adoption of SFAS No. 121	--	--	(90)
Net gain on sales of real estate	6	27	6
Disposed operations	--	(2)	--
Operating profit (loss)	$ 21	$ (7)	$ (117)
Sales as a percentage of consolidated total	22%	26%	28%
Number of stores at year end	526	546	557
Selling square footage (millions)	6.63	7.17	7.04

International general merchandise sales decreased $324 million, representing a decrease of 18.0 percent as compared with 1996. Excluding the impact of foreign currency fluctuations, sales decreased 6.0 percent as compared with 1996. Comparable-store sales declined 6.3 percent. Persistent high levels of unemployment and economic recession since reunification several years ago continue to negatively impact sales of the German general merchandise business. Sales in Canada declined primarily as a result of closing stores. Operating results have improved $28 million to a profit of $21 million in 1997 as compared with a loss of $7 million in 1996. This improvement is due principally to lower operating costs in the Company's German operations reflecting the success of a reorganization program implemented last year, which included a 1996 charge of $33 million for severance and other personnel related costs. The 1997 operating results include $6 million in gains on sales of non-strategic real estate in Germany as compared with gains of $27 million in the prior year.

In 1996, sales decreased 6.5 percent from 1995. Excluding the impact of foreign currency fluctuations, sales decreased 2.0 percent, while comparable-store sales declined by 3.2 percent. This decline was primarily attributable to high unemployment levels and record low levels of consumer spending in Germany. Operating loss (before non-recurring items) in 1996 was

$32 million, which included a charge of $33 million for severance and other costs associated with transferring associates from full-time to part-time employment in Germany.

COSTS AND EXPENSES

Corporate Expense and Income

Corporate expense totaled $62 million in both 1997 and 1996, and $69 million in 1995. The decrease in 1996 as compared with 1995 is a result of severance and related costs arising from the consolidation of accounting centers, the closing of three distribution centers and other corporate reorganization costs in 1995.

Corporate income totaled $12 million in 1997 and $17 million in 1995 resulting from gains on sales of corporate properties.

Interest Expense

	1997	1996	1995
	($ IN MILLIONS)		
Interest expense	$ 44	$ 59	$ 104
Weighted-average interest rate during the year:			
Short-term debt without facility fees	6.3%	6.0%	6.8%
Long-term debt	8.0%	7.7%	8.1%
Total debt	7.9%	7.4%	8.8%
Short-term debt outstanding during the year:			
High	$207	$302	$1,043
Weighted-average	$ 23	$111	$ 804

In 1997, interest expense was reduced by 25.4 percent primarily as a result of lower weighted average short-term debt and reduced facility fees. Weighted-average short-term debt was reduced by $88 million, or 79.3 percent, as compared with 1996. In early 1997, the Company reduced its revolving credit facility from $1 billion to $500 million available through 2002.

In 1996, interest expense decreased 43.3 percent to $59 million due to lower borrowing levels. In 1996, the Company reduced total debt outstanding by $116 million, with the short-term debt component decreasing by $69 million as compared with 1995 levels. The weighted-average short-term debt decreased by $693 million during 1996 as compared with 1995.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash flow from operations of $218 million in 1997 decreased from $451 million in 1996, resulting primarily from an increase in the Company's investment in working capital, principally inventories. The discontinuance of the domestic general merchandise business did not require a net outlay of cash, as the proceeds from the sales of inventories and operations in Mexico exceeded payments required for occupancy, personnel and other closing costs.

The Company's capital expenditure program, totaling $284 million, concentrated on new store openings and remodeling of existing facilities (totaling approximately $175 million), particularly in the Athletic and Northern Groups. Also included in 1997 capital expenditures is the initial portion of the multi-year cost of the Company's development and installation of comprehensive information systems. These new systems encompass merchandise planning and control, logistics, finance and human resources, as well as a fully integrated "data warehouse." The Company's existing systems are being replaced to address many factors including integrated systems to meet divisional requirements and the development of standard business processes.

Capital spending for technology in 1997 was approximately $61 million and is included as part of cash used in investing activities of the Company.

Cash used in investing activities includes the Company's 1997 acquisition of Eastbay, a leading U.S. catalogue company specializing in the direct marketing of athletic goods for a purchase price of $140 million, and the acquisition of 27 stores from Koenig Sporting Goods, Inc. for $8 million.

Cash used in financing activities reflects payments of short and long-term debt obligations.

Cash flow from operations of $451 million in 1996 decreased from $503 million in 1995, resulting primarily from the decline in merchandise inventories in 1995. The Company's lower cost structure and improved earnings contributed to positive cash flow from operations. Other significant sources and uses of cash included proceeds from sales of real estate and dispositions of specialty businesses, predominantly in Germany.

Cash provided by operating activities for the two-year period including 1997 and 1996 was adequate to fund substantially all investing and financing activities. The Company was able to generate $669 million from operating activities which was $128 million in excess of funding requirements for its investing and financing activities over the period. The cash flow from operations, along with anticipated cash flow from future operations and revolving credit facilities, are expected to support the Company's strategic initiatives to grow its businesses through reinvestment.

Future cash flows from operating activities are expected to be sufficient to cover any short-term and long-term debt and capital lease repayment obligations, as well as planned increases in capital expenditures. Planned capital expenditures for 1998 are approximately $435 million, of which $310 million relates to the opening of new stores and the modernization of existing stores, and $135 million for information systems, infrastructure and logistics.

CAPITAL STRUCTURE

The Company's improved financial condition is expected to provide a solid base for growth opportunities and enhanced financial flexibility. During 1997, the Company was again able to reduce overall borrowings as it repaid $49 million of long-term debt and ended the year with no short-term debt.

During 1997, the Company and its bankers finalized modifications to its domestic revolving credit agreement. At the Company's election, the previous $1 billion facility was reduced to a $500 million facility available through 2002. Management believes current domestic and international credit facilities and cash provided by operations will be adequate to finance its working capital requirements and support the development of the Company's short and long-term strategies. At year end, the entire amount of the credit facility was unused.

The Company has a registration statement filed with the Securities and Exchange Commission which allows for the additional issuance of up to $360 million of debt securities and warrants to purchase debt securities. Depending on market conditions and capital needs, additional long-term financing may be utilized.

For purposes of calculating debt to total capitalization, the Company includes the present value of operating lease commitments. These commitments are the primary financing vehicle used to fund store expansion. The following table sets forth the components of the Company's capitalization, both with and without the present value of operating leases:

	1997	1996
	($ IN MILLIONS)	
Short-term debt	$ --	$ --
Long-term debt and capital lease obligations	557	590
Present value of operating leases	1,952	1,950
Total debt	2,509	2,540
Shareholders' equity	1,271	1,334
Total capitalization	$3,780	$3,874
Debt capitalization percent	66.4%	65.6%
Debt capitalization percent without operating leases	30.5%	30.7%

The debt to capital ratio remained consistent compared with 1996. Total debt (including the present value of operating leases) decreased by $31 million in 1997 and shareholders' equity decreased primarily due to the current year net loss of $10 million and the foreign currency translation adjustment of $56 million. Management's objective is to further reduce its ratio of debt to capitalization.

CREDIT RATINGS

The Company's debt credit ratings are as follows:

	1997	1996
COMMERCIAL PAPER:		
Standards & Poor's	A-3	A-3
Moody's Investors Service	P3	P3
LONG-TERM DEBT:		
Standards & Poor's	BBB-	BBB-
Moody's Investors Service	Baa3	Baa3

STRATEGIC PLAN

During 1997, the financial structure of the Company continued to strengthen with increased income from continuing operations and positive operating cash flow. Its return on investment has increased to 8.3 percent in 1997 from 3.6 percent in 1994. During the year, the Company significantly reduced operating costs and outstanding debt levels and disposed of non-strategic investments.

This financial strength will provide the Company with the ability to meet its strategic goal of increasing its position in the global market for athletic footwear, athletic apparel and sporting goods. As part of its strategy for growth, the Company is in the process of converting approximately 130 of its discontinued U.S. general merchandise locations into Foot Locker, Champs Sports or other formats.

Throughout the coming years the Company expects to continue to focus on growth opportunities and is planning capital investments of approximately $1 billion through the year 2000 for new and remodeled stores, information systems, infrastructure and logistics. The Company will maximize the use of its resources by the divestiture of non-strategic businesses and investment in those portions of the business offering the highest returns.

On April 2, 1998, the Company announced the selection of a new corporate name, Venator Group, Inc. The Company will continue to operate as Woolworth Corporation pending shareholder approval of the new name in June 1998.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and display of comprehensive income and its components in the financial statements, and SFAS No. 131,

"Disclosures about Segments of an Enterprise and Related Information," which
establishes revised standards for reporting and disclosure

requirements for operating segments. The Company will adopt SFAS Nos. 130 and 131 by fiscal year-end 1998. These Statements increase disclosure only and will have no effect on the Company's financial position or results of operations.

In February 1998, the FASB issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits," which is effective for fiscal years beginning after December 15, 1997. This statement revises employer's disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of those plans.

SEASONALITY

The Company's retail businesses are 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.

IMPACT OF YEAR 2000

The year 2000 issue is the result of computer programs being written using two digits, rather than four, to define the applicable year. Accordingly, any of the Company's computer programs that have date sensitive software may cause system failures or miscalculations if data entry of "00" is recognized as the year 1900 rather than 2000. As discussed previously, included in 1997 capital spending is a portion of the Company's cost for the development and installation of comprehensive information systems. The installation of these systems, which is being undertaken for business purposes, eliminates the need to reprogram or replace certain existing software to address the impact of the year 2000 issue. The Company is utilizing both internal and external resources to reprogram, or replace, and test software for year 2000 compliance. Additionally, a review of our suppliers is being made to assure that they are working toward year 2000 compliance. The Company estimates the total direct amount to remediate the year 2000 issue is not expected to be material to the Company's results of operations or financial condition. All costs will be expensed as incurred, unless new software is purchased which will be capitalized.

IMPACT OF THE EUROPEAN MONETARY UNIT

The European Common Market was established in 1987, leading to the European Union of today. To further integrate these countries, the European Union is planning to develop the European Monetary Union in which all participating countries will use a common currency, the "Euro." Euro bank notes and coins are scheduled to be introduced by January 2002. The Company is expecting that the installation and development of the integrated information systems previously discussed will accommodate the impact of the Euro. The Company is in the process of reviewing the effect of supplier and customer compliance.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report, including Management's Discussion and Analysis of Financial Conditions and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures, expansion, strategic plans, expansion and growth of the Company's business and operations and other such matters are forward-looking statements. These forward-looking statements are based on many assumptions and factors including effects of currency fluctuations, consumer preferences and economic conditions worldwide. Any changes in such assumptions or factors could produce significantly different results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivatives

Derivative financial instruments are used by the Company to manage its interest rate and international currency exposures. The Company's policy is not to hold derivative financial instruments for trading or speculative purposes.

Interest Rates

The Company centrally manages its debt and investment portfolios considering opportunities and risks, tax consequences and overall financing strategies. The Company's investment portfolio consists of long-term investments and short-term marketable securities. It is the Company's policy to hold these investments until maturity. The Company's weighted-average interest rate on its debt instruments is 7.6 percent and 7.5 percent in 1997 and 1996, respectively.

The following table presents the fair value of debt instruments by maturity date:

	1997	1996
	(IN MILLIONS)	
1997	--	12
1998	17	53
1999	2	2
2000	206	202
2001	53	51
2002 and Thereafter	281	250
Total	$559	$570

Foreign Exchange

International operations constitutes approximately 15.5 percent of 1997 consolidated operating profit. As currency exchange rates change, translating the income statements of international businesses into U.S. dollars affects year-over-year comparability of operating results. Changes in currency exchange rates that would have the largest impact on translating international operating results are the German Mark and Canadian dollar. Net foreign exchange gains and losses were not material to operating results in the past three years. The Company's international operations purchase significant levels of inventory in U.S. dollars. In order to mitigate this exposure the Company selectively hedges these purchases through forward contracts which mature within one year. At January 31, 1998, the fair value of these contracts was not material to the Company's financial position.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information called for by this item is set forth in the Company's Consolidated Financial Statements and supplementary data contained in this report and is incorporated herein by this reference. Specific financial statements and supplementary data can be found on the pages listed in the following index:

INDEX	PAGE
Management's Report	F-2
Independent Auditors' Report	F-3
Consolidated Statements of Operations	F-4
Consolidated Balance Sheets	F-5
Consolidated Statements of Shareholders' Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements between the Company and its independent accountants on matters of accounting principles or practices.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

(a) Directors of the Company

Information relative to directors of the Company is set forth under the section captioned "Election of Directors" in the Proxy Statement and is incorporated herein by reference.

(b) Executive Officers of the Company

Information with respect to executive officers of the Company is set forth immediately following Item 4 in Part I hereof on pages 5 and 6.

(c) Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information set forth in the Proxy Statement, beginning with the section captioned "Director's Compensation and Benefits; Indemnification Arrangements" through and including the section captioned "Compensation Committee Interlocks and Insider Participation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information set forth in the Proxy Statement, under the section captioned "Beneficial Ownership of the Company's Stock" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information set forth in the Proxy Statement, under the section captioned "Transactions with Management and Others" is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The list of financial statements required by this item is set forth in Item 8 "Consolidated Financial Statements and Supplementary Data" and is incorporated herein by reference.

(a)(2) and(d) Financial Statement Schedules

No financial statement schedules have been presented since the required information is shown in the financial statements or Notes to Consolidated Financial Statements.

Separate financial statements of the parent company have not been presented since all consolidated subsidiaries of the Company are wholly owned and have indebtedness, not guaranteed by the parent company, in the aggregate of less than 5 percent of the Company's consolidated total assets.

Separate financial statements of subsidiaries less than 50 percent owned have not been presented since these subsidiaries, both individually and in the aggregate, do not constitute significant subsidiaries.

(a)(3) and (c) Exhibits

The following exhibits are filed herewith or incorporated by reference as indicated below.

EXHIBIT NO. IN ITEM 601 OF REGULATION S-K	DESCRIPTION
1	*
2	*
3(i)(a)	Certificate of Incorporation of the Company, as filed by the Department of State of the State of New York on April 7, 1989 (incorporated herein by reference to Exhibit 3(i)(a) to the Quarterly Report on Form 10-Q for the quarterly period ended July 26, 1997, filed by the Company with the SEC on September 4, 1997 (the "July 26, 1997 Form 10-Q")).
3(i)(b)	Certificates of Amendment of the Certificate of Incorporation of the Company, as filed by the Department of State of the State of New York on (a) July 20, 1989, (b) July 24, 1990 and (c) July 9, 1997 (incorporated herein by reference to Exhibit 3(i)(b) to the July 26, 1997 Form 10-Q).
3(ii)	By-laws of the Company, as amended (incorporated herein by reference to Exhibit 3(ii) to the July 26, 1997 Form 10-Q).
4.1	The rights of holders of the Company's equity securities are defined in the Company's Certificate of Incorporation, as amended (incorporated herein by reference to: (a) Exhibits 3(i)(a) and 3(i)(b) to the July 26, 1997 Form 10-Q).
4.2	Rights Agreement dated as of March 11, 1998, between Woolworth Corporation and First Chicago Trust Company of New York, as Rights Agent (incorporated herein by reference to Exhibit 4 to the Form 8-K dated March 11, 1998).
4.3	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).
4.4	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).
4.5	Form of 8 1/2% Debentures due 2022 (incorporated herein by reference to Exhibit 4 to the Company's Form 8-K dated January 16, 1992).
4.6	Purchase Agreement dated June 1, 1995 and Form of 7% Notes due 2000 (incorporated herein by reference to Exhibits 1 and 4, respectively, to the Company's Form 8-K dated June 7, 1995).
4.7	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 the Company's Form 8-K dated July 13, 1995).
5	*
8	*
9	*
10.1	1986 Woolworth Stock Option Plan (incorporated herein by reference to Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended January 28, 1995, filed by the Company with the SEC on April 24, 1995 (the "1994 10-K")).
10.2	Amendment to the 1986 Woolworth Stock Option Plan (incorporated herein by reference to Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended January 27, 1996, filed by the Company on April 26, 1996 (the "1995 10-K")).

EXHIBIT NO. IN ITEM 601 OF REGULATION S-K	DESCRIPTION
10.3	Woolworth Corporation 1995 Stock Option and Award Plan (incorporated herein by reference to Exhibit 10(p) to the 1994 10-K).
10.4	1998 Stock Option and Award Plan adopted by the Board of Directors on April 8, 1998, subject to shareholder approval at the 1998 annual meeting of shareholders.
10.5	Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(d) to the Registration Statement on Form 8-B filed by the Company with the SEC on August 7, 1989 (Registration No. 1-10299) (the "8-B Registration Statement")).
10.6	Amendments to the Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(c)(i) to the 1994 10-K).
10.7	Amendment to the Executive Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10(d)(ii) to the 1995 10-K).
10.8	Supplemental Executive Retirement Plan (incorporated herein by reference to Exhibit 10(e) to the 1995 10-K).
10.9	Long-Term Incentive Compensation Plan, as amended and restated (incorporated herein by reference to Exhibit 10(f) to the 1995 10-K).
10.10	Annual Incentive Compensation Plan, as amended and restated (incorporated herein by reference to Exhibit 10(g) to the 1995 10-K).
10.11	Form of indemnification agreement, as amended (incorporated herein by reference to Exhibit 10(g) to the 8-B Registration Statement).
10.12	Woolworth Corporation Voluntary Deferred Compensation Plan (incorporated herein by reference to Exhibit 10(i) to the 1995 10-K).
10.13	Trust agreement dated as of November 12, 1987, between F.W. Woolworth Co. and The Bank of New York, as amended and assumed by the Company (incorporated herein by reference to Exhibit 10(j) to the 8-B Registration Statement).
10.14	Woolworth Corporation Directors' Retirement Plan, as amended (incorporated herein by reference to Exhibit 10(k) to the 8-B Registration Statement).
10.15	Amendments to the Woolworth Corporation Directors' Retirement Plan (incorporated herein by reference to Exhibit 10(c) to the Company's Form 10-Q, for the period ended October 28, 1995, filed with the SEC on December 11, 1995 (the "October 28, 1995 10-Q")).
10.16	Employment agreement with Roger N. Farah dated as of December 11, 1994 (incorporated herein by reference to Exhibit 10(d) to the Company's 1994 10-K).
10.17	Restricted Stock Agreement with Roger N. Farah dated as of January 9, 1995 (incorporated herein by reference to Exhibit 10(m) to the 1994 10-K).
10.18	Employment agreement with Dale W. Hilpert dated as of May 1, 1997 (incorporated herein by reference to Exhibit 10 to the Registrant's Form 10-Q for the period ended April 26, 1997 filed with the SEC on June 6, 1997).
10.19	Consulting Agreement with DBSS Group, Inc. dated July 1, 1996 (incorporated herein by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended January 25, 1997, filed by the Company with the SEC on April 25, 1997 (the "1996 10-K")).
10.20	Agreement with M. Jeffrey Branman dated April 24, 1997 (incorporated herein by reference to Exhibit 10(r) to the 1996 10-K).
10.21	Supplemental agreement with M. Jeffrey Branman dated April 24, 1997 (incorporated herein by reference to Exhibit 10(r)(i) to the 1996 10-K).

EXHIBIT NO. IN ITEM 601 OF REGULATION S-K	DESCRIPTION
10.22	Employment Term Sheet for M. Jeffrey Branman dated February 15, 1996 (incorporated herein by reference to Exhibit 10(r)(ii) to the 1996 10-K).
10.23	Agreement with John E. DeWolf III dated April 7, 1997 (incorporated herein by reference to Exhibit 10(s) to the 1996 10-K).
10.24	Employment Term Sheet for John E. DeWolf III dated February 8, 1996 (incorporated herein by reference to Exhibit 10(s)(i) to the 1996 10-K).
10.25	Agreement with John F. Gillespie dated April 7, 1997 (incorporated herein by reference to Exhibit 10(t) to the 1996 10-K).
10.26	Employment Term Sheet for John F. Gillespie dated February 26, 1996 (incorporated herein by reference to Exhibit 10(t)(i) to the 1996 10-K).
10.27	Woolworth Corporation Executive Severance Pay Plan (incorporated herein by reference to Exhibit 10(u) to the 1995 10-K).
10.28	Agreement with Reid Johnson dated September 8, 1997 (incorporated herein by reference to Exhibit 10 to the Company's Form 10-Q for the period ended October 25, 1997 filed with the SEC on December 8, 1997).
10.29	Employment Terms for Reid Johnson dated July 25, 1997.
10.30	Form of Senior Executive Severance Agreement (incorporated herein by reference to Exhibit 10(v) to the 1995 10-K).
10.31	Woolworth Corporation Directors' Stock Plan (incorporated herein by reference to Exhibit 10(b) to the Company's October 28, 1995 10-Q).
10.32	$500 million Credit Agreement dated as of April 9, 1997 (incorporated herein by reference to Exhibit 10(y) to the 1996 10-K).
10.33	Woolworth Corporation Excess Cash Balance Plan (incorporated herein by reference to Exhibit 10(c) to the 1995 10-K).
10.34	Amendment No. 1 dated as of July 16, 1997 to the Credit Agreement dated April 9, 1997 (incorporated herein by reference to Exhibit 10 to the July 26, 1997 Form 10-Q).
10.35	Amendment No. 2 dated as of April 13, 1998 to the Credit Agreement dated April 9, 1997.
11	*
12	Computation of Ratio of Earnings to Fixed Charges.
13	*
15	*
16	*
17	*
18	*
19	*
20	*
21	Subsidiaries of the Company.
22	*
23	Consent of Independent Auditors.
24	*
25	*

EXHIBIT NO. IN ITEM 601 OF REGULATION S-K	DESCRIPTION
26	*
27.1	Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
27.2	1996 Restated Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
27.3	1995 Restated Financial Data Schedule, which is submitted electronically to the SEC for information only and not filed.
99	*

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* Not applicable

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the quarter ended January 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WOOLWORTH CORPORATION

By: /s/ ROGER N. FARAH
Roger N. Farah
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on April 8, 1998, by the following persons on behalf of the Company and in the capacities indicated.

/s/ ROGER N. FARAH Roger N. Farah Chairman of the Board and Chief Executive Officer	/s/ JAROBIN GILBERT JR. Jarobin Gilbert Jr. Director
/s/ DALE W. HILPERT Dale W. Hilpert President and Chief Operating Officer	/s/ ALLAN Z. LOREN Allan Z. Loren Director
/s/ REID JOHNSON Reid Johnson Senior Vice President and Chief Financial Officer	/s/ MARGARET P. MACKIMM Margaret P. MacKimm Director
/s/ BRUCE L. HARTMAN Bruce L. Hartman Vice President and Controller	/s/ JOHN J. MACKOWSKI John J. Mackowski Director
/s/ J. CARTER BACOT J. Carter Bacot Director	/s/ JAMES E. PRESTON James E. Preston Director
/s/ PURDY CRAWFORD Purdy Crawford Director	/s/ CHRISTOPHER A. SINCLAIR Christopher A. Sinclair Director
/s/ PHILIP H. GEIER JR. Philip H. Geier Jr. Director	

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MANAGEMENT'S REPORT

The integrity and objectivity of the financial statements and other financial information presented in this annual report are the responsibility of management of the Company. The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts based on the best estimates and judgment of management.

The Company maintains accounting systems and related internal policies and procedures designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and are properly recorded, and accounting records may be relied upon for the preparation of financial statements and other financial information. The design, monitoring and revision of internal accounting control procedures involve, among other things, management's judgment with respect to the relative costs and expected benefits related to specific control measures. The Company also maintains an internal audit function for evaluating and formally reporting on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Company's financial statements have been audited by KPMG Peat Marwick LLP, the Company's independent auditors, whose report expresses their opinion with respect to the fairness of the presentation of the statements.

The Audit Committee of the Board of Directors, which is comprised solely of directors who are not officers or employees of the Company, meet regularly with the Company's management, internal auditors, legal counsel and KPMG Peat Marwick LLP to review the activities of each group and to satisfy itself that each is properly discharging its responsibility. In addition, the Audit Committee meets on a periodic basis with KPMG Peat Marwick LLP, without management's presence, to discuss the audit of the financial statements as well as other auditing and financial reporting matters. The Company's internal auditors and independent auditors have direct access to the Audit Committee.

/s/ ROGER N. FARAH

ROGER N. FARAH,
Chairman of the Board and
Chief Executive Officer

/s/ DALE W. HILPERT

DALE W. HILPERT,
President and Chief Operating Officer

/s/ REID JOHNSON

REID JOHNSON,
Senior Vice President and
Chief Financial Officer

April 8, 1998

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of
Woolworth Corporation

We have audited the accompanying consolidated balance sheets of Woolworth Corporation and subsidiaries as of January 31, 1998 and January 25, 1997 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 31, 1998. These consolidated financial statements are the responsibility of Woolworth Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Woolworth Corporation and subsidiaries as of January 31, 1998 and January 25, 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 1998 in conformity with generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, in 1995 Woolworth Corporation adopted Statement of Financial 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, NY
March 11, 1998

CONSOLIDATED STATEMENTS OF OPERATIONS

	1997	1996	1995
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
SALES	$6,624	$7,017	$7,031
COSTS AND EXPENSES			
Cost of sales	4,568	4,783	4,863
Selling, general and administrative expenses	1,535	1,712	1,801
Depreciation and amortization	168	171	216
Interest expense	44	59	104
Other income	(29)	(28)	(31)
Adoption of accounting standard for impairment of long-lived assets	--	--	211
	6,286	6,697	7,164
Income (loss) from continuing operations before income taxes	338	320	(133)
Income tax expense (benefit)	125	127	(35)
INCOME (LOSS) FROM CONTINUING OPERATIONS	213	193	(98)
Loss from discontinued operations, net of income taxes of $19, $16 and $34 respectively	(28)	(24)	(66)
Loss on disposal of discontinued operations, net of income taxes of $115	(195)	--	--
NET INCOME (LOSS)	$ (10)	$ 169	$ (164)
Basic earnings per share:			
Income (loss) from continuing operations	$ 1.58	$ 1.45	$(0.73)
Loss from discontinued operations	(1.66)	(0.19)	(0.50)
Net income (loss)	$(0.08)	$ 1.26	$(1.23)
Diluted earnings per share:			
Income (loss) from continuing operations	$ 1.57	$ 1.44	$(0.73)
Loss from discontinued operations	(1.64)	(0.18)	(0.50)
Net income (loss)	$(0.07)	$ 1.26	$(1.23)

See Accompanying Notes to Consolidated Financial Statements
on pages F-8 to F-27.

CONSOLIDATED BALANCE SHEETS

	1997	1996
	(IN MILLIONS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 116	$ 328
Merchandise inventories	1,159	1,066
Net assets of discontinued operations	7	186
Other current assets	177	202
	1,459	1,782
PROPERTY AND EQUIPMENT, NET	1,053	983
DEFERRED CHARGES AND OTHER ASSETS	670	574
	$3,182	$3,339
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 327	$ 286
Accrued liabilities	335	447
Current portion of reserve for discontinued operations	72	--
Current portion of long-term debt and obligations under capital leases	22	15
	756	748
LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES	535	575
DEFERRED TAXES	48	55
RESERVE FOR DISCONTINUED OPERATIONS	18	--
OTHER LIABILITIES	554	627
SHAREHOLDERS' EQUITY	1,271	1,334
COMMITMENTS		
	$3,182	$3,339

See Accompanying Notes to Consolidated Financial Statements on pages F-8 to F-27.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	1997		1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
	(SHARES IN THOUSANDS, AMOUNTS IN MILLIONS)					
PREFERRED STOCK						
$2.20 Series A Convertible Preferred, par value $1 per share, 7 million shares authorized						
Outstanding at beginning of year........	--	$ --	97	$ --	101	$ --
Converted during year...................	--	--	(97)	--	(4)	--
Outstanding at end of year..............	--	--	--	--	97	--
COMMON STOCK AND PAID-IN CAPITAL						
Par value $.01 per share, 500 million shares authorized						
Issued at beginning of year............	134,047	299	133,051	290	132,505	282
Issued upon conversion of preferred shares...............................	--	--	461	--	21	--
Issued under employee stock plans.......	939	18	535	9	525	7
Issued at end of year..................	134,986	317	134,047	299	133,051	289
Common stock in treasury at beginning of year.................................	--	--	--	--	--	--
Acquired at cost.......................	(10)	--	--	--	--	--
Restricted stock.......................	--	--	--	--	--	--
Common stock in treasury at end of year.................................	(10)	--	--	--	--	--
Amortization of stock issued under restricted stock option plan..........	--	--	--	1	--	1
Redemption of preferred stock...........	--	--	--	(1)	--	--
Common stock outstanding and paid-in capital at end of year...............	134,976	317	134,047	299	133,051	290
RETAINED EARNINGS						
Balance at beginning of year...........		1,050		891		1,055
Net income (loss)......................		(10)		169		(164)
Change in subsidiaries' year end........		(7)		(10)		--
Cash dividends declared:						
Preferred stock......................		--		--		--
Balance at end of year.................		1,033		1,050		891
SHAREHOLDERS' EQUITY BEFORE ADJUSTMENTS..........................		1,350		1,349		1,181
FOREIGN CURRENCY TRANSLATION ADJUSTMENT						
Balance at beginning of year...........		22		83		31
Aggregate translation adjustment, net of deferred tax benefit.................		(56)		(61)		52
Balance at end of year.................		(34)		22		83
MINIMUM PENSION LIABILITY ADJUSTMENT						
Balance at beginning of year...........		(37)		(35)		(10)
Change during year, net of deferred tax benefit.............................		(8)		(2)		(25)
Balance at end of year.................		(45)		(37)		(35)
TOTAL SHAREHOLDERS' EQUITY.............		$1,271		$1,334		$1,229

See Accompanying Notes to Consolidated Financial Statements on pages F-8 to F-27.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	1997	1996	1995
	(IN MILLIONS)		
FROM OPERATING ACTIVITIES			
Net income (loss)	$ (10)	$ 169	$(164)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Non-cash charge for discontinued operations, net of tax	33	--	--
Depreciation and amortization	168	171	216
Gain on sales of real estate	(22)	(35)	(34)
Adoption of accounting standard for impairment of long-lived assets	--	--	211
Change in deferred taxes	32	(62)	(79)
Change in assets and liabilities, net of acquisitions:			
Merchandise inventories	(99)	86	200
Accounts payable and other accruals	(5)	112	2
Net assets of discontinued operations	179	55	106
Repositioning and restructuring reserves	(47)	(63)	(63)
Other, net	(11)	18	108
Net cash provided by operating activities	218	451	503
FROM INVESTING ACTIVITIES			
Proceeds from sales of real estate	41	53	110
Capital expenditures	(284)	(114)	(139)
Cost of acquisitions, net of cash acquired	(148)	--	(10)
Purchase of investments	--	--	(64)
Proceeds from sales of assets and investments	--	26	33
Net cash used in investing activities	(391)	(35)	(70)
FROM FINANCING ACTIVITIES			
Decrease in short-term debt	--	(69)	(784)
Proceeds from issuance of long-term debt	--	--	332
Principal payments of long-term debt	(44)	(19)	(21)
Reduction in capital lease obligations	(3)	(3)	(3)
Issuance of common stock	16	7	7
Purchase of treasury stock	--	--	--
Dividends paid	--	--	(20)
Net cash used in financing activities	(31)	(84)	(489)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	(8)	(18)	6
NET CHANGE IN CASH AND CASH EQUIVALENTS	(212)	314	(50)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328	14	64
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 116	$ 328	$ 14
CASH PAID DURING THE YEAR:			
Interest	$ 41	$ 59	$ 108
Income taxes	$ 55	$ 55	$ 23

See Accompanying Notes to Consolidated Financial Statements on pages F-8 to F-27.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Woolworth Corporation and its domestic and international subsidiaries, all of which are wholly owned. All significant intercompany amounts have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results are not expected to differ significantly from those estimates.

Reporting Year

The reporting period for the Company and its subsidiaries is the 52 or 53-week period ending on the last Saturday in January. The 1997 reporting year represents the 53 weeks ended January 31, 1998. The 1996 and 1995 reporting years represent the 52 weeks ended January 25, 1997 and January 27, 1996, respectively.

Beginning with 1998, the Company plans to change its reporting period to the Saturday closest to the last day in January.

In 1997, the Company changed the reporting period for its Foot Locker Europe operations from a calendar year ending December 31, to the 53-week period ended on the last Saturday in January. The results of operations for the period from January 1 through January 31, 1998 were charged to retained earnings in the current year in order to report only 12 months' operating results.

In 1996, the Company changed the reporting period for its German operations from a calendar year ending December 31, to the 52-week period ended on the last Saturday in January. The results of operations for the period from January 1 through January 25, 1997 were charged to retained earnings for the reporting year ended January 25, 1997 in order to report only 12 months' operating results.

Cash and Cash Equivalents

The Company considers all highly liquid investments with remaining maturities of three months or less when purchased to be cash equivalents.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or market using the retail method. Cost is determined on the last-in, first-out (LIFO) basis for most domestic inventories and the first-in, first-out (FIFO) basis for international inventories.

Property and Equipment

Significant additions and improvements to property and equipment are capitalized. Maintenance and repairs are charged to current operations as incurred. Major renewals or replacements that substantially extend the useful life of an asset are capitalized and depreciated.

Capitalized Software

Certain costs related to software developed for internal use are capitalized and amortized on a straight-line basis over periods not exceeding 8 years.

Depreciation and Amortization

Owned property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets: 25 to 45 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Leased property and equipment under capital leases and improvements to leased premises are amortized on a straight-line basis over the lesser of the life of the asset or the remaining term of the lease.

Goodwill

Excess purchase price over the fair value of assets acquired is amortized on a straight-line basis over periods not exceeding 40 years. Goodwill arising from acquisitions made since 1995 is being amortized over periods not exceeding 20 years. Recoverability of goodwill is evaluated based upon estimated future profitability and cash flows.

Derivative Financial Instruments

Derivative financial instruments are used by the Company to manage its interest rate and international currency exposures. The Company does not hold derivative financial instruments for trading or speculative purposes. For interest rate swap agreements, the interest rate differential to be paid or received under the agreement is recognized over the life of the swap agreement and is included as an adjustment to interest expense. The carrying amount of each interest rate swap is reflected in the Consolidated Balance Sheets as a current receivable or payable as appropriate. For forward foreign exchange contracts, gains and losses designated as hedges of inventory purchases are deferred and included in the cost of inventory. Gains and losses that result from hedges of net investments in international subsidiaries are recognized as part of the foreign currency translation adjustment included in shareholders' equity until such time as the investment is liquidated.

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The carrying value of cash and cash equivalents, other current receivables and short-term debt approximate fair value. Quoted market prices of the same or similar instruments are used to determine fair value of long-term investments, long-term debt, interest rate swaps and forward foreign exchange contracts. Discounted cash flows are used to determine the fair value of long-term receivables and mortgages if quoted market prices on these instruments are unavailable.

Recoverability of Long-Lived Assets

An impairment loss is recognized whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Beginning in 1995, with 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" ("SFAS No. 121"), assets are grouped and evaluated at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company has identified this lowest level to be principally individual stores. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company measures the amount of the impairment by comparing the carrying amount of the asset to its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the rate the Company utilizes to evaluate potential investments. The Company estimates fair value based on the best information available making whatever estimates, judgments and projections are considered necessary.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") encourages, but does not require, companies to record compensation cost for stock-based employee compensation at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). In accordance with APB No. 25, compensation expense is not recorded for options granted if the option price is equal to the quoted market price at the date of grant. Compensation expense is also not recorded for employee purchases of stock under the 1994 Stock Purchase Plan since the plan is non-compensatory as defined in APB No. 25.

Income Taxes

The Company determines its deferred tax provision under the liability method, whereby deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using presently enacted tax rates. Deferred tax assets are recognized for tax credit and net operating loss carryforwards, reduced by a valuation allowance which is established when "it is more likely than not" that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Provision for U.S. income taxes on undistributed earnings of foreign subsidiaries is made only on those amounts in excess of the funds considered to be permanently reinvested.

Store Pre-Opening and Closing Costs

Store pre-opening costs are charged to expense as incurred. In the event a store is closed before its lease has expired, the estimated lease obligation, less sublease rental income, is provided for when a decision to close the store is made.

Foreign Currency Translation

The functional currency of the Company's international operations is the applicable local currency. The translation of the applicable foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted-average rates of exchange prevailing during the year. The unearned gains and losses resulting from such translation are included as a separate component of shareholders' equity.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 requires the presentation of basic earnings per share and diluted earnings per share. Basic earnings per share is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock awards and other convertible securities.

A reconciliation of weighted-average common shares outstanding to weighted-average common shares outstanding assuming dilution follows:

	1997	1996	1995
	(IN MILLIONS)		
Average common shares outstanding................	134.6	133.5	132.9
Incremental common shares issuable...............	1.2	.8	--
Average common shares outstanding assuming dilution......................................	135.8	134.3	132.9

Options with an exercise price greater than the average market price were not included in the computation of diluted earnings per share and would not have a material impact on diluted earnings per share.

Reclassifications

Certain balances in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year.

As discussed in note 5 to the consolidated financial statements, all financial statements and related footnotes have been restated to reflect the discontinuance of the domestic Woolworth general merchandise business.

2 ACQUISITIONS

On January 30, 1997, the Company acquired Eastbay, Inc. ("Eastbay") in a transaction accounted for as a purchase. Under the purchase agreement, stockholders of Eastbay received cash in amounts between $22 and $24 for each of their shares. The cash acquisition cost was $140 million with an additional $6 million contingently payable for attaining certain performance goals. The Company's consolidated results of operations include those of Eastbay beginning with the date the acquisition was consummated. The excess of cost over net assets acquired of approximately $107 million is amortized using the straight-line method over 20 years.

On August 18, 1997, the Company acquired 27 Koenig Sporting Goods stores from Koenig Sporting Goods, Inc. for approximately $8 million in cash and is converting these stores into the Champs Sports format. This transaction was accounted for as a purchase.

On February 26, 1998, the Company acquired 94 Athletic Fitters stores from Athletic Fitters, Inc., ("Athletic Fitters") a Minneapolis-based company, for a cash price of approximately $29 million. The stores purchased will be converted to such Athletic formats as Foot Locker, Lady Foot Locker and Kids Foot Locker. This acquisition was accounted for as a purchase and the excess of cost over net assets acquired of approximately $12 million will be amortized using the straight-line method over 20 years.

3 IMPAIRMENT OF LONG-LIVED ASSETS

In 1995, the Company adopted SFAS No. 121 and recorded a non-cash pre-tax charge of $241 million ($165 million after-tax) of which $211 million related to continuing operations. Of the total impairment loss recognized upon adoption, $209 million represented impairment of long-lived assets such as properties, store fixtures and leasehold improvements, $24 million related to goodwill and $8 million pertained to other intangibles. For continuing operations, pre-tax impairment of $3 million and $6 million for 1997 and 1996, respectively, is included in selling, general and administrative expenses.

4 SEGMENT INFORMATION

The Company's stores are categorized into two segments: Specialty and International General Merchandise. The Specialty segment includes: the Athletic Group, the Northern Group, Specialty Footwear and Other Specialty. The International General Merchandise segment includes operations in Germany and Canada. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further commentary.

SALES

	1997	1996	1995
	(IN MILLIONS)		
SPECIALTY:			
Athletic Group	$3,723	$3,615	$3,424
Northern Group	455	426	367
Specialty Footwear	546	721	729
Other Specialty	421	452	583
	5,145	5,214	5,103
INTERNATIONAL GENERAL MERCHANDISE	1,479	1,803	1,928
	$6,624	$7,017	$7,031

OPERATING RESULTS

	1997	1996	1995
	(IN MILLIONS)		
SPECIALTY:			
Athletic Group	$375	$461	$ 277
Northern Group	40	42	32
Specialty Footwear	(9)	(10)	(61)
Other Specialty	5	(45)	(108)
	411	448	140
INTERNATIONAL GENERAL MERCHANDISE	21	(7)	(117)
Operating results	432	441	23
Corporate expense and income	50	62	52
Interest expense	44	59	104
Income (loss) before income taxes	$338	$320	$(133)

	DEPRECIATION AND AMORTIZATION			CAPITAL EXPENDITURES			TOTAL ASSETS		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
	(IN MILLIONS)								
SPECIALTY:									
Athletic Group.......	$ 81	$ 76	$ 85	$135	$ 53	$ 40	$1,308	$1,075	$1,044
Northern Group.......	10	11	11	23	10	13	215	224	169
Specialty Footwear...	11	13	21	22	16	9	227	271	284
Other Specialty......	11	15	27	14	5	8	142	157	239
	113	115	144	194	84	70	1,892	1,727	1,736
INTERNATIONAL GENERAL MERCHANDISE..........	37	44	59	16	13	61	868	1,095	1,175
Corporate............	18	12	13	74	17	8	415	331	196
Discontinued operations, net...							7	186	232
Total Company....	$168	$171	$216	$284	$114	$139	$3,182	$3,339	$3,339

	SALES			OPERATING RESULTS			TOTAL ASSETS		
	1997	1996	1995	1997	1996	1995	1997	1996	1995
	(IN MILLIONS)								
United States........	$4,194	$4,050	$3,970	$365	$404	$ 172	$1,954	$1,758	$1,700
Europe...............	1,574	1,942	2,021	44	16	(100)	912	1,175	1,196
Canada...............	643	798	814	18	28	(33)	247	307	342
Pacific Rim..........	210	221	217	5	(6)	(12)	69	80	82
Mexico...............	3	6	9	--	(1)	(4)	--	19	19
	$6,624	$7,017	$7,031	$432	$441	$ 23	$3,182	$3,339	$3,339

5 RESERVE FOR DISCONTINUED OPERATIONS

On July 17, 1997, the Company announced the closing of its 400 store domestic Woolworth general merchandise business. The Company expects to convert approximately 130 of the prime locations to Foot Locker, Champs Sports and other athletic or specialty formats. The Company has converted 28 of the stores to Athletic Group formats through year-end. The remaining domestic Woolworth general merchandise stores as well as its distribution center in Denver, Pennsylvania were closed in November 1997.

In July 1997, the Company recorded a charge of $310 million before-tax or $195 million after-tax, for the loss on the disposal of discontinued operations. Disposition activity related to the discontinued operations reserve for the period ended January 31, 1998 was a reduction of approximately $220 million and related primarily to the payments for leasehold and real estate disposition expenses, severance and related benefit costs and other related expenses. The remaining reserve balance at January 31, 1998 was $90 million, which consists principally of leasehold improvements and real estate disposition costs.

The results of operations for all periods presented have been classified as discontinued operations in the Consolidated Statements of Operations. Sales from discontinued operations for the period ended July 17, 1997 (date of close) were $427 million. Sales for the 52-week period ended January 25, 1997 were $1,075 million.

The following is a summary of the net assets of discontinued operations:

	1997	1996
	(IN MILLIONS)	
Assets	$28	$323
Liabilities	21	137
Net assets of discontinued operations	$ 7	$186

The assets consist primarily of inventory and fixed assets, and liabilities consist primarily of amounts due to vendors. During the period from July 17, 1997 through January 31, 1998, proceeds from disposal related to discontinued operations were $261 million which were primarily from the sale of merchandise inventories.

On December 8, 1997, the Company announced the sale of its general merchandise business in Mexico. The impact of this sale is not significant and is included in the reserve for discontinued operations.

6 REPOSITIONING AND RESTRUCTURING RESERVES

The Company recorded charges of $558 million in 1993 and $390 million in 1991 to reflect the anticipated costs to sell or close under-performing specialty and general merchandise stores in the United States and Canada. The 1993 charge included estimated cash outlays for lease liabilities and other occupancy and facilities-related costs of $245 million, operating expenses during the shutdown period of $88 million, and severance and other personnel and related costs of $28 million. Non-cash charges cover asset and inventory write-downs of $197 million. The 1991 charge included estimated cash outlays for lease liabilities and other occupancy and facilities-related costs of $123 million, operating expenses during the shutdown period of $106 million, and severance and other personnel and related costs of $47 million. Non-cash charges cover asset and inventory write-downs of $114 million.

Under the 1993 repositioning program, approximately 970 stores were identified for closing or conversion to other formats. Approximately 13,000 store and distribution center employees were terminated under this program. Under the 1991 restructuring program, approximately 900 stores were closed or converted to other formats. Approximately 7,700 store employees were terminated and 2,300 employees were transferred to other stores.

Included in 1997 and 1996 operating results are adjustments of $22 million and $32 million, respectively, which were made to revise the original estimates based on actual experience to date. These adjustments were made for revisions to original estimates based on actual experience relating to lease costs, operating expenses, severance and other personnel and related costs.

The activity in the reserves was as follows:

	1997	1996
	(IN MILLIONS)	
Balance at beginning of year	$ 84	$147
Interest on net present value of lease obligations	5	6
Cash payments	(30)	(37)
Adjustment for revision of estimates	(22)	(32)
Balance at end of year	$ 37	$ 84

Components of the balance are as follows:

	1997	1996
	(IN MILLIONS)	
Real estate and related occupancy costs	$32	$61
Facilities-related costs	5	19
Personnel and related costs	--	4
	$37	$84

To date, the Company has substantially completed its negotiations to cancel leases or sell the properties in the reserve. The remaining balance will be required to satisfy the lease cancellations or property sales over the next few years.

7 MERCHANDISE INVENTORIES

	1997	1996
	(IN MILLIONS)	
LIFO inventories	$ 678	$ 578
FIFO inventories	481	488
Total merchandise inventories	$1,159	$1,066
Excess of current cost (FIFO) over stated LIFO cost	$ 4	$ 2

8 OTHER CURRENT ASSETS

	1997	1996
	(IN MILLIONS)	
Net receivables	$108	$115
Operating supplies and prepaid expenses	33	41
Deferred taxes	32	42
Other	4	4
	$177	$202

9 PROPERTY AND EQUIPMENT, NET

	1997	1996
	(IN MILLIONS)	
LAND	$ 93	$ 101
BUILDINGS:		
Owned	624	734
Leased	18	20
FURNITURE, FIXTURES AND EQUIPMENT:		
Owned	1,126	1,025
Leased	25	8
	1,886	1,888
Less accumulated depreciation	(1,065)	(1,084)
	821	804
ALTERATIONS TO LEASED AND OWNED BUILDINGS, NET OF ACCUMULATED AMORTIZATION	232	179
	$ 1,053	$ 983

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10 DEFERRED CHARGES AND OTHER ASSETS

	1997	1996
	(IN MILLIONS)	
Deferred taxes	$337	$301
Goodwill (net of accumulated amortization)	185	86
Lease acquisition costs	49	60
Pension intangible	10	16
Other	89	111
	$670	$574

11 ACCRUED LIABILITIES

	1997	1996
	(IN MILLIONS)	
Payroll and related costs	$ 97	$153
Pension benefits	31	20
Taxes other than income taxes	34	57
Store closings and real estate-related costs	31	46
Income taxes payable	--	31
Repositioning and restructuring	19	25
Deferred taxes	13	9
Other operating costs	110	106
	$335	$447

12 SHORT-TERM DEBT

At January 31, 1998 and January 25, 1997, the Company had no outstanding short-term debt. At January 31, 1998, unused lines of credit under which the Company may borrow funds totaled $542 million, of which domestic credit lines totaled $500 million and international lines totaled $42 million. The $500 million domestic credit lines consisted of a revolving credit agreement with 13 lending institutions for general corporate purposes. The $42 million international credit lines consisted of overdraft facilities maintained for temporary needs. The Company has additional informal agreements with certain banks in the United States.

At the Company's election in 1997, its existing $1 billion credit facility was reduced to $500 million and the terms modified. Restrictive covenants under the new agreement include tangible net worth levels, leverage ratios and fixed-charge coverage ratios. Up-front fees paid under the modified agreement will be amortized over the life of the facility on a pro-rata basis. In addition the Company pays an annual facility fee based on the Company's current credit rating of 0.15 percent. The $500 million facility expires in 2002.

13 LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES

Following is a summary of long-term debt and obligations under capital leases:

	1997	1996
	(IN MILLIONS)	
8.5% debentures payable 2022	$200	$200
7.0% debentures payable 2000	200	200
6.98% to 7.43% medium-term notes payable through 2002	105	115
3.75% to 10.5% mortgage obligations on real estate payable through 2013	20	22
Other	1	38
Total long-term debt	526	575
Obligations under capital leases	31	15
	557	590
Less: current portion	22	15
	$535	$575

Maturities of long-term debt and minimum rent payments under capital leases in future periods are:

	LONG-TERM DEBT	CAPITAL LEASES	TOTAL
	(IN MILLIONS)		
1998	$ 17	$ 6	$ 23
1999	2	6	8
2000	202	4	206
2001	52	2	54
2002	42	2	44
Thereafter	211	18	229
	526	38	564
Less: Imputed interest	--	7	7
Executory expenses	--	--	--
Current portion	17	5	22
	$509	$26	$535

14 LEASES

The Company is obligated under capital and operating leases for a major portion of its store properties. Some of the store leases contain purchase or renewal options with varying terms and conditions. Management expects that in the normal course of business, expiring leases will generally be renewed or, upon making a decision to relocate, replaced by leases on other premises. Operating lease periods generally range from 5 to 10 years with options to renew, with terms ranging from 5 to 10 years. Certain leases provide for additional rent payments based on a percentage of store sales.

Rent expense consists of the following:

	1997	1996	1995
	(IN MILLIONS)		
Minimum rent	$613	$634	$620
Contingent rent based on sales:			
Operating leases	21	26	27
Capital leases	--	--	--
Sublease income	(23)	(20)	(20)
Total rent expense	$611	$640	$627

Future minimum lease payments under non-cancelable operating leases are:

	(IN MILLIONS)
1998	$ 477
1999	435
2000	372
2001	313
2002	258
Thereafter	703
Total operating lease commitments	$2,558
Present value of operating lease commitments	$1,952

15 OTHER LIABILITIES

	1997	1996
	(IN MILLIONS)	
Pension benefits	$254	$259
Other postretirement benefits	205	209
Repositioning and restructuring	18	59
Other	77	100
	$554	$627

16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Foreign Exchange Risk Management

The Company enters into forward foreign exchange and option contracts to reduce the effect of fluctuations in currency exchange rates. Exposures arising from short-term intercompany transactions, inventory purchases and hedges of the Company's net investment in international subsidiaries are managed through the use of forward and option contracts. Determination of hedge activity is based upon market conditions, magnitude of inventory commitments and perceived risks. All contracts mature within one year.

The following table presents gross forward foreign exchange commitments, by currency and type:

	1997 BUY	1997 SELL	1996 BUY	1996 SELL
	($U.S. IN MILLIONS)			
INVENTORY PURCHASES:				
U.S. dollar	$150	$ --	$ 72	$ --
Other currencies	$ --	$ 11	$ 4	$ --
INTERCOMPANY:				
Canadian dollar	$ 37	$ --	$ 19	$ --
German mark	$ 32	$ --	$ --	$ --
Other currencies	$ 2	$ --	$ 2	$ 15

Fair Value of Financial Instruments

The estimated fair values of certain financial instruments are as follows:

	1997 CARRYING AMOUNT	1997 FAIR VALUE	1996 CARRYING AMOUNT	1996 FAIR VALUE
	(IN MILLIONS)			
Long-term investments	$ 49	$ 22	$ 58	$ 24
Long-term debt	$526	$559	$575	$570

The carrying value approximates fair value for all other financial instruments.

Interest Rate Risk Management

The Company has used interest rate swaps to manage its exposure to fluctuations in interest rates. In October 1992, the Company entered into a $200 million, five-year swap agreement that matured in October 1997. The swap agreement effectively converted the interest rate on the Company's 8.5 percent debentures to a floating rate equal to the six-month LIBOR plus 3.05 percent. The effective interest rate on the debentures was 8.87 percent in 1997, 8.81 percent in 1996 and 9.44 percent in 1995.

Credit Risk

Credit risk of interest rate swaps and forward foreign exchange contracts is considered minimal, as management closely monitors the financial condition of the counter-parties to the contracts, which are financial institutions with credit ratings of A- or higher.

Business Risk

The retailing business is highly competitive. Price, quality and selection of merchandise, reputation, store location, advertising and customer service are important competitive factors in the Company's business. The Company purchased merchandise and supplies from thousands of vendors worldwide. The Company purchased approximately 25 percent of its 1997 merchandise from one major vendor. The Company considers vendor relations to be satisfactory.

17 INCOME TAXES

Following are the domestic and international components of pre-tax income (loss):

	1997	1996	1995
	(IN MILLIONS)		
Domestic	$274	$303	$ 53
International	64	17	(186)
Total pre-tax	$338	$320	$(133)

The income tax (benefit) provision consists of the following:

	1997	1996	1995
	(IN MILLIONS)		
CURRENT:			
Federal	$ 64	$ 71	$ 13
State and local	16	23	9
International	37	19	2
Total current tax provision	117	113	24
DEFERRED:			
Federal	17	14	(1)
State and local	(9)	--	1
International	--	--	(59)
Total deferred tax provision (benefit)	8	14	(59)
Total income tax provision (benefit)	$125	$127	$(35)

Provision has been made in the accompanying Consolidated Statements of Operations for additional income taxes applicable to dividends received or expected to be received from international subsidiaries. The amount of unremitted earnings of international subsidiaries, for which no such tax is provided and which is considered to be permanently reinvested in the subsidiaries, totaled $383 million at January 31, 1998.

A reconciliation of the significant differences between the federal statutory income tax rate and the effective income tax rate on pre-tax income (loss) is as follows:

	1997	1996	1995
Federal statutory income tax rate	35.0%	35.0%	(35.0)%
State and local income taxes, net of federal tax benefit	4.4	4.6	4.8
International income taxed at varying rates	2.4	1.1	4.6
Reduction in tax valuation allowance	(4.3)	--	--
Targeted jobs tax credit	--	--	(0.6)
Other, net	(0.5)	(1.2)	(0.1)
Effective income tax rate	37.0%	39.5%	(26.3)%

Items that gave rise to significant portions of the deferred tax accounts are as follows:

	1997	1996
	(IN MILLIONS)	
DEFERRED TAX ASSETS:		
Tax loss/credit carryforwards	$185	$191
Employee benefits	129	116
Reserve for discontinued operations	60	--
Repositioning and restructuring reserves	32	70
Other	7	50
Total	413	427
Valuation allowance	(44)	(64)
Total deferred tax assets, net	369	363
DEFERRED TAX LIABILITIES:		
Inventories	41	48
Property and equipment	12	25
Other	8	11
Total deferred tax liabilities	61	84
Net deferred tax asset	$308	$279
BALANCE SHEET CAPTION REPORTED IN:		
Other current assets	$ 32	$ 42
Deferred charges and other assets	337	301
Accrued liabilities	(13)	(9)
Deferred taxes	(48)	(55)
	$308	$279

As of January 31, 1998, the Company had a valuation allowance of $44 million to reduce its deferred tax assets to estimated realizable value. The valuation allowance primarily relates to the deferred tax assets arising from state tax loss carryforwards of certain domestic operations, tax loss carryforwards of certain European operations and tax loss and capital loss carryforwards of the Canadian operations. The net change in the total valuation allowance for the year ended January 31, 1998 was principally due to the use of state and foreign tax loss carryforwards.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are anticipated to reverse, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the valuation allowances at January 31, 1998. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

At January 31, 1998, the Company had international operating loss carryforwards of approximately $321 million. Those expiring between 1998 and 2003 were $250 million and those that do not expire were $71 million. The Company has state net operating loss carryforwards with a potential tax benefit of $29 million in the sixteen states where the Company does not file a combined return. These loss carryforwards expire between 2007 and 2012. Foreign tax credits of approximately $26 million expiring between 1998 and 2003 are also available to the Company.

18 RETIREMENT PLANS AND OTHER BENEFITS

Retirement Plans

The Company has defined benefit pension plans covering most of its employees. Benefits generally are based on years of service and career-average compensation. Plans are funded in accordance with the provisions of the laws of the countries where the plans are in effect. A significant portion of the unfunded projected benefit obligation represents the German pension accrual for which there are no offsetting plan assets. The Company does not fund the German pension obligations as is customary and as permitted by local statutory requirements. Plan assets consist primarily of stocks, bonds and temporary investments.

PRINCIPAL ASSUMPTIONS	1997	1996	1995
Weighted-average discount rate	7.1%	7.5%	7.3%
Weighted-average rate of compensation increase	4.3%	4.4%	4.4%
Weighted-average long-term rate of return on assets	9.9%	9.8%	10.0%

The components of net pension expense are:

	1997	1996	1995
	(IN MILLIONS)		
Service cost: benefits earned during period	$ 13	$ 17	$ 19
Interest cost on projected benefit obligation	67	70	76
Actual return on plan assets	(69)	(60)	(140)
Net amortization and deferral	17	7	81
Curtailment loss/(gain)	8	--	(8)
Net pension expense	$ 36	$ 34	$ 28

In 1995, the Company curtailed a supplemental retirement plan for executives and reduced its pension liability by $8 million. During 1997, the Company revised the actuarial estimates of the supplemental retirement plan liability resulting in an $8 million charge to pension expense.

The following table sets forth the plans' funded status and amounts recognized in the Consolidated Balance Sheets:

	1997		1996	
	ASSETS EXCEED ABO	ABO EXCEEDS ASSETS	ASSETS EXCEED ABO	ABO EXCEEDS ASSETS
	(IN MILLIONS)			
Actuarial present value of obligations:				
Vested	$ 3	$ 900	$ 4	$ 904
Nonvested	--	4	--	20
Accumulated benefit obligation (ABO)	3	904	4	924
Obligation for future salary increases	--	25	--	48
Projected benefit obligation (PBO)	3	929	4	972
Plan assets at fair value	4	621	6	646
Amount of plan assets over (under) PBO	1	(308)	2	(326)
Unrecognized net asset at transition	(2)	(8)	(3)	(17)
Unrecognized prior service cost	--	17	--	25
Unrecognized net loss	2	93	2	111
Recognition of a portion of the minimum liability as an intangible asset	--	(10)	--	(16)
Recognition of remaining minimum liability	--	(70)	--	(57)
Prepaid (accrued) pension cost	$ 1	$(286)	$ 1	$(280)

Postretirement Plans Other Than Pensions

In addition to providing pension benefits, the Company sponsors postretirement medical and life insurance plans which are available to most of its retired U.S. employees. In order to be eligible for these plans, employees must retire from the Company and have been previously covered under the Company's active medical or life insurance plans. The level of benefits available depends on the year of retirement and the plan in effect at that time. The plans are contributory and are not funded. Contributions are adjusted annually and depend on year of retirement and, in some cases, years of service.

The weighted-average discount rate used to determine the accumulated postretirement benefit obligation ("APBO") was 7.0 percent in 1997 and 7.5 percent in 1996.

Net postretirement benefit expense included the following actuarially determined components:

	1997	1996
	(IN MILLIONS)	
Interest cost on APBO	$ 8	$ 8
Amortization of net gain	(5)	(5)
Net postretirement benefit expense	$ 3	$ 3

The service cost component of the net postretirement benefit expense is not significant.

The following table sets forth the plans' combined accrued postretirement benefit obligation:

	1997	1996
	(IN MILLIONS)	
Accumulated postretirement benefit obligation:		
Retirees	$110	$104
Fully eligible active plan participants	1	8
Other active plan participants	1	5
	112	117
Unrecognized actuarial gain	93	92
Accrued postretirement benefit obligation	$205	$209

For measurement purposes, a 9.2 percent increase in the cost of covered health care benefits was assumed for 1997. The rate was assumed to decline gradually to 5 percent in 2008 and remain at that level thereafter. A 1 percent increase in the health care cost trend rate would increase the 1997 accumulated postretirement benefit obligation by $7 million and the 1997 expense by $0.5 million.

The cash cost to provide retiree medical and life insurance benefits was $9 million in 1997, and $7 million in both 1996 and 1995.

401(k) Plan

In January 1996, the Company established a savings plan under Section 401(k) of the Internal Revenue Code. This savings plan allows eligible employees to contribute up to 15 percent of their compensation on a pre-tax basis. The Company matches 25 percent of the first 4 percent of the employees' contribution. Effective January 1, 1998, such matching Company contributions are vested incrementally over 5 years. The charge to operations for the Company's matching contribution was $1.3 million and $1.5 million in 1997 and 1996, respectively.

19 SHAREHOLDER RIGHTS PLAN

Effective April 14, 1998, simultaneously with the expiration of the then existing rights, the Company has issued one right for each outstanding share of common stock. Each right entitles a shareholder to purchase one two-hundredth of a share of Series B Participating Preferred Stock at an exercise price of $100, subject to adjustment. Generally, the rights become exercisable only if a person or group of affiliated or associated persons (i) becomes an "Interested Shareholder" as defined in Section 912 of the New York Business Corporation Law (an "Acquiring Person") or (ii) announces a tender or exchange offer that results in that person or group becoming an Acquiring Person, other than pursuant to an offer for all outstanding shares of the common stock of the Company which the Board of Directors determines not to be inadequate and to otherwise be in the best interests of, the Company and its shareholders. The Company will be able to redeem the rights at $0.01 per right at any time during the period prior to the 10th business day following the date a person or group becomes an Acquiring Person.

Upon exercise of the right, each holder of a right will be entitled to receive common stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the right. The rights, which cannot vote and cannot be transferred separately from the shares of common stock to which they are presently attached, expire on April 14, 2008 unless extended prior thereto by the Board, or earlier redeemed or exchanged by the Company.

20 STOCK PLANS

Under the Company's 1995 Stock Option and Award Plan, options to purchase shares of common stock may be granted to officers and key employees at the market price on the date of grant. Under the plan, the Company may grant officers and other key employees, including those at the subsidiary level, stock options, stock appreciation rights (SARs), restricted stock or other stock-based awards. One-half of each stock option is exercisable on each of the first two anniversary dates of the date of grant. Generally, for stock options granted beginning in 1996, one-third of each stock option is exercisable on each of the first three anniversary dates of the date of grant. The options terminate up to 10 years from the date of grant. The 1995 Stock Option and Award Plan provides for awards of up to 6,000,000 shares of the Company's common stock. The number of shares reserved for issuance as restricted stock cannot exceed 1,500,000 shares.

In addition, options to purchase shares of common stock remain outstanding under the Company's 1986 Stock Option Plan. The ability to grant options under the 1986 Stock Option Plan expired in June 1996. Options granted under that plan generally have terms similar to those granted under the 1995 plan, except that a majority of the options become exercisable in two equal installments on the first and the second anniversary of the date of grant.

Under the Company's 1998 Stock Option and Award Plan, subject to shareholder approval, options to purchase shares of common stock may be granted to officers and key employees at the market price on the date of grant. The 1998 Stock Option and Award Plan is substantially the same as the 1995 Stock Option and Award Plan.

In 1996, the Company established the Directors' Stock Plan (the "Directors' Plan"). Under the Directors' Plan, non-employee directors receive 50 percent of their annual retainer in shares of common stock and may elect to receive up to 100 percent of their retainer in common stock. The maximum number of shares of common stock that may be issued under the Directors' Plan is 250,000 shares.

Under the Company's 1994 Stock Purchase Plan, participating employees may contribute up to 10 percent of their annual compensation to acquire shares of common stock at 85 percent of the lower market price on one of two specified dates in each plan year. Of the 8,000,000 shares of common stock authorized for purchase under the 1994 plan, 1,855 participating employees purchased 253,631 shares during the year.

When common stock is issued under these plans, the proceeds from options exercised or shares purchased are credited to common stock to the extent of the par value of the shares issued and the excess is credited to additional paid-in capital. When treasury common stock is issued, the difference between the average cost of treasury stock used and the proceeds from options exercised or shares awarded or purchased is charged or credited, as appropriate, to either additional paid-in capital or retained earnings. The tax benefits relating to amounts deductible for federal income tax purposes which are not included in income for financial reporting purposes have been credited to additional paid-in capital.

The Financial Accounting Standards Board issued SFAS No. 123, which requires disclosure of the impact on earnings per share if the fair value method of accounting for stock-based compensation is applied for companies electing to continue to account for stock-based plans under APB No. 25. Accounting for the Company's 1997 and 1996 grants for stock-based compensation in accordance with the fair value method provisions of SFAS No. 123 would have resulted in the following:

	1997	1996
	($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	
Net income (loss):		
As reported	$ (10)	$ 169
Pro forma	$ (18)	$ 165
Basic earnings per share:		
As reported	$(0.08)	$1.26
Pro forma	$(0.13)	$1.23
Diluted earnings per share:		
As reported	$(0.07)	$1.26
Pro forma	$(0.13)	$1.23

These pro forma amounts are not expected to be indicative of the effects of applying the fair-value based method on future earnings since the Company's stock options vest over several periods.

The fair values of the Company's various stock option and purchase plans were estimated at the grant date using a Black-Scholes option pricing model.

	STOCK OPTION PLANS		STOCK PURCHASE PLAN	
	1997	1996	1997	1996
Weighted-average risk free rate of interest	6.44%	6.05%	5.84%	6.03%
Volatility	30%	30%	25%	25%
Weighted-average expected award life	2 years	2 years	.7 years	.7 years
Dividend yield	--	--	--	--
Weighted-average fair value	$ 7.52	$ 5.31	$ 6.44	$ 5.14

The information set forth in the following table covers options granted under the Company's stock option plans:

	1997		1996		1995	
	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
	(IN THOUSANDS, EXCEPT PRICES PER SHARE)					
Options outstanding at beginning of year	7,376	$22.02	6,913	$24.13	6,183	$26.13
Granted	2,321	$21.68	1,757	$16.25	1,288	$15.32
Exercised	565	$16.76	159	$17.27	2	$10.55
Expired or canceled	1,682	$25.84	1,135	$26.59	556	$26.18
Options outstanding at end of year	7,450	$21.45	7,376	$22.02	6,913	$24.13
Options exercisable at end of year	4,466	$22.34	5,155	$24.59	5,026	$27.03
Options available for future grant at end of year	1,896		3,798		6,087	

The following table summarized information about stock options outstanding and exercisable at January 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
	(IN THOUSANDS, EXCEPT PRICES PER SHARE)				
$11.97 to $15.75	2,512	7.4	$14.80	1,622	$14.49
$15.88 to $21.88	829	7.2	18.40	514	17.06
$22.19 to $24.69	2,291	8.5	22.86	557	24.61
$25.28 to $29.94	1,133	3.9	29.17	1,088	29.25
$30.06 to $34.25	685	2.6	32.08	685	32.08
$11.97 to $34.25	7,450	6.7	$21.45	4,466	$22.34

21 RESTRICTED STOCK

In 1994, 200,000 restricted shares of common stock were granted to an officer of the Company. The market value of the shares at the date of grant amounted to $3 million and is recorded within shareholders' equity in the accompanying Consolidated Financial Statements. The market value is being amortized as compensation expense over the related vesting period. The compensation expense was $0.5, $0.8 million and $1.4 million in 1997, 1996 and 1995, respectively.

22 PREFERRED STOCK

In August 1996, the Company called for the redemption of all the issued and outstanding shares of the $2.20 Series A Convertible Preferred Stock ("preferred stock") at the redemption price of $45 per share on October 23, 1996 (the "redemption date"). Shares of preferred stock were convertible into 5.68 shares of the Company's common stock for each share of preferred stock. Conversion privileges expired on the redemption date. Substantially all of the outstanding shares of preferred stock were converted by the holders into the Company's common stock.

23 COMMITMENTS

In connection with the sale of various businesses, the Company guarantees the payment of lease commitments transferred to third parties pursuant to those sales. The Company is also operating certain stores for which lease agreements are in the process of being negotiated with landlords. Although there is no contractual commitment to make these contingent payments, it is likely that a final contract will be executed. Management believes that the probable resolution of such contingencies will not materially affect the financial position or result of operations of the Company.

24 QUARTERLY RESULTS (UNAUDITED)

	1ST Q	2ND Q	3RD Q	4TH Q	YEAR
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Sales					
1997	$1,539	1,500	1,583	2,002	$6,624
1996	$1,570	1,607	1,790	2,050	$7,017
Gross profit(a)					
1997	$ 465	463	493	635	$2,056
1996	$ 451	512	591	680	$2,234
Operating profit(loss)(b)					
1997	$ 57	74	103	198	$ 432
1996	$ 8	72	152	209	$ 441
Net income (loss) from continuing operations(c)					
1997	$ 17	26	55	115	$ 213
1996	$ (15)	26	77	105	$ 193
Net income(loss)					
1997	$ 1	(181)	55	115	$ (10)
1996	$ (22)	22	69	100	$ 169
Basic earnings per share:					
1997					
Income from continuing operations	$ 0.13	0.19	0.41	0.85	$ 1.58
Loss from discontinued operations	$(0.12)	(1.54)	--	--	$(1.66)
Net income (loss)	$ 0.01	(1.35)	0.41	0.85	$(0.08)
1996					
Income (loss) from continuing operations	$(0.11)	0.19	0.58	0.79	$ 1.45
Loss from discontinued operations	$(0.06)	(0.02)	(0.06)	(0.05)	$(0.19)
Net income (loss)	$(0.17)	0.17	0.52	0.74	$ 1.26
Diluted earnings per share:					
1997					
Income from continuing operations	$ 0.13	0.19	0.40	0.85	$ 1.57
Loss from discontinued operations	$(0.12)	(1.52)	--	--	$(1.64)
Net income (loss)	$ 0.01	(1.33)	0.40	0.85	$(0.07)
1996					
Income (loss) from continuing operations	$(0.11)	0.19	0.58	0.78	$ 1.44
Loss from discontinued operations	$(0.05)	(0.03)	(0.06)	(0.04)	$(0.18)
Net income (loss)	$(0.16)	0.16	0.52	0.74	$ 1.26

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(a) Gross profit represents sales less costs of sales.
(b) Operating profit (loss) represents income (loss) before income taxes, interest expense, and corporate expense.
(c) Results of the first quarter has been restated to segregate the results of discontinued operations.

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

Woolworth Building
233 Broadway
New York, New York 10279-0003
(212) 553-2000

TRANSFER AGENTS AND REGISTRARS

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, New Jersey 07303-2500
(800) 519-3111

The R-M Trust Company
Corporate Trust Services
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
(800) 387-0825
(416) 813-4500

INDEPENDENT AUDITORS

KPMG Peat Marwick LLP
345 Park Avenue
New York, New York 10154
(212) 758-9700

SHAREHOLDERS' MEETING

The next annual meeting of shareholders will be held at the Arsenal Mall, 485 Arsenal Street, Watertown, Massachusetts 02172 at 8:30 A.M. (local time) on June 11, 1998. The formal notice of the meeting, proxy statement and form of proxy will be mailed to each shareholder on or about April 28, 1998, at which time proxies will be requested by management.

INVESTOR INFORMATION

Investor inquiries should be directed to the Investor Relations Department at (212) 553-2600.

EXHIBIT INDEX

Exhibit No.	
10.4	1998 Stock Option and Award Plan, subject to Shareholder approval.
10.29	Employment Terms for Reid Johnson dated July 25, 1997.
10.35	Amendment No. 2 dated as of April 13, 1998 to the Credit Agreement dated April 9, 1997.
12	Computation of Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Company.
23	Consent of Independent Auditors.
27.1	1997 Financial Data Schedule.
27.2	1996 Restated Financial Data Schedule.
27.3	1995 Restated Financial Data Schedule.

EXHIBIT 10.4

WOOLWORTH CORPORATION

1998 STOCK OPTION AND AWARD PLAN

1. PURPOSE.

The purpose of the Woolworth Corporation 1998 Stock Option and Award Plan (the "Plan") is to align the interests of officers and other employees of Woolworth Corporation and its subsidiaries (collectively, the "Company") with those of the shareholders of Woolworth Corporation ("Woolworth"); to reinforce corporate, organizational and business-development goals; to promote the achievement of year-to-year and long-range financial and other business objectives; and to reward the performance of individual officers and other employees in fulfilling their personal responsibilities for long-range achievements.

2. DEFINITIONS.

The following terms, as used herein, shall have the following meanings:

(a) "Award" shall mean any Option, Restricted Stock, SAR or Other Stock-Based Award granted pursuant to the Plan.

(b) "Award Agreement" shall mean any written agreement, contract, or other instrument or document between Woolworth and a Participant evidencing an Award.

(c) "Board" shall mean the Board of Directors of Woolworth.

(d) "Cause" shall mean, with respect to a Participant's Termination of Employment, (i) in the case where there is no employment agreement between the Company and the Participant, or where there is an employment agreement, but such agreement does not define cause (or words of like import), termination due to a Participant's dishonesty, fraud, material insubordination or refusal to perform for any reason other than illness or incapacity or materially unsatisfactory performance of his or her duties for the Company, or (ii) in the case where there is an employment agreement between the Company and the Participant, termination that is or would be deemed to be for cause (or words of like import) as defined under such employment agreement.

(e) "Change in Control" shall mean the occurrence of an event described in Section 9(f) hereof.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(g) "Committee" shall mean a committee or subcommittee of the Board appointed from time to time by the Board, which committee or subcommittee shall be intended to consist of two (2) or more non-employee directors, each of whom shall be an "non-employee director" as defined in Rule 16b-3 and an "outside director" as defined under Section 162(m) of the Code. Notwithstanding the foregoing, if and to the extent that no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3 or Section 162(m) of the Code, such noncompliance with the requirements of Rule 16b-3 or Section 162(m) of the Code shall not affect the validity of the awards, grants, interpretations or other actions of the Committee.

(h) "Company" shall mean, collectively, Woolworth and all of its subsidiaries now held or hereafter acquired.

(i) "Disability" shall mean a disability which would qualify as such under Woolworth's Long-Term Disability Plan.

(j) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(k) "Fair Market Value" of a share of Stock shall mean, as of any date, the average of the high and low prices of a share of such Stock as reported for such date on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if Stock was not traded on the New York Stock Exchange on such date, the "Fair Market Value" of a share of Stock as of such date shall be the average of the high and low prices of a share of such Stock as reported on said Composite Tape on the next preceding date on which such trades were reported on said Composite Tape.

(l) "Good Reason" shall mean, with respect to a Participant's Termination of Employment, (1) in the case where there is no employment agreement between the Company and the Participant, or where there is an employment agreement, but such agreement does not define good reason (or words of like import), a voluntary termination due to "good reason," as the Committee, in its sole discretion, decides to treat as a Good Reason termination; or (2) in the case where there is an employment agreement between the Company and the Participant, a termination due to "good reason" (or words of like import), as specifically provided in such employment agreement.

(m) "Incentive Stock Option" shall mean an Option that meets the requirements of Section 422 of the Code, or any successor provision, and that is designated by the Committee as an Incentive Stock Option.

(n) "Nonqualified Stock Option" shall mean an Option other than an Incentive Stock Option.

(o) "Other Stock-Based Award" shall mean an award, granted pursuant to this Plan, that is valued in whole or in part by reference to, or is payable in or otherwise based on Stock.

(p) "Option" shall mean the right, granted pursuant to this Plan, of a holder to purchase shares of Stock under the Stock Option and SAR Program at a price and upon the terms to be specified by the Committee.

(q) "Participant" shall mean an officer or other employee of the Company who is, pursuant to Section 4 of the Plan, selected to participate herein.

(r) "Plan" shall mean the Woolworth Corporation 1998 Stock Option and Award Plan.

(s) "Plan Year" shall mean Woolworth's fiscal year.

(t) "Restricted Stock" shall mean any shares of Stock issued to a Participant, without payment to the Company to the extent permitted by applicable law, pursuant to Section 7(a) of the Plan.

(u) "Restriction Period" shall have the meaning set forth in Section 7(b)(4).

(v) "Retirement" shall mean a Participant's Termination of Employment without Cause from the Company who (i) has retired from the employ of the Company and is entitled to a distribution from The Woolworth Retirement Plan, any successor plan thereto or any other tax-qualified, tax-registered or tax-favored retirement plan or scheme sponsored or maintained by any member of the Company or, (ii) if a Participant is not covered by such plan, has attained at least his or her 65th birthday.

(w) "Rule 16b-3" shall mean Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provisions.

(x) "Section 162(m) of the Code" shall mean the exception for performance-based compensation under Section 162(m) of the Code and any Treasury regulations thereunder.

(y) "Stock" shall mean shares of common stock, par value $.01 per share, of Woolworth.

(z) "SAR" shall mean a tandem or freestanding stock appreciation right, granted to a Participant under Section 6(a)(7) or 6(b), as the case may be, to be paid an amount measured by the appreciation in the Fair Market Value of Stock from the date of grant to the date of exercise of the right.

(aa) "Stock Option and SAR Program" shall mean the program set forth in Section 6 hereof.

(bb) "Ten Percent Shareholder" shall mean a Participant who, at the time an Incentive Stock Option is to be granted to such Participant, owns (within the meaning of Section 422(b)(6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a parent corporation or subsidiary corporation within the meaning of Code Sections 424(e) or 424(f), respectively.

(cc) "Termination of Employment" shall mean (1) a termination of service for reasons other than a military or personal leave of absence granted by the Company or a transfer of a Participant from or among the Company and a parent corporation or subsidiary corporation, as defined under Code Sections 424(e) or 424(f), respectively; or (2) when a subsidiary, which is employing a Participant, ceases to be a subsidiary corporation, as defined under Section 424(f) of the Code.

(dd) "Transfer" or "Transferred" or "Transferable" shall mean anticipate, alienate, attach, sell, assign, pledge, encumber, charge, hypothecate or otherwise transfer.

(ee) "Woolworth" shall mean Woolworth Corporation, a New York corporation.

3. ADMINISTRATION.

(a) The Committee. The Plan shall be administered and interpreted by the Committee. The Committee shall have the authority in its sole discretion, subject to and not inconsistent with the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, the authority to grant Awards; to determine the persons to whom and the time or times at which Awards shall be granted; to determine the type and number of Awards to be granted and the number of shares of Stock to which an Award may relate; to determine the terms, conditions, restrictions and performance criteria, not inconsistent with the terms of this Plan, relating to any Award (including, but not limited to, the share price, any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture or waiver thereof, based on such factors, if any, as the Committee shall determine in its sole discretion); to determine whether, to what extent and under what circumstances grants of Awards are to operate on a tandem basis and/or in conjunction with or apart from other awards made by the Company outside this Plan; to determine whether, to what extent and under what circumstances an Award may be settled, cancelled, forfeited, exchanged or surrendered (provided that in no event shall the foregoing be construed to permit the repricing of an Option (whether by amendment, cancellation and regrant or otherwise) to a lower exercise price); to make adjustments in recognition of unusual or non-recurring events affecting the Company or the financial statements of the Company, or in response to changes in applicable laws, regulations, or accounting principles; to construe and interpret the Plan and any Award; to determine whether to require, as a condition of the granting of any Award, a

Participant to not sell or otherwise dispose of Stock acquired pursuant to the exercise of an Option or Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Option or Award; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of Award Agreements; and to make all other determinations deemed necessary or advisable for the administration of the Plan.

Subject to Section 9(e) hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan and perform all acts, including the delegation of its administrative responsibilities, as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of this Plan and any Award issued under this Plan (and any agreements relating thereto); and to otherwise supervise the administration of this Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in this Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to carry this Plan into effect but only to the extent any such action would be permitted under the applicable provisions of both Rule 16b-3 and Section 162(m) of the Code. The Committee may adopt special guidelines for persons who are residing in, or subject to taxes of, countries other than the United States to comply with applicable tax and securities laws.

The Committee may appoint a chairperson and a secretary and may make such rules and regulations for the conduct of its business as it shall deem advisable, and shall keep minutes of its meetings. All determinations of the Committee shall be made by a majority of its members either present in person or participating by conference telephone at a meeting or by written consent. The Committee may delegate to one or more of its members or to one or more agents such administrative duties as it may deem advisable, and the Committee or any person to whom it has delegated duties as aforesaid may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan. All decisions, determinations and interpretations of the Committee shall be final and binding on all persons, including the Company, the Participant (or any person claiming any rights under the Plan from or through any Participant) and any shareholder.

The Company, the Board or the Committee may consult with legal counsel, who may be counsel for the Company or other counsel, with respect to its obligations or duties hereunder, or with respect to any action or proceeding or any question of law, and shall not be liable with respect to any action taken or omitted by it in good faith pursuant to the advice of such counsel.

(b) Designation of Consultants/Liability.

The Committee may designate employees of the Company and professional advisors to assist the Committee in the administration of this Plan and may grant authority to employees to execute agreements or other documents on behalf of the Committee.

The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of this Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the committee or Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any person designated pursuant to Section 3(b) shall not be liable for any action or determination made in good faith with respect to this Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any Award granted hereunder. To the maximum extent permitted by applicable law and the Certificate of Incorporation and By-Laws of the Company and to the extent not covered by insurance, each officer and member or former member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, directors or members of former officers, directors or members may have under applicable law or under the Certificate of Incorporation or By-Laws of the Company or Subsidiary. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under this Plan.

4. ELIGIBILITY.

Awards may be granted to officers and other employees of the Company in the sole discretion of the Committee. In determining the persons to whom Awards shall be granted and the type of Award, the Committee shall take into account such factors as the Committee shall deem relevant in connection with accomplishing the purposes of the Plan.

5. STOCK SUBJECT TO THE PLAN; LIMITATION ON GRANTS.

(a) The maximum number of shares of Stock reserved for issuance pursuant to the Plan or with respect to which Awards may be granted shall be six million (6,000,000) shares, subject to adjustment as provided herein, except that the number of such shares reserved for issuance as Restricted Stock shall be one million five hundred thousand (1,500,000) shares. Such shares may, in whole or in part, be authorized but unissued shares or shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. If any shares subject to an Award are forfeited, cancelled, exchanged or surrendered, or if an Award otherwise terminates or expires without a distribution of shares to the Participant, the shares of Stock with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan; provided that, to the extent required for the Plan to comply with Rule 16b-3 promulgated under the Exchange Act, in the case of forfeiture, cancellation, exchange or surrender of shares of Restricted Stock, the number of shares with respect to such Awards shall not be available for Awards hereunder unless dividends paid on such shares are also forfeited, cancelled, exchanged or surrendered. Upon the exercise of any Award granted in tandem with any other Awards, such related Awards shall be cancelled to the extent of the number of shares of Stock as to which the Award is exercised and, notwithstanding the foregoing, such number of shares shall no longer be available for Awards under the Plan. Notwithstanding any provision of this Plan to the contrary, if authorized but previously unissued shares of Stock are issued under this Plan, such shares shall not be issued for a consideration which is less than par value.

(b) During the term of this Plan, no Participant can receive Options, Restricted Stock, Other Stock-Based Awards and freestanding SARs, relating to shares of Stock which in the aggregate exceed ten percent (10%) of the total number of shares of Stock authorized pursuant to the Plan, as adjusted pursuant to the terms hereof.

(c) Subject to the aggregate limitation in Section 5(b), the maximum number of shares of Stock subject to each different type of Award which may be granted under this Plan to each Participant is six hundred thousand (600,000) shares (subject to adjustment as provided herein) for each Plan Year during the entire term of the Plan. To the extent that shares of Stock for which Options or Stock Appreciation Rights are permitted to be granted to a Participant during a Plan Year are not covered by a grant of an Option or a Stock Appreciation Right to an Eligible Employee issued in such Plan Year, such shares of Stock shall automatically increase the number of shares available for grant of Awards to such Eligible Employee in the subsequent Plan Year during the term of the Plan.

(d) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the shareholders of Woolworth to make or authorize any adjustment, recapitalization, reorganization or other change in Woolworth's capital structure or its business, any merger or consolidation of the Company or any part thereof, any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting Stock, the dissolution or liquidation of the Company or any part thereof, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

(e) In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Stock or other property), recapitalization, Stock split, reverse Stock split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, reclassification of any capital stock, issuance of warrants or options to purchase Stock or securities convertible into Stock, or other similar corporate transaction or event, affects the Stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (i) the number and kind of shares of Stock which may thereafter be issued in connection with Awards, (ii) the number and kind of shares of Stock issued or issuable in respect of outstanding Awards, and (iii) the exercise price, grant price or purchase price relating to any Award; provided that, with respect to Incentive Stock Options, such adjustment shall be made in accordance with Section 424 of the Code.

(f) Fractional shares of Stock resulting from any adjustment in Options and other Awards pursuant to this Section shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half (1/2) and rounding-up for fractions equal to or greater than one-half (1/2). No cash settlements shall be made with respect to fractional shares of Stock eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Option or other Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(g) In the event of a merger or consolidation in which Woolworth is not the surviving entity or in the event of any transaction that results in the acquisition of substantially all of Woolworth's outstanding Stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all of Woolworth's assets (all of the foregoing being referred to as "Acquisition Events"), then the Committee may, in its sole discretion, terminate all outstanding Options and/or any Award, effective as of the date of the Acquisition Event, by delivering notice of termination to each Participant at least twenty (20) days prior to the date of consummation of the Acquisition Event; provided, that during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of his or her Options and Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Option or Award Agreements) but contingent on occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise shall be null and void.

6. STOCK OPTION AND SAR PROGRAM.

Each Option or freestanding SAR granted pursuant to this Section 6 shall be evidenced by an Award Agreement, in such form and containing such terms and conditions as the Committee shall from time to time approve, which Award Agreement shall comply with and be subject to the following terms and conditions, as applicable:

(a) Stock Options

(1) Number of Shares. Each Award Agreement shall state the number of shares of Stock to which the Option relates.

(2) Type of Option. Each Award Agreement shall specifically state that the Option constitutes an Incentive Stock Option or a Nonqualified Stock Option. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of exercise or otherwise), such Option or portion thereof which does not qualify, shall constitute a separate Nonqualified Stock Option.

(3) Option Price. Except as set forth in Section 6(a)(8)(B) herein relating to Incentive Stock Options granted to a Ten Percent Shareholder, each Award Agreement shall state the Option price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock covered by the Option on the date of grant. The Option price shall be subject to adjustment as provided in Section 5 hereof. The date as of which the Committee adopts a resolution expressly granting an Option shall be considered the day on which such Option is granted.

(4) Method and Time of Payment. The Option price shall be paid in full, at the time of exercise, in cash or in shares of Stock having a Fair Market Value equal to such Option price or in a combination of cash and Stock or, in the sole discretion of the Committee, through a cashless exercise procedure. Options may contain provisions permitting the use of shares of Stock to exercise and settle an Option ("Stock Swaps"). With respect to Stock Swaps, shares of Stock shall be valued at Fair Market Value on the date of exercise and shall have the same remaining time period as the shares of Stock that were swapped.

(5) Term and Exercisability of Options. Each Award Agreement shall provide that each Option shall become exercisable as to fifty percent (50%) of the Stock covered by the Option on the first anniversary of the date the Option was granted and as to an additional fifty percent (50%) of the Stock covered by the Option on the second anniversary of the date the Option was granted, unless the Committee prescribes an exercise schedule of longer duration; provided, that, the Committee shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be ten (10) years from the date of the grant of the Option or such shorter period as is determined by the Committee. The exercise period shall be subject to earlier termination as provided in Section 6(a)(6) hereof. An Option may be exercised, as to any or all full shares of Stock as to which the Option has become exercisable, by written notice delivered in person or by mail to the Secretary of Woolworth, specifying the number of shares of Stock with respect to which the Option is being exercised. For purposes of the preceding sentence, the date of exercise will be deemed to be the date upon which the Secretary of Woolworth receives such notification.

(6) Termination. Upon a Participant's Termination of Employment by the Company, Options granted to such Participant prior to such termination shall remain exercisable following the effective date of such termination as follows:

(i) Cause. If a Participant's Termination of Employment is for Cause, all Options granted to such Participant shall be cancelled as of the effective date of such termination.

(ii) Retirement, Termination of Employment for Good Reason or Disability. Upon a Participant's Retirement, Termination of Employment for Good Reason or Disability, all Options granted to such Participant that are "deemed exercisable" (as defined in the following sentence) on the effective date of such Participant's Retirement, Termination of

Employment for Good Reason or Disability shall remain exercisable for a period of three (3) years following such effective date (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option). Those Options that are "deemed exercisable" on and after the effective date of a Participant's Retirement, Termination of Employment for Good Reason or Disability, as provided above, shall consist of all unexercised Options (or portions thereof) that are immediately exercisable on such date plus those Options (or portions thereof) that would have become exercisable had such Participant not retired or had his employment not terminated until after the next succeeding anniversary of the date of grant of each such Option;

(iii) Other Terminations of Employment. If a Participant's Termination of Employment by the Company is for any reason other than those described in subsections (i) or (ii) above, his "deemed exercisable" Options, which, for purposes of this subsection, shall mean all Options (or portions thereof) granted to such Participant that are immediately exercisable on the effective date of such Termination of Employment shall remain exercisable as follows: (A) if such Participant has ten (10) or more years of service with the Company, such period of service to be determined as of such effective date of termination, for a period of one year from the effective date of such Termination of Employment (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option), or (B) if a Participant has less than ten (10) years of service with the Company, for a period of three (3) months from the effective date of such Termination of Employment (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option).

(iv) Death.

(A) If a Participant dies during the applicable Option exercise period following the effective date of his Retirement, Disability or other Termination of Employment, as described in subsections (ii) or (iii) above, his executors, administrators, legatees or distributees shall have a period expiring on the date one year from the date of his death (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option) within which to exercise his "deemed exercisable" Options, as described in such applicable subsection.

(B) If a Participant dies while employed by the Company, his executors, administrators, legatees or distributees shall have a period expiring on the date one year from the date of his death (or for such longer period as may be prescribed by the Committee, but in no event beyond the expiration date of such Option) within which to exercise his "deemed exercisable" Options, which shall consist of all unexercised Options (or portions thereof) that are immediately exercisable on such date of death plus those Options (or portions thereof) that would have become exercisable had such Participant not died until after the next succeeding anniversary of the date of grant of each such Option.

(v) Buyout and Settlement Provisions. The Committee may at any time on behalf of the Company offer to buy out an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made.

(7) Tandem Stock Appreciation Rights. The Committee shall have authority to grant a tandem SAR to the grantee of any Option under the Plan with respect to all or some of the shares of Stock covered by such related Option. A tandem SAR shall, except as provided in this paragraph (7), be subject to the same terms and conditions as the related Option. Each tandem SAR granted pursuant to the Plan shall be reflected in the Award Agreement relating to the related Option.

(A) Time of Grant. A tandem SAR may be granted either at the time of grant, or at any time thereafter during the term of the Option; provided, however that tandem SARs related to Incentive Stock Options may only be granted at the time of grant of the related Option.

(B) Payment. A tandem SAR shall entitle the holder thereof, upon exercise of the tandem SAR or any portion thereof, to receive payment of an amount computed pursuant to paragraph (D) below.

(C) Exercise. A tandem SAR shall be exercisable at such time or times and only to the extent that the related Option is exercisable, and will not be Transferable except to the extent the related Option may be Transferable. A tandem SAR granted in connection with an Incentive Stock Option shall be exercisable only if the Fair Market Value of a share of Stock on the date of exercise exceeds the purchase price specified in the related Incentive Stock Option. Upon the exercise of a tandem SAR, the related Option or part thereof to which such SAR relates, shall be deemed to have been exercised for the purpose of the limitations set forth in Section (a) of the Plan on the number of shares of Stock to be issued under the Plan.

(D) Amount Payable. Upon the exercise of a tandem SAR, the Participant shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair Market Value of a share of Stock on the date of exercise of such SAR over the price of the Option, by (ii) the number of shares of Stock as to which such tandem SAR is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any tandem SAR by including such a limit at the time it is granted.

(E) Treatment of Related Options and Tandem SARs Upon Exercise. Upon the exercise of a tandem SAR, the related Option shall be cancelled to the extent of the number of shares of Stock as to which the tandem SAR is exercised and upon the exercise of an Option granted in connection with a tandem SAR, the tandem SAR shall be cancelled to the extent of the number of shares of Stock as to which the Option is exercised.

(F) Method of Exercise. Tandem SARs shall be exercised by a Participant only by a written notice delivered in person or by mail to the Secretary of Woolworth, specifying the number of shares of Stock with respect to which the tandem SAR is being exercised. If requested by the Committee, the Participant shall deliver the Award Agreement evidencing the tandem SAR and the related Option to the Secretary of Woolworth, who shall endorse thereon a notation of such exercise and return such Award Agreement to the Participant. For purposes of this paragraph (F), the date of exercise will be deemed to be the date upon which the Secretary of Woolworth receives such notification.

(G) Form of Payment. Payment of the amount determined under paragraph (D) above may be made solely in whole shares of Stock in a number determined based upon their Fair Market Value on the date of exercise of the tandem SAR or, alternatively, at the sole discretion of the Committee, solely in cash, or in a combination of cash and shares of Stock as the Committee deems advisable.

(H) Limited SARs. The Committee may, in its sole discretion, grant tandem SARs or freestanding SARs either as general SARs or as limited SARs. Limited SARs may be exercised only upon the occurrence of a Change in Control or such other event as the Committee may, in its sole discretion, designate at the time of grant or thereafter.

(8) Incentive Stock Options. Options granted as Incentive Stock Options shall be subject to the following special terms and conditions, in addition to the general terms and conditions specified in this Section 6.

(A) Value of Shares. The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the shares of Stock with respect to which Incentive

Stock Options granted under this Plan and all other Plans of the Company become exercisable for the first time by each Participant during any calendar year shall not exceed one hundred thousand dollars ($100,000). To the extent that such aggregate Fair Market Value exceeds such one hundred thousand dollars ($100,000) limitation, such Options shall be treated as Options which are not Incentive Stock Options and shall be treated as Nonqualified Stock Options.

(B) Ten Percent Shareholder. In the case of an Incentive Stock Option granted to a Ten Percent Shareholder, (x) the Option Price shall not be less than one hundred ten percent (110%) of the Fair Market Value of the shares of Stock on the date of grant of such Incentive Stock Option, and (y) the exercise period shall not exceed five (5) years from the date of grant of such Incentive Stock Option.

(C) Exercise Following Termination of Employment. If an Eligible Employee does not remain employed by the company, any parent corporation or subsidiary corporation (within the meaning of Code Sections 424(e) and 424(f), respectively) at all times from the time the Option is granted until three (3) months prior to the date of exercise (or such other period as required by applicable law), such Option shall be treated as a Nonqualified Stock Option.

(D) Should either (A), (B) or (C) above not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the shareholders of Woolworth.

(b) Freestanding Stock Appreciation Rights. The Committee shall have authority to grant a freestanding SAR which is not related to any Option. Freestanding SARs shall be subject to the following terms and conditions:

(1) Number of Shares. Each Award Agreement relating to freestanding SARs shall state the number of shares of Stock to which the freestanding SARs relate.

(2) Exercise Price. Each Award Agreement shall state the exercise price, which shall not be less than one hundred percent (100%) of the Fair Market Value of the shares of Stock (to which the freestanding SARs relate) on the date of grant. The exercise price shall be subject to adjustment as provided in Section 5 hereof.

(3) Term and Exercisability of Freestanding SARs. Each Award Agreement shall provide the exercise schedule for the freestanding SAR as determined by the Committee, provided, that, the Committee shall have the authority to accelerate the exercisability of any freestanding SAR at such time and under such circumstances as it, in its sole discretion, deems appropriate. The exercise period shall be ten (10) years from the date of the grant of the freestanding SAR or such shorter period as is determined by the Committee. The exercise period shall be subject to earlier termination as provided in paragraph (b)(7) hereof. A freestanding SAR may be exercised, as to any or all full shares of Stock as to which the freestanding SAR has become exercisable, by written notice delivered in person or by mail to the Secretary of Woolworth, specifying the number of shares of Stock with respect to which the freestanding SAR is being exercised. For purposes of the preceding sentence, the date of exercise will be deemed to be the date upon which the Secretary of Woolworth receives such notification.

(4) Payment. A freestanding SAR shall entitle the holder thereof, upon exercise of the freestanding SAR or any portion thereof, to receive payment of an amount computed pursuant to paragraph (5) below.

(5) Amount Payable. Upon the exercise of a freestanding SAR, the Participant shall be entitled to receive an amount determined by multiplying (i) the excess of the Fair

Market Value of a share of Stock on the date of exercise of such SAR over the exercise price of such SAR, by (ii) the number of shares of Stock as to which such freestanding SAR is being exercised. Notwithstanding the foregoing, the Committee may limit in any manner the amount payable with respect to any freestanding SAR by including such a limit at the time it is granted.

(6) Form of Payment. Payment of the amount determined under paragraph (5) above may be made solely in whole shares of Stock in a number determined based upon their Fair Market Value on the date of exercise of the freestanding SAR or, alternatively, at the sole discretion of the Committee, solely in cash, or in a combination of cash and shares of Stock as the Committee deems advisable.

(7) The terms and conditions set forth in Section 6(a)(6) hereof, relating to exercisability of Options in the event of Termination of Employment with the Company, shall apply equally with respect to the exercisability of freestanding SARs following Termination of Employment.

7. RESTRICTED STOCK.

Awards granted pursuant to this Section 7 shall be evidenced by an Award Agreement in such form as the Committee shall from time to time approve and the terms and conditions of such Awards shall be set forth therein. Shares of Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan.

(a) Restricted Stock. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient, the time or times within which such Awards may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the Awards. The Committee may condition the grant of Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee may determine, in its sole discretion.

(b) Awards and Certificates. The prospective Participant selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered a fully executed copy of the Award Agreement to the Company and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(1) Purchase Price. Subject to the last sentence of Section 5(a), the purchase price for shares of Restricted Stock may be less than their par value and may be zero, to the extent permitted by applicable law.

(2) Acceptance. Awards of Restricted Stock must be accepted within a period of sixty (60) days (or such shorter period as the Committee may specify at grant) after the Award date, by executing a Restricted Stock Award Agreement and by paying whatever price (if any) the Committee has designated thereunder.

(3) Certificates/Legend. Upon an Award of Restricted Stock, the Committee may, in its sole discretion, decide to either have the Company or other escrow agent appointed by the Committee hold the share certificates representing such shares of Restricted Stock in escrow or issue share certificates to the Participant. Regardless of whether the certificates are held in escrow or are given to Participants, each certificate shall be registered in the name of such Participant, and shall bear an appropriate

legend referring to the terms, conditions and restrictions applicable to such Award, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the 1998 Woolworth Corporation (the "Company") Stock Option and Award Plan and an Agreement entered into between the registered owner and the Company dated . Copies of such Plan and Agreement are on file at the principal office of the Company."

(4) Restrictions. During a period set by the Committee commencing with the date of an Award of Restricted Stock (the "Restriction Period"), shares of Restricted Stock may not be sold, assigned, Transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, as set forth in the Award Agreement and such Award Agreement shall set forth a vesting schedule and any events which would accelerate vesting of the shares of Restricted Stock. Any attempt to dispose of any such shares of Stock in contravention of such restrictions shall be null and void and without effect. Notwithstanding the foregoing, no vesting limitation shall apply, and the Participant's interest in such shares shall be fully vested, in the event of a Change in Control which occurs prior to the expiration of the vesting period set forth in the Award Agreement. Within these limits, based on service, performance and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award and/or waive the deferral limitations for all or any part of such Award (including, without limitation, any deferral of dividends).

(5) Forfeiture. Subject to such exceptions as may be determined by the Committee, if the Participant's continuous employment with the Company shall terminate for any reason prior to the expiration of the Restriction Period of an Award, or to the extent any goals for the Restriction Period are not met, any shares of Stock remaining subject to restrictions shall thereupon be forfeited by the Participant and Transferred to, and reacquired by, Woolworth at no cost to Woolworth.

(6) Ownership. Except to the extent otherwise set forth in the Award Agreement, during the Restriction Period the Participant shall possess all incidents of ownership of such shares, subject to Section 7(b)(4), including the right to receive dividends with respect to such shares and to vote and tender such shares. The Committee, in its sole discretion, as determined at the time of the Award, may permit or require the payment of dividends to be deferred.

(7) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant.

8. OTHER STOCK-BASED AWARDS.

(a) Other Awards. Other Awards of Stock and other Awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, Stock ("Other Stock-Based Awards"), including, without limitation, Awards valued by reference to performance of a subsidiary, may be granted either alone or in addition to or in tandem with Stock Options, SARs or Restricted Stock.

Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Stock to be awarded pursuant to such Awards, and all other conditions of the Awards. The Committee may also provide for the grant of Stock under such Awards upon the completion of a specified performance goal or period.

(b) Terms and Conditions. Other Stock-Based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(1) Dividends. Unless otherwise determined by the Committee at the time of Award, subject to the provisions of the Award Agreement and this Plan, the recipient of an Award under this Section shall be entitled to receive, currently or on a deferred basis, dividends or dividend equivalents with respect to the number of shares of Stock covered by the Award, as determined at the time of the Award by the Committee, in its sole discretion.

(2) Vesting. Any Award under this Section and any Stock covered by any such Award shall vest or be forfeited to the extent so provided in the Award Agreement, as determined by the Committee, in its sole discretion.

(3) Waiver of Limitation. In the event of the Participant's Retirement, Termination of Employment for Good Reason, Disability or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the limitations imposed hereunder (if any) with respect to any or all of an Award under this Section 8.

(4) Price. Stock issued on a bonus basis under this Section 8 may be issued for no cash consideration; Stock purchased pursuant to a purchase right awarded under this Section shall be priced as determined by the Committee.

9. GENERAL PROVISIONS.

(a) Compliance with Legal Requirements. The Plan and the granting and exercising of Awards, and the other obligations of the Company under the Plan and any Award Agreement or other agreement shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Stock under any Award as the Company may consider appropriate, and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Stock in compliance with applicable laws, rules and regulations.

(b) Nontransferability. No Award shall be Transferred by the Participant otherwise than by will or by the laws of descent and distribution. All Awards shall be exercisable, during the Participant's lifetime, only by the Participant. No Award shall, except as otherwise specifically provided by law or herein, be Transferred in any manner, and any attempt to Transfer any such Award shall be void, and no such Award shall in any manner be used for the payment of, subject to, or otherwise encumbered by or hypothecated for the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter, that an Award, other than an Incentive Stock that is otherwise not Transferable pursuant to this Section 9(b) is Transferable in whole or part and in such circumstances, and under such conditions, as specified by the Committee.

(c) No Right To Continued Employment. Nothing in the Plan or in any Award granted or any Award Agreement or other agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or to be entitled to any remuneration or benefits not set forth in the Plan or such Award Agreement or other agreement or to interfere with or limit in any way the right of the Company to terminate such Participant's employment.

(d) Withholding Taxes. Where a Participant or other person is entitled to receive shares of Stock pursuant to the exercise of an Option or is otherwise entitled to receive shares of Stock or cash pursuant to an Award hereunder, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such shares.

Upon the disposition of shares of Stock acquired pursuant to the exercise of an Incentive Stock Option, the Company shall have the right to require the payment of the amount of any taxes which are required by law to be withheld with respect to such disposition.

Unless otherwise prohibited by the Committee or by applicable law, a Participant may satisfy any such withholding tax obligation by any of the following methods, or by a combination of such methods: (a) tendering a cash payment; (b) authorizing the Company to withhold from the shares of Stock or cash otherwise payable to such Participant (1) one or more of such shares having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation or (2) cash in an amount less than or equal to the amount of the total withholding tax obligation; or (c) delivering to the Company previously acquired shares of Stock (none of which shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation. A Participant's election to pay his or her withholding tax obligation (in whole or in part) by the method described in (b)(1) above is irrevocable once it is made.

(e) Amendment and Termination of the Plan. Notwithstanding any other provision of this Plan, the Board or the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided that, no amendment which requires shareholder approval under applicable New York law or in order for the Plan to continue to comply with Rule 16b-3 or Section 162(m) of the Code shall be effective unless the same shall be approved by the requisite vote of the shareholders of the Company. Notwithstanding the foregoing, no amendment shall affect adversely any of the rights of any Participant, without such Participant's consent, under any Award theretofore granted under the Plan. The power to grant Options under the Plan will automatically terminate ten years after the adoption of the Plan by the shareholders. If the Plan is terminated, any unexercised Option shall continue to be exercisable in accordance with its terms and the terms of the Plan in effect immediately prior to such termination.

(f) Change in Control. Notwithstanding any other provision of the Plan to the contrary, if, while any Awards remain outstanding under the Plan, a "Change in Control" of Woolworth (as defined in this Section 9(f)) shall occur, (1) all Options and freestanding SARs granted under the Plan that are outstanding at the time of such Change in Control shall become immediately exercisable in full, without regard to the years that have elapsed from the date of grant; (2) unless the Committee determines otherwise at the time of grant pursuant to an Award Agreement or other arrangement or plan granting such Award, all restrictions with respect to shares of Restricted Stock shall lapse, and such shares shall be fully vested and nonforfeitable; and (3) unless the Committee determines otherwise at the time of grant pursuant to an Award Agreement or other arrangement or plan granting such Award, with respect to Other Stock-Based Awards, any performance periods or goals outstanding at the time of a Change in Control shall be deemed to have been attained or any restrictions outstanding at the time of a Change in Control shall lapse.

For purposes of this paragraph 9(f), a Change in Control of Woolworth shall occur upon the happening of the earliest to occur 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 Exchange Act) (a "Person") (other than Woolworth or its subsidiaries) for shares of Stock pursuant to which purchases are made of securities representing at least twenty percent (20%) of the total combined voting power of Woolworth's then issued and outstanding voting securities; (B) the merger or consolidation of Woolworth with, or the sale or disposition of all or substantially all of the assets of Woolworth to, any Person other than (a) a merger or consolidation which would result in the voting securities of Woolworth 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 Woolworth 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 Woolworth (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 Exchange Act), 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 Exchange Act), in the aggregate, of securities of Woolworth representing twenty percent (20%) or more of the total combined voting power of Woolworth's then issued and outstanding voting securities by any Person acting in concert as of the date of the Plan; provided, however, that 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 Woolworth of any plan or proposal for the complete liquidation or dissolution of Woolworth or for the sale of all or substantially all of the assets of Woolworth; 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 Woolworth's shareholders 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.

(g) Participant Rights. No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment for Participants. Except as provided specifically herein, a Participant or a transferee of an Award shall have no rights as a shareholder with respect to any shares covered by any Award until the date of the issuance of a Stock certificate to him for such shares.

(h) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company.

(i) No Fractional Shares. Except with respect to fractional shares resulting from any adjustment in Awards pursuant to Section 5, no fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award.

(j) Legend. The Committee may require each person purchasing shares pursuant to a Stock Option or other Award under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. In addition to any legend required by this Plan, the certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on Transfer.

All certificates for shares of Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed or any national securities association system upon whose system the Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(k) Other Plans. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(l) Listing and Other Conditions.

(1) As long as the Stock is listed on a national securities exchange or system sponsored by a national securities association, the issue of any shares of Stock pursuant to an Option or other Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option or other Award with respect to such shares shall be suspended until such listing has been effected.

(2) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Stock pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act of 1933, as amended, or otherwise with respect to shares of Stock or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes.

(3) Upon termination of any period of suspension under this Section, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Option.

(m) Governing Law. The Plan and all determinations made and actions taken pursuant hereto shall be governed by the laws of the State of New York without giving effect to the conflict of laws principles thereof.

(n) Effective Date. The Plan shall take effect upon its adoption by the Board, but the Plan (and any grants of Awards made prior to the shareholder approval mentioned herein) shall be subject to the requisite approval of the shareholders of the Company. In the absence of such approval, such Awards shall be null and void.

(o) Death/Beneficiary. The Committee may in its sole discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the Transfer of an Option. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan. A Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the grantee's beneficiary.

(p) Interpretation. The Plan is designed and intended to comply with Rule 16b-3 promulgated under the Exchange Act and, to the extent applicable, with Section 162(m) of the Code, and all provisions hereof shall be construed in a manner to so comply.

(q) Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

(r) Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

Exhibit 10.29

[WOOLWORTH LOGO]

WOOLWORTH BUILDING
233 BROADWAY
NEW YORK, NEW YORK
10279-0003
TEL 212-553-2178
FAX 212-553-2073

JOHN F. GILLESPIE
SENIOR VICE PRESIDENT
HUMAN RESOURCES

REVISED
July 25, 1997

Mr. Reid Johnson
9166 Brechenridge Lane
Eden Prairie, Minnesota 55347-3442

Dear Reid:

This will confirm your recent discussions with Dale Hilpert regarding our offer of employment that was extended to you to join Woolworth Corporation as Senior Vice President and Chief Financial Officer.

Your compensation package will consist of the following:

Annual Base Salary:	$425,000, payable monthly
Annual Bonus Plan:	Target - 50%
Fiscal Year Guarantee: (Payable in 4/98)	$200,000
Cash Sign-on Bonus:	$100,000
Sign-on Stock Options:	50,000 shares
April, 1998 Stock Grant:	43,000 shares, thereafter you will be eligible to participate in the annual share option grant program at a level determined by the Compensation Committee of the Board of Directors commensurate with your position in the organization.
Long-Term Incentive Plan:	Prorated participation in the 1996-1998 and 1997-1999 periods, based on date of employment.

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Life Insurance:	Company-paid 1x base salary.
Medical:	$5,000 reimbursement - no gross-up.
Vacation:	Four (4) weeks, plus 13 Company-paid holidays and two (2) personal days.
Severance:	In accordance with Senior Executive Severance Agreement (a revised copy of which is enclosed).
Financial Planning:	Company-paid up to $10,000 for the first year; $6,000 thereafter.
Temporary Living Expenses:	In accordance with the Woolworth Corporation Policy for Homeowners. Thirty (30) day extensions will be considered upon request.

Company will pay storage costs for up to one (1) year.

Pat Peck will be in touch with you regarding the directed offer for $1 million for your Minnesota home. We have agreed that you may continue to reside in your home after it has been purchased by HFS until it is sold. HFS will require that you pay interest and taxes during that period of time.

Start Date: September 8, 1997

We are very enthusiastic about your joining our dynamic and professional team. We know you will grow, personally and professionally, in our exciting environment and industry.

If the foregoing covers all the details of this appointment, please confirm your acceptance by signing and faxing a copy of this letter to me by Tuesday, July 29, 1997, then returning the enclosed original signed copy of this letter. If you have any questions, please feel free to contact me directly.

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We look forward to your joining us.

Very truly yours,

/s/ Reid Johnson

Reid Johnson

/s/ John F. Gillespie

John F. Gillespie

7/29/97

Date

7/25/97

Date

Enclosure
cc: Dale Hilpert
Pat Peck
Connie Williams

Exhibit 10.35

EXECUTION COPY

AMENDMENT NO. 2 TO CREDIT AGREEMENT

AMENDMENT No. 2 dated as of April 13, 1998 to the Credit Agreement dated as of April 9, 1997, as heretofore amended (the "Credit Agreement") among WOOLWORTH CORPORATION, the BANKS party thereto, the CO-AGENTS party thereto, NATIONSBANK, N.A., as Documentation Agent, and THE BANK OF NEW YORK, as LC Agent, Administrative Agent and Swingline Bank.

WITNESSETH:

WHEREAS, the parties hereto desire to amend the definition of "EBIT" in the Credit Agreement to eliminate a proviso which requires that, if any extraordinary non-cash loss or any non-recurring non-cash loss includes a provision for cash payments to be made in future periods, such cash payments must be deducted in calculating EBIT for the periods in which they are actually paid;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment of Definition of EBIT. The definition of "EBIT" is amended by deleting the proviso at the end of said definition so that said definition will read in full as follows:

"EBIT" means, for any period, the sum of (i) the consolidated net income of the Borrower and its Consolidated Subsidiaries for such period plus (ii) to the extent deducted in determining such consolidated net income, the sum of (A) Interest Expense, (B) income taxes, (C) the after-tax effect of any extraordinary non-cash losses (or minus the after-tax effect of any extraordinary non-cash gains), (D) the before-tax effect of any non-recurring non-cash losses that are not classified as extraordinary losses (or minus the before-tax effect of any non-recurring non-cash gains that are not classified as extraordinary gains) and (E) any pre-tax loss (or minus any pre-tax gain) on the sale of any ownership or leasehold interest in real property.

SECTION 3. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 5. Effectiveness. This Amendment shall become effective as of the date hereof when the Administrative Agent shall have received from each of the Borrower and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

WOOLWORTH CORPORATION

By: /s/ John H. Cannon
Title: Vice President - Treasurer

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: /s/ Douglas Mahler
Title: Vice President

NATIONSBANK, N.A.

By: /s/ Marcus A. Boyer
Title: Vice President

THE BANK OF NEW YORK

By: /s/ Howard F. Bascom
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ J. Alan Edwards
Title: Authorized Signatory

BANK OF TOKYO-MITSBUSISHI TRUST
COMPANY

By: /s/ Noami Saffa
____
Title: Assistant Vice President

TORONTO DOMINION (NEW YORK), INC.

By: /s/ Jorge A. Garcia
____
Title: Vice President

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By: /s/ Jody A. Pritchard
____
Title: Vice President

COMMERZANK AG, NEW YORK AND/OR
GRAND CAYMAN BRANCHES

By: /s/ Subash R. Viswanathan
____
Title: Vice President

By: /s/ A. Oliver Welsch-Lehmann
____
Title: Assistant Treasurer

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Vladimir Labun
____
Title: First Vice President-Manager

DEUTSCHE BANK AG, NEW YORK
AND/OR CAYMAN ISLAND BRANCH

By: /s/ Stephan A. Wiedemann
Title: Director

By: /s/ Joel D. Makowsky
Title: Assistant Vice President

KEYBANK NATIONAL ASSOCIATION

By: /s/ Karen A. Lee
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ Catherine M. Wallace
Title: Vice President

By: /s/ Donald A. Hartmann
Title: Senior Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Terry Rocha
Title: Vice President

EXHIBIT 12

WOOLWORTH CORPORATION

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)
($ in millions)

	Fiscal Year ended Jan. 31, 1998	Fiscal Year ended Jan. 25, 1997	Fiscal Year ended Jan. 27, 1996	Fiscal Year ended Jan. 28, 1995	Fiscal Year ended Jan. 29, 1994
NET EARNINGS					
Net income (loss) from continuing operations	$213	$193	$(98)	$ 38	$(226)
Income tax expense (benefit)	125	127	(35)	42	(118)
Interest expense, excluding capitalized interest	48	63	108	93	71
Portion of rents deemed representative of the interest factor (1/3)	204	211	207	194	192
	$590	$594	$182	$367	$ (81)
FIXED CHARGES					
Gross interest expense	$ 48	$ 63	$108	$ 93	$ 71
Portion of rents deemed representative of the interest factor (1/3)	204	211	207	194	192
	$252	$274	$315	$287	$ 263
RATIO OF EARNINGS TO FIXED CHARGES	2.3	2.2	0.6	1.3	--

Earnings were not adequate to cover fixed charges by $133 million and $344 million for the fiscal years ended January 27, 1996 and January 29, 1994, respectively.

Exhibit 21

WOOLWORTH CORPORATION AND SUBSIDIARIES (1)
April 1, 1998

Name	State or Other Jurisdiction of Incorporation
Woolworth Corporation	New York
After Thoughts, Inc.	Delaware
Foot Locker Asia, Inc.	Delaware
Foot Locker Asia Limited	Hong Kong
Foot Locker Australia, Inc.	Delaware
Foot Locker Austria GmbH	Austria
Foot Locker Belgium N.V	Belgium
Foot Locker China, Inc.	Delaware
Foot Locker Europe B.V.	Netherlands
Foot Locker France S.A.	France
Faust S.A.R.L.	France
Florentin Freres-Primaprix S.A.	France
Les Nouveautes du Centre S.A.R.L.	France
Foot Locker Germany GmbH	Germany
Foot Locker Italy S.r.l.	Italy
Foot Locker Japan, Inc.	Delaware
Foot Locker Japan K.K.	Japan
Foot Locker Netherlands B.V.	Netherlands
Foot Locker Singapore Pte. Ltd.	Singapore
Foot Locker Spain S.L.	Spain
Foot Locker (Thailand) Co., Ltd.	Thailand
Foot Locker U.K. Limited	U.K.
Freedom Sportsline Limited	U.K.
FWW Realty Europe Limited	U.K.
Kids Mart, Inc. (2)	Florida
Kids Mart Inc.	Delaware
Kinney New Zealand Limited	New Zealand
Little Folk Shop Inc.	Delaware
Northern Reflections Inc.	Delaware
Randy River, Inc.	Delaware
The Richman Brothers Company	Ohio
Custom Cut, Inc.	Delaware
RX Place, Inc.	Delaware
The San Francisco Music Box Company	California
Specialty Times, Inc.	Delaware
Team Edition Apparel, Inc.	Florida
F. W. Woolworth Co.	New York
Afterthoughts Boutiques, Inc.	Delaware
Barclay Park and Church Advertising Inc.	Delaware
Checklot Service Center, Inc.	Delaware
Eastbay, Inc.	Wisconsin
Frame Scene, Inc.	Delaware
Herald Square Stationers, Inc.	Delaware
Lamston 37-33/45 Seventy-Fourth Street Corp.	New York

(1) The name of each subsidiary company is indented under the name of its parent company and, unless otherwise noted in a footnote, each such subsidiary company is 100% owned by its parent. Directors' qualifying shares, if any, are deemed to be beneficially owned by a subsidiary's parent company. All subsidiaries wholly owned, directly or indirectly, by Woolworth Corporation are consolidated with Woolworth Corporation for accounting and financial reporting purposes.

[WOOLWORTH CORPORATION -- (CONT.)]
[F. W. WOOLWORTH CO. -- (CONT.)]

Lamston 1279 Third Avenue Corp.	New York
Lamston 69-73/5 Grand Avenue Corp.	New York
Red Grille of Hawaii, Inc.	Delaware
Red Grille of Louisiana, Inc.	Delaware
Trade Center Realty, Inc.	Delaware
Woolco Fashionwear Corp.	Delaware
Woolco Inc.	Delaware
340 Supply Co.	Pennsylvania
Rosedale Accessory Lady, Inc.	Minnesota
Accessory Lady, Inc.	Texas
Atlanta Southlake Accessory Lady, Inc.	Georgia
Beachwood Accessory Lady, Inc.	Ohio
Brea Accessory Lady, Inc.	California
Bridgewater Commons Accessory Lady, Inc.	New Jersey
Buckland Hills Accessory Lady, Inc.	Connecticut
Cherry Hill Accessory Lady, Inc.	New Jersey
Chesterfield Accessory Lady, Inc.	Virginia
Chicago Accessory Lady, Inc.	Illinois
Copley Place Accessory Lady, Inc.	Massachusetts
Colonie Center Accessory Lady, Inc.	New York
Crabtree Mall Accessory Lady, Inc.	North Carolina
Dadeland Center Accessory Lady, Inc.	Florida
Delamo Accessory Lady, Inc.	California
Fashion Valley Accessory Lady, Inc.	California
Four Seasons Accessory Lady, Inc.	North Carolina
Fox Valley Accessory Lady, Inc.	Illinois
Garden State Accessory Lady, Inc.	New Jersey
The Gardens Accessory Lady, Inc.	Florida
Glendale Accessory Lady, Inc.	California
Grand Avenue Accessory Lady, Inc.	Wisconsin
Hanes Mall Accessory Lady, Inc.	North Carolina
Hawthorne Center (IL.) Accessory Lady, Inc.	Illinois
Lakeside Accessory Lady, Inc.	Louisiana
Mainplace Accessory Lady, Inc.	California
Mall Del Norte Accessory Lady, Inc.	Texas
McAllen Accessory Lady, Inc.	Texas
McLean Accessory Lady, Inc.	Virginia
Menlo Park Accessory Lady, Inc.	New Jersey
Montclair Accessory Lady, Inc.	California
Montgomery Accessory Lady, Inc.	Maryland
Northbrook Accessory Lady, Inc.	Illinois
North County Fair Accessory Lady, Inc.	California
Northridge Accessory Lady, Inc.	California
Oakbrook Center Accessory Lady, Inc.	Illinois
The Oaks Accessory Lady, Inc.	California
Orlando Accessory Lady, Inc.	Florida
Paradise Valley Accessory Lady, Inc.	Arizona
Palm Beach Mall Accessory Lady, Inc.	Florida
Paramus Park Accessory Lady, Inc.	New Jersey
The Parks Accessory Lady, Inc.	Texas

[WOOLWORTH CORPORATION -- (CONT.)]
[F. W. WOOLWORTH CO. -- (CONT.)]
[ROSEDALE ACCESSORY LADY, INC. -- (CONT.)]

Penn Square Accessory Lady, Inc.	Oklahoma
Pentagon City Accessory Lady, Inc.	Virginia
Raceway Accessory Lady, Inc.	New Jersey
Randhurst Accessory Lady, Inc.	Illinois
Regency Square Accessory Lady, Inc.	Florida
Ridgedale Accessory Lady, Inc.	Minnesota
Riverside Hackensack Accessory Lady, Inc.	New Jersey
Roosevelt Field Accessory Lady, Inc.	New York
Scottsdale Accessory Lady, Inc.	Arizona
Southdale Accessory Lady, Inc.	Minnesota
St. Louis Galleria Accessory Lady, Inc.	Missouri
Stoneridge Accessory Lady, Inc.	California
Stonestown Accessory Lady, Inc.	California
Sunrise Boulevard (Fla.) Accessory Lady, Inc.	Florida
Sunvalley Accessory Lady, Inc.	California
Towson Accessory Lady, Inc.	Maryland
Tri-County Accessory Lady, Inc.	Ohio
Tysons Corner Accessory Lady, Inc.	Virginia
Valley Fair Accessory Lady, Inc.	California
Willowbrook Accessory Lady, Inc.	New Jersey
Woodman Avenue Accessory Lady, Inc.	California
Kinney Shoe Corporation	New York
Armel, Inc.	Florida
Armel Acquisition, Inc.	Florida
Champs of Crossgates, Inc.	Florida
Champs of Holyoke, Inc.	Florida
Champs Sporting Goods of Esplanade, Inc.	Florida
Champs Sporting Goods, Inc.	Tennessee
Champs Sport Shops, Inc. of Maryville	Florida
Champs Sport Shops, Inc. of Cutler Ridge	Florida
Champs Sport Shops, Inc. of Broward	Florida
Champs Sport Shops of Daytona, Inc.	Florida
San Del of Jacksonville, Inc.	Florida
Champs Sport Shops, Inc. of 163rd Street	Florida
San Del, Inc. of Atlanta	Florida
Champs Four Seasons, Inc.	North Carolina
Joe Chichelo, Inc.	Florida
Champs Sport Shops, Inc.	Florida
Champs Sport Shops, Inc. of Aventura	Florida
Champs Sporting Goods of N.C., Inc.	North Carolina
Champs Sport Shops, Inc. of Miami International	Florida
Champs Sporting Goods, Inc.	Louisiana
Champs Sport Shops, Inc. of Omni	Florida

[WOOLWORTH CORPORATION -- (CONT.)]
[KINNEY SHOE CORPORATION -- (CONT.)]
[ARMEL, INC. -- (CONT.)]
[ARMEL ACQUISITION, INC. -- (CONT.)]

Champs Sport Shops, Inc. of Nashville	Florida
Champs Sport Shops, Inc. of Houston	Florida
Champs Sport Shops, Inc. of Fort Lauderdale	Florida
Sneakers Inc. of Greensboro	North Carolina
Sneakers Inc. of Knoxville	Tennessee
Sneakers Inc. of Daytona Beach	Florida
Champs of Maryland, Inc.	Florida
Champs of Virginia, Inc.	Florida
SneaKee Feet of Maryland, Inc.	Florida
SneaKee Feet of Montgomery Village, Inc.	Florida
SneaKee Feet of North Carolina, Inc.	Florida
Runner-Up of Orlando, Inc.	Florida
SneaKee Feet of Tampa, Inc.	Florida
SneaKee Feet of Washington Outlet Mall, Inc.	Florida
SneaKee Feet, Inc.	Florida
Champs of Missouri, Inc.	Missouri
Champs Sport Shops of Maryland, Inc.	Maryland
Champs of Connecticut, Inc.	Connecticut
Champs Sport Shops of Massachusetts, Inc.	Massachusetts
Champs of Georgia, Inc.	Georgia
Champs of New Jersey, Inc.	New Jersey
Champs of Oklahoma, Inc.	Oklahoma
Champs of Tennessee, Inc.	Tennessee
Menlo Trading Company	California
Athletic Shoe Factory, Inc.	California
Simpson's Ferry Leasing Corp.	Delaware
Janess Properties, Inc.	Delaware
Kinney Service Corporation	Delaware
Kinney Trading Corp.	New York
Robby's Sporting Goods, Inc.	Florida
Woolworth Realty Corporation	New York
Woolworth Specialty Corporation	California
Woolworth World Trade Corp.	New York
Woolworth Holding S.A. de C.V.	Mexico
Foot Locker de Mexico, S.A. de C.V.	Mexico
Distribuidora Foot Locker S.A. de C.V.	Mexico
Woolworth Canada Inc.	Canada
142739 Canada Limited	Canada
Woolco Pharmacy (Saskatchewan) Ltd.	Canada
Woolworth Overseas Corp.	Delaware

[WOOLWORTH CORPORATION -- (CONT.)]
[WOOLWORTH WORLD TRADE CORP. (CONT.)]

Kinney Shoes (Australia) Limited	Australia
Colorado Adventure Clothing Pty. Ltd.	Australia
Mathers Enterprises Limited	Australia
Williams The Shoemen Pty. Ltd.	Australia
Retail Company of Germany, Inc.	Delaware
F. W. Woolworth Co. Ges. mbH	Austria
F. W. Woolworth Co. GmbH	Germany
Tappiser & Werner GmbH	Germany
Krone Grundstucksgesellschaft mbH (3)	Germany
LIDOS Verwaltung GMBH & Co. Vermietungs KG (4)	Germany
Meyer Der Schuh Beteiligungs-GmbH u. Co. KG (5)	Germany
Christa Grundstucks-Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG (6)	Germany
Merkur Einkaufsgesellschaft KAUFRING-WOOLWORTH mbH (7)	Germany
EMPTIO I Beteiligungsgesellschaft GbR (8)	Germany
Kaufring AG (9)	Germany
Meyer Der Schuh Beteiligungs-gesellschaft mbH	Germany

(2) 1 million shares of Series A Convertible Preferred Stock, par value $.0001 per share pursuant to a Stock Acquisition Agreement dated May 30, 1996.

(3) 0.29% owned by Retail Company of Germany, Inc.; 99.71% owned by F. W. Woolworth Co. GmbH.

(4) Krone Grundstucksgesellschaft mbH acquired 99% of the shares as a limited partner in 1995.

(5) 99% of the capital is owned Krone Grundstucksgesellschaft mbH (limited partner) and 1% of the capital is owned by Meyer Der Schuh Beteiligungs-GmbH (unlimited partner).

(6) F. W. Woolworth Co. GmbH owns 99% of the capital of this subsidiary and 15% of the voting. rights.

(7) 50% owned by F. W. Woolworth Co. GmbH; 50% owned by Kaufring AG.

(8) 50% owned by F. W. Woolworth Co. GmbH; 50% owned by Commerzbank AG.

(9) 25% of the capital is owned by EMPTIO I Beteiligungsgesellschaft GbR.

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EXHIBIT 23

WOOLWORTH CORPORATION
CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Woolworth Corporation:

We consent to the incorporation by reference in the 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 of Woolworth Corporation and subsidiaries of our report dated March 11, 1998, relating to the consolidated balance sheets of Woolworth Corporation and subsidiaries as of January 31, 1998 and January 25, 1997 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended January 31, 1998, which report appears in the January 31, 1998 Annual Report on Form 10-K of Woolworth Corporation and subsidiaries.

Our report refers to the adoption of the Financial Accounting Standards Board's 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 1995.

/s/ KPMG Peat Marwick LLP

New York, New York
April 17, 1998

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED STATEMENTS OF INCOME FOR THE TWELVE MONTHS ENDED JANUARY 31, 1998
AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 31, 1998 AND IS QUALIFIED IN
ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS
JAN-31-1998
JAN-26-1997
JAN-31-1998
116
0
0
0
1,159
1,459
0
0
3,182
756
535
0
0
0
1,271
3,182
6,624
6,624
4,568
4,568
139
0
44
338
125
213
(223)
0
0
(10)
(0.08)
(0.07)

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY.

5

THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF INCOME FOR THE TWELVE MONTHS ENDED JANUARY 25, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 25, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

12-MOS
JAN-25-1997
JAN-28-1996
JAN-25-1997
328
0
0
0
1,066
1,782
0
0
3,339
748
575
0
0
0
1,334
3,339
7,017
7,017
4,783
4,783
143
0
59
320
127
193
(24)
0
0
169
1.26
1.26

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY.

5

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

1,000,000

12-MOS
JAN-27-1996
JAN-26-1995
JAN-27-1996
14
0
0
0
1,185
1,647
0
0
3,339
700
599
0
0
0
1,229
3,339
7,031
7,031
4,863
4,863
185
0
104
(133)
(35)
(98)
(66)
0
0
(164)
(1.23)
(1.23)

THE AMOUNT IS REPORTED AS EPS BASIC AND NOT FOR EPS PRIMARY.