

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 2054

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal quarter ended August 2, 2003.

FEDERATED DEPARTMENT STORES, INC.

7 West Seventh St.
Cincinnati, Ohio 45202
(513) 579-7000
and
151 West 34th Street
New York, New York 10001
(212) 494-1602

Delaware
(State of Incorporation)

1-13536
(Commission File No.)

13-3324058
(I.R.S. Employer
Identification Number)

The Registrant has filed all reports required to be filed by Section 12, 13 or 15 (d) of the Act during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

Indicate by checkmark whether Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes ☒ No ☐

182,805,907 shares of the Registrant's Common Stock, \$.01 par value, were outstanding as of August 30, 2003.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	August 2, <u>2003</u>	August 3, <u>2002</u>	August 2, <u>2003</u>	August 3, <u>2002</u>
Net Sales	\$3,434	\$3,486	\$6,725	\$6,939
Cost of sales	<u>2,025</u>	<u>2,051</u>	<u>4,027</u>	<u>4,129</u>
Gross margin	1,409	1,435	2,698	2,810

Selling, general and administrative expenses	<u>1,145</u>	<u>1,135</u>	<u>2,288</u>	<u>2,289</u>
Operating income	264	300	410	521
Interest expense	(67)	(83)	(140)	(161)
Interest income	<u>2</u>	<u>5</u>	<u>5</u>	<u>9</u>
Income from continuing operations before income taxes	199	222	275	369
Federal, state and local income tax expense	<u>(79)</u>	<u>(89)</u>	<u>(109)</u>	<u>(147)</u>
Income from continuing operations	120	133	166	222
Income on disposal of discontinued operations, net of tax effect	=	<u>149</u>	=	<u>149</u>
Net Income	<u>\$ 120</u>	<u>\$ 282</u>	<u>\$ 166</u>	<u>\$ 371</u>

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income (continued)
(Unaudited)

(millions, except per share figures)

	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	<u>August 2,</u>	<u>August 3,</u>	<u>August 2,</u>	<u>August 3,</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Basic earnings per share:				
Income from continuing operations	\$.65	\$.66	\$.89	\$ 1.10
Income from discontinued operations	=	<u>.74</u>	=	<u>.74</u>
Net income	<u>\$.65</u>	<u>\$ 1.40</u>	<u>\$.89</u>	<u>\$ 1.84</u>
Diluted earnings per share:				
Income from continuing operations	\$.64	\$.66	\$.88	\$ 1.09
Income from discontinued operations	=	<u>.73</u>	=	<u>.73</u>
Net income	<u>\$.64</u>	<u>\$ 1.39</u>	<u>\$.88</u>	<u>\$ 1.82</u>

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets

(Unaudited)

(millions)

	August 2, <u>2003</u>	February 1, <u>2003</u>	August 3, <u>2002</u>
ASSETS:			
Current Assets:			
Cash	\$ 564	\$ 716	\$ 1,398
Accounts receivable	2,836	2,945	2,676
Merchandise inventories	3,439	3,359	3,657
Supplies and prepaid expenses	115	124	135
Deferred income tax assets	13	10	16
Assets of discontinued operations	=	=	<u>593</u>
Total Current Assets	6,967	7,154	8,475
Property and Equipment - net	6,200	6,379	6,389
Goodwill	262	262	305
Other Intangible Assets - net	378	378	378
Other Assets	<u>269</u>	<u>268</u>	<u>544</u>
Total Assets	<u>\$14,076</u>	<u>\$14,441</u>	<u>\$16,091</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Current Liabilities:			
Short-term debt	\$ 749	\$ 946	\$ 1,919
Accounts payable and accrued liabilities	2,678	2,584	2,731
Income taxes	121	71	42
Liabilities of discontinued operations	=	=	<u>322</u>
Total Current Liabilities	3,548	3,601	5,014
Long-Term Debt	3,154	3,408	3,402
Deferred Income Taxes	1,026	998	1,299
Other Liabilities	641	672	551
Shareholders' Equity	<u>5,707</u>	<u>5,762</u>	<u>5,825</u>
Total Liabilities and Shareholders' Equity	<u>\$14,076</u>	<u>\$14,441</u>	<u>\$16,091</u>

The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows

(Unaudited)

(millions)

	26 Weeks Ended <u>August 2, 2003</u>	26 Weeks Ended <u>August 3, 2002</u>
Cash flows from continuing operating activities:		
Net income	\$ 166	\$ 371
Adjustments to reconcile net income to net cash		

provided by continuing operating activities:		
Income from discontinued operations	-	(149)
Depreciation and amortization	351	331
Amortization of financing costs	1	4
Amortization of unearned restricted stock	2	2
Changes in assets and liabilities:		
Decrease in accounts receivable	113	308
Increase in merchandise inventories	(80)	(281)
(Increase) decrease in supplies and prepaid expenses	9	(11)
Increase in other assets not separately identified	(1)	(27)
Increase in accounts payable and accrued liabilities not separately identified	110	75
Increase (decrease) in current income taxes	50	(15)
Increase (decrease) in deferred income taxes	25	(41)
Decrease in other liabilities not separately identified	(27)	(11)
Net cash provided by continuing operating activities	<u>719</u>	<u>556</u>
Cash flows from continuing investing activities:		
Purchase of property and equipment	(156)	(219)
Capitalized software	(27)	(23)
Increase in note receivable	-	(39)
Disposition of property and equipment	<u>2</u>	<u>=</u>
Net cash used by continuing investing activities	<u>(181)</u>	<u>(281)</u>
Cash flows from continuing financing activities:		
Debt issued	6	-
Debt repaid	(454)	(35)
Dividends paid	(23)	-
Increase (decrease) in outstanding checks	(18)	13
Acquisition of treasury stock	(227)	(139)
Issuance of common stock	<u>26</u>	<u>26</u>
Net cash used by continuing financing activities	<u>(690)</u>	<u>(135)</u>

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows (continued)
(Unaudited)

(millions)

	26 Weeks Ended <u>August 2, 2003</u>	26 Weeks Ended <u>August 3, 2002</u>
Net cash provided (used) by continuing operations	(152)	140
Net cash provided by discontinued operations	=	<u>622</u>
Net increase (decrease) in cash	(152)	762
Cash at beginning of period	<u>716</u>	<u>636</u>
Cash at end of period	<u>\$ 564</u>	<u>\$1,398</u>

Supplemental cash flow information:

Interest paid	\$ 144	\$ 175
Interest received	5	9
Income taxes paid (net of refunds received)	28	55

Schedule of non cash investing and financing activities:

Consolidation of assets and debt of previously unconsolidated subsidiary	- -	479
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The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

A description of the Company's significant accounting policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2003 (the "2002 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 2002 10-K.

Because of the seasonal nature of the retail business, the results of operations for the 13 and 26 weeks ended August 2, 2003 and August 3, 2002 (which do not include the Christmas season) are not necessarily indicative of such results for the fiscal year.

The Consolidated Financial Statements for the 13 and 26 weeks ended August 2, 2003 and August 3, 2002, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly, in all material respects, the consolidated financial position and results of operations of the Company and its subsidiaries.

Effective February 2, 2003, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" and SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 145 rescinds or amends existing authoritative pronouncements to limit the circumstances under which gains and losses from the extinguishment of debt will be treated as extraordinary items, to make various technical corrections and clarifications and to describe the applicability of certain of these pronouncements under changed conditions. SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" and Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting" to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based compensation and amends the disclosure provisions therein. SFAS No. 143 establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. The adoption of these statements did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of this statement on August 3, 2003 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

The Company accounts for its stock-based employee compensation plan in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. No stock-based employee

compensation cost is reflected in net income, as all options granted under the plan have an exercise price at least equal to the market value of the underlying common stock on the date of grant.

The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for stock options granted. The Company estimates the fair value of each employee stock option grant on the date of grant using the Black-Scholes option-pricing model.

	<u>13 Weeks Ended</u>		<u>26 Weeks Ended</u>	
	<u>August 2,</u>	<u>August 3,</u>	<u>August 2,</u>	<u>August 3,</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	(millions, except per share data)			
Net income, as reported	\$120	\$282	\$166	\$371
Deduct total stock-based employee compensation cost determined in accordance with SFAS No.123, net of related tax benefit	(9)	(10)	(20)	(21)
Pro forma net income	<u>\$111</u>	<u>\$272</u>	<u>\$146</u>	<u>\$350</u>
Earnings per share:				
Basic - as reported	<u>\$.65</u>	<u>\$ 1.40</u>	<u>\$.89</u>	<u>\$ 1.84</u>
Basic - pro forma	<u>\$.60</u>	<u>\$ 1.35</u>	<u>\$.78</u>	<u>\$ 1.74</u>
Diluted - as reported	<u>\$.64</u>	<u>\$ 1.39</u>	<u>\$.88</u>	<u>\$ 1.82</u>
Diluted - pro forma	<u>\$.59</u>	<u>\$ 1.34</u>	<u>\$.78</u>	<u>\$ 1.72</u>

2. Discontinued Operations

On January 16, 2002, the Company's board of directors approved a plan to dispose of the operations of Fingerhut Companies, Inc. ("Fingerhut"), including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, which were acquired by the Company on March 18, 1999.

During July 2002, the Company completed the sale of Fingerhut's core catalog accounts receivable portfolio, with the buyer assuming \$450 million of receivables-backed debt, and in a separate transaction completed the sale of various other Fingerhut assets, including two distribution centers, the corporate headquarters, a data center, existing inventory, the Fingerhut name, customer lists and other miscellaneous property and equipment. Proceeds from these sales and collections on customer accounts receivable prior to the sale, net of operating expenses, exceeded the amount estimated to be received through wind-down of the portfolio and liquidation of the assets, resulting in an adjustment to the loss on disposal of discontinued operations totaling \$236 million of income before income taxes, or \$149 million after income taxes.

Through additional transactions during the third and fourth quarters of 2002, the Company also completed the sale of the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries and completed the sale of various other Fingerhut assets. As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled.

The net assets of Fingerhut included within discontinued operations as of August 3, 2002 were as follows:

	(millions)
Current assets	\$556
Other assets	37
Current liabilities	(322)
	<u>\$271</u>

3. Restructuring Accruals

During the fourth quarter of 2002, the Company recorded certain costs and expenses associated with the Rich's-Macy's consolidation, including \$6 million of severance costs, in selling, general and administrative expenses.

The Company recorded restructuring charges in 2001 and 2000, including long-term lease obligations related to the disposition of Stern's properties and severance costs associated with the closing of its Stern's department store division.

The following tables show the activity associated with the restructuring accruals:

	February 1, <u>2003</u>	<u>Expense</u>	<u>Payments</u>	August 2, <u>2003</u>
		(millions)		
Long-term lease obligations	\$ 14	\$ -	\$ (1)	\$ 13
Rich's-Macy's severance costs	\$ 6	\$ -	\$ (5)	\$ 1

The \$13 million reserve that the Company still expects to pay out relates to liabilities associated with the disposition of Stern's properties. The remaining Rich's-Macy's severance is still expected to be paid.

	February 2, <u>2002</u>	<u>Expense</u>	<u>Payments</u>	August 3, <u>2002</u>
		(millions)		
Long-term lease obligations	\$ 18	\$ -	\$ (3)	\$ 15
Stern's severance costs	\$ 2	\$ -	\$ (2)	\$ -

The \$15 million reserve that the Company expected to pay out related to liabilities associated with the disposition of Stern's properties.

4. **Financing**

During July 2002, in connection with the extension of the financing arrangement related to the Company's non-proprietary credit card receivables, the Company's special purpose subsidiary took certain actions which resulted in the consolidation of the Prime Credit Card Master Trust II (the "Trust") for financial reporting purposes. In particular, the documentation governing the arrangement was amended to provide the Company's special purpose subsidiary the ability to unilaterally remove transferred assets from the Trust. Under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," this amendment disqualified the arrangement for sale treatment and requires secured borrowing treatment for all sales of the Company's non-proprietary credit card receivables pursuant to this arrangement. The principal assets and liabilities of the Trust consist of non-proprietary credit card receivables transferred by the Company to the Trust in transactions previously accounted for as sales under SFAS No. 140 and the related debt issued by the Trust. As a result of these actions, the transfer of receivables and debt are being treated as secured borrowings as of and subsequent to July 5, 2002. All assets and liabilities of the Trust were consolidated at fair value. These actions increased the Company's consolidated assets and debt by \$479 million at July 5, 2002.

5. **Earnings Per Share**

The following tables set forth the computation of basic and diluted earnings per share from continuing operations:

	13 Weeks Ended			
	August 2, 2003		August 3, 2002	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
(millions, except per share figures)				
Income from continuing operations and average number of shares outstanding operations and average number of shares outstanding	\$ 120	184.9	\$ 133	200.9
Shares to be issued under deferred compensation plans	<u>-</u>	<u>.7</u>	<u>-</u>	<u>.6</u>
	\$ 120	185.6	\$ 133	201.5
Basic earnings per share	<u>\$.65</u>		<u>\$.66</u>	

Effect of dilutive securities -				
stock options	=	<u>1.6</u>	=	<u>2.0</u>
	\$ 120	187.2	\$ 133	203.5
Diluted earnings per share		<u>\$.64</u>		<u>\$.66</u>

	26 Weeks Ended			
	August 2, 2003		August 3, 2002	
	<u>Income</u>	<u>Shares</u>	<u>Income</u>	<u>Shares</u>
(millions, except per share figures)				
Income from continuing operations and average number of shares outstanding	\$ 166	186.7	\$ 222	201.0
Shares to be issued under deferred compensation plans	=	<u>.7</u>	=	<u>.6</u>
	\$ 166	187.4	\$ 222	201.6
Basic earnings per share		<u>\$.89</u>		<u>\$ 1.10</u>
Effect of dilutive securities -				
stock options	=	<u>.9</u>	=	<u>2.1</u>
	\$ 166	188.3	\$ 222	203.7
Diluted earnings per share		<u>\$.88</u>		<u>\$ 1.09</u>

In addition to the stock options reflected in the foregoing tables, stock options to purchase 14.9 million shares of common stock at prices ranging from \$35.65 to \$79.44 per share were outstanding at August 2, 2003 and stock options to purchase 13.8 million shares of common stock at prices ranging from \$40.44 to \$79.44 per share were outstanding at August 3, 2002 but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and their inclusion would have been antidilutive.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

For purposes of the following discussion, all references to "second quarter of 2003" and "second quarter of 2002" are to the Company's 13-week fiscal periods ended August 2, 2003 and August 3, 2002, respectively, and all references to "2003" and "2002" are to the Company's 26-week fiscal periods ended August 2, 2003 and August 3, 2002, respectively.

On May 22, 2003, the Company announced a strategy to more fully leverage its Macy's brand. Beginning in the fall season of 2003, The Bon Marche stores operate as Bon - Macy's, Lazarus stores operate as Lazarus - Macy's and Goldsmith's stores operate as Goldsmith's - Macy's. Beginning in fiscal 2004, Burdines stores will operate as Burdines - Macy's and the seven Macy's stores currently operating in Florida will be integrated into the Burdines - Macy's organization. The Company believes that these changes will allow the Company to benefit from the expansion of the Macy's brand and should lead to more efficient operations.

In January 2003, the Company announced and commenced the implementation of its plans to integrate the stores of Rich's and Macy's in the metro Atlanta area and operate these and all other Rich's stores under a combined "Rich's-Macy's" nameplate, effective February 2, 2003. As part of the consolidation, certain stores were closed;

however, one location was renovated and partially reopened as a Rich's-Macy's furniture gallery in July 2003 and two locations continue to be renovated and plan to reopen as Bloomingdale's later this year. In the near term, the store closings and store closing costs are expected to have a negative impact on net sales and operating income, but in the longer term all of these actions are expected to positively affect operating income, cash flows from operations and return on investment.

On January 16, 2002, the Company's board of directors approved a plan to dispose of the operations of Fingerhut Companies, Inc. ("Fingerhut"), including the Arizona Mail Order, Figi's and Popular Club Plan businesses conducted by Fingerhut's subsidiaries, which were acquired by the Company on March 18, 1999. The decision to dispose of Fingerhut was based on management's determination that there was no longer strategic value to Federated in retaining the Fingerhut operations and there was no expectation, based on Fingerhut's historical earnings and future prospects, that this business would contribute meaningfully to the Company's future financial performance. The plan of disposition approved by the Company's board of directors contemplated a disposal by liquidation of the Fingerhut core catalog operations and a disposal by sale of Fingerhut's three catalog subsidiaries, Arizona Mail Order, Figi's and Popular Club Plan. As of February 1, 2003, substantially all Fingerhut assets had been disposed of and substantially all Fingerhut liabilities had been settled.

The Company's Consolidated Financial Statements for all periods account for Fingerhut as a discontinued operation as a result of the Company's decision to dispose of the Fingerhut operations. Unless otherwise indicated, the following discussion relates to the Company's continuing operations.

Results of Operations

Comparison of the 13 Weeks Ended August 2, 2003 and August 3, 2002

Income from continuing operations and net income for the second quarter of 2003 totaled \$120 million, compared to income from continuing operations of \$133 million and net income of \$282 million for the second quarter of 2002. The second quarter of 2002 included \$149 million of income from the disposal of discontinued operations, net of tax effect. The decrease in income from continuing operations for the second quarter of 2003 compared to the second quarter of 2002 reflects a lower level of sales.

Net sales for the second quarter of 2003 totaled \$3,434 million, down 1.5% compared to net sales of \$3,486 million for the second quarter of 2002. On a comparable store basis (sales from stores in operation throughout 2002 and 2003), net sales for the second quarter of 2003 decreased 1.2% compared to the second quarter of 2002. Bloomingdale's and Rich's/Lazarus/Goldsmith's-Macy's had the strongest sales performance during the second quarter of 2003 with the weakest performance experienced at Burdines. Sales of the Company's private label brands continue to outperform the national brands. By family of business, sales were strongest in career apparel, big ticket home areas and cosmetics. The weakest businesses were housewares and children's.

Cost of sales was 59.0% of net sales for the second quarter of 2003, compared to 58.8% for the second quarter of 2002. In the second quarter of 2003, the cost of sales rate and corresponding gross margin rate reflects higher net markdowns as a percent to net sales in order to maintain inventories at appropriate levels. Merchandise inventories were down 6.0% at the end of the second quarter of 2003 as compared to the second quarter of 2002. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

Selling, general and administrative ("SG&A") expenses were 33.3% of net sales for the second quarter of 2003, compared to 32.6% for the second quarter of 2002, due primarily to the lower sales level. SG&A expenses in actual dollars for the second quarter of 2003 were up 0.8% compared to the second quarter of 2002 due to \$10 million of costs incurred in connection with the Rich's-Macy's consolidation and other announced store closings.

Net interest expense was \$65 million for the second quarter of 2003, compared to \$78 million for the second quarter of 2002, primarily due to the lower level of borrowings.

The Company's effective income tax rate of 39.6% for the second quarter of 2003 and the second quarter of 2002 differ from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes.

During July 2002, the Company completed the sale of Fingerhut's core catalog accounts receivable portfolio, with the buyer assuming \$450 million of receivables-backed debt, and in a separate transaction completed the sale of various other Fingerhut assets, including two distribution centers, the corporate headquarters, a data center, existing inventory, the Fingerhut name, customer lists and other miscellaneous property and equipment.

Proceeds from these sales and collections on customer accounts receivable prior to the sale, net of operating expenses, exceeded the amount estimated to be received through wind-down of the portfolio and liquidation of the assets, resulting in an adjustment to the loss on disposal of discontinued operations totaling \$236 million of income before income taxes, or \$149 million after income taxes.

Comparison of the 26 Weeks Ended August 2, 2003 and August 3, 2002

Income from continuing operations and net income for 2003 totaled \$166 million, compared to income from continuing operations of \$222 million and net income of \$371 million for 2002. Net income for 2002 included \$149 million of income from the disposal of discontinued operations, net of tax effect. The lower income from continuing operations results from a combination of lower sales and higher cost of sales, partially offset by lower net interest expense.

Net sales for 2003 totaled \$6,725 million, compared to net sales of \$6,939 million for 2002, a decrease of 3.1%. On a comparable store basis (sales from stores in operation throughout 2002 and 2003), net sales also decreased 3.1% compared to 2002. By family of business, sales were strongest in furniture and cosmetics. The weakest businesses were the small ticket home areas, especially housewares.

Cost of sales was 59.9% of net sales for 2003, compared to 59.5% for 2002. The cost of sales rate in 2003 reflects higher net markdowns as a percent to net sales due to the weak sales trend and to maintain inventories at appropriate levels. The valuation of department store merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SG&A expenses were 34.0% of net sales for 2003 compared to 33.0% for 2002. SG&A expenses in actual dollars for 2003 were essentially flat compared to 2002; however, due to the lower sales level, SG&A expenses increased 1.0 percentage point as a percent to net sales. Included in SG&A expenses for 2003 were approximately \$18 million of costs incurred in connection with the Rich's-Macy's consolidation and other announced store closings. Higher depreciation and amortization expense and the Rich's-Macy's consolidation costs in 2003 were offset by lower selling costs, lower advertising expense and improvements related to the Company's credit card operations. Although selling costs and advertising expenses were lower in actual dollars in 2003, as a percent to net sales they were consistent with 2002.

Net interest expense was \$135 million for 2003, compared to \$152 million for 2002, primarily due to the lower level of borrowings.

The Company's effective income tax rate of 39.7% for 2003 and 2002 differ from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes.

During July 2002, the Company completed the sale of Fingerhut's core catalog accounts receivable portfolio, with the buyer assuming \$450 million of receivables-backed debt, and in a separate transaction completed the sale of various other Fingerhut assets, including two distribution centers, the corporate headquarters, a data center, existing inventory, the Fingerhut name, customer lists and other miscellaneous property and equipment. Proceeds from these sales and collections on customer accounts receivable prior to the sale, net of operating expenses, exceeded the amount estimated to be received through wind-down of the portfolio and liquidation of the assets, resulting in an adjustment to the loss on disposal of discontinued operations totaling \$236 million of income before income taxes, or \$149 million after income taxes.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash from operations, cash on hand and available credit facilities.

Net cash provided by continuing operating activities in 2003 was \$719 million, compared to the \$556 million provided in 2002. Cash provided by continuing operating activities in 2003 reflects a smaller increase in merchandise inventories and increases in current and deferred income taxes payable in 2003 versus decreases in 2002, partially offset by a smaller decrease in accounts receivable.

Net cash used by continuing investing activities was \$181 million for 2003. Investing activities for 2003 included purchases of property and equipment totaling \$156 million and capitalized software of \$27 million. Investing activities for 2002 included purchases of property and equipment totaling \$219 million, capitalized software of \$23 million and the acceptance of a \$39 million note receivable related to the sale of certain Fingerhut assets. The Company opened one department store, one home store and four furniture galleries during

2003 and plans to open five additional department stores and a home store during the remainder of 2003. The Company now expects capital expenditures to be approximately \$600-\$625 million for 2003, down from a budget of \$650 million due to a delay in certain projects.

Net cash used by the Company for all continuing financing activities was \$690 million for 2003, including the repayment of \$450 million of 8.5% senior notes and approximately \$227 million for the acquisition of treasury stock.

On April 16, 2003, the Company's board of directors approved a \$500 million increase to the Company's existing stock repurchase program. During 2003, the Company purchased 7.3 million shares of its Common Stock under the stock repurchase program at an approximate cost of \$227 million. As of August 2, 2003, the Company had approximately \$485 million of authorization remaining under the Company's stock repurchase program. The Company may continue or, from time to time, suspend repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors.

Net cash provided to the Company by discontinued operations was \$622 million for 2002, primarily due to the sale of Fingerhut's core catalog accounts receivable portfolio and the sale of various other Fingerhut assets.

In 2003, the Company renewed its 364-day revolving credit facility to June 25, 2004 and voluntarily reduced the borrowing capacity under this facility to \$200 million. As a result, the Company's ability to borrow under the Company's bank credit agreements and commercial paper program has been reduced to a maximum of \$1,400 million.

On August 22, 2003, the Company's board of directors declared a quarterly dividend of 12.5 cents per share on Federated Common Stock. The dividend is payable October 1, 2003 to shareholders of record at the close of business on September 15, 2003.

Management believes that, with respect to the Company's current operations, cash on hand and funds from operations, together with its credit facilities and other capital resources, will be sufficient to cover the Company's reasonably foreseeable working capital, capital expenditure and debt service requirements and capital transactions in both the near term and over the longer term. The Company's ability to generate funds from operations may be affected by numerous factors, including general economic conditions and levels of consumer confidence and demand; however, the Company expects to be able to manage its working capital levels and capital expenditure amounts so as to maintain its liquidity levels. Depending upon conditions in the capital markets and other factors, the Company will from time to time consider the issuance of debt or other securities, or other possible capital markets transactions, the proceeds of which could be used to refinance current indebtedness or for other corporate purposes.

Management believes the department store business and other retail businesses will continue to consolidate. The Company intends from time to time to consider additional acquisitions of, and investments in, department stores and other complementary assets and companies. Acquisition transactions, if any, are expected to be financed through a combination of cash on hand and from operations and the possible issuance from time to time of long-term debt or other securities.

Outlook

The Company is assuming that general economic and other conditions and consumer confidence and demand will be such that comparable store sales will be between down 1 percent and up 1 percent for both the third and fourth quarters of 2003. The Company presently expects to achieve earnings per share from continuing operations in the remainder of fiscal 2003 of \$2.40 to \$2.50, consisting of \$.25 to \$.30 a share in the third quarter and \$2.15 to \$2.20 a share in the fourth quarter of 2003. These estimates include additional store-closing costs of approximately \$10 million in the third quarter and \$2 million in the fourth quarter. In connection with these estimates, the Company is assuming that the gross margin rate will be up slightly for the remainder of the year, compared to last year, and SG&A dollars, excluding the aforementioned store-closing costs, will also increase slightly compared to last year.

The accuracy of the assumptions and the resulting forecasts described above is subject to uncertainties and circumstances beyond the Company's control. Consequently, actual results could differ materially from the forecasted results. See "Forward-Looking Statements" for a discussion of matters that could cause actual results to vary from the Company's expectations.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have carried out, as of August 2, 2003, an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Item 1. Legal Proceedings

The Company and certain members of its senior management have been named defendants in five substantially identical purported class action complaints filed on behalf of persons who purchased shares of the Company between February 23, 2000 and July 20, 2000. Originally filed in August, September and October 2000, in the United States District Court for the Southern District of New York, the actions have been consolidated into a single case (*In Re Federated Department Stores, Inc. Securities Litigation*, Case No. 00-CV-6362 (RCC)) and a consolidated amended complaint (the "Complaint") has been filed. The Complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 thereunder, on the basis that the Company, among other things, made false and misleading statements regarding its financial condition and results of operations and failed to disclose material information relating to the credit delinquency problem at the Company's former Fingerhut subsidiary. The plaintiffs are seeking unspecified amounts of compensatory damages and costs, including legal fees. Management intends to defend vigorously against those allegations. A motion to dismiss the Complaint is pending. Discovery has not commenced.

Item 5. Other Information

This report and other reports, statements and information previously or subsequently filed by the Company with the Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements. Such statements are based upon the beliefs and assumptions of, and on information available to, the management of the Company at the time such statements are made. The following are or may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995: (i) statements preceded by, followed by or that include the words "may," "will," "could," "should," "believe," "expect," "future," "potential," "anticipate," "intend," "plan," "think," "estimate" or "continue" or the negative or other variations thereof, and (ii) statements regarding matters that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties, including (a) risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions, (b) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, (c) actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, competitors and legislative, regulatory, judicial and other governmental authorities and officials, and (d) attacks or threats of attacks by terrorists or war. Furthermore, future results of the operations of the Company could differ materially from historical results or current expectations because of a variety of factors that affect the Company, including transaction costs associated with the renovation, conversion and transitioning of retail stores in regional markets; the outcome and timing of sales and leasing in conjunction with the disposition of retail store properties; the retention, reintegration and transitioning of displaced employees; and competitive pressures from department and specialty stores, general merchandise stores, manufacturers' outlets, off-price and discount stores, and all other retail channels; and general consumer-spending levels, including the impact of the availability and level of consumer debt, levels of consumer confidence and the effects of the weather. In addition to any risks and uncertainties specifically identified in the text surrounding such forward-looking statements, the statements in the immediately preceding sentence and the statements under captions such as "Risk Factors" and "Special Considerations" in reports, statements and information filed by the Company with the SEC from time to time constitute cautionary statements identifying important factors that could

cause actual amounts, results, events and circumstances to differ materially from those reflected in such forward-looking statements.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

- 10.1 Amended and Restated 364-Day Credit Agreement, dated as of June 27, 2003, by and among the Company and the financial institutions party thereto.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certifications by Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act.

B. Reports on Form 8-K

- 1. Current report on Form 8-K, dated May 8, 2003, reporting matters under item 12 thereof.
- 2. Current report on Form 8-K, dated May 14, 2003, reporting matters under item 12 thereof.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

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 hereunto duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Dated: September 16, 2003

By: _____

Name: Dennis J. Broderick

Title: Senior Vice President, General Counsel
and Secretary

By: _____

Name: Joel A. Belsky

Title: Vice President and Controller
(Principal Accounting Officer)

AMENDED AND RESTATED 364-DAY CREDIT AGREEMENT**Dated as of June 27, 2003**

FEDERATED DEPARTMENT STORES, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (collectively, the "Initial Lenders") party hereto, CITIBANK, N.A., as administrative agent (in such capacity, an "Administrative Agent") and paying agent (in such capacity, the "Paying Agent") for the Lenders (as defined in the Existing Credit Agreement referred to below), JPMORGAN CHASE BANK, as an administrative agent, FLEET NATIONAL BANK, as syndication agent, BANK OF AMERICA, N.A. CREDIT SUISSE FIRST BOSTON and U.S. BANK NATIONAL ASSOCIATION, as documentation agents, and CITIGROUP GLOBAL MARKETS INC. and J.P. MORGAN SECURITIES INC., as lead arrangers and bookrunners, hereby agree as follows:

PRELIMINARY STATEMENTS

(1) The Borrower is party to a 364-Day Credit Agreement dated as of June 29, 2001, amended and restated as of June 28, 2002 (as amended, supplemented or otherwise modified from time to time to (but not including) the date of this Amendment and Restatement, the "Existing Credit Agreement") with the banks, financial institutions and other institutional lenders party thereto, The Chase Manhattan Bank, as an administrative agent, and Citibank, N.A., as an administrative agent and the paying agent for such lenders. Capitalized terms not otherwise defined in this Amendment and Restatement shall have the same meanings as specified in the Existing Credit Agreement.

(2) The parties to this Amendment and Restatement desire to amend the Existing Credit Agreement as set forth herein and to restate the Existing Credit Agreement in its entirety to read as set forth in the Existing Credit Agreement with the following amendments.

(3) The Borrower has requested that the Lenders agree to extend credit to it from time to time in an aggregate principal amount of up to \$200,000,000 for general corporate purposes of the Borrower and its Subsidiaries not otherwise prohibited under the terms of this Amendment and Restatement. The Lenders have indicated their willingness to agree to extend credit to the Borrower from time to time in such amount on the terms and conditions of this Amendment and Restatement.

SECTION 1. Amendments to the Existing Credit Agreement. (a) Section 1.01 of the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, hereby amended by deleting the definitions of "Lenders" and "Revolver Termination Date" set forth therein and replacing them, respectively, with the following new definitions thereof:

"Lenders" means, collectively, each Initial Lender, each Assuming Lender that shall become a party hereto pursuant to Section 2.16 and each other Person that shall become a party hereto pursuant to Sections 8.07 and, except when used in reference to a Revolving Credit Advance, a Revolving Credit Note or a related term, each Designated Bidder.

"Revolver Termination Date" means the earlier of June 25, 2004 (subject to the extension thereof pursuant to Section 2.16) and the date of termination in whole of the Revolving Credit Commitments pursuant to Section 2.05 or 6.01; provided, however, that the Revolver Termination Date of any Lender that is a Non-Consenting Lender to any requested extension pursuant to Section 2.16 shall be the Revolver Termination Date in effect immediately prior to the applicable Extension Date for all purposes of this Agreement and any Notes.

(b) Section 4.01(e) is amended (i) by deleting the date "February 3, 2001" and substituting therefor the date "February 1, 2003" in each place such date appears and (ii) by deleting the date "May 5, 2001" and substituting therefor the date "May 3, 2003" in each place such date appears.

(c) Schedule I to the Existing Credit Agreement is, effective as of the date of this Amendment and Restatement and subject to the satisfaction of the conditions precedent set forth in Section 2, deleted in its entirety and replaced with Schedule I to this Amendment and Restatement.

SECTION 2. Conditions of Effectiveness of this Amendment and Restatement. This Amendment and Restatement shall become effective as of the date first above written (the "Restatement Effective Date") when and only if:

(a) The Paying Agent shall have received counterparts of this Amendment and Restatement executed by the Borrower and all of the Initial Lenders or, as to any of the Initial Lenders, advice satisfactory to the Paying Agent that such Initial Lender has executed this Amendment and Restatement.

(b) The Paying Agent shall have received on or before the Restatement Effective Date the following, each dated such date and (unless otherwise specified below) in form and substance satisfactory to the Paying Agent and in sufficient copies for each Initial Lender:

(i) The Revolving Credit Notes to the order of each of the Lenders that have requested Revolving Credit Notes prior to the Restatement Effective Date.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving this Amendment and Restatement and the Notes, and of all documents (including, without limitation, charters and bylaws) evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment and Restatement and the Notes.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Amendment and Restatement and the Notes and the other documents to be delivered hereunder.

(iv) A favorable opinion of Shearman & Sterling LLP, counsel for the Agents, in form and substance satisfactory to the Agents.

(c) The representations and warranties contained in Section 4.01 of the Existing Credit Agreement shall be correct on and as of the Restatement Effective Date, before and after giving effect to the Restatement Effective Date, as though made on and as of such date.

(d) No event shall have occurred and be continuing, or shall occur as a result of the occurrence of the Restatement Effective Date, that constitutes a Default.

SECTION 3. Reference to and Effect on the Existing Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment and Restatement, each reference in the Existing Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Existing Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Existing Credit Agreement, shall mean and be a reference to the Existing Credit Agreement, as amended by this Amendment and Restatement.

(b) The Existing Credit Agreement and the Notes, as specifically amended by this Amendment and Restatement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) Without limiting any of the other provisions of the Existing Credit Agreement, as amended by this Amendment and Restatement, any references in the Existing Credit Agreement to the phrases "on the date hereof", "on the date of this Agreement" or words of similar import shall mean and be a reference to the date of the Existing Credit Agreement (which is June 29, 2001).

SECTION 4. Costs and Expenses. The Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Paying Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and Restatement, the Notes and the other documents to be delivered hereunder (including, without limitation, the reasonable and documented fees and expenses of counsel for the Paying Agent with respect hereto and thereto) in accordance with the terms of Section 8.04 of the Existing Credit Agreement.

SECTION 5. Execution in Counterparts. This Amendment and Restatement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Restatement by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Restatement.

SECTION 6. Governing Law. This Amendment and Restatement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be executed by their

respective officers thereunto duly authorized, as of the date first above written.

THE BORROWER

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Karen M. Hoguet
Title: Senior Vice President and Chief Financial Officer

CITIBANK, N.A.,
as an Administrative Agent and as Paying Agent

By: /s/ John S. Hutchins
Title: Managing Director

JPMORGAN CHASE BANK,
as an Administrative Agent

By: /s/
Title: Vice President

THE INITIAL LENDERS

Lead Arrangers

CITIBANK, NA.

By: /s/ John S. Hutchins
Title: Managing Director

JP MORGAN CHASE BANK

By: /s/
Title: Vice President

Syndication Agent

FLEET NATIONAL BANK

By: /s/ Judith C.E. Kelly
Title: Managing Director

Documentation Agents

BANK OF AMERICA, N.A.

By: /s/ Amy Krovocheck
Title: Vice President

CREDIT SUISSE FIRST BOSTON

By: /s/ William O'Daly
Title: Director

By: /s/ Cassandra Droogan
Title: Associate

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Derek S. Roudebush
Title: Vice President

Lenders

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Ching Lim
Title: Vice President

BANK ONE, NA

By: /s/ Steven P. Sullivan
Title: Director

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Bruce A. Kintner
Title: Vice President

THE FIFTH THIRD BANK

By: /s/ Christine L. Wagner
Title: Assistant Vice President

MELLON BANK, N.A.

By: /s/ Mark F. Johnson
Title: Vice President

THE BANK OF NEW YORK

By: /s/ William M. Barnum
Title: Vice President

WELLS FARGO BANK, N.A.

By: /s/ Steven M. Buehler
Title: Vice President

By: /s/ Mary D. Falck
Title: Senior Vice President

BANCA NAZIONALE DEL LAVORO S.P.A., NEW

YORK BRANCH

By: /s/ Francesco DiMario
Title: Vice President

By: /s/ Carlo Vecchi
Title: Senior Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ Brooks W. Thropp
Title: Vice President

FIRST HAWAIIAN BANK

By: /s/ Charles L. Jenkins
Title: Vice President, Manager

SCHEDULE I

COMMITMENTS AND APPLICABLE LENDING OFFICES

Name of Initial Lender	Revolving Credit Commitment	Domestic Lending Office	Eurodollar Lending Office
Manufacturers and Traders Trust Company	\$4,000,000	<u>Credit:</u> 25 S. Charles Street Baltimore, MD 21201 Attn: Brian Sohocki Phone: (410) 244-4297 Fax: (410) 545-2047 <u>Administrative:</u> 25 S. Charles Street Baltimore, MD 21201 Attn: Sheila Johnson Phone: (410) 244-4083 Fax: (410) 545-2047	<u>Credit:</u> 25 S. Charles Street Baltimore, MD 21201 Attn: Sean Fitzgerald Phone: (410) 244-4575 Fax: (410) 545 2079 <u>Administrative:</u> 25 S. Charles Street Baltimore, MD 21201 Attn: Sean Fitzgerald Phone: (410) 244-4575 Fax: (410) 545-2079
Banca Nazionale del Lavoro	\$5,000,000	<u>Credit:</u> 25 West 51 st Street New York, NY 10019 Attn: Francesco DiMario Phone: (212) 314-0239 Fax: (212) 765-2978	<u>Credit:</u> 25 West 51 st Street New York, NY 10019 Attn: Francesco DiMario Phone: (212) 314-0239 Fax: (212) 765-2978

		<u>Administrative:</u> Attn: Anna Hernandez Phone: (212) 314-0679 Fax: (212) 765-2978	<u>Administrative:</u> Attn: Anna Hernandez Phone: (212) 314-0679 Fax: (212) 765-2978
Bank of America, N.A.	\$15,500,000	<u>Credit:</u> 901 Main St, 64 th Floor Dallas, TX 75202 Attn: Amy Krovocheck Phone: (214) 209-0193 Fax: (214) 209-0905 <u>Administrative:</u> 1850 Gateway Blvd. Concord, CA 94520-3282 Attn: G.K. Lapitan Phone: (925) 675-8205 Fax: (925) 969-2852	<u>Credit:</u> 901 Main St, 64 th Floor Dallas, TX 75202 Attn: Amy Krovocheck Phone: (214) 209-0193 Fax: (214) 209-0905 <u>Administrative:</u> 1850 Gateway Blvd. Concord, CA 94520-3282 Attn: G.K. Lapitan Phone: (925) 675-8205 Fax: (925) 969-2852
The Bank of New York	\$7,500,000	<u>Credit:</u> One Wall Street, 8th Floor New York, NY 10286 Attn: Clarence Burleigh Phone: (212) 635-7867 Fax: (212) 635-1483 <u>Administrative:</u> One Wall Street, 8 th Floor New York, NY 10286 Attn: Susan Baratta Phone: (212) 635-6761 Fax: (212) 635-6397	<u>Credit:</u> One Wall Street, 8th Floor New York, NY 10286 Attn: Clarence Burleigh Phone: (212) 635-7867 Fax: (212) 635-1483 <u>Administrative:</u> One Wall Street, 8th Floor New York, NY 10286 Attn: Susan Baratta Phone: (212) 635-6761 Fax: (212) 635-6397
Bank One, NA	\$10,000,000	<u>Credit:</u> 1 Bank One Plaza Suite ILI0086 Chicago, IL 60670 Attn: Paul Rigby Phone: (312) 732-6132	<u>Credit:</u> 1 Bank One Plaza Suite ILI0086 Chicago, IL 60670 Attn: Paul Rigby Phone: (312) 732-6132

		Fax: (312) 336-4380 <u>Administrative:</u> 1 Bank One Plaza Suite ILI0086 Chicago, IL 60670 Attn: Tess Siao Phone: (312) 732-8705 Fax: (312) 336-2715	Fax: (312) 336-4380 <u>Administrative:</u> 1 Bank One Plaza Suite ILI0086 Chicago, IL 60670 Attn: Tess Siao Phone: (312) 732-8705 Fax: (312) 336-2715
Citibank, N.A.	\$20,000,000	<u>Credit:</u> 388 Greenwich Street New York, NY 10013 Attn: Robert Snell Phone: (212) 816- Fax: (212) 793-7585 <u>Administrative:</u> 2 Penns Plaza Suite 200 New Castle, DE 19720 Attn: Tim Card Phone: (718) 248-4536 Fax: (718) 248-4844	<u>Credit:</u> 388 Greenwich Street New York, NY 10013 Attn: Robert Snell Phone: (212) 816- Fax: (212) 793-7585 <u>Administrative:</u> 2 Penns Plaza Suite 200 New Castle, DE 19720 Attn: Tim Card Phone: (718) 248-4536 Fax: (718) 248-4844
Credit Suisse First Boston	\$15,500,000	<u>Credit:</u> 11 Madison Ave., 19th Fl. New York, NY 10010 Attn: William O'Daly Phone: (212) 325-1986 Fax: (212) 325-8314 <u>Administrative:</u> 11 Madison Ave. New York, NY 10010 Attn: Ronald David Phone: (212) 325-1865 Fax: (212) 335-0593	<u>Credit:</u> 11 Madison Ave., 19th Fl. New York, NY 10010 Attn: William O'Daly Phone: (212) 325-1986 Fax: (212) 325-8314 <u>Administrative:</u> 11 Madison Ave. New York, NY 10010 Attn: Ronald David Phone: (212) 325-1865 Fax: (212) 335-0593
First Hawaiian Bank	\$4,000,000	<u>Credit:</u>	<u>Credit:</u>

		<p>999 Bishop Street, 11th Floor Honolulu, HI 96847 Attn: Charles L. Jenkins Phone: (808) 525-6289 Fax: (808) 525-6372 <u>Administrative:</u></p> <p>999 Bishop Street, 11th Floor Honolulu, HI 96847 Attn: Laurae Imamura Phone: (808) 844-3740 Fax: (808) 844-3660/3659 <u>Credit:</u></p>	<p>999 Bishop Street, 11th Floor Honolulu, HI 96847 Attn: Charles L. Jenkins Phone: (808) 525-6289 Fax: (808) 525-6372 <u>Administrative:</u></p> <p>999 Bishop Street, 11th Floor Honolulu, HI 96847 Attn: Laurae Imamura Phone: (808) 844-3740 Fax: (808) 844-3660/3659 <u>Credit:</u></p>
The Fifth Third Bank	\$8,500,000	<p>38 Fountain Square Plaza Cincinnati, OH 45263 Attn: Christine Wagner Phone: (513) 744-7348 Fax: (513) 744-5947 <u>Administrative:</u></p> <p>38 Fountain Square Plaza Cincinnati, OH 45263 Attn: Melody R. Merrill Phone: (513) 579-5389 Fax: (513) 534-5947 <u>Credit:</u></p>	<p>38 Fountain Square Plaza Cincinnati, OH 45263 Attn: Christine Wagner Phone: (513) 744-7348 Fax: (513) 744-5947 <u>Administrative:</u></p> <p>38 Fountain Square Plaza Cincinnati, OH 45263 Attn: Melody R. Merrill Phone: (513) 579-5389 Fax: (513) 534-5947 <u>Credit:</u></p>
Fleet National Bank	\$16,500,000	<p>40 Broad Street MA DE 10510A Boston, MA 02109 Attn: Judy C.E. Kelly Phone: (617) 434-5280 Fax: (617) 434-6685 <u>Administrative:</u></p> <p>100 Federal Street Boston, MA 02110 Attn: Rafaella "Debbie" Phinney</p>	<p>40 Broad Street MA DE 10510A Boston, MA 02109 Attn: Judy C.E. Kelly Phone: (617) 434-5280 Fax: (617) 434-6685 <u>Administrative:</u></p> <p>100 Federal Street Boston, MA 02110 Attn: Rafaella "Debbie"</p>

		Phone: (617) 434-1645 Fax: (617) 434-9933	Phinney Phone: (617) 434-1645 Fax: (617) 434-9933
JPMorgan Chase Bank	\$22,500,000	<u>Credit:</u> 270 Park Avenue, 48th Fl. New York, NY 10017 Attn: Barry Bergman Phone: (212) 270-0203 Fax: (212) 270-5646 <u>Administrative:</u> 1 Chase Manhattan Plaza 8th Floor New York, NY 10081 Attn: Amy Labinger Phone: (212) 552-4025 Fax: (212) 552-7500	<u>Credit:</u> 270 Park Avenue, 48th Fl. New York, NY 10017 Attn: Barry Bergman Phone: (212) 270-0203 Fax: (212) 270-5646 <u>Administrative:</u> 1 Chase Manhattan Plaza 8th Floor New York, NY 10081 Attn: Amy Labinger Phone: (212) 552-4025 Fax: (212) 552-7500
Mellon Bank, N.A.	\$8,500,000	<u>Credit:</u> One Mellon Bank Center, Room 370 Pittsburgh, PA 15258-0001 Attn: Louis Flori Phone: (412) 234-7298 Fax: (412) 236-1914 <u>Administrative:</u> Three Mellon Bank Center, Room 1203 Pittsburgh, PA 15259-0003 Attn: Richard Bouchard Phone: (412) 234-5767 Fax: (412) 209-6124	<u>Credit:</u> One Mellon Bank Center, Room 370 Pittsburgh, PA 15258-0001 Attn: Louis Flori Phone: (412) 234-7298 Fax: (412) 236-1914 <u>Administrative:</u> Three Mellon Bank Center, Room 1203 Pittsburgh, PA 15259-0003 Attn: Richard Bouchard Phone: (412) 234-5767 Fax: (412) 209-6124
PNC Bank, National Association	\$10,000,000	<u>Credit:</u> 201 East 5th Street Cincinnati, OH 45202 Attn: Joe Richardson	<u>Credit:</u> 201 East 5th Street Cincinnati, OH 45202 Attn: Joe Richardson

		Phone: (513) 651- 8688 Fax: (513) 651-8951 Administrative: 201 E. 5th Street Cincinnati, OH 45202 Attn: Sandy Wilson Phone:(513) 651-8984 Fax: (513) 651- 8951	Phone: (513) 651-8688 Fax: (513) 651-8951 Administrative: 201 E. 5th Street Cincinnati, OH 45202 Attn: Sandy Wilson Phone: (513) 651- 8984 Fax: (513) 651-8951
Union Bank of California, N.A.	\$25,000,000	<u>Credit:</u> 350 California Street, 6 th Floor San Francisco, CA 94104 Attn: Timothy Streb Phone: (415) 705-7021 Fax: (415) 705-5093 <u>Administrative:</u> 1980 Saturn Street Monterey Park, CA 91755 Attn: Ruby Gonzales Phone: (323) 720-7055 Fax: (323) 724-6198	<u>Credit:</u> 350 California Street, 6 th Floor San Francisco, CA 94104 Attn: Timothy Streb Phone: (415) 705-7021 Fax: (415) 705-5093 <u>Administrative:</u> 1980 Saturn Street Monterey Park, CA 91755 Attn: Ruby Gonzales Phone: (323) 720-7055 Fax: (323) 724-6198
U.S. Bank National Association	\$20,000,000	<u>Credit:</u> 425 Walnut Street, ML: 8160 Cincinnati, OH 45202 Attn: Derek Roudebush Phone: (513) 632-4010 Fax: (513) 762-2068 <u>Administrative:</u> 425 Walnut Street Cincinnati, OH 45202 Attn: Beth Martin Phone: (920) 424-8419 Fax: (920) 426-7993	<u>Credit:</u> 425 Walnut Street, ML: 8160 Cincinnati, OH 45202 Attn: Derek Roudebush Phone: (513) 632-4010 Fax: (513) 762-2068 <u>Administrative:</u> 425 Walnut Street Cincinnati, OH 45202 Attn: Beth Martin Phone: (920) 424-8419 Fax: (920) 426-7993
Wells Fargo Bank, N.A.	\$7,500,000	<u>Credit:</u>	<u>Credit:</u>

		230 West Monroe Street Suite 2900 Chicago, IL 60606 Attn: Steven Buehler Phone: 312 553-6651 Fax: 312 553-4783 <u>Administrative:</u> 201 Third Street MAC 0187-081 San Francisco, CA 94103 Attn: Ginnie Padgett Phone: 415 477-5374 Fax: 415 979-0675	230 West Monroe Street Suite 2900 Chicago, IL 60606 Attn: Steven Buehler Phone: 312 553-6651 Fax: 312 553-4783 <u>Administrative:</u> 201 Third Street MAC 0187-081 San Francisco, CA 94103 Attn: Ginnie Padgett Phone: 415 477-5374 Fax: 415 979-0675
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TOTAL OF COMMITMENTS: \$200,000,000

CERTIFICATION

I, Terry J. Lundgren, Chief Executive Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federated Department Stores, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 16, 2003

/s/ Terry J. Lundgren
Terry J. Lundgren

CERTIFICATION

I, Karen M. Hoguet, Chief Financial Officer of Federated Department Stores, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federated Department Stores, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 16, 2003

/s/ Karen M. Hoguet
Karen M. Hoguet

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of Federated Department Stores, Inc. (the "Company") for the fiscal quarter ended August 2, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), of the undersigned officers of the Company certifies, that, to such officer's knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Dated: September 16, 2003

/s/ Terry J. Lundgren

Name: Terry J. Lundgren

Title: Chief Executive Officer

/s/ Karen M. Hoguet

Name: Karen M. Hoguet

Title: Chief Financial Officer