

Federated

DEPARTMENT STORES, INC.

1999 Annual Report

On Retail's Cutting Edge



Financial Highlights

	1999	1998	1997	1996	1995
Net Sales	\$17.716 billion	\$15.365 billion	\$15.220 billion	\$14.833 billion	\$13.622 billion*
Operating Income					
Excluding unusual items (Note 1)	\$ 1,701 million	\$ 1,455 million	\$ 1,341 million	\$ 1,202 million	\$ 995 million
% of sales	9.6%	9.5%	8.8%	8.1%	7.3%
EBITDA (Note 2)	\$ 2,439 million	\$ 2,079 million	\$ 1,931 million	\$ 1,735 million	\$ 1,470 million
% of sales	13.8%	13.5%	12.7%	11.7%	10.8%
Net Income (Note 1)					
Excluding unusual items	\$ 795 million	\$ 685 million	\$ 575 million	\$ 453 million	\$ 333 million
Including unusual items	\$ 795 million	\$ 662 million	\$ 536 million	\$ 266 million	\$ 75 million
Diluted Earnings Per Share (Note 1)					
Excluding unusual items	\$3.62	\$3.06	\$2.58	\$2.09	\$1.79
Including unusual items	\$3.62	\$2.96	\$2.41	\$1.24	\$.39

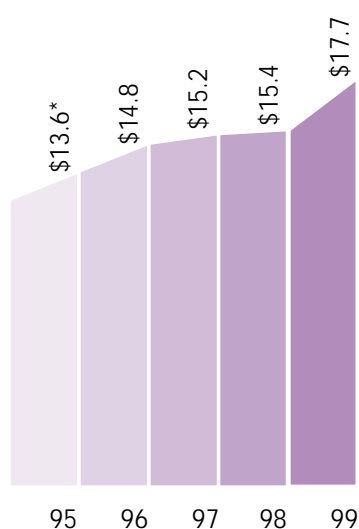
Net sales and percent of sales have been restated to exclude leased departments.

*Excludes net sales of \$992 million for Broadway stores.

Notes:

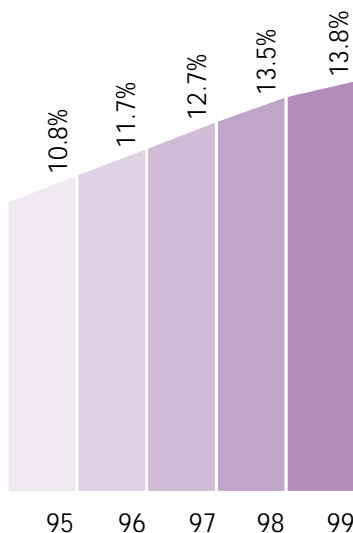
- (1) Unusual items represent inventory valuation adjustments related to consolidations and business integration and consolidation expenses (BICE) in 1995 and 1996, the charitable contribution to the Federated Department Stores Foundation in 1995, the impact, in 1995, of the Broadway Stores, Inc. acquisition on Federated's consolidated operations, interest expense and per share earnings and, if applicable, the loss associated with the prepayment of debt in 1997 and 1998.
- (2) EBITDA represents earnings before interest, taxes, depreciation, amortization, BICE, the charitable contribution to the Federated Department Stores Foundation and the impact, in 1995, of the Broadway Stores, Inc. acquisition on Federated's consolidated operations.

Sales
In Billions



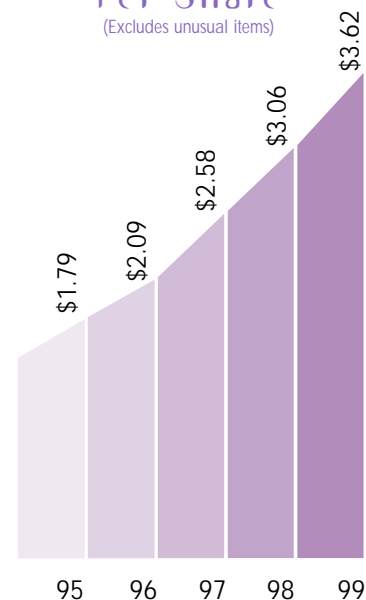
EBITDA
As a Percent of Sales

(Earnings Before Interest, Taxes, Depreciation and Amortization)



Diluted Earnings Per Share

(Excludes unusual items)



On Cover: The world is changing fast ... and so is I·N·C International Concepts, Federated's of-the-moment private brand of women's apparel. Shown on the cover is the new look of embellished bottoms paired with simple tops, in a python print pant and sleek, sleeveless turtleneck. It's a modern reference to hippie chic. And if it's modern - it's I·N·C.

A Profile of Federated

Federated Department Stores, Inc. is the nation's leading operator of premier department stores, with more than 400 department store locations in 33 states. In addition, Federated's direct-to-customer operations include wholly owned e-commerce sites within its Fingerhut, *macys.com* and *bloomingdales.com* operations, as well as national direct mail catalog titles within its Fingerhut, Bloomingdale's By Mail and Macy's By Mail subsidiaries.

Federated's corporate structure capitalizes on the strengths of its divisions and subsidiaries while bringing new dimensions of retailing innovation, operating efficiencies, financial leverage and strategic growth opportunities to the company's operations.

Community Involvement

Each Federated department store division and direct-to-customer subsidiary is well established in its operating areas.

The company believes in giving back to the communities from which it draws strength and sustenance. Federated understands that stronger, healthier and more vibrant communities provide better environments for our stores to do business and for our employees and customers to live and work.

In 1999, cash contributions to charitable organizations by Federated, its divisions and subsidiaries – including those made by the Federated Department Stores Foundation – totaled approximately \$15.4 million. A significant and growing percent of direct giving was devoted to two areas of strategic focus – women's issues and HIV/AIDS.

Partners in Time, the company's nationally recognized employee volunteer program, involves all divisions and support operations. In 1999, more than 47,000 volunteers gave nearly 97,500 hours of time – touching nearly every segment of American society.

Diversity

As a leading retailer in some of America's largest and most diverse metropolitan areas, Federated prides itself on aggressively encouraging inclusion of individuals of all types within its workforce, vendor relationships and customer base. Management's philosophy is intended to help ensure that appreciation for the unique characteristics and strengths of every person is pervasive at every level of the company.

Of Federated's total workforce, approximately 75 percent are women and 42 percent belong to a racial minority group. In management ranks, 67 percent of our executives are women and 21 percent are racial minorities. This places Federated among the leaders in diversity in our industry, as well as among major U.S. corporations.

Additionally, Federated's vendor development program seeks to source goods and services – either for resale or in support of business operations – from qualified minority-and women-owned enterprises. In 1999, these purchases totaled approximately \$304 million.



Letter to Shareholders

Dear Fellow Shareholder:

Some years are simply better than others. And at Federated, 1999 was one of the best.

It was a year in which Federated outpaced everyone's expectations for both strong sales and earnings, fueled by a spectacular performance from our department stores. And it was a year in which Federated positioned itself aggressively – and we think appropriately – for where retail is heading in the years just ahead.

With our 1999 strategic focus on *macys.com*, *bloomingdales.com* and the acquisition of Fingerhut Companies, Inc., Federated leaped ahead of the competition and into an exciting future defined by the availability of different retail channels for different customers, and for different customer needs at different times. It is a future in which we believe that no single retail channel will suffice for all customers all of the time. And while some customers will prefer one retail format over most others, we do not believe there ever will come a time when one retail channel totally dislodges the rest.

In short, we see a future of more choice, not less. A future of expanding potential to provide service and convenience to new and existing customers. And at Federated, we think the time to prepare for that future is now.

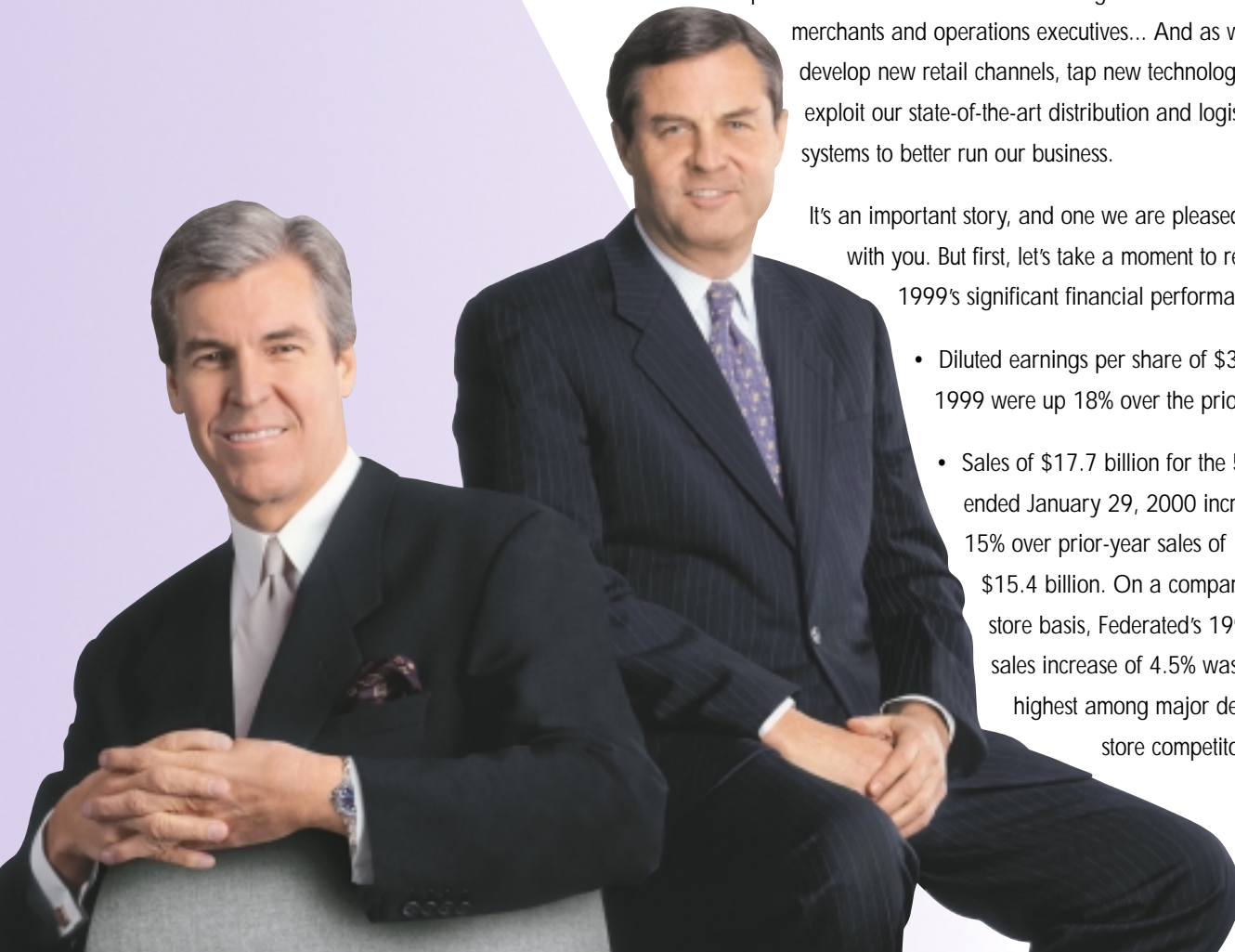
On the pages of this year's annual report, you will read about what we are doing in key areas of our business as we move to integrate our bricks-and-clicks retail formats in innovative new ways... As we redefine our department stores to appeal to new generations of customers even as we strive to better serve today's core customer base... As we identify, recruit and develop the full potential inherent in Federated's next generation of managers,

merchants and operations executives... And as we develop new retail channels, tap new technologies and exploit our state-of-the-art distribution and logistics systems to better run our business.

It's an important story, and one we are pleased to share with you. But first, let's take a moment to recap

1999's significant financial performance:

- Diluted earnings per share of \$3.62 in 1999 were up 18% over the prior year.
- Sales of \$17.7 billion for the 52 weeks ended January 29, 2000 increased 15% over prior-year sales of \$15.4 billion. On a comparable-store basis, Federated's 1999 sales increase of 4.5% was the highest among major department store competitors.



- Department store operating income as a percent of sales increased 150 basis points, from 10.3% in 1998 to 11.8% last year.
- Return on gross investment (ROGI) increased to 16.8% last year from 16.6% in 1998. This is an important measure of the business defined as earnings before interest, taxes, depreciation, amortization and gross rent, divided by total average gross investment.

Underlying this strong financial performance were other significant accomplishments that allowed us to further improve how we run the business.

On the merchandising side, Federated's private brands continued to gain in market share and popularity, producing a record year for I-N-C, Alfani, Charter Club, Style & Co. and other popular lines exclusive to our stores. Sales of Federated's private brands last year increased at twice the rate of our overall comp-store sales.

Our department stores continued their development of effective brand identification strategies to amplify brand awareness, enabling Federated to capitalize on some of the strongest names in American retailing.

Merchandising and marketing plans for the all-important fourth quarter were further refined to ensure newness and an abundance of unique holiday gift-giving ideas. The success of these efforts resulted in another outstanding holiday season performance across Federated, with comp-store sales increases of 4.4% in the fourth quarter.

Strategies for direct-to-customer catalog and e-commerce businesses were developed and refined throughout the year as Federated evolved its retail presence in these important areas.

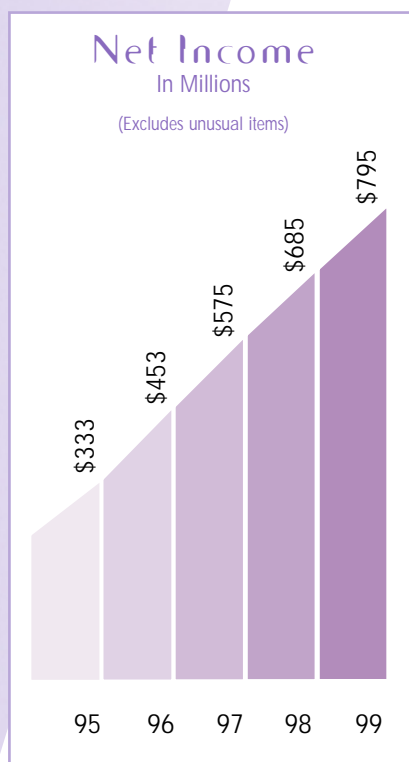
The Federated Leadership Institute, recognized for excellence in retailing by the National Retail Federation earlier this year, emerged as the backbone of our executive training and development programming. In 1999, hundreds of corporate and division managers, including all of our store managers from across the country, attended challenging week-long sessions aimed at making them more effective in their jobs.

Of course, a year of record performance and results poses its own set of challenges. Keeping the momentum going certainly is one of them. So while we're optimistic about producing another strong year in 2000, we aren't taking anything for granted.

In the coming year, our number one objective and, therefore, the primary measure of our success, will continue to be comp-store sales growth. If we do this well, profit and return on investment goals also will be achieved.

Merchandise assortments that are new and kept fresh – including exclusive private brands that distinguish us from the competition – are key to this strategy. So are strategies designed to make Federated's department stores, catalogs and e-commerce sites the retail mecca for gift giving at any season and for all occasions.

In addition, we are determined to make our stores more exciting and appealing to customers of all ages. In some cases, this means providing capital for major in-store remodels, and there are approximately 120 of them planned this year as part of an



overall capital budget of \$1 billion. In other instances, it may mean reallocating space and locations of certain merchandise categories inside of the store – moving junior's departments next to young men's and closer to mall entrances, for instance, to create a critical mass that attracts younger customers. Or it may mean adding lighting or enhancing visual merchandising techniques in our stores, making the merchandise more visible and attractive to customers.

Among our other goals for the year ahead is improving the shopping experience for our customers, including making transactions faster and achieving higher customer service standards. We also will continue testing new concepts, some of which are discussed later in this report, as we strive to "reinvent" aspects of the department store, making it more convenient, more relevant and responsive to the needs of today's customers – and tomorrow's.

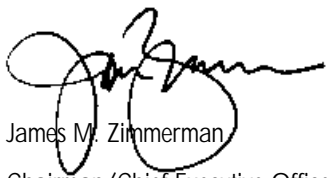
Part of this strategy involves finding new ways to integrate the various facets of in-store and online retailing – bringing the Internet into our stores in innovative ways that can increase customer service and expand merchandise offerings, and using it to drive traffic to our stores through cross-promotions and multi-channel marketing.

Of course, it is the quality of our people that makes the real difference in defining Federated's successes. And we are blessed with an abundance of incredibly talented, dedicated, hard-working and creative people in every aspect of our business. From stores and sales leaders to merchants and operations staff, Federated's people are at the heart of who we are and what we can accomplish. We thank and commend each of our 133,000 associates for all they have done to make 1999 such an outstanding year.

Federated also is fortunate to have an involved, committed board of directors. We value the wisdom and support of each of our distinguished board members, certainly including that of George V. Grune, chairman of the DeWitt Wallace and Lila Wallace Reader's Digest Funds. Mr. Grune is retiring from the board this year, and as he does so he takes with him our sincerest thanks and appreciation for all of his many contributions to Federated. He will be missed.

As we move into this new century, we are committed to continually renewing and revitalizing our company. We believe that being on the cutting edge of retail means being willing to lead rather than being satisfied merely to follow. And leading is exactly what Federated is doing.

Sincerely,



James M. Zimmerman
Chairman/Chief Executive Officer



Terry J. Lundgren
President/Chief Merchandising Officer

April 19, 2000

2000 and Beyond

While the majority of Federated's business for the foreseeable future will continue to come from our powerful network of department stores, we also have embraced the Internet and its inherent potential for integrating stores and e-commerce. Federated's cutting-edge "bricks-and-clicks" strategy positions the company to take maximum advantage of where the future of retailing is headed. Following is a look at how we think both the department store and direct-to-customer segments of our business will benefit from this multi-channel retail integration:

E-commerce benefits to stores -- or how clicks can help bricks:

- Drives traffic to stores
- Reaches and attracts new customers
- Deepens relationships with existing customers
- Expands range of merchandise offerings
- Extends the reach of retail franchises
- Enhances gift registry services
- Raises store standards to meet demands of Internet customers
- Provides new career growth opportunities

Stores benefits to e-commerce -- or how bricks can help clicks:

- Leverages trusted store brands
- Provides merchandising expertise
- Builds on established vendor relationships
- Strengthens appeal of private brands
- Gives customers confidence in online offerings
- Provides immediate access to real products
- Makes merchandise returns more convenient
- Increases return on marketing and advertising expenditures



On Retail's Cutting Edge

"Our challenge is to harness all of the new tools, technologies, ideas and opportunities at our disposal, and to apply them to the objectives of building relationships with our customers, growing and improving a profitable business to create value for our shareholders and ensuring a stimulating environment for our employees."

— Jim Zimmerman

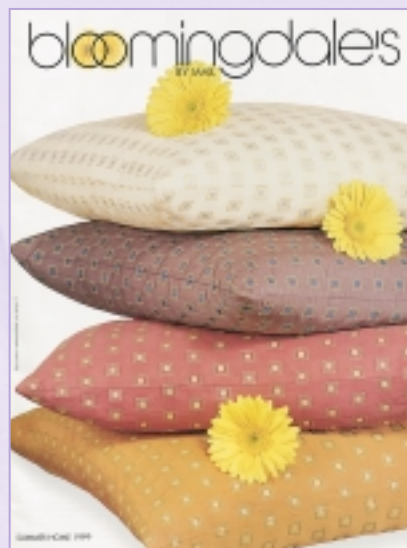
New Ways to Reach New Customers

Federated is moving quickly and adeptly to integrate new technologies, marketing models and merchandising techniques into its highly successful traditional department store businesses. In this process, Federated is emerging as a new breed of retailer – a progressive, multi-dimensional organization serving a range of customer segments through a growing array of channels.

Changing customer demographics and preferences are driving these improvements to our business. Shoppers today expect greater convenience, more ways to shop, help with gift-giving, one-stop availability of a wider assortment of goods and services, and 24/7 access from anywhere they might live, work or travel.



In responding to this marketplace of the new millennium, Federated has deployed its two most potent resources – a roster of widely recognized retail and merchandise brands, and an energized management team dedicated to innovation and profitable growth.



The result is a synergistic approach to retailing that is unique to Federated. It combines the best-known department stores and locations with strategic e-commerce initiatives that support and extend our store brands. It encompasses fashion and lifestyle catalogs serving targeted demographic niches. And it is backed by a network of sophisticated call and fulfillment centers, wired with software and technology systems that enable the company to pair customers' needs with the right merchandise.

Appealing to Generation Y

New growth channels

Until recently, "point of sale" meant a customer service area on the selling floor of a department store. Today, it means much more.

While the vast majority of Federated's total sales (nearly 90 percent in 1999) are generated by customers drawn to our "bricks-and-mortar" stores, an increasing share of our incremental sales growth is being generated through new direct-to-customer channels. Many of these new channels are supported by our acquisition of Fingerhut Companies Inc., a leading direct marketer, online retailer and provider of call center and fulfillment services.

Included in Federated's multi-channel retail arsenal today are more than 28 direct mail catalog titles sent to more than 100 million American households each year. These include significant businesses such as Fingerhut, Bloomingdale's By Mail and Macy's By Mail, as well as more targeted catalogs such as Outdoor Living, Arizona Mail Order and Bedford Fair.

Another significant part of extending our reach to new customers through an array of retail options – and in many cases driving incremental traffic to our stores – involves selling goods and services online through several wholly owned e-commerce sites. These include *macys.com*, *bloomingdales.com* and *fingerhut.com*, along with a number of smaller Internet sites such as *andysgarage.com* and *atomicliving.com*. In addition, Federated owns an equity position in a number of Internet companies. One of these is *weddingchannel.com*, the Internet's leading wedding resource.

Through Federated's partnership with *weddingchannel.com*, customers can access bridal gift registries for nearly 350,000 couples who have registered online or at Federated's department stores across the country. This fully integrated in-store/online registry facilitates gift-giving for a couple's wedding guests, no matter where they might live. *weddingchannel.com* quickly has become a destination website for couples planning a wedding, through which they can access comprehensive information, tips, checklists and products and services ranging from traditional wedding dresses to catering.



Junior's departments are taking on a new look to appeal to "Generation Y" customers.

Federated is building solid relationships with today's "Generation Y," those less-than-20-somethings who within the next decade or so will overtake the baby boom generation in sheer size and number. So how are we reaching them? We are:

- revamping junior's and young men's environments within our department stores, increasing the emphasis on both fun and fashion with music, foodservice, visual excitement and the integration of apparel

assortments with other categories appealing to young customers;

- reorganizing the presentation of store assortments to emphasize hot items and trends – cargo pants, denim and khaki, for instance. Capitalizing on the hottest new fashion brands directed to teens is also part of this strategy;

- building exciting new e-commerce sites tailored to this young

demographic, while driving GenY business to our "bricks-and-mortar" locations through Internet advertising and promotions on our department store websites;

- launching a new Green Dog line of tots-to-teens apparel and accessories that will debut nationally just in time for back-to-school shopping this fall.

New Looks for a New Age

With customer demographics and expectations changing so rapidly, Federated is reaching out to today's ... and tomorrow's ... shoppers with new concepts and retailing techniques. Bold new ideas are being tested across the country in a process of redefining and reconfiguring the department store, even as we explore new avenues for enhancing the online and catalog shopping experience.

Our goal is to reach existing and future customers most effectively. To do this, we will be 1) capitalizing on the strengths inherent in each of our "bricks-and-clicks" retail formats, and 2) looking for innovative ways to integrate these formats in order to meet changing customer needs and most effectively grow sales.

Some of the new concepts we're testing are immediate hits with our customers. And when we find ideas that work, we have the resources to roll out these "best practices" quickly across the company. On the other hand, when ideas fall short of expectations we have the tenacity to tweak the concept and try again, or to learn from our mistakes before we mercifully bury them.

Examples abound...

Interactive in-store computer kiosks, for instance, are being piloted in a variety of circumstances – and have the potential to be a significant new channel to fulfill customer needs for merchandise beyond what might be available in a typical department store inventory. Kiosks, in fact, are a microcosm of the "bricks-and-clicks" integration envisioned within Federated.

Case in point: A shopper at a smaller suburban department store wants to purchase 12 place settings of fine china – a category that store displays, but does not stock in depth. She can examine the merchandise on display, then use a touchscreen computerized kiosk to order the merchandise with a swipe of her credit card. The customer's order is channeled to the nearest Federated distribution center with the china in stock, and it is shipped directly to her home within hours – freeing her to continue shopping the store.

Shoppers in many of our stores soon will be finding new conveniences to improve the shopping experience. These may include additional sitting areas to relax within departments; roving food service carts selling coffee, juice and snacks; a service-laden lounge for



VIP customers; upgraded hair salons and spas and numerous other extras, all of which strengthen the destination status of our stores while enticing customers to spend more time shopping there.

Federated's successful stable of private brands also are taking on new looks and dimensions. Green Dog, a national line of tots-to-teens apparel and accessories, will debut in fall 2000. Green Dog will offer kids the latest hot fashion looks, along with a more sensible way of coding sizes for ease of shopping.

Souson, a private brand of bath and body products was rolled out to larger stores nationwide in fall 1999 as part of a larger trend toward open, assisted-sell cosmetics and related merchandise lines. Open-sell fixturing, which Federated has been doing in cosmetics areas in its stores since 1996, provides customers greater opportunity to touch and feel product, and greater freedom to select merchandise that appeals to all their senses.

Alfani, a Federated brand of men's contemporary tailored apparel, was extended successfully to women's apparel categories in 1999. Meanwhile, I·N·C International Concepts – a widely popular, exclusive-to-Federated collection of updated casual apparel and accessories for women and men – met with tremendous customer response when the line was added to Bloomingdale's merchandise offering last year.

Meanwhile, electronic gift cards, which we pioneered in 1998 as a replacement for paper gift certificates, have become an important component of Federated's strategic positioning as a gift headquarters for customers. Gift cards can be purchased in-store, online or by phone – and with stored values at whatever amount a customer chooses. Creatively designed cards for special events and occasions make gift-giving more fun, and in some cases our electronic gift cards have become lasting mementos and collector's items.

The spirit of innovation also has stimulated new approaches in mail order catalog businesses. At Fingerhut, for instance, assortments are being molded into lifestyle catalogs that can be closely targeted to specific customer groups, with enhanced graphic design to support a more compelling visual presentation.



New Energy/New Attitudes

The most effective way to improve a business is to step back and look for fresh approaches to persistent challenges, with the understanding that conventional wisdom cannot be allowed to impede success.



Federated made a quantum leap forward in 1999 toward its objective of recruiting the brightest and most promising college graduates for entry-level executive management training positions. The company became the first major retailer – and among the first major corporations in any industry – to build and launch a separate Internet site specifically for college recruiting.

Since hitting the web in the fall, Federated's *retailology.com* site has attracted thousands of student visitors – and hundreds of qualified applicants for full-time and intern positions.

To facilitate professional growth at the middle- and senior-management levels, the Federated Leadership Institute was introduced to provide advanced training in management skill development. The Leadership Institute has been named an "American Retailing Best Practice" by American Express and the National Retail Federation, and more than 400 employees, including division principals, corporate executives and store managers benefited

from the program in 1999. This year, the program will be expanded to encompass management-level merchants and operating executives.

Technology and ingenuity continue to make Federated's methods of transacting business more sophisticated and efficient.



Divisional merchants have begun using a proprietary system to download lists of vendor products and write purchase orders directly from their laptop computers in one seamless process – whether they are in a vendor's showroom, on an airplane or in their offices.

Once merchandise is bought, another proprietary tool provides merchants and distribution teams real-time access to the status of orders through the entire chain of supply. This system is being used to ensure optimal delivery of merchandise to the selling floor – and thus, to customers.

As a company rich in detailed data on customer needs and preferences, Federated is beginning to tap Fingerhut's expertise in data collection and management to find better ways to target merchandise offerings and marketing to department store customers. The Fingerhut database alone holds up to 1,400 data elements – including demographics, product preferences, birthdays and anniversaries – on more than 30 million customer households. Together with Federated's department store customer files, they comprise one of the most potent data warehouses in American retailing.

The world-class order fulfillment, logistics and distribution organization of Fingerhut will be used increasingly in the coming years to improve back-of-the-house functions of Federated's direct-to-customer business. Moreover, through Fingerhut Business Services, Inc., Federated is generating revenue by providing fulfillment services to third parties, such as Wal-Mart, for Internet order fulfillment.



With plenty of sunlight, the remodeled furniture floor of Macy's Union Square in San Francisco underscores fresh approaches to the department store business.

New Bricks and Mortar

Underscoring the importance of its premier department stores as the sales and profit engine of the company, Federated continues to invest heavily in providing customers the most exciting store environments.

In 1999, the company's store upgrade program was highlighted by extensive improvements at its three largest flagships – Bloomingdale's 59th Street and Macy's Herald Square in Manhattan, and Macy's

Union Square in San Francisco. Together, these multi-year store upgrades involve our highest-volume, highest-visibility locations. Macy's Union Square project was completed in 1999, with work at the New York Macy's and Bloomingdale's stores slated to continue through next year.

In all, Federated's capital plan for 2000-2002 calls for spending \$1.3 billion on approximately 120 separate department store remodel projects.

Some of those remodels will include overhauling existing junior's, young men's and activewear departments – key growth businesses for the years immediately ahead. In some cases, junior's and young men's may be brought together to create dynamic environments where young customers can meet, socialize and shop.

These departments will have painted concrete floors to accentuate the fashion edge, trendy snack vending machines, and edited assortments of merchandise – such as music and books – beyond apparel and accessories. In some stores, the departments will have leased kiosks where customers can buy

technology-related products such as beepers and cellular phones.

Store environments also are improved through the use of technology to speed customer transactions and enhance convenience, such as electronic sign and scanner systems, and telephone headsets.

In some stores, for example, headsets allow sales specialists in large, busy women's shoe departments to communicate with runners assigned to locate and retrieve merchandise from storeroom shelves. This permits sales specialists to serve several customers simultaneously, rather than one at a time.

Federated also will continue to build new stores to fortify its presence in important markets, expand to adjacent markets, and serve growing population centers. The three-year capital budget for new stores is approximately \$900 million. Four new department stores and two new furniture galleries opened in 1999, consistent with the planned pace of opening five to eight new locations each year in the early part of the decade. And in 2000, the company plans to open eight new department stores and four furniture stores.



The new Burdines at Aventura Mall in Miami opened in 1999 to rave reviews for store architecture and visual presentation.

New Horizons

Mastering the future requires vision and common sense. Federated is and will remain at heart a department store company, yet not just a department store company. Never have there been so many alluring opportunities to pursue new directions – especially considering the impact of emerging technologies such as e-commerce. It seems that each new day brings new developments beckoning investment and promising silver bullets.

The faster and more complex our business becomes, however, the more disciplined we must be in focusing on the single unwavering and inevitable ingredient for success – taking care of the customer. That means continuously improving our ability to deliver excitement, quality, convenience and value.

Federated will pursue new channels of growth aggressively, but never recklessly. We will listen to our customers and seek ways to take them into the future. We will position ourselves thoughtfully to foster relationships with new market segments and demographics down the road. We will invest whatever is necessary to attract, develop and retain the best people in the retailing business. We will keep our infrastructure well-toned for continued efficiency. We will continue to build our retail nameplates into genuine brands with meaning and excitement for our shopper.

Federated is a company dedicated to sustaining success at retail's cutting edge. That means never forgetting who we are and where we came from, never being quite satisfied with today, and knowing that what we will become tomorrow won't be good enough to stay ahead for long.

Recognizing that talented and motivated people are the key to ongoing success at Federated, the company once again recognized its top selling service professionals by inducting them into the Star Academy for superior performance. Honored in 1999 were the following individuals, photographed at Macy's Herald Square store in New York prior to the induction ceremony:



Standing, left to right: Jose Aguilar, Macy's East, Arlington, VA; Joyce Yavenue, Burdines, West Palm Beach Gardens, FL; George Wetzler, Macy's, White Plains, NY; Robert Lytle, Macy's West, Costa Mesa, CA; David Hayes, The Bon Marché, Tacoma, WA; Celinda Puente, Stern's, Jersey City, NJ; Jim Young, Lazarus, Cincinnati, OH; Bharat Parekh, Stern's, Bridgewater, NJ; Maureen O'Farrill, Bloomingdale's, Hackensack, NJ; Dexter Rosenblatt, Burdines, Sarasota, FL.

Seated, left to right: Richard Vollkommer, Bloomingdale's, New York, NY; Jaleh Samandar, Macy's West, Santa Monica, CA; Joan Glasspoole, Lazarus, Dublin, OH; Greg Watters, The Bon Marché, Roseburg, OR.

Visit Us On The Web

Corporate Website

www.federated-fds.com

Community

www.federated-fds.com/community

Customer Service

www.federated-fds.com/contact



www.bloomingdales.com reflects the fashion-forward excitement associated with the Bloomingdale's brand.



Fingerhut customers can shop its web site, www.fingerhut.com or mail order catalogs 24 hours a day, 7 days a week.



www.macys.com, the industry's leading online department store, is part of a "bricks-and-clicks" strategy for Macy's.



The partnership between weddingchannel.com and Federated creates the ideal union of the in-store and online bridal registry worlds.

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Chief Financial Officer

Rudolph V. Javosky
Design & Construction

Vice Presidents

Joel A. Belsky
Controller

David W. Clark
Executive and
Organizational
Development, Diversity/
Training/Compensation

Neal J. Glueck
Tax

Gary J. Nay
Real Estate

Carol A. Sanger
Corporate Communications
& External Affairs

John R. Sims
Deputy General Counsel

Joseph F. Vella
Employee Relations

Division Principals

Department Stores

Bloomingdale's
Michael Gould
Chairman

The Bon Marché
Daniel H. Edelman
Chairman
Timothy M. Adams
President

Burdines
Susan Kronick
Chairman

Michael J. Osborn
President
J. David Scheiner
Vice Chairman &
Director of Stores

Macy's East
Harold D. Kahn
Chairman

James E. Gray, President
Peter R. Sachse
Vice Chairman &
Director of Stores

Macy's West
Jeremiah J. Sullivan
Chairman
Robert Mettler, President

Rudolph J. Borneo
Vice Chairman &
Director of Stores

**Rich's/Lazarus/
Goldsmith's**
Arnold Orlick
Chairman

Edwin J. Holman
President

Stern's
Ronald Klein, Chairman
James N. Andress
President

Support Operations

**Federated
Merchandising
Group**
Janet E. Grove
Chairman

Leonard Marcus
President

**Financial and
Credit Services**
James J. Amann
Chairman

**Federated Logistics
& Operations**
Tom Cole, Chairman

**Federated Systems
Group**
James J. Amann
Chairman

Larry A. Lewark
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Jeffrey Sherman
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Shareholder Information

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For copies of past news releases & corporate background data: 1-800-853-9150

Write:

Federated Department Stores, Inc. • Investor Relations Department

7 West Seventh Street • Cincinnati, OH 45202

Common Stock:

Shares of Federated common stock are traded on the New York Stock Exchange.

The company's trading symbol is FD.

The approximate number of Federated shareholders of record, as of January 29, 2000, was 16,066.

Also, as of this date there were approximately 213 million shares of Federated common stock outstanding, excluding shares held by Federated.

Transfer agent for Federated shares:

The Bank of New York • Shareholder Relations Department • Church Street Station

P.O. Box 11258 • New York, NY 10286-1258 • 1-800-524-4458

Quarterly Trading Volume & Share Price Data are as follows:

	Shares	Average	Prices	
1999	Traded	Daily Volume	Low	High
First Quarter	85,833,000	1,362,000	36 7/16	47 1/8
Second Quarter	68,486,000	1,087,000	45 15/16	57 1/16
Third Quarter	63,412,000	991,000	38 7/16	52 7/8
Fourth Quarter	75,121,000	1,212,000	40 15/16	53 7/8
1998				
First Quarter	57,181,000	908,000	42 3/4	53
Second Quarter	52,655,000	836,000	49 13/16	56 3/16
Third Quarter	102,912,000	1,608,000	32 13/16	53 5/16
Fourth Quarter	82,512,000	1,353,000	35 15/16	46 3/8

The next annual meeting of shareholders will be held at 11a.m. Eastern, on Friday, May 19, 2000 at the Westin North Perimeter in Atlanta, GA.



Environmental Report

In recognition of the importance of preserving a healthy environment for future generations, Federated uses recycled paper and soy ink in the production of its annual report.



Federated

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www.federated-fds.com

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