

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934 for the fiscal quarter ended
October 30, 1999.

FEDERATED DEPARTMENT STORES, INC.

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

Delaware	1-13536	13-3324058
(State of	(Commission File No.)	(I.R.S. Employer
Incorporation)		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.

209,973,378 shares of the Registrant's Common Stock, \$.01 par
value, were outstanding as of November 27, 1999.

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

	13 Weeks Ended		39 Weeks Ended	
	October 30,	October 31,	October 30,	October 31,
	1999	1998	1999	1998
Net Sales	\$4,242	\$3,647	\$12,060	\$10,626
Cost of sales	2,543	2,229	7,218	6,436
Selling, general and administrative expenses	1,397	1,161	3,997	3,485

Operating Income	302	257	845	705
Interest expense	(95)	(74)	(260)	(233)
Interest income	4	2	9	10
Income Before Income Taxes and Extraordinary Item	211	185	594	482
Federal, state and local income tax expense	(88)	(75)	(247)	(205)
Income Before Extraordinary Item	123	110	347	277
Extraordinary Item - loss on early extinguishment of debt, net of tax effect	-	(23)	-	(23)
Net Income	\$ 123	\$ 87	\$ 347	\$ 254

(Continued)

PART I -- FINANCIAL INFORMATION

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income
(Unaudited)

(millions, except per share figures)

	13 Weeks Ended	39 Weeks Ended		
	October 30,	October 31,	October 30,	October 31,
	1999	1998	1999	1998

Basic Earnings per Share:

Income before extraordinary item	\$.59	\$.53	\$ 1.65	\$ 1.32
Extraordinary item	-	(.11)	-	(.11)
Net income	\$.59	\$.42	\$ 1.65	\$ 1.21

Diluted Earnings per Share:

Income before extraordinary item	\$.56	\$.50	\$ 1.58	\$ 1.24
Extraordinary item	-	(.10)	-	(.10)
Net income	\$.56	\$.40	\$ 1.58	\$ 1.14

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

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets
(Unaudited)

(millions)

	October 30,	January 30,	October 31,
	1999	1999	1998

ASSETS:

Current Assets:

Cash	\$ 595	\$ 307	\$ 164
Accounts receivable	3,731	2,209	2,107
Merchandise inventories	4,741	3,259	4,322

Supplies and prepaid expenses	269	117	120
Deferred income tax assets	162	80	105
Total Current Assets	9,498	5,972	6,818
Property and Equipment - net	6,739	6,572	6,406
Intangible Assets - net	1,771	631	670
Other Assets	551	289	323
Total Assets	\$ 18,559	\$ 13,464	\$ 14,217

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current Liabilities:

Short-term debt	\$ 2,078	\$ 524	\$ 699
Accounts payable and accrued liabilities	3,688	2,446	2,998
Income taxes	84	98	22
Total Current Liabilities	5,850	3,068	3,719

Long-Term Debt	4,658	3,057	3,549
Deferred Income Taxes	1,345	1,060	1,024
Other Liabilities	582	570	557
Shareholders' Equity	6,124	5,709	5,368

Total Liabilities and Shareholders' Equity	\$ 18,559	\$ 13,464	\$ 14,217
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The accompanying notes are an integral part of these unaudited Consolidated Financial Statements.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows (Unaudited)

(millions)

	39 Weeks Ended October 30, 1999	39 Weeks Ended October 31, 1998
Cash flows from operating activities:		
Net income	\$ 347	\$ 254
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	493	448
Amortization of intangible assets	57	20
Amortization of financing costs	5	6
Amortization of unearned restricted stock	1	1
Loss on early extinguishment of debt	-	23
Changes in assets and liabilities:		
Decrease in accounts receivable	109	335
Increase in merchandise inventories	(1,317)	(1,083)
Increase in supplies and prepaid expenses	(67)	(5)
Increase in other assets not separately identified	(18)	(13)
Increase in accounts payable and accrued liabilities not separately identified	741	443
Decrease in current income taxes	(64)	(51)
Increase in deferred income taxes	17	38
Increase (decrease) in other liabilities not separately identified	3	(7)
Net cash provided by operating activities	307	409
Cash flows from investing activities:		
Acquisition of Fingerhut Companies, Inc., net of cash acquired	(1,539)	-
Purchase of property and equipment	(470)	(377)

Capitalized software	(34)	-
Investments in affiliated companies	(90)	-
Disposition of property and equipment	32	28
Decrease in notes receivable	-	200
Net cash used by investing activities	(2,101)	(149)

Cash flows from financing activities:

Debt issued	2,055	650
Financing costs	(10)	-
Debt repaid	(158)	(563)
Increase in outstanding checks	140	162
Acquisition of treasury stock	-	(531)
Issuance of common stock	55	44
Net cash provided (used) by financing activities	2,082	(238)

(Continued)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows
(Unaudited)

(millions)

	39 Weeks Ended October 30, 1999	39 Weeks Ended October 31, 1998
Net increase in cash	\$ 288	\$ 22
Cash at beginning of period	307	142
Cash at end of period	\$ 595	\$ 164

Supplemental cash flow information:

Interest paid	\$ 259	\$ 235
Interest received	8	13
Income taxes paid (net of refunds received)	278	206
Schedule of noncash investing and financing activities:		
Debt assumed in acquisition	125	-
Equity issued in acquisition	12	-
Consolidation of net assets and debt of previously unconsolidated subsidiary	1,132	-
Conversion of long-term debt to common stock	-	344

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 January 30, 1999 (the "1998 10-K"). The accompanying Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto in the 1998 10-K.

Because of the seasonal nature of the general merchandising business, the results of operations for the 13 and 39 weeks ended

October 30, 1999 and October 31, 1998 (which do not include the Christmas season) are not indicative of such results for the fiscal year.

Substantially all department store merchandise inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is generally lower than market. Direct-to-customer merchandise inventories are stated at the lower of FIFO (first-in, first-out) cost or market.

The Consolidated Financial Statements for the 13 and 39 weeks ended October 30, 1999 and October 31, 1998, 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.

2. Acquisition

On March 18, 1999, the Company purchased Fingerhut Companies, Inc. ("Fingerhut"), a database marketing company that sells a broad range of products and services directly to consumers via catalogs, direct marketing and the Internet. The total purchase price of the Fingerhut acquisition was approximately \$1,720 million, including the assumption of \$125 million of debt and transaction costs.

The Fingerhut acquisition is being accounted for under the purchase method of accounting and, accordingly, the Company's results of operations do not include any revenues or expenses related to the acquisition prior to the closing date and the purchase price has been allocated to Fingerhut's assets and liabilities based on the estimated fair value of these assets and liabilities as of that date.

3. Extraordinary Item

The extraordinary item for the 13 and 39 weeks ended October 31, 1998 represents costs of \$23 million, net of income tax benefit of \$15 million, associated with the completion of a tender offer pursuant to which the Company purchased and retired approximately \$340 million aggregate principal amount of its 10% Senior Notes due 2001.

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

4. Segment Data

The Company conducts its business through two segments, department stores and direct-to-customer. The Company operates over 400 department stores throughout the country that sell a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods. On March 18, 1999, the Company acquired Fingerhut which, together with Bloomingdale's By Mail, Macy's By Mail, macys.com and certain other direct marketing activities, comprises its direct-to-customer segment. This segment sells a broad range of products and services directly to consumers via catalogs, direct marketing and the Internet. Corporate and other consists of the assets and liabilities, and related income or expense, associated with the corporate office and certain items managed on a company-wide basis (e.g., intangibles, financial instruments, income taxes, retirement benefits and properties held for sale or disposition).

The financial information for each segment is reported on the basis used internally by the Company to evaluate performance and allocate resources. Prior year results have not been restated to conform to the current presentation as it is not practicable to do so.

	13 Weeks Ended		39 Weeks Ended	
(millions)	October 30, 1999	October 31, 1998	October 30, 1999	October 31, 1998

Revenues by segment were
as follows:

Department Stores	\$3,751	\$3,647	\$10,969	\$10,626
Direct-to-Customer	491	-	1,091	-
Total	\$4,242	\$3,647	\$12,060	\$10,626

Operating income by segment
was as follows:

Department Stores	\$ 328	\$ 285	\$ 999	\$ 804
Direct-to-Customer	25	-	(4)	-
Total segment operating income	353	285	995	804
Corporate and other	(51)	(28)	(150)	(99)
Operating income	\$ 302	\$ 257	\$ 845	\$ 705

Depreciation and amortization
by segment was as follows:

Department Stores	\$ 157	\$ 150	\$ 461	\$ 445
Direct-to-Customer	11	-	28	-
Corporate and other	23	7	62	23
Total	\$ 191	\$ 157	\$ 551	\$ 468

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

	39 Weeks Ended	
(millions)	October 30, 1999	October 31, 1998

Year-to-date capital expenditures
(purchase of property and equipment)
by segment were as follows:

Department Stores	\$ 450	\$ 374
Direct-to-Customer	20	-
Corporate and other	-	3
Total	\$ 470	\$ 377

Total assets for each segment at the end
of the reporting period were as follows:

Department Stores	\$13,604	\$13,063
Direct-to-Customer	2,582	-
Corporate and other	2,373	1,154
Total	\$18,559	\$14,217

5. Earnings Per Share

The following tables set forth the computation of basic and diluted

earnings per share based on income before extraordinary item:

	13 Weeks Ended			
	October 30, 1999		October 31, 1998	
	Shares	Income	Shares	Income
(millions, except per share data)				
Income before extraordinary item and average number of shares outstanding	210.0	\$ 123	206.8	\$ 110
Shares to be issued under deferred compensation plans	.4	-	.4	-
	210.4	\$ 123	207.2	\$ 110
Basic earnings per share		\$.59		\$.53
Effect of dilutive securities:				
Warrants	7.3		6.7	
Stock options	2.2		1.9	
Convertible notes	-	-	6.6	1
	219.9	\$ 123	222.4	\$ 111
Diluted earnings per share		\$.56		\$.50

FEDERATED DEPARTMENT STORES, INC.

Notes to Consolidated Financial Statements (Unaudited)

	13 Weeks Ended			
	October 30, 1999		October 31, 1998	
	Shares	Income	Shares	Income
(millions, except per share data)				
Income before extraordinary item and average number of shares outstanding	209.3	\$ 347	209.2	\$ 277
Shares to be issued under deferred compensation plans	.4	-	.3	-
	209.7	\$ 347	209.5	\$ 277
Basic earnings per share		\$1.65		\$1.32
Effect of dilutive securities:				
Warrants	7.3		7.9	
Stock options	2.4		2.4	
Convertible notes	-	-	9.0	7
	219.4	\$ 347	228.8	\$ 284
Diluted earnings per share		\$1.58		\$1.24

In addition to the warrants and stock options reflected in the foregoing tables, warrants and stock options to purchase 4.7 million and 4.5 million shares of common stock at prices ranging from \$44.91 to \$79.44 per share were outstanding at October 30, 1999 and October 31, 1998, respectively, but were not included in the computation of diluted earnings per share because the exercise price thereof exceeded the average market price and would have been antidilutive.

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

The Company acquired Fingerhut on March 18, 1999. The acquisition is being accounted for under the purchase method of accounting and, accordingly, the Company's results of operations do not include any revenues or expenses related to the acquisition prior to the closing date. The results of operations of Fingerhut have been grouped with the Company's Bloomingdale's By Mail, Macy's By Mail and macys.com operations and certain other direct marketing activities as the direct-to-customer segment.

For purposes of the following discussion, all references to "third quarter of 1999" and "third quarter of 1998" are to the Company's 13-week fiscal periods ended October 30, 1999 and October 31, 1998, respectively, and all references to "1999" and "1998" are to the Company's 39-week fiscal periods ended October 30, 1999 and October 31, 1998, respectively.

Results of Operations

Comparison of the 13 Weeks Ended October 30, 1999 and October 31, 1998

Net sales for the third quarter of 1999 totaled \$4,242 million, compared to net sales of \$3,647 million for the third quarter of 1998, an increase of 16.3%. Net sales for department stores for the third quarter of 1999 were \$3,751 million compared to \$3,647 million for the third quarter of 1998, an increase of 2.9%. On a comparable store basis (sales from stores opened prior to February 1, 1998), net sales for the third quarter of 1999 increased 3.9% compared to the third quarter of 1998. Net sales for the direct-to-customer segment were \$491 million for the third quarter of 1999.

Cost of sales was 60.0% of net sales for the third quarter of 1999, compared to 61.1% for the third quarter of 1998. Cost of sales as a percent of net sales for department stores improved 0.1% in the third quarter of 1999 compared to the same period a year ago, benefiting from the continued strength in consumer demand. The lower cost of sales from the direct-to-customer segment in the third quarter of 1999, compared to cost of sales for department stores, along with the improvement in the cost of sales rate for department stores contributed to the overall 1.1% decrease in the cost of sales rate. Cost of sales was not impacted by the valuation of department store merchandise inventory on the last-in, first-out basis in the third quarter of 1999 or in the third quarter of 1998.

Selling, general and administrative ("SG&A") expenses were 32.9% of net sales for the third quarter of 1999 compared to 31.8% for the third quarter of 1998. Department store SG&A expenses improved 0.8% as a percent of department store net sales, reflecting the impact of higher sales with relatively flat nonpayroll expenses. The higher SG&A expense rate for the direct-to-customer segment, including recently launched businesses, and higher amortization expense due to the Fingerhut acquisition combined to offset the improvement in the department store SG&A expense rate and produce a 1.1% increase in the overall SG&A expense rate compared to the third quarter of 1998.

Net interest expense was \$91 million for the third quarter of 1999, compared to \$72 million for the third quarter of 1998. The higher interest expense for the third quarter of 1999 is due mainly to the increased outstanding debt resulting from the Fingerhut acquisition and the consolidation of the Fingerhut Master Trust for financial reporting purposes.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis

of Financial Condition and Results of Operations

The Company's effective income tax rate of 41.5% for the third quarter of 1999 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets and from other non-deductible items.

The extraordinary item of \$23 million in the third quarter of 1998 represents the after-tax expenses associated with the completion of a tender offer pursuant to which the Company purchased and retired approximately \$340 million aggregate principal amount of its 10% Senior Notes due 2001.

Comparison of the 39 Weeks Ended October 30, 1999 and October 31, 1998

Net sales for 1999 totaled \$12,060 million, compared to net sales of \$10,626 million for 1998, an increase of 13.5%. Net sales for department stores for 1999 were \$10,969 million compared to \$10,626 million for 1998, an increase of 3.2%. On a comparable store basis (sales from stores opened prior to February 1, 1998), net sales for 1999 increased 4.6% compared to 1998. Net sales for the direct-to-customer segment were \$1,091 million for 1999.

Cost of sales was 59.9% of net sales for 1999, compared to 60.6% for 1998. Cost of sales as a percent of net sales for department stores in 1999 was flat compared to 1998. The lower cost of sales from the direct-to-customer segment in 1999, compared to cost of sales for department stores, contributed to the overall 0.7% improvement in the cost of sales rate. Cost of sales was not impacted by the valuation of department store merchandise inventory on the last-in, first-out basis in 1999 or in 1998.

SG&A expenses were 33.1% of net sales for 1999 compared to 32.8% for 1998. Department store SG&A expenses improved 1.5% as a percent of department store net sales, reflecting the impact of higher sales with relatively flat nonpayroll expenses and lower bad debt expense, which was partially offset by reduced finance charge income resulting from lower average receivable billings. The higher SG&A expense rate for the direct-to-customer segment, including recently launched businesses, and higher amortization expense due to the Fingerhut acquisition combined to offset the improvement in the department store SG&A expense rate and produce a 0.3% increase in the overall SG&A expense rate compared to 1998.

Net interest expense was \$251 million for 1999 compared to \$223 million for 1998. The higher interest expense for 1999 is due mainly to the increased outstanding debt resulting from the Fingerhut acquisition and the consolidation of the Fingerhut Master Trust for financial reporting purposes.

The Company's effective income tax rate of 41.6% for 1999 differs from the federal income tax statutory rate of 35.0% principally because of the effect of state and local income taxes and permanent differences arising from the amortization of intangible assets and from other non-deductible items.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity and Capital Resources

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

Net cash provided by operating activities in 1999 was \$307 million,

compared to the \$409 million provided in 1998. The improved operating results were more than offset by smaller reductions in customer accounts receivable, mainly as a result of higher credit sales.

Net cash used by investing activities was \$2,101 million for 1999, including the purchase of Fingerhut. Investing activities for 1999 also included purchases of property and equipment totaling \$470 million and \$90 million invested in affiliated companies. The Company opened three new department stores and one new furniture gallery during 1999, and plans to open one additional department store and one additional furniture gallery during the remainder of the fiscal year.

Net cash provided by the Company from all financing activities was \$2,082 million for 1999. The Company funded the acquisition of Fingerhut through a combination of cash on hand and short-term borrowings. During March of 1999, the Company issued \$350 million of 6.3% Senior Notes due 2009 and \$400 million of 6.9% Senior Debentures due 2029, the proceeds of which were used to refinance a portion of the short-term borrowings used by the Company to acquire Fingerhut. During 1999, the Company repaid debt of \$158 million consisting principally of the \$125 million Senior Notes assumed in the Fingerhut acquisition.

On November 23, 1999, the Company announced that it was resuming its stock repurchase program, which had been suspended prior to the acquisition of Fingerhut in March of 1999. The Company may from time to time repurchase shares under the repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. The current authorization of the repurchase program expires on January 29, 2000.

In July 1999, the Company took certain actions which required the consolidation of the Fingerhut Master Trust for financial reporting purposes. The principle assets and liabilities of the Fingerhut Master Trust, which were not included in the Company's Consolidated Financial Statements prior to July 31, 1999, consisted of accounts receivable transferred by Fingerhut to the Trust in transactions treated as sales under Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," and the related debt issued by the Trust. As a result of the Company's actions, the transfer of receivables and debt are being treated as secured borrowings as of and subsequent to July 31, 1999. At July 31, 1999, these actions increased net assets by \$1,132 million, short-term debt by \$232 million and long-term debt by \$900 million.

Management believes the department store business and other retail businesses will continue to consolidate. Accordingly, the Company intends from time to time to consider additional acquisitions of, and investments in, department stores, Internet-related companies, catalog companies and other complementary assets and companies.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Management of the Company believes that, with respect to its current operations, cash on hand and funds from operations, together with its credit facilities, will be sufficient to cover its reasonably foreseeable working capital, capital expenditure and debt service requirements. 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. 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.

Year 2000

The Company relies on computer-based technology and utilizes a variety of third-party hardware and proprietary and third-party software. The Company's retail functions, such as merchandise procurement and distribution, inventory control, point-of-sale information systems and proprietary credit card account servicing, generally use proprietary software, with third-party software being used more extensively for administrative functions, such as accounting and human resource management. In addition to such information technology ("IT") systems, the Company's operations rely on various non - IT equipment and systems that contain embedded computer technology, such as elevators, escalators and energy management systems. Third parties with whom the Company has commercial relationships, including vendors of merchandise for resale by the Company and of products and services used by the Company in its operations (such as banking and financial services, data processing services, telecommunications services and utilities), are also highly reliant on computer-based technology.

In February 1996, the Company commenced an assessment of the potential effects of the Year 2000 issue on the Company's business, financial condition and results of operations. In conjunction with such assessment, the Company developed and commenced the implementation of the compliance program described below.

As discussed separately under the caption "Fingerhut" below, Fingerhut undertook a similar program prior to being acquired by the Company.

The Company's Year 2000 Compliance Program

Proprietary IT Systems. Pursuant to the Company's Year 2000 compliance program, the Company has undertaken an examination of the Company's proprietary IT systems. All such systems that have been identified as relating to a critical function and as not being Year 2000 compliant have been remediated or replaced. The Company believes that the remediation of its other proprietary IT systems is substantially complete, and all of the proprietary IT systems that have been remediated have been installed and placed into production. The Company commenced testing of such remediated systems for Year 2000 compliance in August 1998 and has completed a comprehensive, integrated test of all of its main-frame and mid-range IT systems (including third-party and proprietary hardware, software, network components and interfaces) and has substantially completed varying levels of follow-up testing of selected systems.

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Third-Party IT Systems. The strategy instituted by the Company to identify and address Year 2000 issues affecting third-party IT systems used by the Company includes contacting all third-party providers of computer hardware and software to secure appropriate representations to the effect that such hardware or software is or will timely be Year 2000 compliant. The Company has received Year 2000 compliant versions of almost all third-party software and has substantially completed testing of those third - party software programs that have been identified as being critical to the Company's operations.

Non-IT Systems. The Company has undertaken a review of its non-IT systems and has substantially completed the remediation of those systems that are within the Company's control. In addition, the Company's centralized real estate department has communicated to the developers, landlords and property managers of all of the Company's

properties the Company's expectation that the systems utilized in the management and operation of such properties that are not within the Company's control are or will timely be Year 2000 compliant. As a further step, the Company has engaged in written or oral communications with its key developers, landlords and property managers in order to assess the Year 2000 readiness of such systems. These communications have not revealed to the Company any information that has caused the Company to believe that such systems will fail to timely be Year 2000 compliant in any respect that is material to the Company's business, financial condition or results of operations.

Non-IT Vendors and Suppliers. The Company procures its merchandise for resale and supplies for operational purposes from a vast network of vendors located both within and outside the United States, and is not dependent on any one vendor for more than 5% of its merchandise purchases. The Company procures its private label merchandise, which constitutes approximately 15% of the Company's total sales, principally from manufacturers located outside the United States. All of the Company's vendors have been notified in writing of the Company's expectation that the systems and operations of such vendors will timely be Year 2000 compliant. As a further step, the Company has engaged in written or oral communications with selected key vendors in order to assess the Year 2000 readiness of their respective operations. These communications have not revealed to the Company any information that has caused the Company to believe that the operations of such vendors will fail to timely be Year 2000 compliant in any respect that is material to the Company's business, financial condition or results of operations.

Contingency Planning. The Company's Year 2000 compliance program is directed primarily towards ensuring that the Company will be able to continue to perform three critical functions: (i) effect sales, (ii) order and receive merchandise, and (iii) pay its employees. The Company has completed the development of a contingency plan intended to address, to the extent within the Company's reasonable control, the potential effects on these mission critical functions of a failure of the Company's Year 2000 compliance program to be fully effective. The Company has designed its contingency plan as an extension of its current business recovery plan, which prescribes the measures to be taken upon the occurrence of a variety of contingencies. In addition to relying on the fundamental principles of recovery contained in the Company's business recovery plan, the Company's Year 2000 contingency plan focuses on assuring that key personnel - including managerial, technical,

FEDERATED DEPARTMENT STORES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

maintenance, security and other personnel employed at its stores and in its IT and logistics support functions - will be available to identify and seek to rectify as promptly as possible any disruptions that may result from the date change on January 1, 2000. The Company's contingency plan also provides for assuring its ability to pay its employees by preprinting payroll checks covering a few pay periods following December 31, 1999 and utilizing electronic time clock data or historical data in the event it is unable to access current payroll data. The Company has substantially completed the dissemination of its contingency plan Company-wide and currently is taking appropriate steps to ensure the proper execution of such plan if necessary.

Fingerhut. Fingerhut implemented a program to address the effects of the Year 2000 issue prior to being acquired by the

Company. The actions contemplated by Fingerhut's Year 2000 compliance program, including contingency planning, have been substantially completed and substantially all of the costs Fingerhut expected to incur have been incurred. The foregoing discussion of the Company's Year 2000 compliance program does not address Fingerhut's systems or vendors or any aspect of Fingerhut's Year 2000 compliance program. However, the discussion below of risks associated with the Year 2000 issue apply equally to the Company and Fingerhut and their respective Year 2000 compliance programs.

Costs. The Company (excluding Fingerhut) has incurred to date approximately \$37 million of costs to implement its Year 2000 compliance program, of which approximately 20% represents capitalized expenditures for hardware purchases. The Company does not expect that future expenditures relating to its Year 2000 compliance program will be material. All of the Company's Year 2000 compliance costs have been or are expected to be funded from operating cash flows. The Company's Year 2000 compliance budget does not include material amounts for hardware replacement because the Company has historically employed a strategy to continually upgrade its main-frame and mid-range computer systems and to install state of the art point-of-sale systems with respect to both pre-existing operations and in conjunction with the acquisitions and mergers effected by the Company in recent years. Consequently, the Company's Year 2000 budget has not required the diversion of funds from or the postponement of the implementation of other planned IT projects.

Risks. The novelty and complexity of the issues presented and the proposed solutions therefor and the Company's dependence on the technical skills of employees and independent contractors and on the representations and preparedness of third parties are among the factors that could cause the Company's Year 2000 compliance efforts to be less than fully effective. Moreover, Year 2000 issues present a number of risks that are beyond the Company's reasonable control, such as the failure of utility companies to deliver electricity, the failure of telecommunications companies to provide voice and data services, the failure of financial institutions to process transactions and transfer funds, the failure of vendors to deliver merchandise or perform services required by the Company and the collateral effects on the Company of the effects of Year 2000 issues on the economy in general or on the Company's business partners and customers in particular. Although the Company believes that its Year 2000 compliance program, including its contingency plan, are designed to appropriately identify and address those Year 2000 issues that are subject to the Company's reasonable control, there can be no assurance that the Company's efforts in this regard will be fully effective or that Year 2000 issues will not have a material adverse effect on the Company's business, financial condition or results of operations.

PART II -- OTHER INFORMATION

FEDERATED DEPARTMENT STORES, INC.

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," "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 (i) risks and uncertainties relating to the possible invalidity of the underlying beliefs and assumptions, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and (iii) 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. 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

27 Financial Data Schedule

(b) Report on Form 8-K

Current Report on Form 8-K, dated August 31, 1999, reporting matters under Items 5 and 7 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 thereunder duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Date December 14, 1999 /s/ Dennis J. Broderick
Dennis J. Broderick
Senior Vice President, General
Counsel and Secretary

/s/ Joel A. Belsky
Joel A. Belsky
Vice President and Controller
(Principal Accounting Officer)

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<F1>Includes the following:

Supplies and prepaid expenses	269
Deferred income tax assets	162

<F2>Includes the following:

Intangible assets-NET	1,771
Other assets	551

<F3>Includes the following:

Deferred income taxes	1,345
Other liabilities	582
Shareholders' Equity	6,124

<F4>Includes the following:

Interest Income	4
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