UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 1, 1999

OR

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

For the transition period from _______________to_________________

Commission file number 0-3747

THE CATO CORPORATION AND SUBSIDIARIES
(Exact name of registrant as specified in its charter)

Delaware	56-0484485
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

8100 Denmark Road, Charlotte, North Carolina 28273-5975
(Address of principal executive offices)
(Zip Code)

(704) 554-8510
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 [ ]

As of May 14, 1999, there were 21,227,474 shares of Class A Common Stock and 5,264,317 shares of Class B Common Stock outstanding.

THE CATO CORPORATION

FORM 10-Q

MAY 1, 1999

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PART I FINANCIAL INFORMATION

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	THREE MONTHS ENDED	
	MAY 1, 1999	May 2, 1998
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	
REVENUES		
Retail sales	$153,383	$136,174
Other income (principally finance and layaway charges)	4,872	4,870
Total revenues	158,255	141,044
COSTS AND EXPENSES		
Cost of goods sold	100,169	89,179
Selling, general and administrative	34,922	33,090
Depreciation	2,023	1,865
Interest	6	66
Total expenses	137,120	124,200
INCOME BEFORE INCOME TAXES	21,135	16,844
Income taxes	7,397	5,727
NET INCOME	$ 13,738	$ 11,117
BASIC EARNINGS PER SHARE	$ .52	$ .40
DILUTED EARNINGS PER SHARE	$ .51	$ .39
DIVIDENDS PER SHARE	$ .055	$ .045

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
CONSOLIDATED BALANCE SHEETS

	MAY 1, 1999 (UNAUDITED)	May 2, 1998 (Unaudited)	January 30, 1999
	(DOLLARS IN THOUSANDS)		
ASSETS			
Current Assets			
Cash and cash equivalents	$ 42,861	$ 39,038	$ 44,068
Short-term investments	53,273	43,342	42,141
Accounts receivable - net	44,165	44,212	44,536
Merchandise inventories	75,457	72,968	61,112
Deferred income taxes	3,475	3,001	3,372
Prepaid expenses	2,646	4,034	2,374
Total Current Assets	221,877	206,595	197,603
Property and Equipment - net	56,779	49,821	54,740
Other Assets	6,281	6,176	6,170
Total	$284,937	$262,592	$258,513
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$ 66,895	$ 57,734	$ 52,391
Accrued expenses	17,425	16,672	20,991
Income taxes	7,531	7,751	197
Total Current Liabilities	91,851	82,157	73,579
Deferred Income Taxes	5,801	5,296	5,922
Other Noncurrent Liabilities	7,002	6,503	6,778
Stockholders' Equity:			
Class A Common Stock, issued 24,101,474 shares, 23,672,371 shares and 24,070,519 shares at May 1, 1999, May 2, 1998 and January 30, 1999, respectively	803	788	802
Convertible Class B Common Stock, issued and outstanding 5,264,317 shares at May 1, 1999, May 2, 1998 and January 30, 1999, respectively	176	176	176
Additional paid-in capital	70,147	65,404	69,878
Retained earnings	132,436	111,368	120,590
	203,562	177,736	191,446
LessClass A Common Stock in treasury, at cost (2,874,000 shares at May 1, 1999, 1,361,500 shares at May 2, 1998, and 2,368,000 shares at January 30, 1999, respectively)	23,279	9,100	19,212
Total Stockholders' Equity	180,283	168,636	172,234
Total	$284,937	$262,592	$258,513

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED	
	MAY 1, 1999	May 2, 1998
	(DOLLARS IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income	$ 13,738	$ 11,117
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,023	1,865
Amortization of investment premiums	44	22
Loss on disposal of property and equipment	141	342
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	371	2,974
Merchandise inventories	(14,345)	(8,742)
Other assets	(383)	(2,431)
Accrued income taxes	7,334	5,710
Accounts payable and other liabilities	11,693	4,455
Net cash provided by operating activities	20,616	15,312
INVESTING ACTIVITIES		
Expenditures for property and equipment	(4,203)	(2,227)
Purchases of short-term investments	(14,903)	(16,234)
Sales of short-term investments	3,088	600
Net cash used in investing activities	(16,018)	(17,861)
FINANCING ACTIVITIES		
Dividends paid	(1,477)	(1,216)
Purchases of treasury stock	(4,577)	--
Proceeds from employee stock purchase plan	237	177
Proceeds from stock options exercised	12	982
Net cash used in financing activities	(5,805)	(57)
Net Decrease in Cash and Cash Equivalents	(1,207)	(2,606)
Cash and Cash Equivalents at Beginning of Period	44,068	41,644
Cash and Cash Equivalents at End of Period	$ 42,861	$ 39,038

See accompanying notes to consolidated financial statements.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED MAY 1, 1999 AND MAY 2, 1998

NOTE 1 - GENERAL:

The consolidated financial statements have been prepared from the accounting records of The Cato Corporation and its wholly-owned subsidiaries (the Company) and all amounts shown at May 1, 1999 and May 2, 1998 are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of the interim period may not be indicative of the entire year.

The Company's short-term investments are classified as available-for-sale securities, and therefore, are carried at fair value, with unrealized gains and losses, net of income taxes, reported as a component of other comprehensive income.

Total comprehensive income for the quarters ended May 1, 1999 and May 2, 1998 was $13,323,000 and $11,047,000, respectively. Total comprehensive income is composed of net income and unrealized losses on available-for-sale securities.

Merchandise inventories are stated at the lower of cost (first-in, first-out method) or market as determined by the retail inventory method.

In March 1999, the Company transferred 63,000 shares of Class A Common Stock from treasury stock to its Employee Stock Ownership Plan as the contribution for the fiscal year ended January 30, 1999. In the first quarter of fiscal 1999, the Company repurchased 569,000 shares of Class A Common Stock for $4,577,000, or an average price of $8.04 per share.

The provisions for income taxes are based on the Company's estimated annual effective tax rate.

NOTE 2 - EARNINGS PER SHARE:

Earnings per share is calculated by dividing net income by the weighted-average number of Class A and Class B common shares outstanding during the respective periods. The weighted-average number of shares used in the basic earnings per share computations was 26,659,565 shares and 27,499,658 shares for the three months ended May 1, 1999 and May 2, 1998, respectively. The weighted-average number of shares representing the dilutive effect of stock options was 248,834 and 702,228 for the three months ended May 1, 1999 and May 2, 1998, respectively. The weighted-average number of shares used in the diluted earnings per share computations was 26,908,399 and 28,201,886 for the three months ended May 1, 1999 and May 2, 1998, respectively.

THE CATO CORPORATION
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS ENDED MAY 1, 1999 AND MAY 2, 1998

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the three months ended May 1, 1999 and May 2, 1998 was $3,000 and $35,000, respectively. Income tax payments, net of refunds received, for the three months ended May 1, 1999 and May 2, 1998 were $181,000 and $646,000, respectively.

NOTE 4 - FINANCING ARRANGEMENTS:

At May 1, 1999, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until May 2001. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. The Company was in compliance with all financial covenants and ratios and there were no borrowings outstanding under the agreement at May 1, 1999 or May 2, 1998.

NOTE 5 - REPORTABLE SEGMENT INFORMATION:

The Company has two reportable segments: retail and credit. The following schedule summarizes certain segment information (in thousands):

Three Months Ended May 1, 1999	Retail	Credit	Total
Revenues	$155,396	$2,859	$158,255
Income before taxes	20,239	896	21,135
Three Months Ended May 2, 1998			
Revenues	$138,280	$2,764	$141,044
Income before taxes	16,065	779	16,844

THE CATO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items in the Company's Unaudited Consolidated Statements of Income as a percentage of total retail sales:

	THREE MONTHS ENDED	
	MAY 1, 1999	May 2, 1998
Total retail sales	100.0%	100.0%
Total revenues	103.2	103.6
Cost of goods sold	65.3	65.5
Selling, general and administrative	22.8	24.3
Income before income taxes	13.8	12.4
Net income	9.0	8.2

COMPARISON OF FIRST QUARTER OF 1999 WITH 1998.

OPERATING RESULTS

Total retail sales for the first quarter were $153.4 million compared to last year's first quarter sales of $136.2 million, a 13% increase. Same-store sales increased 7% in this year's first quarter. The increase in retail sales for the first quarter resulted from the Company's continued everyday low price strategy, improved merchandise offerings, and an increase in store development activity. The Company operated 753 stores at May 1, 1999 compared to 697 stores at the end of last year's first quarter.

Cost of goods sold were 65.3% of total retail sales for the current year's first quarter, compared to 65.5% for last year's first three months. The decrease in cost of goods sold as a percent of retail sales resulted by maintaining timely and aggressive markdowns on slow moving merchandise, eliminating unprofitable promotions and improving inventory flow.

OPERATING RESULTS - CONTINUED

Selling, general and administrative (SG&A) expenses were $34.9 million, or 22.8% of retail sales, for this year's first quarter compared to $33.1 million, or 24.3% of retail sales, in last year's first quarter. Expenses remained well controlled and were under planned levels.

LIQUIDITY AND CAPITAL RESOURCES

At May 1, 1999, the Company had working capital of $130.0 million, compared to $124.4 million at May 2, 1998 and $124.0 million at January 30, 1999. Cash provided by operating activities was $20.6 million for the three months ended May 1, 1999, compared to $15.3 million for last year's comparable three month period. The Company had no borrowings under its revolving credit agreement at May 1, 1999 or May 2, 1998. At May 1, 1999, the Company had cash, cash equivalents, and short-term investments of $96.1 million, compared to $82.4 million at May 2, 1998 and $86.2 million at January 30, 1999.

At May 1, 1999, the Company had an unsecured revolving credit agreement which provides for borrowings of up to $35 million. The revolving credit agreement is committed until May 2001. The credit agreement contains various financial covenants and limitations, including the maintenance of specific financial ratios. The Company was in compliance with all financial covenants and ratios and there were no borrowings outstanding under the agreement at May 1, 1999 or May 2, 1998.

Expenditures for property and equipment totaled $4.2 million for the three months ended May 1, 1999, compared to $2.2 million of expenditures in last year's first three months. The Company expects total capital expenditures to be approximately $24 million for the current fiscal year. The Company intends to open approximately 75 new stores, close 10 stores and to relocate 24 stores during the current fiscal year. For the three months ended May 1, 1999, the Company had opened 21 new stores, relocated 6 stores, and closed none.

In May 1999, the Board of Directors increased the quarterly dividend by 36% from $.055 per share to $.075 per share.

The Company believes that its cash, cash equivalents and short-term investments, together with cash flow from operations and borrowings available under its revolving credit agreement, will be adequate to fund the Company's proposed capital expenditures and other operating requirements.

The Company developed a two phase approach to address the Year 2000 issue, which involves the exposure to risks in its information technology (IT) systems, as well as potential risks in other non-IT systems with embedded technology. Phase 1 was an analysis to identify and fix all internally developed programs. Phase 2 is the identification and correction to all programs purchased from external sources. The Company has completed Phase 1, and Phase 2 is scheduled to be substantially complete by the end of the second fiscal quarter of 1999 with continued testing of compliance throughout 1999. The Company expects to spend approximately $525,000 in 1998 and 1999 on hardware, software and consulting to ensure proper processing of transactions relating to the Year 2000 and beyond. The Company has initiated formal communications with its third-party suppliers and vendors to determine the extent to which the Company is vulnerable to those third-parties' failure to remediate their own Year 2000 issue. Although lack of compliance for Year 2000 issues by third-party suppliers and vendors could have an adverse effect on the Company's business, results of operations and financial condition, the Company expects its Year 2000 compliance efforts to significantly reduce the risk of business interruption and the level of uncertainty the Year 2000 issue may have on its computer systems. A contingency plan will be established upon the completion of Phase 2.

Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in the Form 10-Q and located elsewhere herein regarding the Company's financial position and business strategy may constitute forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct.

PART II OTHER INFORMATION

THE CATO CORPORATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None

ITEM 3. DEFAULTS BY THE COMPANY ON ITS SENIOR SECURITIES

Not Applicable

ITEM 4. RESULT OF VOTES OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) 27 Financial Data Schedule (for SEC use only)

(B) No Reports on Form 8-K were filed during the quarter ended May 1, 1999.

PART II OTHER INFORMATION (CONTINUED)

THE CATO CORPORATION

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CATO CORPORATION

June 10, 1999	/s/ Wayland H. Cato, Jr.
Date	Wayland H. Cato, Jr. Chairman of the Board
June 10, 1999	/s/ John P. Derham Cato
Date	John P. Derham Cato Vice Chairman of the Board President and Chief Executive Officer
June 10, 1999	/s/ Michael O. Moore
Date	Michael O. Moore Executive Vice President Chief Financial Officer and Secretary

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AND INCOME STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
JAN-31-1999
MAY-01-1999
42,861
53,273
49,326
5,161
75,457
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