



FORM 10-K405

MAY DEPARTMENT STORES CO - MAY

Exhibit:

Filed: April 21, 1999 (period: January 30, 1999)

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 30, 1999

OR

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

For the transition period from to

Commission File Number 1-79

THE MAY DEPARTMENT STORES COMPANY
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

43-1104396
(I.R.S. Employer
Identification Number)

611 Olive Street, St. Louis, Missouri
(Address of principal executive offices)

63101
(Zip Code)

Registrant's telephone number, including area code: (314) 342-6300

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 \$.50 per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

(Title of Class)

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]

Aggregate market value of May's common stock held by non-affiliates as of April 3, 1999: \$13,024,264,023

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
334,848,699 shares of common stock, \$.50 par value, as of April 3, 1999.

Documents incorporated by reference:

1. Portions of May's 1998 Annual Report to Shareowners are incorporated into Parts I and II.
2. Portions of May's 1999 Proxy Statement, dated April 16, 1999, are incorporated into Part III.

PART I

Items 1 and 2. Business and Description of Property

May, a corporation organized under the laws of the State of Delaware in 1976, became the successor to The May Department Stores Company, a New York corporation (May NY) in a reincorporation from New York to Delaware pursuant to a statutory share exchange accomplished in 1996. As a result of the share exchange, May NY became a wholly owned subsidiary of May. May NY was organized under the laws of the State of New York in 1910, as the successor to a business founded by David May, who opened his first store in Leadville, Colorado, in 1877.

May operates eight quality regional department store companies nationwide under eleven trade names. At fiscal year-end 1998, May operated 393 department stores in 32 states and the District of Columbia. The department store companies and the markets served are shown in the table below.

Store Company	Markets Served
Lord & Taylor	29 markets, including New York/New Jersey Metro, Chicago, Boston, Washington D.C., Detroit, Houston, Atlanta, Dallas, and Miami
Hecht's and Strawbridge's	18 markets, including Washington D.C. Metro, Philadelphia (Strawbridge's), Baltimore, Norfolk, and Richmond
Foley's	17 markets, including Houston, Dallas/Fort Worth, Denver, San Antonio, Austin, and Oklahoma City
Robinsons-May	9 markets, including Los Angeles/Orange County, Riverside/San Bernardino, Phoenix, San Diego, and Anaheim
Filene's	15 markets, including Boston Metro, Southern Connecticut, Hartford, Providence, and Albany
Kaufmann's	20 markets, including Pittsburgh, Cleveland, Buffalo, Rochester, Syracuse, and Akron
Famous-Barr, L.S. Ayres and The Jones Store	20 markets, including St. Louis, Kansas City (The Jones Store), Indianapolis (L.S. Ayres), Fort Wayne, and South Bend
Meier & Frank	Four markets: Portland/Vancouver, Salem, Eugene, and Medford

May employs approximately 60,000 full-time and 67,000 part-time associates in 32 states, the District of Columbia, and nine offices overseas.

Management's Discussion and Analysis (pages 16-20) of May's 1998 Annual Report to Shareowners is incorporated herein by reference.

A. Property Ownership

The following summarizes the property ownership of department stores at January 30, 1999:

	Number of Stores*	% of Gross Building Sq. Footage
Entirely or mostly owned	219	59%
Entirely or mostly leased	103	26
Owned on leased land	71	15
	393	100%

* Includes a total of 18 department stores subject to financing.

B. Credit Sales

Sales at May's department stores are made for cash or credit, including May's 30-day charge accounts and open-end credit plans, which include revolving charge accounts and revolving installment accounts. During the fiscal year ended January 30, 1999, 43.6% of revenues were made through May's credit plans.

In 1991, May formed May National Bank of Arizona (MBA) and May National Bank of Ohio (MBO), which are indirectly wholly-owned and consolidated subsidiaries of May.

During fiscal 1998, MBA and MBO extended credit to customers of May's Lord & Taylor, Foley's (beginning March 1998), Hecht's, Strawbridge's, Robinsons-May, Filene's (beginning September 1998), Kaufmann's, Famous-Barr, L.S. Ayres, The Jones Store (beginning September 1998), and Meier & Frank department stores companies. Throughout 1998, MBA and MBO sold the resulting accounts receivables at face value to May NY. In addition, MBA and MBO process remittances for their parent, Grande Levee, Inc., and its other subsidiaries. MBA and MBO receive processing fee revenue for this service.

C. Competition in Retail Merchandising

May's retail merchandising business is conducted under highly competitive conditions. Although May is one of the nation's largest department store retailers, it has numerous competitors at the local level which compete with May's individual department stores. Competition at the local level is characterized by many factors including convenience of facilities, reputation, procurement of merchandise, product mix, advertising, price, quality, service, and credit availability. May believes that it is in a strong competitive position with regard to each of these factors.

D. Executive Officers of May

The names and ages (as of April 21, 1999) of all executive officers of May, and the positions and offices held with May by each such person are as follows:

Name	Age	Positions and Offices
Eugene S. Kahn	49	President and Chief Executive Officer
Jerome T. Loeb	58	Chairman of the Board
Anthony J. Torcasio	53	Vice Chairman; and Chief Executive Officer, May Merchandising Company
John L. Dunham	52	Executive Vice President and Chief Financial Officer
R. Dean Wolfe	55	Executive Vice President
Alan E. Charlson	50	Senior Vice President and Chief Counsel
William D. Edkins	46	Senior Vice President
Lonny J. Jay	57	Senior Vice President
Jan R. Kniffen	50	Senior Vice President
Richard A. Brickson	51	Secretary and Senior Counsel
Martin M. Doerr	44	Vice President
Michael G. Culhane	36	Vice President

Each of the above named executive officers shall remain in office until the annual meeting of directors following the next annual meeting of shareowners of May and until the officer's successor shall have been elected and shall qualify. Mr. David C. Farrell retired as an officer and director on April 30, 1998. At that time Mr. Kahn became president and chief executive officer and Mr. Loeb became chairman of the board. Mr. Louis J. Garr, Jr. retired on January 31, 1999. Mr. Charlson was appointed senior vice president and chief counsel on July 29, 1998. Messrs. Kahn, Loeb, Torcasio, Dunham, and Wolfe are also directors of May.

Each of the executive officers has been an officer of May for at least the last five years, with the following exceptions: Mr. Kahn served as president and chief executive officer of Filene's from 1992 to March 1996 when he became vice chairman. He was appointed executive vice chairman in June 1997 and assumed his current position in May 1998. Mr. Dunham served as chairman of May Merchandising Company from 1993 to May 1996 when he assumed his current position and became an executive officer of May. Mr. Charlson served as senior counsel for May from 1988 to 1998 when he became senior vice president and chief counsel and an executive officer of May. Mr. Doerr joined May in 1992 as vice president and became an executive officer in 1994. Mr. Culhane was associated with the public accounting firm of Arthur Andersen LLP from 1984 to 1997. He served in a financial position for May from 1997 to 1998 when he became vice president and an executive officer of May.

Item 3. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which May or any of its subsidiaries is a party or of which any of their property is the subject.

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

No matters were submitted to a vote of security holders during the 13 weeks ended January 30, 1999.

PART II

Item 5. Market for May's Common Equity and Related Shareowner Matters

Common Stock Dividends and Market Prices (page 20) of May's 1998 Annual Report to Shareowners are incorporated herein by reference.

Item 6. Selected Financial Data

The Eleven Year Financial Summary (pages 32 and 33) of May's 1998 Annual Report to Shareowners is incorporated herein by reference.

In addition, basic earnings per share from continuing operations and the weighted average shares used to calculate basic earnings per share for the last five years are as follows:

	Earnings Per Share	Shares (millions)
1998	\$ 2.43	342.6
1997	2.18	348.5
1996	1.97	370.8
1995	1.82	373.4
1994	1.69	372.6

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis (pages 16-20) and Notes to Consolidated Financial Statements (pages 25-31) of May's 1998 Annual Report to Shareowners are incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Consolidated Financial Statements (pages 21-24), Notes to Consolidated Financial Statements (pages 25-31), Report of Independent Public Accountants (page 34), and Quarterly Results (page 26) of May's 1998 Annual Report to Shareowners are incorporated herein by reference.

In the first quarter 1997, the company had an aftertax extraordinary loss of \$4 million (\$5 million pretax), or \$0.01 per share related to the early retirement of debt.

SUMMARIZED FINANCIAL INFORMATION - THE MAY DEPARTMENT STORES COMPANY, NEW YORK. Summarized financial information of The May Department Stores Company, New York, is set forth below for 1998, 1997 and 1996.

(Millions)	January 30, 1999	January 31, 1998	
Financial Position			
Current assets	\$ 4,984	\$ 4,878	
Noncurrent assets	5,557	5,048	
Current liabilities	2,083	1,894	
Noncurrent liabilities	7,815	7,437	
	Jan. 30, 1999	52 Weeks Ended Jan. 31, 1998	Feb. 1, 1997
Operating Results			
Revenues	\$ 13,413	\$ 12,685	\$ 12,000
Cost of sales	9,224	8,732	8,226
Net earnings from continuing operations before extraordinary loss	662	591	662
Net earnings	662	587	657

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Items 10, 11, 12, 13. Directors and Executive Officers of May, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management, Certain Relationships and Related Transactions

Pursuant to paragraph G (Information to be Incorporated by Reference) of the General Instructions to Form 10-K, the information required by Items 10, 11, 12 and 13 (other than information about executive officers of May) is incorporated by reference from the definitive proxy statement dated April 16, 1999, and filed pursuant to Regulation 14A. Information about executive officers of May is set forth in Part I of this Form 10-K, under the heading "Items 1. and 2. Business and Description of Property."

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

- (1) Financial Statements. Incorporated by reference to May's 1998 Annual Report to Shareowners (Exhibit 13):

	Page in Annual Report
Financial Statements-	
Consolidated Statement of Earnings for the three fiscal years ended January 30, 1999	21
Consolidated Balance Sheet - January 30, 1999, and January 31, 1998	22
Consolidated Statement of Cash Flows for the three fiscal years ended January 30, 1999	23
Consolidated Statement of Shareowners' Equity for the three fiscal years ended January 30, 1999	24
Notes to Consolidated Financial Statements	25-31
Report of Independent Public Accountants	34

	Page in this Report
(2) Supplemental Financial Statement Schedule (for the three fiscal years ended January 30, 1999):	
Report of Independent Public Accountants on Schedule II	11
II Valuation and Qualifying Accounts	12

(3) Exhibits:	Location
3(a) Amended and Restated Certificate of Incorporation of May, dated May 22, 1996	Incorporated by Reference to Exhibit 4(a) of Post Effective Amendment No. 1 to Form S-8, filed May 29, 1996.
3(b) By-Laws of May, as amended	Incorporated by Reference to Exhibit 3 of Form 10-Q, filed December 8, 1998.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

		Location
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
13	The May Department Stores Company 1998 Annual Report to Shareowners (only those portions specifically incorporated by reference shall be deemed filed with the Commission)	Filed herewith.
21	Subsidiaries of May	Filed herewith.
23	Consent of Independent Public Accountants	Page 11 of this Report.
27	Financial Data Schedule	Filed herewith.
99	Form 11-K Annual Report of the Profit Sharing and Savings Plan of The May Department Stores Company for the fiscal year ended December 31, 1998	Filed herewith.

(4) Reports on Form 8-K

A report dated November 13, 1998 (Date of earliest event reported - November 11, 1998) which contained information concerning the debt rating on May's long-term debt and its bank credit facility.

All other schedules and exhibits of May for which provision is made in the applicable regulations of the Securities and Exchange Commission have been omitted, as they are not required or are inapplicable or the information required thereby has been given otherwise.

SIGNATURES

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

THE MAY DEPARTMENT STORES COMPANY

Date: April 21, 1999

By: /s/ John L. Dunham
John L. Dunham
Director, Executive Vice
President and Chief Financial
Officer

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

Date	Signature	Title
Principal Executive Officer:		
April 21, 1999	/s/ Eugene S. Kahn Eugene S. Kahn	Director, President and Chief Executive Officer
Principal Financial and Accounting Officer:		
April 21, 1999	/s/ John L. Dunham John L. Dunham	Director, Executive Vice President and Chief Financial Officer
Directors:		
April 21, 1999	/s/ Jerome T. Loeb Jerome T. Loeb	Director and Chairman of the Board

Date		Signature	Title
April 21, 1999	/s/	Anthony J. Torcasio Anthony J. Torcasio	Director and Vice Chairman; and Chief Executive Officer, May Merchandising Company
April 21, 1999	/s/	R. Dean Wolfe R. Dean Wolfe	Director and Executive Vice President
April 21, 1999	/s/	Marsha J. Evans Marsha J. Evans	Director
April 21, 1999	/s/	Helene L. Kaplan Helene L. Kaplan	Director
April 21, 1999	/s/	James M. Kilts James M. Kilts	Director
April 21, 1999	/s/	Edward H. Meyer Edward H. Meyer	Director
April 21, 1999	/s/	Russell E. Palmer Russell E. Palmer	Director
April 21, 1999	/s/	Michael R. Quinlan Michael R. Quinlan	Director
April 21, 1999	/s/	William P. Stiritz William P. Stiritz	Director
April 21, 1999	/s/	Robert D. Storey Robert D. Storey	Director
April 21, 1999	/s/	Murray L. Weidenbaum Murray L. Weidenbaum	Director

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The May Department Stores Company:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in The May Department Stores Company's Annual Report to Shareowners incorporated by reference in this Form 10-K, and have issued our report thereon dated February 10, 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. Schedule II included in this Form 10-K is the responsibility of the company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the consolidated financial statements. The Schedule has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP
1010 Market Street
St. Louis, Missouri 63101-2089
February 10, 1999

Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Annual Report on Form 10-K for the year ended January 30, 1999 into the Company's previously filed Registration Statements on Form S-3 (No. 333-71413, 333-71413-01, 333-11539 and 333-11539-01) and Form S-8 (No. 33-21415, 33-98045, 33-58985, 333-00957 and 333-76227).

ARTHUR ANDERSEN LLP
1010 Market Street
St. Louis, Missouri 63101-2089
April 21, 1999

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

FOR THE THREE FISCAL YEARS ENDED January 30, 1999

(Millions)

	Balance beginning of period	Charges to costs and expenses and other adjustments	Deductions (a)	Balance end of period
FISCAL YEAR ENDED JANUARY 30, 1999				
Allowance for uncollectible accounts	\$ 96	\$ 76	\$ (93)	\$ 82
FISCAL YEAR ENDED JANUARY 31, 1998				
Allowance for uncollectible accounts	\$ 104	\$ 104	\$ (112)	\$ 96
FISCAL YEAR ENDED FEBRUARY 1, 1997				
Allowance for uncollectible accounts	\$ 75	\$ 134	\$ (105)	\$ 104

(a) Write-off of accounts determined to be uncollectible, net of recoveries of \$25 million in 1998 and \$26 million in 1997 and 1996.

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES

SUBSIDIARIES OF MAY

The corporations listed below are subsidiaries of May, and all are included in the consolidated financial statements of May as subsidiaries (unnamed subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary):

Name	Jurisdiction in which organized
The May Department Stores Company	New York
May Capital, Inc.	Delaware
Grande Levee, Inc. (formerly May Funding, Inc.)	Nevada
Leadville Insurance Company	Vermont

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THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE FIVE FISCAL YEARS ENDED JANUARY 30, 1999

(Dollars in Millions)

	Fiscal Year Ended				
	Jan. 30, 1999	Jan. 31, 1998	Feb. 1, 1997	Feb. 3, 1996	Jan. 28, 1995
Earnings Available for Fixed Charges:					
Pretax earnings from continuing operations	\$ 1,395	\$ 1,279	\$ 1,232	\$ 1,160	\$ 1,079
Fixed charges (excluding interest capitalized and pretax preferred stock dividend requirements)	344	363	346	317	293
Dividends on ESOP Preference Shares	(25)	(26)	(26)	(28)	(28)
Capitalized interest amortization	7	6	6	5	4
	1,721	1,622	1,558	1,454	1,348
Fixed Charges:					
Gross interest expense (a)	\$ 339	\$ 353	\$ 341	\$ 316	\$ 289
Interest factor attributable to rent expense	21	23	22	20	19
	360	376	363	336	308
Ratio of Earnings to Fixed Charges	4.8	4.3	4.3	4.3	4.4

(a) Represents interest expense on long-term and short-term debt, ESOP debt and amortization of debt discount and debt issue expense.

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[The following "Management's Discussion and Analysis" section is a reproduction of the same named section included in the paper format Annual Report on pages 16-20.]

Management's Discussion and Analysis

Our 24th consecutive year of record sales and earnings per share positions May as one of the most consistent companies in the retail industry. Our five-year earnings per share compound growth rate of 10.0% and our 22.2% return on equity are among the industry's best.

Sales were \$13.1 billion, an increase of 6.4% over 1997 sales of \$12.3 billion. The increase reflects a 3.5% rise in store-for-store sales, 1998 store openings, and the full-year impact of 1997 store openings. Store-for store sales increases for the first through fourth quarters in 1998 were 4.6%, 4.3%, 2.2%, and 3.3%, respectively.

Our 1998 diluted earnings per share increased 11.1% to \$2.30 from last year's \$2.07. Net earnings totaled \$849 million, compared with \$779 million last year. Return on beginning equity increased to 22.2% from 21.2% in 1997, and return on net assets was 19.8%, compared with 18.5% in 1997.

During 1998, the company purchased 11 former Mercantile stores. Ten of these stores were in operation at fiscal year-end 1998. The remaining store was closed for remodeling and will reopen in fall 1999. We acquired two additional stores which will open in 1999.

We opened 29 department stores as detailed below during 1998, including the 10 former Mercantile stores, adding 4.6 million square feet of retail space:

Lord & Taylor: 10 stores

NY	Palisades Ctr.	West Nyack
	South Shore	Bayshore
	Walt Whitman	Long Island
MD	Owings Mill	Baltimore
	White Marsh	Baltimore
	Annapolis Mall	Annapolis
	The Mall	Columbia
VA	Dulles Town Ctr.	Reston
TX	Willowbrook	Houston
KY	St. Matthews	Louisville

Hecht's: 3 stores

VA	Patrick Henry	Newport News
	Lynnhaven	Virginia Beach
	Dulles Town Ctr.	Reston

Foley's: 2 stores

CO	Chapel Hill	Colorado Springs
TX	Ridgmar Mall	Ft. Worth

Robinsons-May: 1 store

CA	Inland Ctr.	San Bernardino
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Filene's: 2 stores

NY	Palisades Ctr.	West Nyack
MA	Bangor Mall	Bangor

Kaufmann's: 2 stores

PA	Robinson Town Ctr.	Pittsburgh
OH	Richmond Town Sq.	Cleveland

Famous-Barr: 9 stores

Operating as The Jones Store:

MO	Metro North	Kansas City
	Bannister	Kansas City
	Blue Ridge	Kansas City
	Independence	Independence
KS	Metcalfe South	Overland Park
	West Ridge	Topeka
	Prairie Village Ctr.	Prairie Village

Operating as Famous-Barr:

KY	Towne Sq.	Owensboro
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Operating as L.S. Ayres:

IN	Honey Creek Sq.	Terre Haute
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In addition, we remodeled 19 department stores in 1998, totaling

1.5 million retail square feet, which included the expansion of five stores by 164,000 square feet. At fiscal year-end, May operated 393 department stores in 32 states and the District of Columbia.

Our expansion program for 1999 includes 18 new department stores, totaling 2.5 million square feet of retail space. In addition, the company plans to remodel 29 department stores totaling 1.5 million square feet of retail space, which includes the expansion of 23 stores by a total of 734,000 square feet. We also plan to continue the aggressive pursuit of home store sales by converting space previously dedicated to consumer electronics. We plan to complete conversion of this space in 190 stores in 1999 and 70 stores in 2000.

The new-store plan for 1999 through 2003 would add 78 new department stores totaling 12 million retail square feet, a 3% annualized increase, net of closings. During this five-year period, May plans to invest \$1.5 billion for new stores, \$800 million to expand and remodel existing stores, and \$360 million related to systems and operations. These are the major components of our \$3.4 billion capital plan.

During 1998, the company completed a \$500 million stock repurchase program totaling 12.5 million shares. The 1998 buyback was in addition to a \$300 million 1997 stock repurchase program totaling 9.6 million shares and a \$600 million 1996 stock repurchase program totaling 19.1 million shares. In February 1999, the company announced plans to repurchase up to an additional \$500 million of May shares.

Review of Operations

Diluted earnings per share reached \$2.30 in 1998, compared with \$2.07 in 1997 and \$1.87 in 1996. Net earnings totaled \$849 million in 1998, compared with \$779 million in 1997 and \$749 million in 1996. The 1998 and 1997 diluted earnings per share growth rates were 11.1% and 10.7%, respectively. Net earnings growth rates were lower than diluted earnings per share growth rates due to \$1.4 billion of stock repurchases completed in 1998, 1997, and 1996. Return on revenues was 6.3% in 1998, compared with 6.1% in 1997 and 6.2% in 1996.

Results for the past three years on a continuing operations basis and the related percent of revenues were as follows:

(dollars in millions, except per share data)	1998		1997		1996	
	\$	%	\$	%	\$	%
Net retail sales	\$13,072		\$12,291		\$11,492	
Revenues	\$13,413	100.0%	\$12,685	100.0%	\$12,000	100.0%
Cost of sales	9,224	68.8	8,732	68.8	8,226	68.5
Selling, general, and administrative expenses	2,516	18.7	2,375	18.7	2,265	18.9
Interest expense, net	278	2.1	299	2.4	277	2.3
Earnings before income taxes	1,395	10.4	1,279	10.1	1,232	10.3
Provision for income taxes*	546	39.1	500	39.1	483	39.3
Net earnings	\$ 849	6.3%	\$ 779	6.1%	\$ 749	6.2%
Diluted earnings per share**	\$ 2.30		\$ 2.07		\$ 1.87	

* Percent of revenues columns represent effective income tax rates.

** Reflects three-for-two common stock split effective March 22, 1999.

LIFO (last-in, first-out) was a credit of \$28 million, \$5 million, and \$20 million in 1998, 1997, and 1996, respectively. The impact of LIFO on cost of sales, as a percent of revenues, is shown below:

	1998	1997	1996
Cost of sales	68.8%	68.8%	68.5%
LIFO credit	(0.2)	(0.1)	(0.2)
Cost of sales before LIFO credit	69.0%	68.9%	68.7%

Earnings before interest and taxes excluding the LIFO credit for the past three years were as follows:

(dollars in millions)	1998	1997	1996	Increase	
				1998	1997
Operating earnings	\$1,645	\$1,573	\$1,489	4.6%	5.7%
Percent of revenues	12.3%	12.4%	12.4%		

The slight decline in operating earnings as a percentage of revenues was due to lower gross margins resulting from higher markdown levels.

May's 393 quality department stores are operated by eight regional department store companies across the United States under 11 long-standing and widely recognized trade names. Each store company holds a leading market position in its region.

The table below summarizes net retail sales, sales per square foot, gross retail square footage, and number of stores for each store company:

Store Company: Headquarters	Net Retail Sales in Millions of Dollars		Sales per Square Foot		Gross Retail Square Footage in Thousands			Number of Stores		
	1998	1997	1998	1997	1998	1997	1998	New	Closed	1997
	Lord & Taylor: New York City	\$ 1,976	\$ 1,875	\$232	\$243	9,461	8,208	73	10	-
Hecht's, Strawbridge's: Washington, D.C.	2,368	2,285	200	195	12,231	12,318	71	3	3	71
Foley's: Houston	2,060	1,888	196	186	10,993	10,647	57	2	-	55
Robinsons-May: Los Angeles	1,936	1,849	196	189	10,156	10,140	55	1	1	55
Filene's: Boston	1,578	1,450	244	236	6,710	6,394	42	2	-	40
Kaufmann's: Pittsburgh	1,549	1,489	199	193	8,177	7,961	48	2	1	47
Famous-Barr, L.S. Ayres, The Jones Store: St. Louis	1,206	1,060	207	202	7,159	5,408	39	9	-	30
Meier & Frank: Portland, Ore.	399	395	231	229	1,768	1,768	8	-	-	8
The May Department Stores Company	\$13,072	\$12,291	\$209	\$204	66,655	62,844	393	29	5	369

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Net retail sales represent sales of stores open at the end of 1998.

Sales per square foot are calculated from revenues and average gross retail square footage.

Gross retail square footage represents square footage of stores open at the end of the period presented.

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Return on beginning equity	22.2%	21.2%	19.4%	20.8%	21.3%	22.1%	21.5%	20.7%	21.8%	18.0%	18.6%

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Return on net assets	19.8%	18.5%	18.8%	20.1%	20.1%	19.0%	15.4%	14.5%	15.8%	16.9%	16.2%

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Year-end dividend rate per common share	\$0.85	\$0.80	\$0.77	\$0.76	\$0.69	\$0.61	\$0.55	\$0.54	\$0.53	\$0.47	\$0.38

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Common stock closing price and price range:											
Low price	\$33.17	\$29.08	\$27.00	\$22.33	\$21.50	\$22.29	\$17.33	\$15.08	\$12.46	\$11.54	\$ 9.58
High price	\$47.25	\$38.08	\$34.83	\$30.83	\$30.08	\$31.00	\$24.83	\$20.13	\$19.71	\$17.54	\$13.33

Source: MAY DEPARTMENT STORE, 10-K405, April 21, 1999

Closing price

\$40.25 \$35.04 \$29.67 \$29.25 \$23.42 \$26.50 \$23.46 \$18.29 \$15.17 \$15.25 \$12.50

Net Retail Sales

Net retail sales (see page 25 for definition) increases for 1998 and 1997 were as follows:

Total	1998 vs. 1997		1997 vs. 1996		Five-year Compound Growth Rate
	Store-for- Store	Total	Store-for- Store	Total	
6.4%	3.5%	7.0%	3.6%	7.9%	

The total sales increase for 1998 reflects a 3.5% rise in store-for-store sales, the opening of 24 net new stores in 1998, and the full-year impact of 1997 store openings. The total sales increase for 1997 includes a 3.6% store for-store sales increase, the opening of four net new stores, and the full year impact of 1996 store openings.

Sales include leased and licensed department sales of \$385 million, \$353 million, and \$326 million in 1998, 1997, and 1996, respectively. Revenues include finance charge revenues of \$298 million, \$319 million, and \$338 million in 1998, 1997, and 1996, respectively. Finance charge revenues have decreased due to increased use of third-party credit cards and corresponding decreased use of the company's proprietary credit cards.

Cost of Sales

Cost of sales includes cost of merchandise sold and buying and occupancy costs. Cost of sales was \$9.22 billion in 1998, compared with \$8.73 billion in 1997, a 5.6% increase. The overall increase resulted from a 6.4% increase in sales. As a percent of revenues, cost of sales remained constant between 1997 and 1998 at 68.8%. Excluding the LIFO credit, cost of sales increased to 69.0% in 1998, compared with 68.9% in 1997. This increase was primarily the result of higher promotional markdown levels.

Cost of sales was \$8.73 billion in 1997, compared with \$8.23 billion in 1996, a 6.2% increase. The overall increase resulted from a 7.0% increase in sales. As a percent of revenues, cost of sales increased 0.3% from 68.5% in 1996 to 68.8% in 1997. This increase was due to higher promotional activity and a lower LIFO credit in 1997. Excluding the LIFO credit, cost of sales increased to 68.9% in 1997, compared with 68.7% in 1996.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were \$2.52 billion in 1998, compared with \$2.38 billion in 1997, a 5.9% increase. The overall increase was due to a 6.4% increase in sales. As a percent of revenues, selling, general, and administrative expenses remained constant at 18.7% in 1998, compared with 1997. A decrease in credit expense, partly related to lower bankruptcy rates, was offset by increases in advertising, retirement, and profit-sharing expense.

Selling, general, and administrative expenses were \$2.38 billion in 1997, compared with \$2.27 billion in 1996, a 4.8% increase. The overall increase was due to a 7.0% increase in sales. As a percent of revenues, selling, general, and administrative expenses decreased 0.2% to 18.7% in 1997, compared with 18.9% in 1996, due to a decrease in credit expense that was partially offset by higher payroll costs.

Selling, general, and administrative expenses include advertising and sales promotion costs of \$500 million, \$463 million, and \$439 million in 1998, 1997, and 1996, respectively.

Interest Expense

Interest expense components were:

(dollars in millions)	1998	1997	1996
Interest expense	\$311	\$324	\$310
Interest income	(19)	(11)	(16)
Capitalized interest	(14)	(14)	(17)
Interest expense, net	\$278	\$299	\$277
Percent of revenues	2.1%	2.4%	2.3%

The decrease in 1998 net interest expense compared with 1997 was due to both lower average long-term debt balances and higher average cash equivalent balances.

The increase in 1997 net interest expense compared with 1996 was due to increased average long-term debt balances related to borrowings to finance the company's 1996 common stock repurchases and debt assumed in the Strawbridge & Clothier transaction.

Income Taxes

The effective income tax rates were 39.1%, 39.1%, and 39.3% in

1998, 1997, and 1996, respectively.

Discontinued Operation

Effective May 4, 1996, the company spun off Payless ShoeSource, Inc. (Payless) as a tax-free distribution to shareholders.

Extraordinary Items

The company recorded an aftertax loss of \$4 million (\$5 million pretax) in 1997 and \$5 million (\$8 million pretax) in 1996 related to the early retirement of debt.

Impact of Inflation

Inflation did not have a material impact on the company's 1998 sales growth and earnings. The company values its inventory on a LIFO basis, and as a result, the current cost of merchandise is reflected in current operating results.

Review of Financial Condition

We continue to meet our objective of generating superior shareowner returns while maintaining access to capital at reasonable costs.

Return on Equity

Return on equity is our principal measure for evaluating our performance for shareowners and our ability to invest shareowners' funds profitably. Our objective is performance that places our return on equity in the top quartile of the retail industry. Return on beginning equity was 22.2% in 1998, compared with 21.2% in 1997 and 19.4% in 1996. Both years' increases resulted from net earnings growth and stock repurchases in the prior year.

Return on Net Assets

Return on net assets measures performance independent of capital structure. Return on net assets represents pretax earnings before net interest expense and the interest component of operating leases, divided by beginning of year net assets (including present value of operating leases). Return on net assets was 19.8% in 1998, compared with 18.5% in 1997 and 18.8% in 1996.

Cash Flow

Cash flow from operations (net earnings plus depreciation/amortization) was \$1.3 billion, or 9.6% of revenues in 1998. This compares with 9.4% in 1997 and 9.3% in 1996. The company's cash flow as a percent of revenues continues to be one of the highest in the retail industry, and provides the company with significant resources to enhance shareowners' value.

Sources (uses) of cash flows are summarized below:

(dollars in millions)	1998	1997	1996
Net earnings and			
depreciation/amortization	\$1,288	\$1,191	\$1,123
Working capital decreases	158	265	142
Discontinued operation	-	-	(13)
Other operating activities	59	70	7
Capital expenditures and			
other investing activities	(888)	(463)	(603)
Net long-term debt			
issuances (repayments)	129	(340)	412
Net purchases of common stock	(525)	(329)	(820)
Dividend payments	(308)	(297)	(305)
Increase (decrease) in			
cash and cash equivalents	\$ (87)	\$ 97	\$ (57)

See "Consolidated Statement of Cash Flows" on page 23.

Financing Activities

During the third quarter of 1998, May issued \$350 million in new debt: \$200 million of 6.70% debentures due September 15, 2028, and \$150 million of 5.95% notes due November 1, 2008. The proceeds from the issuances were added to the company's general funds and were used primarily for repayment of a portion of May's short-term indebtedness, capital expenditures, store acquisitions, and stock repurchases. Commercial paper borrowings were made to fund seasonal working capital requirements. In 1997, the company did not issue any long term debt.

Available Credit

The company has \$767 million of available borrowing under its multiyear credit agreements, including a minority-owned bank facility. In addition, the company has filed with the Securities and Exchange Commission shelf registration statements that would enable it to issue up to \$1.0 billion of additional debt securities.

Financial Condition Ratios

Our debt-to-capitalization and fixed-charge coverage ratios are consistent with our capital structure objective. They provide us with substantial financial flexibility.

The debt-to-capitalization ratios were 45%, 44%, and 48% for 1998, 1997, and 1996, respectively. For purposes of the debt-to-capitalization ratio, total debt is defined as short-term and long-term debt (including the Employee Stock Ownership Plan (ESOP) debt reduced by unearned compensation), and the capitalized value of all leases, including operating leases. Capitalization is defined as total debt, noncurrent deferred taxes, ESOP preference shares, and shareowners' equity. See "Profit Sharing" on page 26 for discussion of the ESOP.

The fixed-charge coverage ratios were 4.5x in 1998 and 4.1x in 1997 and 1996. Fixed charges are defined as gross interest expense, interest expense on the ESOP debt, total rent expense, and the

pretax equivalent of dividends on redeemable preferred stock.

Debt Ratings

In November 1998, May's bond rating by Moody's Investors Service, Inc. was increased from A2 to A1. Our bonds continue to be rated A by Standard & Poor's Corporation. Our commercial paper is rated P1 by Moody's and A1 by Standard & Poor's. May's senior unsecured bank credit agreement was assigned an A1 rating by Moody's.

Capital Expenditures

Our strong financial condition enables us to make capital expenditures to enhance shareowners' returns. Return on net assets, internal rate of return, and sales per square foot are emphasized as the principal operating measures as we invest in new stores, remodel existing stores, and eliminate unproductive space.

The 1999 capital expenditure plan approximates \$700 million. Capital expenditures for the period 1999 through 2003 are planned at \$3.4 billion.

Common Stock Dividends and Market Prices

Subsequent to year-end, the board of directors approved a three-for-two common stock split for distribution on March 22, 1999, equivalent to one share of common stock for each two shares of common stock held by shareowners of record on March 1, 1999. All share and per share data included in this annual report have been restated to reflect the stock split.

Our dividend policy is based on earnings growth and capital investment requirements. Our objective is to increase dividends on common stock as we achieve earnings growth. The company increased the 1999 annual dividend rate by 5.1%, or 4-1/3 cents per share, to 89 cents per share. This is our 24th consecutive annual dividend increase. The new annual dividend rate of 89 cents per share was effective with the March 1999 dividend payment. Dividends paid have increased at a compound rate of 7.2% during the past five years. The company has paid consecutive quarterly dividends since 1911.

The quarterly price ranges of the common stock and dividends per share in 1998 and 1997 were:

Quarter	1998			1997		
	Market Price High	Market Price Low	Dividends per Share	Market Price High	Market Price Low	Dividends per Share
First	\$44-5/16	\$35-5/16	\$.21-1/6	\$33-3/16	\$29-1/16	\$.20
Second	47-1/4	41-5/16	.21-1/6	37-15/16	30-3/16	.20
Third	44-11/16	33-3/16	.21-1/6	38-1/16	33-13/16	.20
Fourth	43	37-11/16	.21-1/6	37-15/16	33-1/4	.20
Year	\$47-1/4	\$33-3/16	\$.84-2/3	\$38-1/16	\$29-1/16	\$.80

The approximate number of common shareowners as of March 1, 1999, was 46,000.

Forward-looking Statements

Management's Discussion and Analysis contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. While such statements reflect all available information and management's judgment and estimates of current and anticipated conditions and circumstances, prepared with the assistance of specialists within and outside the company, many factors outside of May's control exist that have an impact on its operations. Such factors include, but are not limited to: competitive changes; general and regional economic conditions; consumer preferences and spending patterns; availability of adequate locations for building or acquiring new stores; ability to hire and retain qualified associates; possible widespread inability to perform due to year 2000 issues by merchandise vendors, public utilities, telecommunications providers, and financial institutions; and the general economic impact of the year 2000 issues. Because of these factors, actual performance could differ materially from that described in the forward-looking statements.

Year 2000 Readiness

In 1996, May began assessing and preparing its critical information systems, communications networks, equipment, and facilities for the year 2000. As of the end of fiscal 1998, May completed this assessment and substantially completed the coding, testing, and installation of necessary modifications. May will test certain interfaces with some merchandise and service vendors for year 2000 compliance through the spring of 1999. Since May is substantially complete with its modifications, the company does not expect any material disruption of business. Through participation in a National Retail Federation sponsored survey and other means, May is receiving assurances from its primary merchandise vendors and service providers regarding their year 2000 readiness.

May developed and maintains most of its application systems internally. Over the past 12 months, May used approximately 15% of its information systems resources to address companywide year 2000 issues. May's use of outside consultants and contractors to address year 2000 compliance has not been significant. Through fiscal 1998, the cumulative cost of the company's year 2000 effort approximates \$6 million, which May expensed as incurred.

Under the most reasonably likely worst case scenario, May does not anticipate more than isolated, temporary disruptions of its operations caused by year 2000 failures affecting either the company or its primary merchandise and service vendors. May expects that its technically trained personnel, working in cooperation with key vendors and service providers, should be able to address year 2000 system issues that may arise. To the extent May's vendors are unable to deliver products and provide services due to their own year 2000 issues, May believes it will generally have alternative sources for comparable products and services and does not expect to experience any material business disruptions. Many risks, however, such as the failure to perform by public utilities, telecommunications providers, and financial institutions, and the

impact of the year 2000 issue on the economy as a whole, are outside May's control and could adversely affect the company and its ability to conduct business. While May has made a significant effort to address all anticipated risks within its control, this is an event without precedent; consequently, there can be no assurance that the year 2000 issue will not have a material adverse impact on May's financial condition, operating results, or business.

[The following "Consolidated Financial Statements" section is a reproduction of the same named section in the paper format Annual Report on pages 21-24.]

Consolidated Statement of Earnings

(dollars in millions, except per share)

	1998	1997	1996
Net retail sales	\$13,072	\$12,291	\$11,492
Revenues	\$13,413	\$12,685	\$12,000
Cost of sales	9,224	8,732	8,226
Selling, general, and administrative expenses	2,516	2,375	2,265
Interest expense, net	278	299	277
Total cost of sales and expenses	12,018	11,406	10,768
Earnings from continuing operations before income taxes	1,395	1,279	1,232
Provision for income taxes	546	500	483
Net earnings from continuing operations	849	779	749
Net earnings from discontinued operation	-	-	11
Net earnings before extraordinary loss	849	779	760
Extraordinary loss related to early extinguishment of debt, net of income taxes	-	(4)	(5)
Net earnings	\$ 849	\$ 775	\$ 755
Basic earnings per share:			
Continuing operations	\$ 2.43	\$ 2.18	\$ 1.97
Discontinued operation	-	-	0.03
Net earnings before extraordinary loss	2.43	2.18	2.00
Extraordinary loss	-	(0.01)	(0.01)
Basic earnings per share	\$ 2.43	\$ 2.17	\$ 1.99
Diluted earnings per share:			
Continuing operations	\$ 2.30	\$ 2.07	\$ 1.87
Discontinued operation	-	-	0.03
Net earnings before extraordinary loss	2.30	2.07	1.90
Extraordinary loss	-	(0.01)	(0.01)
Diluted earnings per share	\$ 2.30	\$ 2.06	\$ 1.89

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

(dollars in millions, except per share)	January 30, 1999	January 31, 1998
Assets		
Current assets:		
Cash	\$ 15	\$ 14
Cash equivalents	97	185
Accounts receivable, net	2,144	2,164
Merchandise inventories, net of LIFO reserves of \$65 and \$93	2,655	2,433
Other current assets	76	82
Total current assets	4,987	4,878
Property and equipment:		
Land	316	304
Buildings and improvements	3,581	3,393
Furniture, fixtures, and equipment	3,232	3,028
Property under capital leases	131	62
Total property and equipment	7,260	6,787
Accumulated depreciation	(2,747)	(2,563)
Property and equipment, net	4,513	4,224
Goodwill, net of accumulated amortization of \$199 and \$174		
	933	752
Other assets	100	76
Total assets	\$ 10,533	\$ 9,930
Liabilities and shareowners' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 98	\$ 233
Accounts payable	1,017	842
Accrued expenses	755	640
Income taxes payable	189	151
Total current liabilities	2,059	1,866
Long-term debt		
	3,825	3,512
Deferred income taxes	482	449
Other liabilities	309	277
ESOP preference shares		
	327	337
Unearned compensation	(305)	(320)
Shareowners' equity:		
Common stock	167	173
Additional paid-in capital	-	-
Retained earnings	3,669	3,636
Total shareowners' equity	3,836	3,809
Total liabilities and shareowners' equity	\$ 10,533	\$ 9,930

Common stock has a par value of \$.50 per share; 700 million shares are authorized and 470.5 million shares were issued. At January 30, 1999, 334.7 million shares were outstanding, and 135.8 million shares were held in treasury. At January 31, 1998, 346.5 million shares were outstanding, and 124.0 million shares were held in treasury.

ESOP preference shares have a par value of \$.50 per share and a stated value of \$507 per share; 800,000 shares are authorized. At January 30, 1999, 645,320 shares (convertible into 21.8 million shares of common stock) were issued and outstanding. At January 31, 1998, 665,866 shares (convertible into 22.5 million shares of common stock) were issued and outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows (dollars in millions)	1998	1997	1996
Operating activities:			
Net earnings	\$ 849	\$ 775	\$ 755
Adjustments for noncash items included in earnings:			
Depreciation and amortization	439	412	374
Deferred income taxes	48	58	45
Deferred and unearned compensation	5	8	10
Working capital changes*	158	265	142
Other assets and liabilities, net	6	8	(43)
Total operating activities	1,505	1,526	1,283
Investing activities:			
Capital expenditures	(630)	(496)	(632)
Dispositions of property and equipment	44	33	29
Acquisition	(302)	-	-
Cash used in discontinued operation	-	-	(24)
Total investing activities	(888)	(463)	(627)
Financing activities:			
Issuances of long-term debt	350	-	800
Repayments of long-term debt	(221)	(340)	(388)
Purchases of common stock	(589)	(394)	(869)
Issuances of common stock	64	65	49
Dividend payments	(308)	(297)	(305)
Total financing activities	(704)	(966)	(713)
Increase (decrease) in cash and cash equivalents	(87)	97	(57)
Cash and cash equivalents, beginning of year	199	102	159
Cash and cash equivalents, end of year	\$ 112	\$ 199	\$102
*Working capital changes comprise:			
Accounts receivable, net	\$ 20	\$ 262	\$139
Merchandise inventories	(176)	(53)	(211)
Other current assets	12	46	45
Accounts payable	176	(30)	180
Accrued expenses	89	26	(20)
Income taxes payable	37	14	9
Net decrease in working capital	\$ 158	\$ 265	\$ 142
Cash paid during the year:			
Interest	\$ 297	\$ 319	\$ 288
Income taxes	411	355	380

See Notes to Consolidated Financial Statements.

Consolidated Statement of Shareowners' Equity

(dollars in millions, shares in thousands)	Shares	Outstanding Common Stock Dollars	Additional Paid-in Capital	Retained Earnings	Total Shareowners' Equity
Balance at February 3, 1996	373,307	\$187	\$ -	\$4,398	\$4,585
Net earnings	-	-	-	755	755
Dividends paid:					
Common stock (\$0.77 per share)	-	-	-	(287)	(287)
ESOP preference shares, net of tax benefit	-	-	-	(18)	(18)
Common stock issued	9,968	5	256	-	261
Common stock purchased	(27,886)	(14)	(256)	(599)	(869)
Distribution of equity in Payless ShoeSource, Inc.	-	-	-	(777)	(777)
Balance at February 1, 1997	355,389	178	-	3,472	3,650
Net earnings	-	-	-	775	775
Dividends paid:					
Common stock (\$0.80 per share)	-	-	-	(279)	(279)
ESOP preference shares, net of tax benefit	-	-	-	(18)	(18)
Common stock issued	3,419	2	73	-	75
Common stock purchased	(12,296)	(7)	(73)	(314)	(394)
Balance at January 31, 1998	346,512	173	-	3,636	3,809
Net earnings	-	-	-	849	849
Dividends paid:					
Common stock (\$0.84 2/3 per share)	-	-	-	(290)	(290)
ESOP preference shares, net of tax benefit	-	-	-	(18)	(18)
Common stock issued	3,141	1	74	-	75
Common stock purchased	(14,989)	(7)	(74)	(508)	(589)
Balance at January 30, 1999	334,664	\$167	\$ -	\$3,669	\$3,836

Outstanding common stock excludes shares held in treasury. Treasury share activity for the last three years is summarized below:

	1998	1997	1996
Balance, beginning of year	123,943	115,066	97,148
Common stock issued:			
Exercise of stock options	(1,914)	(2,372)	(1,495)
Deferred compensation plan	(227)	(243)	(225)
Restricted stock grants, net of forfeitures	(306)	(156)	(368)
Conversion of ESOP preference shares	(694)	(648)	(1,194)
Acquisitions	-	-	(6,686)
	(3,141)	(3,419)	(9,968)
Common stock purchased	14,989	12,296	27,886
Balance, end of year	135,791	123,943	115,066

See Notes to Consolidated Financial Statements.

[The following "Notes to Consolidated Financial Statements" section is a reproduction of the same named section included in the paper format Annual Report on pages 25-31.]

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Fiscal Year

The company's fiscal year ends the Saturday closest to January 31. Fiscal years 1998, 1997, and 1996 ended on January 30, 1999, January 31, 1998, and February 1, 1997, respectively. References to years in this annual report relate to fiscal years rather than calendar years.

Basis of Reporting

The consolidated financial statements include the accounts of The May Department Stores Company, a Delaware corporation, and all wholly owned subsidiaries (May or the company). The company's 393 quality department stores are operated by eight regional department store companies across the United States under 11 long-standing and widely recognized trade names. The company aggregates its eight store companies into one reportable segment. The consolidated financial statements reflect Payless ShoeSource, Inc. (Payless), as a discontinued operation through May 4, 1996. All the notes, except "Discontinued Operation" on page 31, reflect data on a continuing operations basis.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates.

Net Retail Sales and Revenues

Net retail sales (sales) represent sales of stores operating at the end of the latest period, and exclude finance charge revenues and the sales of stores that have been closed and not replaced. Sales include sales of merchandise and services, and sales from leased and licensed departments. Sales are net of returns and exclude sales tax. Store-for-store sales represent sales of those stores open during both years. Revenues include finance charge revenues and all sales from all stores operating during the period.

Cost of Sales

Cost of sales includes the cost of merchandise sold and the company's buying and occupancy costs.

Advertising Costs

Advertising and sales promotion costs are expensed at the time the advertising takes place.

Preopening Expenses

Preopening expenses of new stores are expensed as incurred.

Income Taxes

Income taxes are accounted for by the liability method. The liability method applies statutory tax rates in effect at the date of the balance sheet to differences between the book basis and the tax basis of assets and liabilities.

Earnings per Share

In 1997, the company adopted Statement of Financial Accounting Standards (SFAS) No.128, "Earnings per Share," for all periods presented. References to earnings per share relate to diluted earnings per share.

Common Stock Split

All share and per share data included in this annual report have been restated to reflect a three-for-two common stock split effective March 22, 1999.

Stock-based Compensation

The company accounts for stock-based compensation by applying APB Opinion No. 25, as allowed under SFAS No. 123, "Accounting for Stock-based Compensation."

Cash Equivalents

Cash equivalents consist primarily of commercial paper with maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

Accounts Receivable

In accordance with industry practice, installments on deferred-payment accounts receivable maturing in more than one year have been included in current assets.

Merchandise Inventories

Merchandise inventories are valued by the retail method and are stated on the LIFO (last-in, first-out) cost basis, which is lower than market.

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight line basis over their estimated useful lives. Investments in properties under capital leases and leasehold improvements are amortized over their useful lives or related lease terms, whichever is shorter. In 1998, the company adopted Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which did not have a significant impact on the company.

Goodwill

Goodwill represents the excess of cost over the fair value, at the dates of acquisition, of net tangible assets acquired. Substantially all amounts are amortized using the straight-line method over a 40-year period.

Long-lived Assets

Long-lived assets and certain identifiable intangibles, to be held and used or disposed of, are reviewed to determine whether the carrying amount of the asset is recoverable. Impairment losses resulting from these reviews have not been significant.

Financial Derivatives

Financial derivatives are used only to reduce risk in specific business transactions. The company periodically purchased forward contracts on firm commitments to minimize the risk of foreign currency fluctuations. These contracts were not significant.

Reclassifications

Certain prior-period amounts have been reclassified to conform with the current-year presentation.

Quarterly Results (Unaudited)

Quarterly results are determined in accordance with annual accounting policies. They include certain items based upon estimates for the entire year. Summarized quarterly results for the last two years were as follows:

(dollars in millions, except per share)	1998 Quarter				1998 Year
	First	Second	Third	Fourth	
Revenues	\$2,817	\$2,889	\$3,089	\$4,618	\$13,413
Cost of sales	1,983	2,019	2,180	3,042	9,224
Selling, general, and administrative expenses	584	587	625	720	2,516
Pretax earnings	183	218	215	779	1,395
Net earnings	110	131	130	478	849
Basic earnings per share	\$ 0.30	\$ 0.37	\$ 0.36	\$ 1.40	\$ 2.43
Diluted earnings per share	0.29	0.35	0.35	1.31	2.30

(dollars in millions, except per share)	1997 Quarter				1997 Year
	First	Second	Third	Fourth	
Revenues	\$2,675	\$2,749	\$2,969	\$4,292	\$12,685
Cost of sales	1,881	1,921	2,097	2,833	8,732
Selling, general, and administrative expenses	555	559	599	662	2,375
Pretax earnings	163	193	199	724	1,279
Net earnings	98	116	120	445	779
Basic earnings per share	\$ 0.26	\$ 0.32	\$ 0.34	\$ 1.26	\$ 2.18
Diluted earnings per share	0.26	0.31	0.32	1.18	2.07

There are variables and uncertainties in the factors used to estimate the annual LIFO provision (credit) on an interim basis. The following unaudited supplementary information shows what the pro forma diluted per share impact of LIFO would have been had the final variables and factors been known at the beginning of each year:

Quarter	1998		1997	
	Pro Forma	As Reported	Pro Forma	As Reported
First	\$(0.01)	\$ 0.01	\$ 0.00	\$ 0.01
Second	(0.01)	0.01	0.00	0.01
Third	(0.01)	0.01	0.00	0.01
Fourth	(0.02)	(0.08)	(0.01)	(0.04)
Year	\$(0.05)	\$(0.05)	\$(0.01)	\$(0.01)

Profit Sharing

The company has a qualified profit-sharing plan that covers associates who work 1,000 hours or more in a year and have attained age 21. The plan is a defined-contribution program that provides for discretionary matching allocations at a variable matching rate generally based upon changes in the company's annual earnings per share, as defined in the plan. The plan's matching allocation value totaled \$57 million for 1998, which represents a record effective match rate of 113%. The matching allocation value was \$48 million and \$43 million in 1997 and 1996, respectively.

The plan includes an Employee Stock Ownership Plan (ESOP) under which the plan borrowed \$400 million in 1989, guaranteed by the company, at an average rate of 8.5%. The proceeds were used to purchase \$400 million (788,955 shares) of convertible preference stock of the company (ESOP preference shares). Each share is convertible into 33.787 shares of common stock and has a stated value of \$15.01 per common share equivalent. The annual dividend rate on the ESOP preference shares is 7.5%.

The \$317 million outstanding portion of the guaranteed ESOP debt is reflected on the consolidated balance sheet as long-term debt because the company will fund the required debt service through 2004. The company's contributions to the ESOP, along with the dividends on the ESOP preference shares, are used to repay the loan principal and interest. Interest expense associated with the ESOP debt was \$27 million in 1998, \$29 million in 1997, and \$31 million in 1996. ESOP preference shares' dividends were \$25 million in 1998, and \$26 million in 1997 and 1996.

The release of ESOP preference shares is based upon debt-service payments. Upon release, the shares are allocated to participating associates' accounts. Unearned compensation, initially an equal, offsetting amount to the \$400 million guaranteed ESOP debt, has been adjusted for the difference between the expense related to the ESOP and cash payments to the ESOP. It is reduced as principal is repaid.

The company's profit-sharing expense was \$28 million, \$24 million, and \$22 million in 1998, 1997, and 1996, respectively.

At January 30, 1999, the plan beneficially owned 15.6 million shares of the company's common stock and 100% of the company's ESOP preference shares. These holdings represent 10.5% of the company's common stock.

Pension and Other Postretirement Benefits

The company has two qualified defined-benefit plans that cover associates who work 1,000 hours or more in a year and have attained age 21. The company also maintains two nonqualified, supplementary defined-benefit plans for certain associates. All plans are noncontributory and provide benefits based upon years of service and pay during employment.

Pension expense is based on information provided by an outside actuarial firm, which uses assumptions to estimate the total benefits ultimately payable to associates, then allocates this cost to service periods. The actuarial assumptions used to calculate pension costs are reviewed annually.

The accumulated benefit obligations (ABO), change in projected benefit obligations (PBO), change in net plan assets, and funded status of the benefit plans are summarized in the tables below:

(dollars in millions)	Qualified Plans (funded)		Nonqualified Plans (unfunded)	
	1998	1997	1998	1997
Change in PBO: (1)				
PBO at beginning of year	\$476	\$383	\$102	\$ 90
Service cost	30	25	3	3
Interest cost	32	28	8	6
Business combinations	8	-	-	-
Actuarial loss (2)	24	71	14	7
Benefits paid	(53)	(31)	(5)	(4)
PBO at end of year	\$517	\$476	\$122	\$ 102
ABO at end of year (3)	\$464	\$433	\$ 99	\$ 86
Change in net plan assets:				
Fair value of net plan assets at beginning of year	\$490	\$409	\$ -	\$ -
Actual return on plan assets	89	89	-	-
Employer contribution	44	23	-	-
Business combinations	9	-	-	-
Benefits paid	(53)	(31)	-	-
Fair value of net plan assets at end of year	\$579	\$490	\$ -	\$ -
Funded status:				
Plan assets in excess of (less than) PBO	\$ 62	\$ 14	\$(122)	\$(102)
Unrecognized net actuarial loss (gain)	(50)	(20)	21	10
Unrecognized prior service cost	2	3	14	14
Additional minimum liability (4)	-	-	(12)	-
Prepaid (accrued) benefit cost	\$ 14	\$(3)	\$(99)	\$(78)
Plan assets in excess of (less than) ABO	\$115	\$57	\$(99)	\$(86)

The components of net periodic benefit costs and actuarial assumptions for the benefit plans are summarized in the following tables:

(dollars in millions)	1998	1997	1996
Components of pension expense (all plans):			
Service cost	\$ 33	\$ 28	\$ 27
Interest on PBO	40	34	24
Expected return on assets	(34)	(30)	(20)
Net amortization (5)	3	2	-
Total	\$ 42	\$ 34	\$ 31
		January 1,	
	1999	1998	1997
Actuarial assumptions:			
Discount rate	6.75%	7.00%	7.50%
Expected return on plan assets	7.00	7.25	7.75
Salary increase	4.25	4.50	4.50

Definition of terms:

- (1) PBO is the actuarial present value of benefits attributed by the benefit formula to prior associate service; it takes into consideration future salary increases.
- (2) Actuarial loss is the change in value of the benefit obligations or the plan assets resulting from changes in actuarial assumptions or from experience different than assumed.
- (3) ABO is the actuarial present value of benefits (both vested and nonvested) attributed by the pension benefit formula to prior associate service based on current and past compensation levels.
- (4) The additional minimum liability represents the excess of the accumulated benefit obligation over the accrued pension costs recognized. Recognizing the additional minimum liability results in an intangible asset being recorded for an equal amount.
- (5) Prior service cost is amortized over the remaining service period.

The accrued pension costs are included in other liabilities. Prepaid pension costs and intangible assets are included in other assets.

The company also provides postretirement life and/or health benefits for certain associates. As of January 30, 1999, the company's estimated PBO (using a discount rate of 6.75%) for postretirement benefits was \$48 million, of which \$45 million was accrued in other liabilities. As of January 31, 1998, the company's estimated PBO (using a discount rate of 7.0%) for postretirement benefits was \$44 million, of which \$42 million was

accrued in other liabilities. An unrecognized net loss of less than 10% of PBO need not be amortized. The postretirement plan is unfunded. The postretirement benefit expense was \$4 million in 1998, and \$3 million in 1997 and 1996.

The estimated future obligations for postretirement medical benefits are based upon assumed annual healthcare cost increases of 10% for 1999, decreasing by 1% annually to 6% for 2003 and future years. A 1% increase or decrease in the assumed annual health care cost increases would increase or decrease the present value of estimated future obligations for postretirement benefits by approximately \$1 million.

Another important element in the retirement programs is the federal Social Security system, into which the company paid \$155 million in 1998 as its matching contribution to the \$155 million paid in by associates.

Taxes

The provision for income taxes and the related percent of pretax earnings for the last three years were as follows:

	1998		1997		1996	
(dollars in millions)	\$	%	\$	%	\$	%
Federal	\$420		\$359		\$344	
State and local	77		65		69	
Current taxes	497	35.6%	424	33.2%	413	33.6%
Federal	41		64		58	
State and local	8		12		12	
Deferred taxes	49	3.5	76	5.9	70	5.7
Total	\$546	39.1%	\$500	39.1%	\$483	39.3%

The reconciliation between the statutory federal income tax rate and the effective income tax rate for the last three years follows:

	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes	6.1	6.0	6.6
Federal tax benefit of state and local incometaxes	(2.2)	(2.1)	(2.3)
Other, net	0.2	0.2	-
Effective income tax rate	39.1%	39.1%	39.3%

Major components of deferred tax assets (liabilities) were as follows:

	Jan. 30, 1999	Jan. 31, 1998
(dollars in millions)		
Accrued expenses and reserves	\$102	\$ 144
Deferred and other compensation	123	116
Depreciation/amortization and basis differences	(474)	(460)
Other deferred income tax liabilities, net	(206)	(224)
Net deferred income taxes	(455)	(424)
Less: Net current deferred income tax assets	27	25
Noncurrent deferred income taxes	\$(482)	\$(449)

Net current deferred income tax assets are included in other current assets in the accompanying balance sheet.

Earnings per Share

The following tables reconcile net earnings and weighted average shares outstanding to amounts used to calculate basic and diluted earnings per share for 1998, 1997, and 1996.

(in millions, except per share)	Net Earnings	Shares	1998 Earnings per Share
Net earnings	\$849		
ESOP preference shares' dividends	(18)		
Basic earnings per share	831	342.6	\$2.43
ESOP preference shares	15	22.2	
Assumed exercise of options (treasury stock method)	-	2.6	
Diluted earnings per share	\$846	367.4	\$2.30

(in millions, except per share)	Net Earnings	Shares	1997 Earnings per Share
Net earnings	\$779		
ESOP preference shares' dividends	(18)		
Basic earnings per share	761	348.5	\$2.18
ESOP preference shares	14	22.9	
Assumed exercise of options (treasury stock method)	-	2.2	
Diluted earnings per share	\$775	373.6	\$2.07

(in millions, except per share)	Net Earnings	Shares	1996 Earnings per Share
Net earnings	\$749		
ESOP preference shares' dividends	(18)		
Basic earnings per share	731	370.8	\$1.97
ESOP preference shares	13	23.1	
Assumed exercise of options (treasury stock method)	-	2.3	
Diluted earnings per share	\$744	396.2	\$1.87

Accounts Receivable

During 1998, credit sales under department store credit programs were \$5.8 billion, or 43.6% of 1998 revenues; this compares with 45.6% in 1997 and 50.0% in 1996. An estimated 27 million customers hold credit cards under the company's various credit programs. Sales made through third-party credit cards totaled \$4.1 billion in 1998, compared with \$3.6 billion in 1997 and \$3.0 billion in 1996. Net accounts receivable consisted of:

(dollars in millions)	Jan. 30, 1999	Jan. 31, 1998
Customer accounts receivable	\$2,127	\$2,167
Other accounts receivable	99	93
Total accounts receivable	2,226	2,260
Allowance for uncollectible accounts	(82)	(96)
Accounts receivable, net	\$2,144	\$2,164

The fair value of customer accounts receivable approximates their carrying values at January 30, 1999, and January 31, 1998, due to the short-term nature of these accounts.

Other Current Assets

In addition to net current deferred income tax assets, other current assets consisted of prepaid expenses and supply inventories of \$49 million and \$57 million in 1998 and 1997, respectively.

Other Assets

Other assets consisted of:

	Jan. 30,	Jan. 31,
(dollars in millions)	1999	1998
Deferred debt expense	\$ 33	\$30
Notes receivable	30	29
Prepaid and intangible pension asset	26	-
Other	11	17
Total	\$100	\$76

Accrued Expenses

Accrued expenses consisted of:

	Jan. 30,	Jan. 31,
(dollars in millions)	1999	1998
Insurance costs	\$179	\$164
Salaries, wages, and employee benefits	127	112
Sales, use, and other taxes	107	97
Interest and rent expense	96	92
Advertising and other operating expenses	79	65
Construction costs	51	34
Store closings and real estate-related expenses	45	38
Other	71	38
Total	\$755	\$640

Short-term Debt and Lines of Credit

Short-term borrowings for the last three years were:

(dollars in millions)	1998	1997	1996
Balance outstanding at year end	-	-	-
Average balance outstanding	\$195	\$182	\$ 35
Average interest rate on average balance	5.4%	5.7%	5.7%
Maximum balance outstanding	\$621	\$487	\$178

The average balance of short-term borrowings outstanding, primarily commercial paper, and the respective weighted average interest rates are based on the number of days such short-term borrowings were outstanding during the year. The company has \$767 million available under credit agreements, including a minority-owned bank facility.

Long-term Debt

Long-term debt and capital lease obligations were:

(dollars in millions)	Jan. 30, 1999	Jan. 31, 1998
5.7% to 10.75% unsecured notes and sinking-fund debentures due 1999-2036	\$3,741	\$3,630
3.0% to 10.0% mortgage notes and bonds due 2000-2012	59	62
Debt	3,800	3,692
Capital lease obligations	123	53
Total debt and capital lease obligations	3,923	3,745
Less current maturities	98	233
Total long-term	\$3,825	\$3,512

The company recorded an extraordinary aftertax loss of \$4 million (\$5 million pretax) in 1997 and \$5 million (\$8 million pretax) in 1996 related to the early retirement of debt.

The annual maturities of long-term debt, including sinking fund requirements, are \$98 million, \$260 million, \$86 million, \$270 million, and \$134 million for 1999 through 2003.

The net book value of property and equipment encumbered under long-term debt agreements was \$114 million at January 30, 1999.

The fair value of long-term debt (excluding capital lease obligations) was approximately \$4.5 billion and \$4.2 billion at January 30, 1999, and January 31, 1998, respectively. The fair value was determined using borrowing rates for debt instruments with similar terms and maturities.

Lease Obligations

The company owns approximately 75% of its stores. Rental expense for the company's operating leases consisted of:

(dollars in millions)	1998	1997	1996
Minimum rentals	\$49	\$47	\$45
Contingent rentals based on sales	18	17	17
Real property rentals	67	64	62
Equipment rentals	3	4	4
Total	\$70	\$68	\$66

Future minimum lease payments at January 30, 1999, were as follows:

(dollars in millions)	Capital Leases	Operating Leases	Total
1999	\$ 14	\$ 46	\$ 60
2000	13	41	54
2001	13	37	50
2002	13	35	48
2003	13	31	44
After 2003	189	241	430
Minimum lease payments	\$255	\$431	\$686
Less imputed interest component	132		
Present value of net minimum lease payments of which \$3 million is included in current liabilities	\$123		

The present value of operating leases was \$256 million at January 30, 1999.

Property under capital leases, including property under capital leases described in the "Acquisitions" footnote (page 31), is

summarized as follows:

(dollars in millions)	Jan. 30, 1999	Jan. 31, 1998
Cost	\$131	\$ 62
Accumulated amortization	(32)	(33)
Total	\$ 99	\$ 29

Other Liabilities

In addition to accrued pension and postretirement costs, other liabilities consisted principally of deferred compensation liabilities of \$161 million at January 30, 1999, and \$154 million at January 31, 1998. Under the company's deferred compensation plan, eligible associates may elect to defer part of their compensation each year into cash and/or stock unit alternatives. The company issues shares to settle obligations with participants who defer in stock units, and it maintains shares in treasury sufficient to settle all outstanding stock unit obligations.

Preference Stock

The company is authorized to issue up to 25,000,000 shares of \$.50 par value preference stock. As of January 30, 1999, 800,000 ESOP preference shares were authorized and 645,320 were outstanding.

The ESOP preference shares are shown separately outside of shareowners' equity in the consolidated balance sheet because the shares are redeemable by the holder or by the company in certain situations.

Common Stock Repurchase Programs

During 1998, 1997, and 1996, the company repurchased \$500 million, \$300 million, and \$600 million of May common stock (12.5 million shares, 9.6 million shares, and 19.1 million shares, respectively) in the open market.

On February 10, 1999, the board of directors authorized the company to repurchase up to an additional \$500 million of May shares as market conditions allow.

Stock Option and Stock-related Plans

Under the company's common stock option plans, options are granted at the market price on the date of grant. Options to purchase may extend for up to 10 years, may be exercised in installments only after stated intervals of time, and are conditional upon continued active employment with the company. The options may be exercised during certain periods following retirement, disability, or death.

A summary of the status of the various stock option plans at the end of 1998 and 1997 and of the changes within years is presented below:

(shares in thousands)	Shares	1998		1997		Average Exercise Price
		Exercise Price Range	Average Exercise Price	Exercise Price Range	Average Exercise Price	
Outstanding at beginning of year	10,230	\$ 7-36	\$28	10,081	\$ 7-33	\$25
Granted	4,230	36-43	43	3,158	32-36	32
Exercised	(1,922)	7-36	25	(2,384)	7-32	21
Forfeited or expired	(774)	16-43	33	(625)	12-36	28
Outstanding at end of year	11,764	\$ 7-43	\$33	10,230	\$ 7-36	\$28
Exercisable at end of year	3,719	\$ 7-36	\$26	3,214	\$ 7-33	\$24
Shares available for additional grants	9,832			13,287		
Fair value of options granted			\$12			\$11

The following table summarizes information about stock options outstanding at January 30, 1999:

Exercise Price Range	Options Outstanding at Jan. 30 (in thousands)	Options Outstanding Remaining Contractual Life	Average Exercise Price	Options Exercisable at Jan. 30	
				Number (in thousands)	Average Exercise Price
\$ 7	2	2	\$ 7	2	2
16-24	2,143	5	22	1,740	5
25-36	5,853	8	30	1,977	8
40-43	3,766	9	-	-	-
	11,764	8	26	3,719	6

Under the 1994 Stock Incentive Plan, the company is authorized to grant a maximum of 2.9 million shares of restricted stock to management associates. No monetary consideration is paid by associates who receive restricted stock. Restricted stock can be granted with or without performance restrictions. All restrictions lapse over periods of up to 10 years, as determined at the date of the grant. In 1998 and 1997, the company granted 328,356 and 184,548 shares of restricted stock, respectively, under the 1994 Stock Incentive Plan.

The company's plans are accounted for as provided by APB Opinion No. 25. For stock options, no compensation cost has been recognized because the option exercise price is fixed at the market price on the date of grant. For restricted stock grants, compensation expense is based upon the grant date market price; it is recorded over the lapsing period. For performance-based restricted stock, compensation expense is recorded over the performance period based on estimates of performance levels.

As an alternative to accounting for stock-based compensation under APB No. 25, SFAS No. 123, "Accounting for Stock-based Compensation," establishes a fair value method of accounting for employee stock options or similar equity instruments. The company used the Black-Scholes option pricing model to estimate the grant date fair value of its 1995 and later option grants. The fair value is recognized over the option vesting period. As the fair value represents only 1995 and later option grants, the pro forma impact shown below may not be representative of future years. Had compensation cost for these plans been determined in accordance with SFAS No. 123, the company's net earnings and net earnings per share would have been as follows:

(dollars in millions, except per share)	1998	1997	1996
Net earnings from continuing operations:			
As reported	\$ 849	\$ 779	\$ 749
Pro forma	833	766	740
Basic EPS from continuing operations:			
As reported	\$2.43	\$2.18	\$1.97
Pro forma	2.38	2.14	1.95
Diluted EPS from continuing operations:			
As reported	\$2.30	\$2.07	\$1.87
Pro forma	2.27	2.04	1.85

The following Black-Scholes assumptions were used in the calculations above:

	1998	1997	1996
Risk-free interest rate	5.6%	6.6%	6.8%
Expected dividend yield	\$0.85	\$0.80	\$0.77
Expected option life (years)	7	7	7
Expected volatility	23%	24%	25%

Shareowner Rights Plan

The company has a shareowner rights plan under which a right is attached to each share of the company's common stock. The rights become exercisable only under certain circumstances involving actual or potential acquisitions of the company's common stock by a person or by affiliated persons. Depending upon the circumstances, if the rights become exercisable, the holder may be entitled to purchase units of the company's preference stock, shares of the company's common stock, or shares of common stock of the acquiring person. The rights will remain in existence until August 31, 2004, unless they are terminated, extended, exercised, or redeemed.

Acquisitions

In September 1998, May purchased 11 former Mercantile stores for approximately \$302 million, including merchandise inventories. Nine of these stores are leased under a long-term capital lease. The lease has both put and call options that, if exercised, would result in the company buying the underlying properties for approximately \$100 million.

In July 1996, the company purchased 13 former Strawbridge & Clothier department stores in the greater Philadelphia area. The company delivered 4.5 million shares of May common stock and assumed \$255 million of debt and certain other liabilities in exchange for the Strawbridge & Clothier department store assets.

These acquisitions have been accounted for as purchases and did not have a material effect on the results of operations or financial position.

Discontinued Operation

The company spun off Payless effective May 4, 1996, as a tax-free distribution to shareowners. The company's financial statements reflect Payless as a discontinued operation.

Payless revenues were \$601 million in 1996. The reported net

earnings from the discontinued operation were net of \$16 million in income tax expense for 1996.

[The following "Eleven-year Financial Summary" is a reproduction of the same named section in the paper format Annual Report on pages 32-33.]

Eleven-year Financial Summary

(in millions, except per share and operating statistics)

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988
Net retail sales	\$13,072	\$12,291	\$11,492	\$10,374	\$ 9,666	\$8,921	\$8,304	\$7,755	\$7,386	\$6,917	\$6,072
Total percent increase	6.4%	7.0%	10.8%	7.3%	8.4%	7.4%	7.1%	5.0%	6.8%	13.9%	30.6%
Store-for-store percent increase	3.5%	3.6%	4.3%	2.5%	5.4%	5.4%	4.5%	(0.6%)	0.6%	6.4%	5.5%
Operations											
Revenues	\$13,413	\$12,685	\$12,000	\$10,952	\$10,107	\$9,562	\$9,362	\$9,068	\$8,700	\$8,356	\$7,742
Cost of sales	9,224	8,732	8,226	7,461	6,879	6,537	6,459	6,275	6,047	5,734	5,348
Selling, general, and administrative expenses	2,516	2,375	2,265	2,081	1,916	1,824	1,859	1,861	1,772	1,735	1,645
Interest expense, net	278	299	277	250	233	244	279	315	278	231	196
Earnings before income taxes	1,395	1,279	1,232	1,160	1,079	957	579*	617	603	656	553
Provision for income taxes	546	500	483	460	429	379	107*	213	199	231	191
Net earnings (1)	849	779	749	700	650	578	472	404	404	425	362
Percent of revenues	6.3%	6.1%	6.2%	6.4%	6.4%	6.0%	5.0%	4.5%	4.6%	5.1%	4.7%
LIFO charge (credit)	\$ (28)	\$ (5)	\$ (20)	\$ (53)	\$ (46)	\$ 7	\$ 10	\$ 26	\$ 39	\$ (22)	\$ (3)
Per share											
Net earnings (1)	\$ 2.30	\$ 2.07	\$ 1.87	\$ 1.75	\$ 1.62	\$ 1.43	\$ 1.18	\$ 1.02	\$ 1.01	\$ 1.00	\$.82
Dividends paid (2)	.85	.80	.77	.74	.67	.60	.55	.54	.51	.46	.42
Book value	11.46	10.99	10.27	12.28	11.10	9.77	8.55	7.51	6.69	6.22	7.17
Market price - high	47.25	38.08	34.83	30.83	30.08	31.00	24.83	20.13	19.71	17.54	13.33
Market price - low	33.17	29.08	27.00	22.33	21.50	22.29	17.33	15.08	12.46	11.54	9.58
Market price - year-end close	40.25	35.04	29.67	29.25	23.42	26.50	23.46	18.29	15.17	15.25	12.50
Financial statistics											
Return on equity	22.2%	21.2%	19.4%	20.8%	21.3%	22.1%	21.5%	20.7%	21.8%	18.0%	18.6%
Return on net assets	19.8	18.5	18.8	20.1	20.1	19.0	15.4**	14.5	15.8	16.9	16.2
Operating Statistics											
Stores open at year-end	393	369	365	346	314	301	303	318	324	288	297
Gross retail square footage (in millions)	66.7	62.8	62.1	57.6	52.0	49.4	49.5	51.9	52.4	48.4	50.0
Sales per square foot (3)	\$ 209	\$ 204	\$ 201	\$ 201	\$ 200	\$ 191	\$ 179	\$ 171	\$ 172	\$ 168	\$ 158
Cash flow and financial position											
Cash flow from operations (4)	\$ 1,288	\$ 1,191	\$ 1,123	\$ 1,033	\$ 947	\$ 859	\$ 755	\$ 677	\$ 657	\$ 659	\$ 599
Percent of revenues	9.6%	9.4%	9.3%	9.4%	9.4%	9.0%	8.1%	7.5%	7.6%	7.9%	7.7%
Depreciation and amortization	\$ 439	\$ 412	\$ 374	\$ 333	\$ 297	\$ 281	\$ 283	\$ 273	\$ 253	\$ 234	\$ 236
Capital expenditures	630	496	632	801	682	560	284	366	466	470	292
Dividends on common stock	290	279	287	277	251	223	204	198	191	186	184
Working capital	2,928	3,012	3,156	3,536	3,069	2,960	2,730	3,089	2,672	2,094	2,123
Long-term debt and preference stock	4,152	3,849	4,196	3,701	3,240	3,192	3,256	4,299	3,948	3,387	2,384
Shareowners' equity	3,836	3,809	3,650	4,585	4,135	3,639	3,181	2,781	2,467	2,319	3,050
Total assets	10,533	9,930	10,059	10,122	9,237	8,614	8,376	8,566	8,083	7,570	7,374
Average shares outstanding and equivalents											
Diluted	367.4	373.6	396.2	397.3	397.3	398.2	397.0	394.3	397.1	419.3	442.2

All years included 52 weeks, except 1995 and 1989, which included 53 weeks. Net retail sales for 1995 and 1989 are shown on a 52-week basis for comparability.

(1) Represents net earnings and diluted earnings per share from continuing operations.

(2) The annual dividend was increased to \$.89 per share effective with the March 15, 1999, dividend payment.

(3) Sales per square foot are calculated from revenues and average gross retail square footage.

(4) Cash flow from operations represents net earnings plus depreciation/amortization. It is different from cash flow from operating activities as shown on the statement of cash flows.

* Pretax earnings include a net special and nonrecurring charge of \$187 million, and the provision for income taxes includes a nonrecurring tax benefit of \$187 million.

** Based on pretax earnings before special and nonrecurring items.

[The following "Reports of Management and Audit Committee" and "Report of Independent Public Accountants" section is a reproduction of the same named section included in the paper format Annual Report on page 34.]

Reports of Management and Audit Committee

Report of Management

Management is responsible for the preparation, integrity, and objectivity of the financial information included in this annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. Although the financial statements reflect all available information and management's judgment and estimates of current conditions and circumstances, prepared with the assistance of specialists within and outside the company, actual results could differ from those estimates.

Management has established and maintains an internal control structure to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that the accounting records provide a reliable basis for the preparation of financial statements, and that such financial statements are not misstated due to material fraud or error. Internal controls include the careful selection of associates, the proper segregation of duties, and the communication and application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. An important element of this structure is a comprehensive internal audit program. Management continually reviews, modifies, and improves its systems of accounting and controls in response to changes in business conditions and operations, and in response to recommendations in the reports prepared by the independent public accountants and internal auditors.

Management believes that it is essential for the company to conduct its business affairs in accordance with the highest ethical standards and in conformity with the law. This standard is described in the company's policies on business conduct, which are publicized throughout the company.

Report of Audit Committee

The Board of Directors, through the activities of its audit committee, participates in the reporting of financial information by the company. The committee meets regularly with management, the internal auditors, and the independent public accountants. The committee met three times during 1998. It reviewed the scope, timing, and fees for the annual audit and the results of audit examinations completed by the internal auditors and independent public accountants. The audit results included recommendations to improve certain internal controls and the follow-up reports prepared by management. The independent public accountants and internal auditors have free access to the committee and the Board of Directors. They attend each meeting of the committee. The audit committee reports the results of its activities to the Board of Directors.

Members of the audit committee are Russell E. Palmer (chairman), Marsha J. Evans, Helene L. Kaplan, James M. Kiltz, Edward H. Meyer, Michael R. Quinlan, William P. Stiritz, Robert D. Storey, and Murray L. Weidenbaum.

Report of Independent Public Accountants

To the Board of Directors and Shareowners of
The May Department Stores Company:

We have audited the accompanying consolidated balance sheet of The May Department Stores Company (a Delaware corporation) and subsidiaries as of January 30, 1999, and January 31, 1998, and the related consolidated statements of earnings, shareowners' equity and cash flows for each of the three fiscal years in the period ended January 30, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of The May Department Stores Company and subsidiaries as of January 30, 1999, and January 31, 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 30, 1999, in conformity with generally accepted accounting principles.

/s/Arthur Andersen LLP
1010 Market Street
St. Louis, Missouri 63101-2089
February 10, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET, STATEMENT OF EARNINGS, AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ON PAGES 22, 21 AND 25-31, RESPECTIVELY, OF THE MAY DEPARTMENT STORES COMPANY 1998 ANNUAL REPORT AND IS QUALIFIED IN ITS ENTIRETY TO SUCH FINANCIAL STATEMENTS.

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

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

For The Year Ended December 31, 1998

A. Full title of the plan if different from that of the issuer
named below:

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

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

THE MAY DEPARTMENT STORES COMPANY
611 Olive Street
St. Louis, MO 63101

Commission File Number 1-79

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

FINANCIAL STATEMENTS AND EXHIBIT

Listed below are all financial statements and exhibit filed as part of this annual report on Form 11-K:

Financial Statements	Page of this Form 11-K
Report of Independent Public Accountants	3
Financial Statements of the Plan:	
Statement of Net Assets Available for Benefits - December 31, 1998	4
Statement of Net Assets Available for Benefits - December 31, 1997	7
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 1998	10
Notes to Financial Statements - December 31, 1998 and 1997	12
Schedule I - Item 27(a): Schedule of Assets Held for Investment Purposes - December 31, 1998	18
Schedule II - Item 27(d): Schedule of Reportable Transactions for the Year Ended December 31, 1998	22
Exhibit	
Consent of Independent Public Accountants	23

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator has duly caused this annual report to be signed by the undersigned, thereunto duly authorized.

THE MAY DEPARTMENT STORES COMPANY
PROFIT SHARING PLAN

By: The May Department Stores Company

Date: April 21, 1999

By: /s/ John L. Dunham
John L. Dunham
Executive Vice President and Chief
Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To The May Department Stores Company
Profit Sharing Plan:

We have audited the accompanying statements of net assets available for benefits of The May Department Stores Company Profit Sharing Plan as of December 31, 1998 and 1997, and the related statement of changes in net assets available for benefits for the year ended December 31, 1998. These financial statements and the schedules referred to below are the responsibility of the Plan Administrator. Our responsibility is to express an opinion on these financial statements and schedules 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 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 1998 and 1997, and the changes in net assets available for benefits for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The Fund Information in the statements of net assets available for benefits and the statement of changes in net assets available for benefits is presented for purposes of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The supplemental schedules and Fund Information have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

St. Louis, Missouri,
March 19, 1999

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1998
(Thousands, except per unit information)

ASSETS	Nonparticipant Directed Investment Funds		
	ESOP Preference		May Common Stock
	Unallocated	Member Allocated	
INVESTMENTS, at fair value:			
The May Department Stores Company-			
Convertible preferred stock	\$558,434	\$322,703	\$ -
Common stock	-	-	165,401
Commingled equity index fund	-	-	-
Short-term investments	-	-	443
U.S. government securities	-	-	-
Fixed income investments	-	-	-
	-----	-----	-----
Total investments	558,434	322,703	165,844
OTHER ASSETS:			
Receivable (payable) for			
allocation to member accounts	(53,934)	53,934	-
Dividends and interest receivable	-	-	3
Receivable - withholdings of			
member contributions	-	-	-
Member interfund transfers	-	(314)	(379)
	-----	-----	-----
Total assets	504,500	376,323	165,468
	-----	-----	-----
LIABILITIES			
LIABILITIES:			
Notes payable	316,944	-	-
Accrued interest payable	4,453	-	-
Net amount (receivable) payable for			
investment securities transactions			
and other	-	-	-
Amounts payable for			
administrative expenses	-	-	172
	-----	-----	-----
Total liabilities	321,397	-	172
	-----	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$183,103	\$376,323	\$165,296
	=====	=====	=====
NUMBER OF UNITS AT DECEMBER 31, 1998			2,652
			=====
VALUE PER UNIT AT DECEMBER 31, 1998			\$ 62.34
			=====

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1998
(Thousands, except per unit information)

ASSETS	Participant Directed Investment Funds			
	May Common Stock	Common Stock Index	Money Market	Fixed Income Index
INVESTMENTS, at fair value:				
The May Department Stores Company- Convertible preferred stock	\$ -	\$ -	\$ -	\$ -
Common stock	465,418	-	-	-
Commingled equity index fund	-	171,212	-	-
Short-term investments	1,248	1,039	60,591	878
U.S. government securities	-	-	-	32,801
Fixed income investments	-	-	-	11,731
Total investments	466,666	172,251	60,591	45,410
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	-	6	(4)	(2)
Dividends and interest receivable	9	4	275	781
Receivable - withholdings of member contributions	1,307	582	224	182
Member interfund transfers	(1,069)	599	821	342
Total assets	466,913	173,442	61,907	46,713
LIABILITIES				
LIABILITIES:				
Notes payable	-	-	-	-
Accrued interest payable	-	-	-	-
Net amount (receivable) payable for investment securities transactions and other	-	(454)	-	533
Amounts payable for administrative expenses	484	345	238	200
Total liabilities	484	(109)	238	733
NET ASSETS AVAILABLE FOR BENEFITS	\$466,429	\$173,551	\$61,669	\$45,980
NUMBER OF UNITS AT DECEMBER 31, 1998	7,482	32,932	36,276	22,429
VALUE PER UNIT AT DECEMBER 31, 1998	\$ 62.34	\$ 5.27	\$ 1.70	\$ 2.05

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1998

(Thousands, except per unit information)

ASSETS	Distribution Account	Total
INVESTMENTS, at fair value:		
The May Department Stores Company-		
Convertible preferred stock	\$ -	\$ 881,137
Common stock	-	630,819
Commingled equity index fund	-	171,212
Short-term investments	4,217	68,416
U.S. government securities	-	32,801
Fixed income investments	-	11,731
	-----	-----
Total investments	4,217	1,796,116
OTHER ASSETS:		
Receivable (payable) for allocation to member accounts	-	-
Dividends and interest receivable	-	1,072
Receivable - withholdings of member contributions	-	2,295
Member interfund transfers	-	-
	-----	-----
Total assets	4,217	1,799,483
	-----	-----
LIABILITIES		
LIABILITIES:		
Notes payable	-	316,944
Accrued interest payable	-	4,453
Net amount (receivable) payable for investment securities transactions and other	4,217	4,296
Amounts payable for administrative expenses	-	1,439
	-----	-----
Total liabilities	4,217	327,132
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ -	\$1,472,351
	=====	=====

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1997

(Thousands, except per unit information)

ASSETS	Nonparticipant Directed Investment Funds		
	ESOP Preference		May Common Stock
	Unallocated	Member Allocated	
INVESTMENTS, at fair value:			
The May Department Stores Company-			
Convertible preferred stock	\$551,965	\$241,377	\$ -
Common stock	-	-	160,657
Commingled equity index fund	-	-	-
Short-term investments	-	-	605
U.S. government securities	-	-	-
Fixed income investments	-	-	-
	-----	-----	-----
Total investments	551,965	241,377	161,262
OTHER ASSETS:			
Receivable (payable) for			
allocation to member accounts	(45,558)	45,558	-
Dividends and interest receivable	-	-	3
Receivable - withholdings of member			
contributions	-	-	-
Member interfund transfers	-	(190)	(65)
	-----	-----	-----
Total assets	506,407	286,745	161,200
	-----	-----	-----
LIABILITIES			
LIABILITIES:			
Notes payable	342,329	-	-
Accrued interest payable	4,805	-	-
Net amount payable for investment			
securities transactions and other	-	-	47
Amounts payable for administrative			
expenses	-	-	151
	-----	-----	-----
Total liabilities	347,134	-	198
	-----	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$159,273	\$286,745	\$161,002
	=====	=====	=====
NUMBER OF UNITS AT DECEMBER 31, 1997			3,009
			=====
VALUE PER UNIT AT DECEMBER 31, 1997			\$ 53.51
			=====

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1997

(Thousands, except per unit information)

ASSETS	Participant Directed Investment Funds			
	May Common Stock	Common Stock Index	Money Market	Fixed Income Index
INVESTMENTS, at fair value:				
The May Department Stores Company- Convertible preferred stock	\$ -	\$ -	\$ -	\$ -
Common stock	415,381	-	-	-
Commingled equity index fund	-	124,796	-	-
Short-term investments	1,564	330	63,908	1,191
U.S. government securities	-	-	-	28,367
Fixed income investments	-	-	-	9,196
Total investments	416,945	125,126	63,908	38,754
OTHER ASSETS:				
Receivable (payable) for allocation to member accounts	-	-	-	-
Dividends and interest receivable	8	187	322	569
Receivable - withholdings of member contributions	381	250	60	56
Member interfund transfers	(167)	2,119	(1,520)	(177)
Total assets	417,167	127,682	62,770	39,202
LIABILITIES				
LIABILITIES:				
Notes payable	-	-	-	-
Accrued interest payable	-	-	-	-
Net amount payable for investment securities transactions and other	123	130	-	304
Amounts payable for administrative expenses	392	216	165	133
Total liabilities	515	346	165	437
NET ASSETS AVAILABLE FOR BENEFITS	\$416,652	\$127,336	\$62,605	\$38,765
NUMBER OF UNITS AT DECEMBER 31, 1997	7,786	30,982	38,645	20,403
VALUE PER UNIT AT DECEMBER 31, 1997	\$ 53.51	\$ 4.11	\$ 1.62	\$ 1.90

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1997
(Thousands, except per unit information)

ASSETS	Distribution Account	Total
INVESTMENTS, at fair value:		
The May Department Stores Company-		
Convertible preferred stock	\$ -	\$ 793,342
Common stock	-	576,038
Commingled equity index fund	-	124,796
Short-term investments	4,425	72,023
U.S. government securities	-	28,367
Fixed income investments	-	9,196
	-----	-----
Total investments	4,425	1,603,762
OTHER ASSETS:		
Receivable (payable) for allocation to member accounts	-	-
Dividends and interest receivable	-	1,089
Receivable - withholdings of member contributions	-	747
Member interfund transfers	-	-
	-----	-----
Total assets	4,425	1,605,598
	-----	-----
LIABILITIES		
LIABILITIES:		
Notes payable	-	342,329
Accrued interest payable	-	4,805
Net amount payable for investment securities transactions and other	4,425	5,029
Amounts payable for administrative expenses	-	1,057
	-----	-----
Total liabilities	4,425	353,220
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ -	\$1,252,378
	=====	=====

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1998
(Thousands)

	Nonparticipant Directed Investment Funds		
	ESOP Preference		May Common Stock
	Unallocated	Member Allocated	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$ 60,203	\$ 55,938	\$ 22,814
INVESTMENT INCOME:			
Dividends	16,871	8,092	3,654
Interest	-	-	40
	16,871	8,092	3,694
CONTRIBUTIONS:			
Member	-	-	-
Employer allocation	(54,018)	54,018	-
Employer ESOP contribution	28,195	-	-
Member interfund transfers	-	(3,110)	(5,068)
	(25,823)	50,908	(5,068)
DEDUCTIONS:			
Member terminations and withdrawals	-	25,360	16,565
Interest expense	27,421	-	-
Administrative expenses	-	-	581
	27,421	25,360	17,146
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	23,830	89,578	4,294
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 1997	159,273	286,745	161,002
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 1998	\$183,103	\$376,323	\$165,296

(Continued on following page)

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 1998
(Thousands)

	Participant Directed Investment Funds				Total
	May Common Stock	Common Stock Index	Money Market	Fixed Income Index	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$ 60,577	\$ 34,932	\$ -	\$ 924	\$ 235,388
INVESTMENT INCOME:					
Dividends	9,829	2,100	-	-	40,546
Interest	104	68	3,528	2,646	6,386
	9,933	2,168	3,528	2,646	46,932
CONTRIBUTIONS:					
Member	47,281	21,517	7,747	6,243	82,788
Employer allocation	-	-	-	-	-
Employer ESOP contribution	-	-	-	-	28,195
Member interfund transfers	(22,029)	5,945	18,532	5,730	-
	25,252	27,462	26,279	11,973	110,983
DEDUCTIONS:					
Member terminations and withdrawals	44,489	17,463	30,154	7,838	141,869
Interest expense	-	-	-	-	27,421
Administrative expenses	1,496	884	589	490	4,040
	45,985	18,347	30,743	8,328	173,330
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	49,777	46,215	(936)	7,215	219,973
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 1997	416,652	127,336	62,605	38,765	1,252,378
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 1998	\$466,429	\$173,551	\$61,669	\$45,980	\$1,472,351

The accompanying notes are an integral part of this statement.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

1. DESCRIPTION OF THE PLAN:

The following description of The May Department Stores Company Profit Sharing Plan (the "Plan") is provided for financial statement purposes only. Members should refer to the Plan document and the Summary Plan Description dated May 1996, with updates, for more complete information.

General

The Plan is a defined contribution profit sharing plan. The Plan covers eligible associates of The May Department Stores Company, a Delaware corporation ("May"), and its subsidiaries and affiliates who are members of The May Department Stores Company Retirement Plan. Participation is voluntary.

Contributions

Plan members may contribute 1% to 15% of their annual pay as defined. Contributions may be made prior to federal and certain other income taxes pursuant to Section 401(k) of the Internal Revenue Code.

The employer allocation is variable and discretionary. Generally, the employer allocation for each Plan year is determined by multiplying a base matching rate times members' basic contributions (generally, contributions up to 5% of pay each paycheck), reduced by forfeitures, one-third of annual dividends with respect to the Employee Stock Ownership Plan ("ESOP") Preference Shares, as defined, administrative expenses and excess ESOP allocations from prior Plan years (to the extent such amounts have not been previously used to reduce employer allocations for earlier Plan years).

The base matching rate is determined as follows: In the event May has earnings per share ("EPS") of its common stock for its most recent fiscal year ("current year") resulting in a 6.0% increase over the EPS for the fiscal year immediately preceding the current year, the base matching rate will be 50%. For each percentage point increase over 6.0% or decrease below 6.0%, there is a 1.25 percentage point increase in or decrease from the 50% base matching rate.

ESOP Preference Shares allocated to associates' accounts through application of the base matching rate formula are allocated at their original cost to the Plan of \$15.01 per common share equivalent (\$22.51 per common share equivalent before the three-for-two common stock split in March 1999). Because the ESOP Preference Shares are convertible into May common stock, the ESOP Preference Shares are worth more than original cost when the market value of May common stock is higher than \$15.01 per share. This market value of the employer allocation (including any supplemental contributions), divided by associates' matchable contributions, is the effective matching rate.

If the effective matching rate for a Plan year exceeds 100%, only ESOP Preference Shares are used for the employer allocation and no May common shares are contributed as a supplemental contribution. The effective matching rate is also limited to 2.5 times the base matching rate. The base matching rate formula may be adjusted at any time for unusual events including discontinued operations, accounting changes, or items of extraordinary gain or loss.

Investments

Members' contributions may be invested in any of four investment funds:

May Common Stock Fund - For investment of contributions in May common stock.

Common Stock Index Fund - For investment of contributions in a fund comprised proportionately of all the common stock of corporations that make up the Standard & Poor's 500 Composite Stock Price Index. Investment mix is determined based on the relative market size of the 500 corporations, with larger corporations making up a higher proportion of the fund than smaller corporations.

Money Market Fund - For investment of contributions in short-term (less than one year) obligations of high-quality issuers including banks, corporations, municipalities, the U.S. Treasury and other federal agencies.

Fixed Income Index Fund - For investment of contributions in corporate, U.S. Government, federal agency and certain foreign government securities that make up the Lehman Intermediate Government/Corporate Bond Index. The securities that comprise this index have maturities ranging from one to 10 years, with an average of four years. (The Lehman Intermediate Government/Corporate Bond Index represents the composite performance of intermediate-term, fixed income securities.)

At December 31, 1998, the nonparticipant directed May Common Stock and ESOP Member Allocated Funds include approximately \$102.5 million and \$289.0 million, respectively, attributable to participants over the age of 55. These amounts can be transferred to other funds at the discretion of the participants.

Employer allocations are invested in the ESOP Preference Fund. The employer allocation to the Plan for the year ended December 31, 1998, will be made in May 1999 and will be in the form of 39,659 ESOP Preference Shares.

ESOP Feature

In 1989, the Plan was amended and restated to add an ESOP feature and acquired 788,955 shares of convertible preferred stock of May (the "ESOP Preference Shares"). Each ESOP Preference Share costs \$507, has a guaranteed minimum value of \$507 and is convertible into 33.78747 shares of May common stock (22.52498 conversion rate before the three-for-two stock split in March 1999). The acquisition of the ESOP Preference Shares was financed with the proceeds of a private placement to a group of institutional investors of an aggregate \$400 million principal amount (the "ESOP Loans") (see Note 4).

The ESOP Loans are guaranteed by The May Department Stores Company. The excess of the value of the unallocated ESOP Preference Shares over the principal amount of guaranteed ESOP Loans and accrued interest payable is reflected as Net Assets Available for Benefits in the Statement of Net Assets Available for Benefits as of December 31, 1998 and 1997.

The ESOP Loans are repaid by the Plan from the following sources in the following order: (a) dividends from May on ESOP Preference Shares previously allocated to members; (b) dividends from May on unallocated ESOP Preference Shares; and (c) contributions by May. During the term of the ESOP Loans, the ESOP Preference Shares which have not been allocated to members' company accounts serve as collateral for the ESOP Loans.

ESOP Preference Shares are initially held by the Plan in an Unallocated account. As ESOP Loans are repaid, ESOP Preference Shares are released to a suspense account pending release to the members' company accounts in satisfaction of the employer allocation.

If the guaranteed minimum value of the ESOP Preference Shares allocated to members' company accounts as a result of the ESOP Loan payments (principal and interest) for a year is less than the employer allocation, then May makes supplemental contributions to the Plan for the difference, subject to the 100% effective matching rate limitations described above. Supplemental contributions can be made in either shares of May common stock or cash.

If the guaranteed minimum value of the ESOP Preference Shares released for allocation to members' company accounts as a result of the ESOP Loan payments is greater than the required employer allocation, any "excess" would be applied (in accordance with applicable law) to satisfy required employer allocations in future Plan years.

Vesting

The method of calculating vesting service is the elapsed time approach. Elapsed time is measured by calculating the time which has elapsed between the member's hire date and retirement date/termination date (excluding certain break-in-service periods). Plan members are vested in company accounts in accordance with the following schedule:

Years of Vesting Service	Vesting Percentage
Less than 3 years	0%
3 years	20%
4 years	40%
5 years	60%
6 years	80%
7 years or more	100%

Plan members are always fully vested in the value of their member accounts.

Payment of Benefits

Amounts in a member's account and the vested portion of a member's company account may be distributed upon retirement, death, disability or termination of employment. Distributions from the May Common Stock Fund and ESOP Preference Fund are made in shares of May common stock if the combined distribution exceeds 100 shares. All other distributions are generally made in cash. Transfers are made from the investment funds to the Distribution account to fund the Plan's cash distributions.

Administration of Plan

The Plan is administered by a Committee consisting of at least five persons appointed by May. An Administrative Subcommittee has the general responsibility for administration of the Plan and an Investment Subcommittee establishes and monitors investment policies and activities. The assets of the Plan are held in a trust for which The Bank of New York is the Trustee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Investments

Except for the ESOP Preference Fund, the Plan's investments are stated at fair value, as determined by the Trustee, based on publicly reported price information.

Each ESOP Preference Share is valued at the greater of (a) the guaranteed minimum value (original cost) of \$507 per share or (b) a conversion value equal to the market price of May common stock multiplied by the conversion rate for each ESOP Preference Share. As of December 31, 1998 and 1997, the ESOP Preference Shares were valued at their conversion values of \$1,359.95 and \$1,186.78, respectively.

Federal Income Taxes

The Trust established under the Plan to hold the Plan's assets is qualified pursuant to Sections 401(a), 401(k) and 4975(e)(7) of the Internal Revenue Code and accordingly, the Trust's net investment income is exempt from income taxes. The Plan has received a favorable tax determination letter dated December 13, 1994. The Plan has been amended since receiving the determination letter. The Plan administrators believe that the amendments do not affect the tax-exempt status of the Plan.

In a request filed under the Voluntary Compliance Resolution ("VCR") program, May identified a nonexempt prohibited transaction. In April 1997, May, in conformance with a VCR Compliance Statement issued by the Internal Revenue Service ("IRS"), corrected the transaction. In September 1997, May filed Forms 5330 and paid the applicable excise tax. In December 1997, May received notice that the IRS accepted the Forms 5330.

Employer allocations and contributions, member before-tax contributions and the income of the Plan are not taxable to the members until distributions or withdrawals are made.

Administrative Expenses

All administrative expenses (including the allocable portion of expenses for data processing services, and salaries and benefits of employees providing services to the Plan) are paid by the Plan.

Monthly Valuation of the Trust

The unit value of each investment fund is determined by dividing the month-end market value of the particular investment fund by the total number of units outstanding at month-end in all member accounts in such investment fund. As of each succeeding monthly valuation date, the unit value of each fund is redetermined and account balances in each fund are adjusted as follows:

- (a) All payments made from an account (except for the ESOP Preference Fund) are valued based on the unit value at the month-end valuation date. Payments from the ESOP Preference Fund are valued at the greater of the guaranteed minimum value (plus accrued dividends) or conversion value, as of the distribution date.
- (b) With respect to any dollar amount contributed during the month (except for the ESOP Preference Fund), an equivalent number of additional units are credited to the appropriate accounts in such investment fund based on the unit value at the month-end valuation date. Allocations of ESOP Preference Shares are valued at the greater of the guaranteed minimum value (plus accrued dividends) or conversion value, as of the distribution date.
- (c) In the event that a member's employment is terminated and a portion of such member's company account has been forfeited, the forfeited units or ESOP Preference Shares shall be canceled as of the last day of the Plan year. The dollar amount of such forfeited units or ESOP Preference Shares is reallocated among the remaining members of the Plan as of the last day of the Plan year in the same manner as the employer allocation for such year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and the reported amounts of additions to and deductions from net assets available for benefits during the year. Actual results could differ from those estimates.

May Common Stock Split

All May common share data included in these financial statements has been restated to reflect a three-for-two common stock split announced on February 11, 1999, for owners of record as of March 1, 1999, for distribution on March 22, 1999.

3. INVESTMENTS:

The fair market value of the Plan's investments that represent 5% or more of the Plan's Net Assets Available for Benefits as of December 31, 1998 and 1997, are as follows (dollars in thousands):

	December 31, 1998		December 31, 1997	
	Number of Shares or Principal Amount	Fair Value	Number of Shares or Principal Amount	Fair Value
The May Department Stores Company 7.5% ESOP Preference Stock:				
Unallocated	410,629	\$ 558,434	465,093	\$ 551,965
Member allocated	237,291	322,703	203,387	241,377
	-----	-----	-----	-----
	647,920	881,137	668,480	793,342
	=====		=====	
The May Department Stores Company Common Stock	15,672,525*	630,819	16,399,650*	576,038
Chase Investors Commingled Equity Index Fund	141,865	171,212	131,291	124,796
The Bank of New York Short-Term Investment Fund - Master Notes	\$68,416	68,416	\$72,023	72,023
		-----		-----
Total		\$1,751,584		\$1,566,199
		=====		=====

*Restated to reflect the three-for-two stock split in March 1999.

4. NOTES PAYABLE:

Notes payable as of December 31 consisted of the following (in thousands):

	1998	1997
ESOP Notes Payable:		
Series A, 8.32%, due April 30, 2001	\$112,980	\$138,365
Series B, 8.49%, due April 30, 2004	203,964	203,964
	-----	-----
	\$316,944	\$342,329
	=====	=====

The scheduled principal payments for the Series A ESOP Note for the remaining three years are as follows: 1999 - \$31,118,000; 2000 - \$37,354,000; and 2001 - \$44,508,000. Principal payments on the Series B ESOP Note begin in 2002 with the first two payments of \$52,317,000 and \$60,787,000 due in 2002 and in 2003, respectively. As of December 31, 1998 and 1997, the total fair value of the ESOP Notes was approximately \$361,445,000 and \$402,988,000, respectively.

5. RECONCILIATION TO FORM 5500:

As of December 31, 1998 and 1997, the Plan had approximately \$15,929,000 and \$19,127,000, respectively, of pending distributions to participants. These amounts are included in Net Assets Available for Benefits. For reporting on the Plan's Form 5500, these amounts will be classified as Benefit Claims Payable with a corresponding reduction in Net Assets Available for Benefits. The following table reconciles the financial statements to the Form 5500 which will be filed by the Plan for the Plan year ended December 31, 1998 (thousands):

	Benefits Payable to Participants	Benefits Paid	Net Assets Available for Benefits
Per financial statements	\$ -	\$141,869	\$1,472,351
Pending benefit distributions - December 31, 1998	15,929	15,929	(15,929)
Pending benefit distributions - December 31, 1997	-	(19,127)	-
	-----	-----	-----
Per Form 5500	\$15,929	\$138,671	\$1,456,422
	=====	=====	=====

6. DISTRIBUTION OF ASSETS UPON TERMINATION OF THE PLAN:

May reserves the right to terminate the Plan, in whole or in part, at any time. If an employer shall cease to be a participating employer in the Plan, the accounts of the members of the withdrawing employer shall be revalued as if such withdrawal date were a valuation date. The Plan Committee is then to direct the Trustee either to distribute the accounts of the members of the withdrawing employer as of the date of such withdrawal on the same basis as if the Plan had been terminated, or to deposit in a trust established by the withdrawing employer, pursuant to a plan substantially similar to the Plan, assets equal in value to the assets allocable to the accounts of the members of the withdrawing employer.

If the Plan is terminated at any time or contributions are completely discontinued and May determines that the Trust shall be terminated, the members' company accounts shall become fully vested and nonforfeitable, all accounts shall be revalued as if the termination date were a valuation date and such accounts shall be distributed to members.

If the Plan is terminated or contributions completely discontinued but May determines that the Trust shall be continued pursuant to the terms of the Trust agreement, no further contributions shall be made by members or the employer and the members' company accounts shall become fully vested, but the Trust shall be administered as though the Plan were otherwise in effect.

SCHEDULE I

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

EMPLOYER #: 43-1104396

PLAN #: 003

ITEM 27(a): SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

DECEMBER 31, 1998

(a)	(b) Identity of Issue	(c) Number of Shares or Principal Amount	(d) Cost	(e) Fair Value (Thousands)
ESOP PREFERENCE FUND				
*	The May Department Stores Company 7.5% ESOP Preference Stock:			
	Unallocated	410,629	\$208,189	\$ 558,434
	Allocated	237,291	120,307	322,703
	ESOP Preference Fund Total		\$328,496	\$ 881,137
MAY COMMON STOCK FUND				
*	The May Department Stores Company Common stock	15,672,525**	\$266,847	\$ 630,819
*	The Bank of New York Short-Term Investment Fund- Master Notes	\$ 1,691,665	1,691	1,691
	May Common Stock Fund Total		\$268,538	\$ 632,510
COMMON STOCK INDEX FUND				
	Chase Investors Commingled Equity Index Fund	141,865	\$ 87,839	\$ 171,212
*	The Bank of New York Short-Term Investment Fund- Master notes	\$ 1,038,740	1,039	1,039
	Common Stock Index Fund Total		\$ 88,878	\$ 172,251
MONEY MARKET FUND				
*	The Bank of New York Short-Term Investment Fund- Master Notes	\$60,590,688	\$ 60,591	\$ 60,591
FIXED INCOME INDEX FUND				
*	The Bank of New York Short-Term Investment Fund- Master Notes	\$ 878,041	\$ 878	\$ 878

* Also a party-in-interest.

** Restated to reflect the three-for-two stock split in March 1999.

SCHEDULE I
(Continued)

(a)	(b) Identity of Issue	(c) Principal Amount	(d) Cost	(e) Fair Value (Thousands)
FIXED INCOME INDEX FUND (Continued)				
U.S. Government Securities				
U.S. Treasury Notes:				
	6.625%, due 05/15/07	\$1,400,000	\$ 1,462	\$ 1,574
	5.75%, due 08/15/03	\$2,000,000	2,072	2,089
	7.875%, due 11/15/04	\$ 600,000	668	695
	13.75%, due 08/15/04	\$ 525,000	810	755
	5.5%, due 04/15/00	\$3,700,000	3,583	3,738
	5.625%, due 05/15/08	\$ 300,000	323	320
	6.125%, due 12/31/01	\$1,100,000	1,123	1,144
	7.75%, due 01/31/00	\$1,700,000	1,763	1,754
	5.875%, due 02/15/04	\$3,200,000	3,266	3,376
	5.25%, due 01/31/01	\$3,900,000	3,860	3,948
	6.875%, due 05/15/06	\$1,850,000	1,959	2,092
	6.375%, due 08/15/02	\$3,800,000	3,918	4,008
	8.75%, due 08/15/00	\$1,800,000	2,000	1,913
	6.875%, due 03/31/00	\$ 300,000	310	308
	5.500%, due 02/15/08	\$ 450,000	460	477
	Total U.S. treasury notes		27,577	28,191
U.S. Government Agency Securities:				
Federal Home Loan Mortgage Corp.:				
	6.22%, due 3/24/03	\$ 200,000	182	208
	4.75%, due 12/14/01	\$1,000,000	997	996
Federal National Mortgage Assoc. Securities-				
	8.35%, due 11/10/99	\$ 525,000	544	540
	5.75%, due 6/15/05	\$ 800,000	824	826
	4.625%, due 10/15/01	\$ 500,000	498	497
Debentures-				
	7.65%, due 3/10/05	\$ 260,000	268	292
	5.75%, due 7/15/03	\$ 400,000	406	410
Medium Term Notes-				
	6.41%, due 3/8/06	\$ 400,000	402	425
	6.69%, due 8/7/01	\$ 400,000	402	416
	Total U.S. government agency securities		4,523	4,610
	Total U.S. government securities		32,100	32,801

SCHEDULE I
(Continued)

(a)	(b) Identity of Issue	(c) Principal Amount	(d) Cost	(e) Fair Value (Thousands)
FIXED INCOME INDEX FUND (Continued)				
Fixed Income Investments				
Bank Corporate Bonds:				
	Bank America Corp., 7.75%, due 7/15/02	\$ 300,000	\$ 306	\$ 320
	Republic NY Corp., 7.25%, due 7/15/02	\$ 100,000	98	105
	NCNB Corp., 9.125%, due 10/15/01	\$ 268,000	306	293
	Bayerische Landesbank, 5.825%, due 12/01/08	\$ 450,000	449	460
	Interamerican Development Bank, 5.75%, due 2/26/08	\$ 400,000	398	413
	Total bank corporate bonds		----- 1,557	----- 1,591
Finance and Insurance Corporate Bonds:				
	American Express Co., 8.5%, due 8/15/01	\$ 200,000	201	215
	Corestates Cap. Corp., 5.75%, due 1/15/01	\$ 400,000	388	406
	Finovia Cap Corp., 5.875%, due 10/15/01	\$ 450,000	449	450
	ABN-AMRO Bank, 6.625%, due 10/31/01	\$ 300,000	300	308
	General Electric Capital Corp., 8.85%, due 4/1/05	\$ 300,000	364	355
	Simon Debartolo Group, 6.875%, due 11/15/06	\$ 500,000	498	488
	Travelers/Aetna Property Casualty Corp., 6.75%, due 4/15/01	\$ 300,000	301	309
	Toyota Motor Corp., 5.5%, due 12/15/08	\$ 450,000	449	448
	United Dominion Realty Tr. Inc., 8.125%, due 11/15/00	\$ 400,000	400	401
	Total finance and insurance corporate bonds		----- 3,350	----- 3,380
Industrial Corporate Bonds:				
	Comcast Cable, 6.2%, due 11/15/08	\$ 450,000	449	458
	Eli Lilly & Co., 8.125%, due 12/1/01	\$ 200,000	199	217
	General Motors Corp., 7.10%, due 3/15/06	\$ 300,000	303	324
	Philip Morris Co., Inc., 8.625%, due 3/1/99	\$ 250,000	248	251
	Lockhead Martin Corp., 6.85%, due 5/15/01	\$ 400,000	400	412
	Hercules, Inc., 6.15%, due 8/1/00	\$ 400,000	401	402
	Nabisco, Inc. NT; 6.00%, due 2/15/11	\$ 400,000	399	395
	Total industrial corporate bonds		----- 2,399	----- 2,459
Oil Corporate Bonds:				
	Tenneco, Inc., 7.875%, due 10/1/02	\$ 250,000	248	266
	El Paso Nat. Gas Co., 6.75%, due 11/15/03	\$ 300,000	305	310
	Total oil corporate bonds		----- 553	----- 576

SCHEDULE I
(Continued)

(a)	(b) Identity of Issue	(c) Principal Amount	(d) Cost	(e) Fair Value (Thousands)
FIXED INCOME INDEX FUND (Continued)				
Utilities Corporate Bonds:				
	Duke Power Co., 1st & Refunding Mortgage Note, 7%, due 6/1/00	\$ 195,000	\$ 203	\$ 200
	Enron Corp., 9.5%, due 6/15/01	\$ 100,000	110	108
	Enron Corp., 6.50% due 8/1/02	\$ 300,000	298	305
	Total utilities corporate bonds		----- 611	----- 613
Telephone Corporate Bonds:				
	Cable & Wireless Com. 6.625%, due 3/6/05	\$ 400,000	399	403
	Worldcom Inc. GA, 8.875%, due 1/15/06	\$ 400,000	434	437
	Total telephone corporate bonds		----- 833	----- 840
Asset Backed Securities:				
	California Infrastructure, 6.32%, due 9/25/05	\$ 400,000	403	411
			----- 403	----- 411
Foreign Obligations:				
	Finland Rep NT, 7.875%, due 7/28/04	\$ 225,000	229	254
	Hydro-Quebec Debenture, Series IF, 7.375%, due 2/1/03	\$ 150,000	161	160
	Province of Ontario, Canada Debenture, 8%, due 10/17/01	\$ 150,000	150	161
	Province of Ontario, Canada Debenture, 7.375%, due 1/27/03	\$ 400,000	415	429
	British Columbia Prov. Canada, 5.375%, due 10/29/08	\$ 450,000	448	449
	Tyco International Grp. SA, 6.375%, due 6/15/05	\$ 400,000	398	408
	Total foreign obligations		----- 1,801	----- 1,861
	Total fixed income investments		----- 11,507	----- 11,731
	Fixed Income Index Fund Total		----- \$ 44,485	----- \$ 45,410
DISTRIBUTION ACCOUNT				
*	The Bank of New York Short-Term Investment Fund- Master Notes	\$4,216,744	\$ 4,217	\$ 4,217
	TOTAL ASSETS HELD FOR INVESTMENT PURPOSES AT DECEMBER 31, 1998		----- \$795,205	----- \$1,796,116

* Also a party-in-interest.

THE MAY DEPARTMENT STORES COMPANY

PROFIT SHARING PLAN

EMPLOYER #: 43-1104396

PLAN #: 003

ITEM 27(d): SCHEDULE OF REPORTABLE TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 1998
 (Thousands, except number of transactions)

	Purchases		Sales			
	No. of Trans.	Cost	No. of Trans.	Cost	Sales Price	Gain or (Loss)
The Bank of New York Short-Term Investment Fund-Master Notes (1)	439	\$133,898	270	\$137,297	\$137,297	\$ -
The May Department Stores Company Common Stock (1) (2)	54	\$ 37,193	46	\$ 58,074	\$ 65,803	\$7,729

(1) Also a party-in-interest.

(2) Includes conversion of ESOP Preference Shares.

EXHIBIT

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report on The May Department Stores Company Profit Sharing Plan financial statements included in this Form 11-K, into the Company's previously filed Registration Statement on Form S-8 Files No. 333-00957 and 333-76227.

ARTHUR ANDERSEN LLP

St. Louis, Missouri,
April 21, 1999

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