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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

MARCH 18, 1999
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

FEDERATED DEPARTMENT STORES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	1-13536	133324058
(STATE OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER IDENTIFICATION NUMBER)

----

7 WEST SEVENTH STREET, CINCINNATI, OHIO 45202
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(513) 579-7000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On March 18, 1999, Bengal Subsidiary Corp. ("Purchaser"), a wholly owned subsidiary of Federated Department Stores, Inc. (the "Company"), acquired 96.3% of the outstanding common shares of Fingerhut Companies, Inc. ("Fingerhut") pursuant to a tender offer (the "Offer").

The Offer was made pursuant to an Agreement and Plan of Merger, dated as of February 10, 1999 (the "Merger Agreement"), among the Company, Purchaser and Fingerhut, a copy of which is filed as Exhibit 2.1 hereto. The Merger Agreement provides for, among other things, the merger of Purchaser with and into Fingerhut (the "Merger") on the terms and subject to the conditions set forth therein. Upon the consummation of the Merger, Fingerhut will become a wholly owned subsidiary of the Company. The Company expects the Merger to be consummated on March 22, 1999.

The total purchase price for Fingerhut is $1.7 billion, including $297.0 million of outstanding Fingerhut indebtedness. The purchase price was determined through arm's-length negotiations between representatives of the Company and representatives of Fingerhut.

The Company will fund the purchase price for Fingerhut through a combination of cash on hand, the issuance of commercial paper and borrowings under its existing credit facilities. The Company expects to refinance a portion of such borrowings through the issuance of long-term debt securities.

Fingerhut is a database marketing company that sells a broad range of products and services directly to consumers via catalogs, direct marketing and the Internet. Fingerhut's tangible assets include merchandise inventories, buildings, machinery and equipment and furniture and fixtures. The Company presently intends, in general, to continue using such assets in the conduct of Fingerhut's business.

ITEM 5. OTHER EVENTS

On March 2, 1999, the Company issued a press release, a copy of which is filed as Exhibit 99.1 hereto, announcing unaudited results of operations data for the 13 and 52 weeks ended January 30, 1999.

Audited consolidated financial statements of Fingerhut Companies, Inc. as of and for the three-year period ended December 25, 1998 are filed as Exhibit 99.2 hereto.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) and (b) Not applicable.

(c) Exhibits.

2.1 Agreement and Plan of Merger, dated as of February 10, 1999, among Federated Department Stores, Inc., Bengal Subsidiary Corp. and Fingerhut Companies, Inc. (Incorporated by reference to Exhibit (c)(1) of the Schedule 14D-1 (File No. 5-41336), filed by Federated and Bengal on February 18, 1999)

99.1 Press release of the Company issued on March 2, 1999

99.2 Consolidated Financial Statements of Fingerhut Companies, Inc., as of December 25, 1998 and December 26, 1997 and for each of the fiscal years in the 3 year period ended December 25, 1998.

99.3 Consent of KPMG Peat Marwick LLP

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: March 18, 1999

By: /s/ DENNIS J. BRODERICK

Name: Dennis J. Broderick
Title: Senior Vice President and
General Counsel

EXHIBIT INDEX

<TABLE>
<CAPTION>
Exhibit
No. Description
- ------- -----------

<S> <C>
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</TABLE>

EXHIBIT 99.1

FEDERATED
DEPARTMENT STORES, INC.

CONTACTS:

News Release

MEDIA - CAROL SANGER
513/579-7764

INVESTOR - SUSAN ROBINSON
513/579-7780

FOR RELEASE:
8 A.M. MARCH 2, 1999

FEDERATED REPORTS 19% INCREASE IN FISCAL 1998 EPS

CINCINNATI, OHIO, March 2, 1999 - Federated Department Stores, Inc. today reported fiscal 1998 and fourth quarter results that showed increased sales and significantly improved operating results for both periods ended January 30, 1999.

Federated's diluted earnings per share (EPS) of $3.06 were up 19 percent for the year, excluding extraordinary charges. Operating income was up 8.5 percent for the year and annual comparable-store sales were up 2.2 percent.

"This past year was a very good one for Federated," James M. Zimmerman, chairman and chief executive officer, said of the year's results. "We were particularly pleased with our very strong performance in the important fourth quarter, including both sales and gross margin. Improving our fourth quarter performance was a key priority for us in 1998, and we are gratified by the results of the intensive efforts that went into achieving this objective."

Zimmerman also credited good inventory management and continued expense reductions for contributing to fiscal 1998's solid earnings performance. He also noted that during the course of the year, Federated repurchased approximately $590 million (12.8 million shares) of common stock.

NET INCOME

For fiscal 1998, Federated posted earnings of $685 million, excluding an extraordinary charge related to the early retirement of debt. This compares to earnings of $575 million for the 52 weeks ended January 31, 1998, also excluding an extraordinary charge related to the early retirement of debt. On this basis, diluted earnings per share rose to $3.06 for fiscal 1998, compared to $2.58 for fiscal 1997 - an increase of 19 percent.

(more)

- --

For the fourth quarter, Federated's net income was $408 million, compared to $379 million for the same period last year. Diluted earnings per share for the fourth quarter of 1998 amounted to $1.88, compared to $1.66 last year.

OPERATING INCOME

Operating income for fiscal 1998 was $1.455 billion, an increase of 8.5 percent over operating income of $1.341 billion for the prior fiscal year. As a percent of sales, operating income increased 60 basis points to 9.2 percent in 1998.

Operating income for the fourth quarter of 1998 was $750 million or 14.4 percent of sales, an increase of 5.2 percent from operating income of $713 million or 14.1 percent of sales for the fourth quarter of 1997.

SALES

For fiscal 1998, sales totaled $15.833 billion, an increase of 1.1 percent over sales of $15.668 billion for the prior year. Excluding sales of the specialty stores division that was sold in July, sales increased 1.8 percent over last year. On a comparable-store basis, Federated's 52-week sales increased 2.2 percent.

For the fourth quarter, sales totaled $5.207 billion, an increase of 2.9 percent over sales of $5.060 billion for the same period last year. Excluding sales of the specialty stores division, sales for the quarter increased 4.2 percent. On a comparable-store basis, fourth quarter sales were up 4.1 percent.

RETURN ON INVESTMENT

Return on gross investment increased to 16.6 percent for 1998, compared to 15.7 percent in 1997.

Federated, with corporate offices in Cincinnati and New York, is one of the nation's leading department store retailers, with annual sales of more than $15.8 billion. Federated currently operates more than 400 department stores in 33 states under the names of Bloomingdale's, The Bon Marche, Burdines, Goldsmith's Lazarus, Macy's, Rich's and Stern's. Federated also operated direct mail catalog and electronic commerce subsidiaries under the names of Bloomingdale's By Mail, Macy's By Mail and Macys.Com.

(more)

Forward-looking statements contained in this release involve risks and uncertainties that could cause actual results to differ materially from those contemplated by those statements. Factors that could cause such differences include the risks associated with retailing generally, transactional effects and other investment considerations described from time to time by the company in its filings with the Securities and Exchange Commission.

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(NOTE: Information on Federated and its operating divisions is available on the Internet at http://www.federated-fds.com. Copies of past press releases and corporate background data also are available by calling Fax-On-Demand at 1-800-853-9150.)

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income (Unaudited)

(All amounts in millions except percentages and per share figures)

<TABLE>
<CAPTION>

	13 WEEKS ENDED		52 WEEKS ENDED	
	JANUARY 30, 1999	JANUARY 31, 1998	JANUARY 30, 1999	JANUARY 31, 1998
<S>	<C>	<C>	<C>	<C>
Net Sales	$ 5,207	$ 5,060	$ 15,833	$ 15,668
Cost of sales (Note 1)....................................	3,180	3,109	9,616	9,581

Percent to sales..................................	61.1%	61.4%	60.7%	61.1%
Selling, general and administrative expenses (Note 2)	1,277	1,238	4,762	4,746
Percent to sales..................................	24.5%	24.5%	30.1%	30.3%
Operating Income...	750	713	1,455	1,341
Percent to sales.................................	14.4%	14.1%	9.2%	8.6%
Interest expense - net....................................	(69)	(88)	(292)	(383)
Income Before Income Taxes and Extraordinary Items	681	625	1,163	958
Federal, state and local income tax expense	(273)	(246)	(478)	(383)
Income Before Extraordinary Items	408	379	685	575
Extraordinary Items - loss on early extinguishment of debt, net of tax effect	--	--	(23)	(39)
Net Income	$ 408	$ 379	$ 662	$ 536

</TABLE>

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FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Income (Unaudited)

(All amounts in millions except percentages and per share figures)

<TABLE>
<CAPTION>

	13 WEEKS ENDED		52 WEEKS ENDED	
	JANUARY 30, 1999	JANUARY 31, 1998	JANUARY 30, 1999	JANUARY 31, 1998
<S>	<C>	<C>	<C>	<C>
Basic Earnings per Share (Note 3):				
Income before extraordinary items	$ 1.95	$ 1.80	$ 3.27	$ 2.74
Extraordinary items	--	--	(.11)	(.18)
Net income	$ 1.95	$ 1.80	$ 3.16	$ 2.56
Diluted Earnings per Share (Note 3):				
Income before extraordinary items	$ 1.88	$ 1.66	$ 3.06	$ 2.58
Extraordinary items	--	--	(.10)	(.17)
Net income	$ 1.88	$ 1.66	$ 2.96	$ 2.41

</TABLE>

Notes:

(1) Substantially all merchandise inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is generally lower than market. Application of this method did not impact the 13 and 52 weeks ended January 30, 1999 or January 31, 1998.

(2) Includes depreciation and amortization expense of $156 million and $151 million for the 13 weeks ended January 30, 1999 and January 31, 1998, respectively, and $624 million and $590 million for the 52 weeks ended January 30, 1999 and January 31, 1998, respectively.

(3) Common shares outstanding used in computing basic earnings per share were 209.5 million and 210.1 million for the 13 weeks ended January 30, 1999 and January 31, 1998, respectively, and 209.5 million and 209.5 million for the 52 weeks ended January 30, 1999 and January 31, 1998, respectively. Potential common shares used in computing diluted earnings per share were 217.1 million and 229.7 million for the 13 weeks ended January 30, 1999 and January 31, 1998, respectively, and 225.9 million and 227.1 million for the 52 weeks ended January 30, 1999 and January 31, 1998, respectively.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Balance Sheets (Unaudited)

(All amounts in millions except percentages)

<TABLE>
<CAPTION>

<S>	January 30, 1999 <C>	January 31, 1998 <C>
ASSETS:		
Current Assets:		
Cash	$ 307	$ 142
Accounts receivable	2,209	2,640
Merchandise inventories	3,259	3,239
Supplies and prepaid expenses	117	115
Deferred income tax assets	80	58
Total Current Assets	5,972	6,194
Property and Equipment - net	6,572	6,520
Intangible Assets - net	631	690
Other Assets	289	334
Total Assets	$ 13,464	$ 13,738
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current Liabilities:		
Short-term debt	$ 524	$ 556
Accounts payable and accrued liabilities	2,446	2,416
Income taxes	98	88
Total Current Liabilities	3,068	3,060
Long-Term Debt	3,057	3,919
Deferred Income Taxes	1,060	939
Other Liabilities	570	564
Shareholders' Equity	5,709	5,256
Total Liabilities and Shareholders' Equity	$ 13,464	$ 13,738
Ratio of debt to total capitalization (Note 1)	38.5%	45.0%
Return on gross investment (Note 2)	16.6%	15.7%

</TABLE>

Notes:

1. Excluding the Note Monetization Facility at January 31, 1998.

2. Operating income, excluding depreciation, amortization and gross rent

expense divided by gross investment. Gross investment is defined as average gross fixed assets, including capitalization of operating leases, and the average balances of all other assets and liabilities excluding debt, the note receivable related to the Note Monetization Facility, intangible assets and income taxes.

FEDERATED DEPARTMENT STORES, INC.

Consolidated Statements of Cash Flows (Unaudited)

(millions)

<TABLE>
<CAPTION>

	52 Weeks Ended January 30, 1999	52 Weeks Ended January 31, 1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 662	$ 536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	596	563
Amortization of intangible assets	27	27
Amortization of financing costs	7	20
Amortization of unearned restricted stock	1	--
Loss on early extinguishment of debt	23	39
Changes in assets and liabilities:		
Decrease in accounts receivable	235	194
(Increase) decrease in merchandise inventories	(20)	7
Increase in supplies and prepaid expenses	(2)	(5)
(Increase) decrease in other assets not separately ..... identified	31	(7)
(Increase) decrease in accounts payable and .... accrued liabilities not separately identified	6	(36)
Increase in current income taxes	25	103
Increase in deferred income taxes	103	138
Decrease in other liabilities not separately identified	(4)	(6)
Net cash provided by operating activities ...	1,690	1,573
Cash flows from investing activities:		
Purchase of property and equipment	(695)	(696)
Disposition of property and equipment	50	178
Decrease in notes receivable	200	200
Net cash used by investing activities	(445)	(318)
Cash flows from financing activities:		
Debt issued	650	763
Financing costs	--	(7)
Debt repaid	(1,229)	(2,027)
Increase (decrease) in outstanding checks	47	(45)
Acquisition of treasury stock	(594)	(2)
Issuance of common stock	46	56
Net cash used by financing activities	(1,080)	(1,262)
Net increase (decrease) in cash	165	(7)
Cash beginning of period	142	149
Cash end of period	$ 307	$ 142

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</TABLE>

EXHIBIT 99.2

FINGERHUT COMPANIES, INC.

4400 Baker Road
Minnetonka, MN 55343
(612) 932-3100

CONSOLIDATED FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED DECEMBER 25, 1998
THE FISCAL YEAR ENDED DECEMBER 26, 1997 AND
THE FISCAL YEAR ENDED DECEMBER 27, 1996

Fingerhut Companies, Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

For the fiscal year ended (In thousands, except share and per share data)	December 25, 1998	December 26, 1997	December 27, 1996
<S>	<C>	<C>	<C>
REVENUES:			
Net sales	$ 1,594,965	$ 1,530,228	$ 1,638,363
Finance income and other securitization income, net	14,186	(10,877)	(23,361)
Total revenue	1,609,151	1,519,351	1,615,002
COSTS AND EXPENSES:			
Product cost	763,418	738,740	827,086
Administrative and selling expenses	664,313	596,084	618,082
Provision for uncollectible accounts	88,424	97,593	112,084
Interest expense, net	19,196	27,946	25,305
Provision for non-recurring items	38,130	--	--
	1,573,481	1,460,363	1,582,557
EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	35,670	58,988	32,445
Provision for income taxes	13,377	21,267	11,322
EARNINGS FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEM	22,293	37,721	21,123
Earnings from discontinued operations (less income taxes of $18,945, $19,787 and $11,917 in 1998, 1997 and 1996, respectively)	30,150	31,608	19,036
EARNINGS BEFORE EXTRAORDINARY ITEM	52,443	69,329	40,159
Extraordinary item - loss on early retirement of debt (less income tax benefit of $4,259)	7,096	--	--
NET EARNINGS	$ 45,347	$ 69,329	$ 40,159
EARNINGS PER SHARE:			
CONTINUING OPERATIONS:			
BASIC	$ .47	$ .82	$ .46
DILUTED	$ .43	$ .76	$ .44
DISCONTINUED OPERATIONS, NET:			
BASIC	$ .63	$ .68	$ .41

DILUTED	$ .59	$ .64	$ .39
EXTRAORDINARY ITEM, NET:			
BASIC	$ (.15)	$ --	$ --
DILUTED	$ (.14)	$ --	$ --
NET EARNINGS:			
BASIC	$ .95	$ 1.50	$ .87
DILUTED	$ .88	$ 1.40	$ .83
WEIGHTED AVERAGE SHARES OUTSTANDING:			
BASIC	47,669,295	46,166,842	46,210,151
DILUTED	51,406,643	49,377,695	48,628,308

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Fingerhut Companies, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<TABLE>
<CAPTION>

(In thousands)	December 25, 1998	December 26, 1997
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,190	$ 96,889
Accounts receivable	248,997	308,498
Less: reserve for uncollectible accounts and unearned finance income	(74,901)	(93,203)
Accounts receivable, net	174,096	215,295
Retained interest in securitized receivables	205,296	145,112
Inventories	152,159	124,424
Promotional material	58,337	46,689
Deferred income taxes	105,204	118,472
Other	14,595	14,186
TOTAL CURRENT ASSETS	721,877	761,067
Property and equipment, net	226,740	256,726
Excess of cost over fair value of net assets acquired	150,718	48,810
Net assets of discontinued operations	--	146,249
Other assets	27,591	16,633
	$ 1,126,926	$ 1,229,485
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 191,661	$ 142,894
Accrued payroll and employee benefits	55,623	43,534
Other accrued liabilities	61,980	35,371
Revolving credit facility	80,000	--
Current portion of long-term debt	125,076	84
Current income taxes payable	21,112	61,958
TOTAL CURRENT LIABILITIES	535,452	283,841
Long-term debt, less current portion	125	245,187
Deferred income taxes	25,021	22,345
Other non-current liabilities	11,839	8,127

	572,437	559,500
	------------	------------
STOCKHOLDERS' EQUITY		
Preferred stock	--	--
Common stock	493	463
Additional paid-in capital	350,600	292,407
Unearned compensation	(1,828)	(738)
Earnings reinvested	205,224	377,853
	------------	------------
TOTAL STOCKHOLDERS' EQUITY	554,489	669,985
	------------	------------
	$ 1,126,926	$ 1,229,485
	============	============

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Fingerhut Companies, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

For the fiscal year ended (In thousands)	December 25, 1998	December 26, 1997	December 27, 1996
	------------	------------	------------
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 45,347	$ 69,329	$ 40,159
Adjustments to reconcile net earnings to net cash provided (used) by operating activities, net of effects of acquisitions:			
Net earnings from discontinued operations	(30,150)	(31,608)	(19,036)
Extraordinary net loss on debt extinguishment	7,096	--	--
Provision for non-recurring items	38,130	--	--
Depreciation and amortization	47,173	50,279	51,733
Amortization of unearned compensation	1,542	1,322	2,922
Change in assets and liabilities net of affects of acquisitions:			
Accounts receivable, net and retained interest in securitized receivables	36,064	30,064	14,986
Inventories	25,046	3,311	28,617
Promotional material and other current assets	377	13,561	23,074
Accounts payable	15,317	(6,010)	(14,237)
Accrued payroll and employee benefits	11,672	9,061	(5,399)
Accrued liabilities	(9,695)	(16,767)	(19,170)
Current income taxes payable	1,237	3,494	22,059
Deferred and other income taxes	16,235	17,480	113
Other	(6,089)	1,070	(3,795)
	------------	------------	------------
NET CASH PROVIDED BY OPERATING ACTIVITIES	199,302	144,586	122,026
	------------	------------	------------
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of Popular Club Plan, Inc.	(42,500)	--	--
Purchase of Arizona Mail Order (AMO)	(109,812)	--	--
Investments in Internet companies	(8,623)	--	--
Additions to property and equipment	(26,865)	(20,334)	(47,109)
	------------	------------	------------
NET CASH USED BY INVESTING ACTIVITIES	(187,800)	(20,334)	(47,109)
	------------	------------	------------
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	--	--	125,000
Repayments of long-term debt	(120,070)	(26,294)	(100,098)
Debt prepayment penalty	(10,768)	--	--
Revolving credit facility	80,000	(23,000)	(92,000)
Repayments of AMO revolving credit facility	(24,000)	--	--

Repurchase of common stock	(48,233)	(3,385)	(4,877)
Issuance of common stock	32,478	3,908	1,881
Cash dividends paid	(5,608)	(7,387)	(7,394)
	------------	------------	------------
NET CASH USED BY FINANCING ACTIVITIES	(96,201)	(56,158)	(77,488)
	------------	------------	------------
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(84,699)	68,094	(2,571)
Cash and cash equivalents at beginning of year	96,889	28,795	31,366
	------------	------------	------------
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,190	$ 96,889	$ 28,795
	============	============	============
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Net tax benefit from exercise of non-qualified stock options, disqualified dispositions of ESPP shares, and vesting of restricted stock	$ 37,825	$ 797	$ 293
Issuance of restricted stock	$ 2,632	$ 204	$ 4,778
Dividend of Metris shares	$ 178,623	$ --	$ --

</TABLE>

The Company includes in cash and cash equivalents, liquid investments with maturities of 15 days or less

See accompanying Notes to Consolidated Financial Statements.

Fingerhut Companies, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(In thousands, except share data)	Common stock Number of shares	Par value	Additional Paid-in Capital	Earnings Reinvested	Unearned Compensation	Total
	-----------	-----------	-----------	-----------	-----------	-----------
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 29, 1995	45,949,722	$ 459	$ 258,917	$ 288,114	$ --	$ 547,490
Stock repurchase	(358,800)	(3)	(1,997)	(2,877)	--	(4,877)
Exercise of stock options	109,900	1	1,012	--	--	1,013
Employee stock purchase plan	100,141	1	1,160	--	--	1,161
Issuance of restricted stock, net of forfeitures	353,917	4	4,774	--	(4,778)	--
Compensation expense	--	--	--	--	2,922	2,922
Excess of market value over book value of minority interest sold	--	--	24,927	--	--	24,927
Cash dividends paid	--	--	--	(7,394)	--	(7,394)
Net earnings	--	--	--	40,159	--	40,159
	-----------	-----------	-----------	-----------	-----------	-----------
BALANCE, DECEMBER 27, 1996	46,154,880	462	288,793	318,002	(1,856)	605,401
Stock repurchase	(231,900)	(2)	(1,292)	(2,091)	--	(3,385)
Exercise of stock options	300,740	3	4,007	--	--	4,010
Employee stock purchase plan	55,159	--	695	--	--	695
Issuance of restricted stock, net of forfeitures	13,582	--	204	--	(204)	--
Compensation expense	--	--	--	--	1,322	1,322
Cash dividends paid	--	--	--	(7,387)	--	(7,387)
Net earnings	--	--	--	69,329	--	69,329
	-----------	-----------	-----------	-----------	-----------	-----------
BALANCE, DECEMBER 26, 1997	46,292,461	463	292,407	377,853	(738)	669,985
Stock repurchase	(2,598,350)	(26)	(14,462)	(33,745)	--	(48,233)
Exercise of stock options	5,377,305	54	69,569	--	--	69,623
Employee stock purchase plan	45,021	--	680	--	--	680
Issuance of restricted stock, net of forfeitures	225,728	2	2,406	--	(2,632)	(224)

Compensation expense	--	--	--	--	1,542	1,542
Dividend of Metris shares	--	--	--	(178,623)	--	(178,623)
Cash dividends paid	--	--	--	(5,608)	--	(5,608)
Net earnings	--	--	--	45,347	--	45,347
BALANCE, DECEMBER 25, 1998	49,342,165	$ 493	$ 350,600	$ 205,224	$ (1,828)	$ 554,489

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Fingerhut Companies, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

Fingerhut Companies, Inc. (the Company) is a database and on-line marketing company selling a broad range of products and services to moderate income consumers via catalogs, the Internet, telemarketing, and other media.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries, after elimination of all material intercompany transactions and balances. At December 25, 1998, the Company's principal subsidiaries are Fingerhut Corporation (Fingerhut), Figi's Inc. (Figi's), Arizona Mail Order (AMO), Popular Club Plan (Popular Club). "Net assets of discontinued operations" represents the Company's former subsidiary, Metris Companies, Inc. (Metris,) which was spun off to shareholders in 1998 (see Note 5).

Fiscal Year

The Company's fiscal year ends on the last Friday in December. The fiscal years ended December 25, 1998, December 26, 1997, and December 27, 1996, included 52 weeks. The accounts of Metris, which are presented on a discontinued basis, are on a calendar year basis.

Revenue Recognition

Sales are recorded at the time of shipment and a provision for anticipated merchandise returns and merchant allowances, net of exchanges, is recorded based upon historical experience. The provision charged against sales for 1998, 1997 and 1996 amounted to $209.4 million, $216.0 million and $249.9 million, respectively.

Amounts billed to customers for shipping and handling of orders are netted against the associated costs.

Substantially all of Fingerhut's sales are financed by Fingerhut National Bank (FNB) on either the installment contract basis or revolving credit account basis. Finance income on installment contracts (net of estimated returns and exchanges, allowances, uncollectible amounts and collection costs) is deferred and recognized using an effective interest method over the weighted average of the contract periods (which approximates nineteen months) or when collected, whichever is faster. When accounts receivable are sold (see Note 8), finance income, net, which was previously deferred, is recognized. Finance income on revolving credit receivables is accrued and earned based on the principal amount of the receivables outstanding using the effective yield method. Accrued interest is classified on the balance sheet with the related receivables. Interest income is generally recognized as earned, until a loan is charged off.

Beginning in 1997, the sale of receivables has been recorded in accordance with Statement of Financial Accounting Standards No. 125 (FAS 125), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Upon sale, the sold receivables are removed from the balance sheet and the related financial and servicing assets controlled and

liabilities incurred are measured at fair value, if practicable. FAS 125 also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer. The retained interest is then considered a security and subject to FAS 115, "Accounting for Certain Investments in Debt and Equity Securities." Based upon the type of security retained, the Company considers its Retained Interest in Securitized Receivables to be a trading security, with all market gains and losses being reflected in the Consolidated Statements of Earnings.

Earnings Per Share

Basic earnings per share are computed by dividing net earnings by the weighted average shares of common stock outstanding during the year. Diluted earnings per share are computed by dividing net earnings by the weighted average shares of common stock and potential common stock outstanding during the year. The dilutive effect of the potential exercise of outstanding stock options is calculated using the treasury stock method. A reconciliation relating to the calculation for continuing operations before extraordinary items is as follows:

<TABLE>
<CAPTION>

In thousands, except per share data	For the Year Ended December 25, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
<S>	<C>	<C>	<C>
BASIC EPS:			
Earnings available to common stockholders	$ 22,293	47,669	$ .47
EFFECT OF DILUTIVE SECURITIES:			
Options	-	3,738	
DILUTED EPS:			
Earnings available to common stockholders and assumed conversion	$ 22,293	51,407	$ .43

</TABLE>

<TABLE>
<CAPTION>

	For the Year Ended December 25, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
<S>	<C>	<C>	<C>
BASIC EPS:			
Earnings available to common stockholders	$ 37,721	46,167	$ .82
EFFECT OF DILUTIVE SECURITIES:			
Options	-	3,211	
DILUTED EPS:			
Earnings available to common stockholders and assumed conversion	$ 37,721	49,378	$ .76

</TABLE>

<TABLE>
<CAPTION>

In thousands, except per share data	For the Year Ended December 25, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
BASIC EPS:			
Earnings available to common stockholders	$ 21,123	46,210	$ .46
EFFECT OF DILUTIVE SECURITIES:			
Options	-	2,418	
DILUTED EPS:			
Earnings available to common stockholders and assumed conversion	$ 21,123	48,628	$ .44

</TABLE>

Inventories

Inventories, principally merchandise, are stated at the lower of cost (as determined on a first-in, first-out basis) or market. The Company has established a reserve for excess and obsolete inventory, which is based on management's best estimates of the amount of inventory that is slow moving or subject to obsolescence. The estimates are subject to change in the near term, depending on changes in economic conditions and other factors.

Promotional Material

Promotional material primarily includes free gifts and items in inventory associated with direct response advertising (paper, printing and postage). The cost of direct response advertising is deferred and expensed over the period during which the sales are expected to occur, generally one to four months. The amount of direct response advertising included in the Consolidated Statements of Financial Position is not material.
The cost of non-direct response advertising is expensed as incurred.

Revolving Credit Card Loan Origination Costs

The Company defers direct revolving credit card loan origination costs associated with successful credit card solicitations that it incurs in transactions with independent third parties, and certain other costs that it incurs in connection with loan underwriting and the preparation and processing of loan documents. These deferred credit card loan origination costs are amortized on a straight-line basis over a six-month period, as an adjustment to "Finance income and other securitization income, net" and "Administrative and Selling Expense."

Property and Equipment

Property and equipment are stated at cost and depreciated or amortized on a straight-line basis over their estimated economic useful lives (30 years for buildings; five years for software; three to 10 years for machinery and equipment, furniture and fixtures; and over the estimated useful life of the property or the life of the lease, whichever is shorter, for leasehold improvements). The Company capitalizes software developed for internal use that represents major enhancements and replacements of operating and management information systems.

Intangible Assets

The excess of cost over fair value of net assets acquired is amortized on a straight-line basis up to 40 years for purchases prior to 1998. For acquisitions made in 1998, the excess of cost over fair value of net assets acquired is amortized on a straight-line basis over 15 years.

At each balance sheet date, management assesses whether there has been an impairment in the carrying value of intangible assets, primarily by comparing current and projected sales, operating income and annual cash flows with the related annual amortization expense. Based on this assessment, management has concluded that intangible assets are fully realizable.

Income Taxes

The Company provides for deferred taxes on the temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities that will result in future taxable or deductible amounts. The Company provides for deferred taxes at the enacted tax rate that is expected to apply when the temporary differences reverse.

Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Employee Compensation

Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based Compensation," encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. Accordingly, compensation expense for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Compensation expense for restricted stock is recorded over the vesting period of the awards based on the fair market value of the Company's stock on the date of grant.
(See Note 18).

Reclassifications

All prior-period financial information was restated to conform with the current period's presentation, and the reclassifications had no effect on net earnings. The effects of Metris are being presented as "Earnings from discontinued operations" on the Consolidated Statements of Earnings and as "Net assets of discontinued operations" on the Consolidated Statements of Financial Position.

Comprehensive Income

During the first quarter of 1998, the Company implemented Statement of Financial Accounting Standards No. 130 (FAS 130), "Reporting Comprehensive Income." Currently, FAS 130 has no material effect on the consolidated financial statements.

Segment Reporting

During the fourth quarter of 1998, the Company implemented Statement of Financial Accounting Standards No. 131 (FAS 131), " Disclosures about Segments of an Enterprise and Related Information." This statement has no material effect on the disclosure requirement of the financial statements as the Company's continuing operations are currently considered one segment as defined by FAS 131.

Pension Disclosures

In 1998 the Company implemented Statement of Financial Accounting Standard No. 132 (FAS 132), "Employers' Disclosures about Pensions and Other Retirement Benefits." The Company's disclosures have been modified to comply with FAS 132 (see Note 15).

Newly Issued Pronouncements

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for fiscal years beginning after June 15, 1999. The Company is assessing the impact that the implementation will have on the consolidated financial statements. The Company intends to adopt this statement prospectively in the first quarter of 2000.

3. ACQUISITIONS

On August 31, 1998, the Company acquired the majority of the assets of AMO, a direct marketer of women's apparel, in a business combination accounted for as a purchase. The effects of AMO's operations since the acquisition are included within the Consolidated Statements of Earnings. The total cost of the acquisition was $109.8 million, which exceeded the fair value of the net assets of AMO by $77.8 million. The acquired goodwill will be amortized on a straight-line basis over 15 years.

On October 31, 1998, the Company acquired 100 percent of the outstanding stock of Popular Club, a direct marketer of merchandise and apparel, in a business combination accounted for as a purchase. The effects of Popular Club's operations since the acquisition are included within the Consolidated Statements of Earnings. The total cost of the acquisition was $42.5 million, which exceeded the fair value of the net assets of Popular Club by $28.8 million. The acquired goodwill will be amortized on a straight-line basis over 15 years.

The following summarized pro forma (unaudited) information assumes the acquisitions had occurred on December 28, 1996 (i.e. the first day of fiscal year ended December 26, 1997).

<TABLE>
<CAPTION>

(In thousands, except per share data)	Fiscal Year Ended December 25, 1998	December 26, 1997
<S>	<C>	<C>
Net sales	$ 1,825,977	$ 1,845,042
Net earnings before extraordinary item	$ 56,925	$ 79,234
Net earnings	$ 49,829	$ 79,234
Earnings per share:		
Net earnings before extraordinary item		
Basic	$ 1.19	$ 1.72
Diluted	$ 1.11	$ 1.60
Net earnings		
Basic	$ 1.05	$ 1.72
Diluted	$ .97	$ 1.60

</TABLE>

4. PROVISION FOR NON-RECURRING ITEMS

The pre-tax provision for non-recurring items of $38.1 million includes a $33.6 million non-cash charge for the writedown for Fingerhut's Western Distribution Center (WDI), as well as other pre-tax provisions for restructuring of $4.5 million.

Due to the Company's changing focus to growth through acquisitions, it reviewed the carrying value of the WDI facility, for impairment in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (FAS 121). It was determined that the sum of the undiscounted cash flows generated was less than the carrying value of the facility, indicating that an impairment existed. Accordingly, an impairment loss was recognized as the amount by which the carrying value of the facility exceeded the fair market value. The fair market value of WDI was determined using an independent appraisal for the land and building, and the Company's internal analysis for equipment and improvements. As a result of this review, the Company recorded a non-cash, pre-tax charge of $33.6 million to writedown WDI to its estimated fair market value of $26.0 million.

Included within the remaining non-recurring charges are $2.9 million related to termination benefits for 111 exempt employees, mainly from the Company's corporate office. As of December 25, 1998, $0.8 million of this amount was included in "Other accrued liabilities."

5. DISCONTINUED OPERATIONS

In August 1998, the Company received a favorable ruling from the Internal Revenue Service to spin-off its 83 percent owned subsidiary, Metris Companies Inc. (Metris) via a tax-free stock dividend to the Company's shareholders. The distribution date of the dividend was September 25, 1998. As a result, the earnings of Metris through September 25, 1998 are reflected as "Earnings from Discontinued Operations," net of tax on the Consolidated Statement of Earnings for the year ended December 25, 1998. Also included in discontinued operations for the year ended December 25, 1998, are $2.7 million of expenses, net of income tax, incurred as a result of the transaction. The Consolidated Statements of Earnings, Financial Position and

Cash Flows have been restated for prior periods to reflect Metris as a discontinued operation. The operating results of the discontinued operation are summarized as follows:

<TABLE>
<CAPTION>

For the fiscal year ended: (In thousands, except per share data)	December 25, 1998	December 26, 1997	December 27, 1996
<S>	<C>	<C>	<C>
Total revenues	$ 303,256	$ 284,064	$ 155,434
Earnings before income taxes	49,095	51,395	30,953
Provision for income taxes	18,945	19,787	11,917
Net Income	$ 30,150	$ 31,608	$ 19,036
Earning per share:			
Basic	$ .63	$ .68	$ .41
Diluted	$ .59	$ .64	$ .39

</TABLE>

<TABLE>
<CAPTION>

The net assets of discontinued operations are summarized as follows:

(In thousands)	December 26, 1997
<S>	<C>
Current assets	$ 609,838
Property and equipment, net	15,464
Excess of cost over fair value of assets acquired	36,752
Other assets	11,180
Current liabilities	397,195
Minority interest	29,790

Long-term debt, less current portion	100,000
Net assets of discontinued operations	$ 146,249

</TABLE>

6. EXTRAORDINARY ITEM

In September 1998, the Company prepaid the holders of its $120 million privately placed Senior Notes. Accordingly, the Company recorded an extraordinary loss of $7.1 million, net of tax, which was composed of a $6.7 million prepayment penalty and a $0.4 million write-off of unamortized fees related to the debt.

7. ACCOUNTS RECEIVABLE, NET

Substantially all of the Company's sales are financed under either installment based contracts or revolving credit agreements generated by Fingerhut National Bank, AMO, Popular Club and Figi's. Historically, Fingerhut used fixed-term, fixed-payment installment plans with terms up to 36 months (excluding deferred billing periods of up to five months) and finance charge rates of 24.9 percent. Beginning in 1996, Fingerhut began converting its customers from existing fixed payment installment plans to revolving credit plans with finance charge rates ranging from prime plus 10.9 percent to prime plus 23.9 percent. Figi's uses fixed-term, fixed-payment plans with terms up to three months (excluding deferred billing periods of up to approximately three months) with no finance charge. AMO uses a revolving credit plan with finance charge rates ranging from 10.5 percent to 24.0 percent. Popular Club uses an installment-based plan with finance charge rates ranging from 18.0 percent to 24.0 percent.

Accounts receivable are classified as current assets and include amounts which are due after one year, consistent with industry practice. Accounts receivable, net of amounts sold (see Note 8), consists of the following:

<TABLE>
<CAPTION>

(In thousands)	For the fiscal year ended 1998	1997
<S>	<C>	<C>
Customer receivables	$ 248,997	$ 308,498
Reserve for uncollectible accounts, net of anticipated recoveries	(62,904)	(68,890)
Other reserves	(10,903)	(20,352)
Net collectible amount	175,190	219,256
Unearned finance income	(1,094)	(3,961)
Accounts receivable, net	$ 174,096	$ 215,295

</TABLE>

Other reserves for customer receivables consist primarily of returns and exchanges, allowances for anticipated adjustments of finance charges billed to customers (due to earlier than scheduled payment) and anticipated costs required to collect customer installment accounts.

The above reserves represent management's best estimates of the amounts not expected to be collected. A change in economic conditions could have a significant impact on the Company's target market, which consists of moderate to middle income consumers. As such, the reserve estimates are subject to change in the near term.

8. SALE OF ACCOUNTS RECEIVABLE

The Company established the Fingerhut Master Trust (the Trust) as a vehicle to accelerate cash flow through the sale of accounts receivable. The Trust allows Fingerhut to sell, on a continual basis, an undivided interest in a pool of customer accounts receivables, subject to meeting certain eligibility and securitization requirements. During the first quarter 1998, the Company received approval to expand the pool of eligible receivables by including certain revolving receivables and certain previously unsold new customer installment receivables in the Trust.

In order to fund the purchase of the receivables by the Trust, the Trust periodically issues securities in the public marketplace. In April 1998, the Trust issued Series 1998-1 and Series 1998-2 securities out of the Trust and sold them in the public asset backed markets to third parties. These agreements generated net proceeds of $897.0 million of which $790.0 million was used to pay down the entire principal portion of the 1997-1 Series and approximately $102.5 million was used to reduce the Class A Variable Funding Certificates issued under Series 1994-2.

The Series 1994-2 supported the $1.2 billion asset backed commercial paper program through the Fingerhut Owner Trust that the Company shared with Metris. In July 1998, in connection with the pending spin-off of Metris, the Company closed Series 1998-3, a $400 million variable-funding certificate issued out of the Fingerhut Master Trust and sold it to third party conduits. On July 30, 1998, approximately $91 million in proceeds was used to repay Series 1994-2, thereby terminating the Fingerhut Owner Trust and its related commercial paper program.

Although the Company continues to service the underlying accounts receivable balances and maintains the customer relationships, these transactions are treated as sales for financial reporting purposes and the associated receivable balances are not reflected on the Consolidated Statements of Financial Position. The Company receives annual servicing fees of 2 percent of the outstanding balance from the Trust. In addition, the Company owns certain certificates issued by the Trust which provides the Company with rights to future cash flows arising after the investors in the Trust have received the return for which they have contracted. This participating interest in the Trust is classified as "Retained interest in securitized receivables" (Retained Interest) on the Consolidated Statements of Financial Position. The investors and the Trust have no recourse to the Company's other assets for failure of debtors to pay when due. The Company's Retained Interest is generally restricted, however, until investors have been fully paid and is subordinate to investor's interests. The Retained Interest's value is subject to credit, prepayment and interest rate risk on the transferred financial assets.

The Retained Interest is calculated as the present value of the future cash flows, arising after the investors in the Trust have received the return for which they are contracted. A total "collectible amount" is calculated taking into account future credit risk as well as future finance income. The cash flow then calculates a payment stream based upon historical trends, including prepayment history. The cash flow is discounted at a market rate that accounts for the inherent risk of the Retained Interest. As the Retained Interest is considered a trading security, gains or losses are recognized monthly through the Consolidated Statements of Earnings in "Finance income and other securitization income, net."

The proceeds from the sale of Fingerhut accounts receivable were $1.244 billion and $1.205 billion at December 25, 1998 and December 26, 1997, respectively. The pretax loss on the sale of receivables was $11.5 million in 1998 compared to a pre tax gain of $2.3 million in 1997.

Included in "Finance income and other securitization income, net" are period securitization expenses, which are comprised of the interest, commercial paper discount and administrative and other fees paid or accrued to the purchasers of the accounts receivables.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

<TABLE>
<CAPTION>

	For the fiscal year ended	
(In thousands)	1998	1997

<S> <C> <C>

Land and improvements	$ 12,092	$ 7,449
Buildings and leasehold improvements	133,907	115,069
Construction in progress	6,526	64,851
Machinery and equipment	148,861	135,833
Software	151,372	128,615
Other, principally furniture and fixtures	22,481	21,011
	------------	------------
	475,239	472,828
Less: Accumulated depreciation	(154,440)	(134,750)
Accumulated amortization of software	(94,059)	(81,352)
	------------	------------
Property and equipment, net	$ 226,740	$ 256,726
	============	============

</TABLE>

Software amortization expense recorded in 1998, 1997 and 1996 was $13.0 million, $17.8 million, and $19.3 million, respectively.

10. REVOLVING CREDIT FACILITY

In connection with the spin-off of Metris, the Company further amended its Amended and Restated Revolving Credit Facility (the "Amended Revolving Credit Facility"). The changes resulted in the removal of the Company's guarantee on the Metris outstanding balances, an increase in aggregate commitments to $250.0 million from $200.0 million, and an extension of the expiration date to September 2003. The proceeds from borrowings under the Amended Revolving Credit Facility are to be used by the Company to provide for working capital and other general corporate purposes.

In addition to amending the Amended Revolving Credit Facility, the Company implemented $95 million in uncommitted lines of credit with various banks. These bank lines provide flexibility for short-term borrowings at favorable rates.

In October 1998 the Company entered into a committed 364-day revolving credit bridge facility for $130 million.

At December 25, 1998, outstanding short-term credit borrowings totaled $80.0 million, including the Amended Revolving Credit Facility, the uncommitted lines, and the $130 million bridge facility. The weighted-average interest rate on borrowings was 5.5 percent at December 25, 1998. At December 26, 1997, the Company had no short-term credit balance outstanding. The outstanding portion of open letters of credit, primarily established to facilitate international merchandise purchases, was not reflected in the accompanying financial statements and aggregated $20.5 million at December 25, 1998 and $32.8 million at December 26, 1997.

11. LONG-TERM DEBT

As of December 25, 1998, the Company had $125 million of public notes due in September 1999. As a result of removing the Metris guarantee on the Revolving Credit Facility, these notes received a credit ratings upgrade in September 1998. Following the upgrade, these notes rank equally with the Amended Revolving Credit Facility.

On September 24, 1998, the Company prepaid $120 million of privately placed Senior Notes using existing credit facilities. The prepayment resulted in an extraordinary loss of $7.1 million, net of tax.

Long-term debt and related maturity dates are as follows:

<TABLE>
<CAPTION>

(In thousands)	Maturity date	Interest rate	1998	1997
	-------------	-------------	----------	----------
<S>	<C>	<C>	<C>	<C>
Privately Placed Senior Notes				
Series A Unsecured	June 2002	8.92%	$ --	$ 60,500
Series B Unsecured	June 2004	8.92%	--	14,500

Series C Unsecured	Aug. 2000	6.83%	--	45,000
Senior Notes	Sept. 1999	7.38%	125,000	125,000
Other indebtedness (due in various installments through November 2010; interest at varying rates ranging from 7.5% to 8.0% at Dec. 25, 1998)			201	271
			125,201	245,271
Current portion of long-term debt			(125,076)	(84)
Long-term debt, less current portion			$ 125	$245,187

</TABLE>

Scheduled annual maturities due on long-term debt at December 25, 1998 were as follows:

<TABLE>

<S>	<C>
(In thousands)	
1999	$ 125,076
2000	57
2001	14
2002	3
2003	45
Thereafter	6
	$ 125,201

</TABLE>

12. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

This footnote discloses the fair value of all financial instruments, both assets and liabilities, recognized and not recognized, in the Consolidated Statements of Financial Position for which it is practicable to estimate fair value.

Quoted market prices generally are not available for all of the Company's financial instruments. Accordingly, fair values are based on judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A description of the methods and assumptions used to estimate the fair value of each class of the Company's financial instruments is as follows:

CASH AND CASH EQUIVALENTS, ACCOUNTS PAYABLE, ACCRUED PAYROLL AND EMPLOYEE BENEFITS, AND OTHER ACCRUED LIABILITIES

The carrying amounts approximate fair value due to the short maturity of these instruments.

ACCOUNTS RECEIVABLE

Customer installment receivables:
Since the average collection period exceeds 90 days, the discounted present value of expected future cash flows from the collection of the receivables and related deferred finance income was calculated and it was determined that the carrying amount approximates fair value.

Revolving credit receivables:
Currently, revolving credit receivables are originated with variable rates of interest, with interest rate spreads that differ based on the related risk of such receivables. Thus, the carrying value approximates market value. However, this valuation does not include the value that

relates to estimated cash flows generated from new loans from existing customers over the life of the cardholder relationship. Accordingly, the aggregate fair value of the revolving credit receivables does not represent the underlying value of the established cardholder relationships.

Retained interest in securitized receivables:
When the Company securitizes receivables, it sells its receivables and receives cash and certificates representing undivided interests in a portion of the receivables. Due to the short-term revolving nature of the portfolio and the treatment of these certificates as trading securities, the carrying amount of the Company's "Retained interest in securitized receivables" in the Fingerhut Master Trust and third party conduits approximates fair value. The retained interest also includes the fair value of the interest rate swap agreement which was obtained from dealer quoted prices.

LONG-TERM DEBT

The fair value of the Company's long-term debt was estimated based on the amount of future cash flows associated with each instrument discounted using the current rates offered to the Company for similar debt instruments of comparable maturity.

INTEREST RATE CAP AGREEMENTS

The fair values of interest rate cap agreements were obtained from dealer quoted prices. These values represent the estimated amount the Company would receive upon termination of the agreements, taking into consideration current interest rates and the current credit worthiness of the counterparties.

The estimated fair values of the Company's financial instruments are summarized as follows:

<TABLE>
<CAPTION>

	December 25, 1998		December 26, 1997	
(In thousands)	Carrying amount	Estimated Fair value	Carrying amount	Estimated fair value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 12,190	$ 12,190	$ 96,889	$ 96,889
Accounts receivable, net	$ 174,096	$ 174,096	$ 215,295	$ 215,295
Retained interest in securitized receivables	$ 205,296	$ 205,296	$ 145,112	$ 145,112
Long-term debt	$ 125,201	$ 126,364	$ 245,271	$ 252,375
Interest rate cap agreements	$ 1,964	$ 32	$ 2,556	$ 79

</TABLE>

DERIVATIVE FINANCIAL INSTRUMENTS HELD OR ISSUED FOR PURPOSES OTHER THAN TRADING

The Company enters into interest rate cap and swap agreements to hedge its economic exposure to fluctuating interest rates currently associated with the floating rate certificates issued by the Fingerhut Master Trust. Any premiums paid for these agreements are amortized to "Finance income and other securitization income, net" where the economic exposure to fluctuating interest rates exists.

The Fingerhut Master Trust Series 1994-2 certificates, initially issued in November 1994, required a six-year agreement which effectively capped LIBOR exposure at 11.2 percent on a notional (hedged) amount varying up to $491.0 million over the life of the agreement. In connection with an amendment of Series 1994-2 in May 1995, an additional two and one-half year, 11.2 percent interest rate cap was required for up to a notional amount of $209.7 million.

In connection with the planned issuance of the $450.0 million Fingerhut

Master Trust Series 1998-1 certificates and the $450.0 million Fingerhut Master Trust Series 1998-2 certificates in April 1998, the Company entered into an interest rate swap agreement in October 1997 with an initial notional amount of $415.0 million. This agreement had a forward start date of April 1998 and amortizes down to zero in October 1999. This agreement exchanges an obligation to pay floating LIBOR rates for an obligation to pay fixed interest rates of approximately 5.95 percent. The Company also cash settled (at fair market value) the final three payments of an interest rate swap corridor agreement with a notional amount of $400.0 million set to expire in July 1998.

For interest rate cap and swap transactions, the contract or notional amounts do not represent exposure to credit loss. Entering into interest rate cap and swap agreements involves the risk of dealing with counterparties and their ability to meet the terms of the contracts. Notional principal amounts often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller.

13. INTEREST EXPENSE, NET

Net interest expense was as follows:

<TABLE>
<CAPTION>

(In thousands)	Fiscal year ended December 25, 1998	December 26, 1997	December 27, 1996
Interest expense	$ 20,993	$ 28,606	$ 28,870
Interest income	(1,797)	(660)	(3,565)
Net interest expense	$ 19,196	$ 27,946	$ 25,305

</TABLE>

The Company paid interest of $20.8 million in 1998, $28.8 million in 1997 and $34.2 million in 1996.

14. OPERATING LEASES

Rental expense for both cancelable and non-cancelable operating leases, (principally for office and warehouse facilities and computer equipment) for fiscal years 1998, 1997 and 1996 was $32.9 million, $33.5 million, and $34.8 million, respectively. Future minimum annual rentals and payments under non-cancelable operating leases at December 25, 1998 are as follows:

<TABLE>

(In thousands)	
1999	$ 26,013
2000	$ 15,735
2001	$ 9,826
2002	$ 8,164
2003	$ 6,399
Thereafter	$ 3,438

</TABLE>

During 1996, the Company leased office space for one of its telemarketing centers and warehouse space from a partnership owned by various members of the immediate family of one of the Company's Directors. Rental expense for this space in 1996 was $.6 million.

15. EMPLOYEE BENEFIT PLANS

The Company maintains five defined contribution plans, which together cover substantially all non-union employees. Four of the plans have a

401(k) provision, including two which provides for an employer matching contribution only; another which provide for an employer matching contribution as well as a profit sharing contribution; and the third which provides for an employer profit sharing contribution only. Each of the profit sharing contributions is discretionary and is determined by the board of directors for each of the individual companies. The maximum profit sharing contribution is 11 percent of each participant's eligible compensation. The fifth defined contribution plan is a money purchase plan and provides for a non-discretionary employer contribution of 4 percent of each participant's eligible compensation. The cost to the Company of these plans was $12.5 million, $12.2 million, and $10.8 million for 1998, 1997 and 1996, respectively.

Additionally, the Company maintains one defined contribution plan (with a 401(k) provision and employer matching contribution) and participates in another multi-employer defined contribution plan (with a 401(k) provision only) for all union employees. The cost to the Company of these plans was not material for each of the years presented.

The Company maintains five non-contributory, defined benefit pension plans that together cover substantially all full-time non-union employees. The plans provide monthly retirement benefits to eligible participants based upon years of service and level of compensation. The Company's funding policy is to make an annual contribution equal to, or exceeding, the minimum required by the Employee Retirement Income Security Act of 1974. The acquisition of AMO and its related pension plan are reflected as of August 31, 1998.

The changes in benefit obligation and plan assets and the reconciliation of funded status were as follows:

<TABLE>
<CAPTION>

(In thousands) Change in benefit obligation:	1998	1997
<S>	<C>	<C>
Benefit obligation at beginning of year	$ 39,430	$ 30,466
Service cost	3,080	2,436
Interest	3,247	2,627
Plan amendments	--	1,230
Actuarial loss	1,963	3,658
Acquisition	9,286	--
Benefits paid	(2,382)	(987)
Benefit obligation at end of year	$ 54,624	$ 39,430
Change in plan assets:		
Fair value of assets at beginning of year	$ 31,187	$ 24,770
Actual return on assets	7,233	6,524
Employer contributions	25	880
Acquisition	10,343	--
Divestiture	--	--
Benefits paid	(2,382)	(987)
Fair value of assets at end of year	$ 46,406	$ 31,187

Reconciliation of funded status:	1998	1997
Benefit Obligation	$ (54,624)	$ (39,430)
Fair value of plan assets	46,406	31,187
Unfunded obligation	(8,218)	(8,243)
Unrecognized actuarial loss	(8,785)	(6,670)
Unrecognized prior service cost	2,295	2,436

Recognized Amount	$ (14,708)	$ (12,477)

The amount recognized in the statement of financial position consists of the following:

Prepaid benefit cost	$ 975	$ --
Accrued benefit liability	(15,683)	(12,477)
Additional minimum liability	(2,358)	(2,305)
Intangible asset	2,358	2,305
Recognized Amount	$ (14,708)	$ (12,477)

</TABLE>

The actuarial present value of the Benefit Obligation represents the present value of benefits to be paid in the future under current provisions of the plan and based upon the following weighted-average assumptions:

<TABLE>
<CAPTION>

<S>	1998	1997	1996
Discount rate	7.0%	7.25%	7.75%
Expected return on assets	10.5%	10.5%	9.5%
Rate of compensation increase	6.0%	6.0%	5.5%

</TABLE>

Plan assets at December 25, 1998, and December 26, 1997, were primarily invested in an equity fund. The Company's non-union pension plans have vesting periods of four years.

The components of net periodic pension costs for non-union employees were as follows:

<TABLE>
<CAPTION>

(In thousands) <S>	1998	1997	1996
Service cost	$ 3,080	$ 2,436	$ 2,942
Interest cost	3,247	2,627	2,366
Expected return on assets	(3,145)	(2,295)	(1,772)
Amortization of prior service cost	140	140	76
Amortization of net (gain) loss	(11)	(72)	1
Pension expense for the period	$ 3,311	$ 2,836	$ 3,613

</TABLE>

Additionally, the Company participates in a multi-employer pension plan for all union employees. The plan provides monthly retirement benefits to eligible participants based upon years of service. The plan is funded with contributions made in accordance with negotiated labor contracts. The pension expense related to this plan for 1998, 1997 and 1996 was $.9 million, $1.0 million, and $.9 million, respectively.

16. INCOME TAXES

The provision for income taxes consisted of the following:

<TABLE>
<CAPTION>

(In thousands) <S>	1998	1997	1996

CURRENTLY (RECEIVABLE) PAYABLE:			
Federal	$ (2,745)	$ 3,155	$ 26,768
State	1,687	2,240	(1,498)
DEFERRED	14,435	15,872	(13,948)
Provision for income taxes	$ 13,377	$ 21,267	$ 11,322

</TABLE>

The Company's effective income tax rate differed from the U.S. federal statutory rate as follows:

<TABLE>
<CAPTION>

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
U.S. federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	(1.2)	3.0	1.0
Merchandise donations	(1.4)	(3.0)	(3.4)
Non deductible expenses	6.6	--	--
Other, net	(1.5)	1.1	2.3
Effective income tax rate	37.5%	36.1%	34.9%

</TABLE>

The "Other, net" tax rate in 1998, 1997 and 1996 was composed of miscellaneous items, none of which were individually significant.

The current and long-term deferred income tax assets and liabilities included in the Consolidated Statements of Financial Position as of December 25, 1998, and December 26, 1997, were composed of the following:

<TABLE>
<CAPTION>

(In thousands)	1998	1997
<S>	<C>	<C>
CURRENT AND LONG-TERM DEFERRED INCOME TAX ASSETS RESULTING FROM FUTURE DEDUCTIBLE TEMPORARY DIFFERENCES ARE:		
Accounts receivable reserves	$ 160,870	$ 186,980
Yield reserve	11,017	14,570
Inventory obsolescence reserves	6,211	6,311
Other	17,567	16,139
Total deferred income tax assets	$ 195,665	$ 224,000
CURRENT AND LONG-TERM DEFERRED INCOME TAX LIABILITIES RESULTING FROM FUTURE TAXABLE TEMPORARY DIFFERENCES ARE:		
Accelerated depreciation and amortization	$ (18,526)	$ (27,586)
Deferred finance income	(92,183)	(96,530)
Deferred advertising	(4,409)	(3,484)
Other	(364)	(273)
Total deferred income tax liabilities	$ (115,482)	$ (127,873)

</TABLE>

The Company's prior operating earnings, on a tax basis, allows for the full utilization of the deferred tax assets included in its consolidated financial statements.

The Company paid income taxes (net of refunds) of $(6.2) million, $0.8 million, and $2.9 million, during 1998, 1997 and 1996, respectively.

17. RELATED PARTY TRANSACTIONS

Related party transactions, detailed by subject and Note reference are as follows:

Operating leases	Note 14
Stockholders' equity	Note 18

18. STOCKHOLDERS' EQUITY

The Company currently has 100,000,000 authorized shares of $.01 par value common stock of which 49,342,165 and 46,292,461 were issued and outstanding as of December 25, 1998 and December 26, 1997, respectively. The Company is authorized to issue 5,000,000 shares of $.01 par value preferred stock, none of which have been issued.

During 1994, the Company's Board of Directors authorized the repurchase of up to 2.5 million common shares, which it completed in October 1998. In November 1998, the Company's Board of Directors authorized the repurchase of an additional 2.5 million shares of the Company's common stock that may be made from time to time at prevailing prices in the open market or by block purchase and may be discontinued at any time. The purchases are made within certain restrictions relating to volume, price and timing in order to minimize the impact of the purchase on the market for the Company's common stock. During 1998, the Company repurchased at prevailing market prices 1.2 million shares of its common stock for an aggregate of $13.1 million. Under current and previously authorized programs, total purchases through December 25, 1998 were 2,834,700 shares for an aggregate of $38.0 million. The Company has remaining authorization to repurchase an additional 2.2 million common shares. The Company also repurchased approximately 1.4 million mature shares for $35.1 million, which was authorized in connection with the spin-off of Metris.

FINGERHUT 1994 EMPLOYEE STOCK PURCHASE PLAN

Effective July 1, 1994, the Company made available to certain employees the Fingerhut 1994 Employee Stock Purchase Plan under which eligible employees have the opportunity to purchase Company common stock at a discounted market value determined on the first or last business day of the calendar quarter, whichever is lower. A maximum of 750,000 shares is authorized, of which 200,000 shares are subject to shareholder approval. During 1998, 45,021 shares were issued at an average price of $15.l2. During 1997, 55,159 shares were issued at an average price of $12.60. During 1996, 100,141 shares were issued at an average price of $11.59 per share.

EFFECT OF SPIN ON STOCK OPTION PLANS

Effective with the spin-off of Metris, the Company's Board of Directors authorized the re-pricing of all options outstanding at September 25, 1998 (the date of the spin). The options were re-priced to account for the change in the Company's stock price after the spin. The impact to the option plans was an increase in the number of options outstanding and a corresponding decrease in the option exercise price. The economic impact to the option holder was zero as the increase in the number of options was equally offset by the decrease in option price.

FINGERHUT COMPANIES, INC. STOCK OPTION PLAN

The Fingerhut Companies, Inc. Stock Option Plan provides certain management of the Company with options to purchase up to 22,333,000 shares of common stock of which, 823,950 were available for grant at December 25, 1998. The options are granted at the fair market value on the date of grant. The options become exercisable in five equal annual installments beginning on the first anniversary of the date of grant. Unexercised options will be canceled 10 years and one month after the date of grant.

FINGERHUT COMPANIES, INC. 1995 LONG-TERM INCENTIVE AND STOCK OPTION PLAN

The Fingerhut Companies, Inc. 1995 Long-Term Incentive and Stock Option Plan provides for the granting of 12,218,750 stock options (either incentive stock options or non-qualified stock options), stock appreciation rights or restricted stock to officers and other employees. At December 25, 1998, 176,336 shares were available for grant. The Compensation Committee of the Board has the authority to determine the exercise prices, vesting dates, expiration dates and other material conditions upon which options or awards may be exercised, except that the option price of incentive stock options may not be less than 100 percent of the fair market value of the common stock on the date of grant, and not less than 110 percent of the fair market value in the case of an incentive stock option granted to any employee owning more than 10 percent of the Company's common stock (a "Ten Percent Employee"), and the term of non-qualified stock options may not exceed 15 years from the date of grant (not more than 10 years for incentive stock options and five years for incentive stock options granted to a Ten Percent Employee). During 1998 and 1997, the Compensation Committee granted a total of 6,533,993 and 985,445 options, respectively. In 1998, 1997 and 1996, 244,645, 15,000 and 353,917 shares of restricted stock were issued, respectively. The weighted average grant date fair value of these awards was $10.77, $14.88 and $13.50, respectively. For restricted shares granted in 1998, 60,000 shares vest in four equal annual installments beginning on the first anniversary of the date of grant, subject to continued employment, 177,145 shares vest in three equal annual installments beginning on the first anniversary of the date of grant, subject to continued employment; and 7,500 vest 100 percent after three years, subject to continued employment. For restricted shares granted in 1997, 5,000 shares vested May 12, 1997 and May 12, 1998 with the remaining 5,000 shares vesting on May 12, 1999, subject to continued employment. The restricted stock issued in 1996 became fully vested in 1998. The unearned portion of the awards is being amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to the restricted stock awards totaled $1.3 million, $1.3 million and $2.9 million for the years ended December 25, 1998, December 26, 1997 and December 27, 1996, respectively, which included tax assistance payments made by the Company with respect to the first 25 percent of the awards that vested.

FINGERHUT COMPANIES, INC. NONEMPLOYEE DIRECTOR STOCK OPTION PLAN

The Fingerhut Companies, Inc. Nonemployee Director Stock Option Plan provides for the granting of 287,500 stock options to directors of the Company who are not officers or employees. At December 25, 1998, 143,125 shares were available for grant. A committee of members of the Board of Directors who are officers or employees of the Company has the authority to determine the exercise prices, vesting dates, expiration dates and other conditions upon which options may be exercised, except that the term of such options may not exceed 15 years from the date of the grant.

FINGERHUT COMPANIES, INC. PERFORMANCE ENHANCEMENT INVESTMENT PLAN

The Fingerhut Companies, Inc. Performance Enhancement Investment Plan ("PEIP Plan") provided certain management of the Company with the right to purchase options to acquire up to 8,625,000 shares of common stock. Under the PEIP Plan, management was offered the opportunity to purchase option units, each consisting of four options to purchase common stock, with exercise prices of 110 percent, 120 percent, 130 percent and 140 percent, respectively, of the fair market value at the time of grant. The options were offered at prices determined by the Company on the grant date. During 1995, the Company discontinued the PEIP Plan and canceled the remaining ungranted shares. No shares were repurchased during 1997. During 1996, the Company repurchased 251,000 options granted under the PEIP Plan at or below the original purchase price paid by the option holders, and the repurchase had no impact on the Company's net earnings. As of December 25, 1998, 53,186 options remained outstanding and will be repurchased, if unexercised, at an amount equal to or less than the purchase price on the earlier of the optionee's termination of employment or the seventh anniversary of the grant date. The remaining obligation to repurchase outstanding options has been accrued and is included in "Accrued payroll and employee benefits" in the Consolidated Statements of

Financial Position.

FINGERHUT COMPANIES, INC. 1992 STOCK OPTION AND LONG-TERM INCENTIVE PLAN

The Fingerhut Companies, Inc. 1992 Stock Option and Long-Term Incentive Plan provides certain management of the Company with options to purchase up to 523,382 shares of common stock. In 1992, the Company granted the Chairman and Chief Executive Officer non-qualified options to purchase 523,382 shares of common stock with an option price of $15.00, the fair market value at the date of grant. In November 1993, 50 percent of these options became exercisable, 50 percent became exercisable in November 1994. In 1998, all of these options were exercised. On September 25, 1998, the Company granted the Chairman and Chief Executive Officer non-qualified options to purchase 1,023,052 shares of common stock with an option price of $8.52, the fair market value at the date of the grant. The options vest in four equal annual installments beginning on the first anniversary of the date of grant.

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized with respect to the Company's stock option grants or the Employee Stock Purchase Plan. Had compensation cost for these plans been determined based on the fair value methodology prescribed by FAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share data)	1998	1997
Net earnings - as reported	$ 45,347	$ 69,329
Net earnings - pro forma	$ 39,442	$ 66,376
Earnings per share diluted - as reported	$ .88	$ 1.40
Earnings per share diluted - pro forma	$ .77	$ 1.34

The above pro forma amounts may not be representative of the effects on reported net earnings for future years. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1998 and 1997.

	1998	1997
Dividend yield	.0%	1.1%
Expected volatility	63.95%	44.72%
Risk-free interest rate	4.75%	6.38%
Expected lives	6.54 years	7.32 years

Information regarding the Company's stock option plans for 1998, 1997, and 1996 is as follows:

	1998		1997		1996	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding,						

beginning of year	7,794,722	$ 10.93	7,024,885	$ 9.57	6,833,547	$ 9.88
Options exercised- pre spin	(5,211,799)	$ 8.71	(300,740)	$ 11.36	(109,900)	$ 6.55
Options granted - pre spin	322,867	$ 28.76	1,155,445	$ 19.58	968,973	$ 13.44
Options canceled/ forfeited - pre spin	(947,466)	$ 12.39	(84,868)	$ 14.16	(667,735)	$ 18.86
Effect of spin on options	3,600,994	$ 6.64	--		--	
Options exercised - post spin	(178,773)	$ 5.73	--		--	
Options granted - post spin	4,411,085	$ 8.58	--		--	
Options canceled/ forfeited- post spin	(64,076)	$ 6.11	--		--	
Options outstanding, end of year	9,727,554	$ 7.54	7,794,722	$ 10.93	7,024,885	$ 9.57
Weighted-average fair value of options, granted during the year		$ 5.77		$ 10.10		$ 7.28
Weighted-average exercise price of options, exercisable at end of year		$ 5.60		$ 8.65		$ 7.98

</TABLE>

The following table summarizes information about stock options outstanding at December 25, 1998:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/25/98	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/25/98	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$2.87 to $4.957	1,312,096	6.88	$4.582	794,171	$ 4.509
$5.043 to $5.913	1,003,895	6.76	$5.209	874,916	$ 5.219
$6.087 to $7.065	596,711	8.17	$7.023	70,324	$ 6.706
$7.109 to $8.438	1,590,613	8.61	$7.331	531,491	$ 7.254
$8.52	3,921,585	9.76	$8.52	0	$ 0
$8.522 to $13.32	1,302,654	9.16	$9.862	70,698	$ 9.15
$2.87 to $13.32	9,727,554			2,341,600	

</TABLE>

19. OTHER DISCLOSURES

Administrative and selling expenses included promotional material and advertising expenses of $420.7 million, $379.0 million, and $409.6 million for 1998, 1997 and 1996, respectively.

Amortization expense relating to the excess of cost over fair value of net assets acquired was $4.7 million for 1998, $2.7 million for 1997 and $2.8 million for 1996. Accumulated amortization was $29.0 million and $24.3 million at December 25, 1998 and December 26, 1997, respectively.

In July 1998, the Company acquired a 19.9 percent equity interest position in PC Flowers & Gifts, Inc., a leading on-line provider of flowers, gift baskets and gourmet food. The investment was increased in January 1999 to 40%. In December 1998, the Company acquired 19.9 percent equity interest positions in The Zone Network, parent of MountainZone.com, the leading community-based web site for mountain sports information and merchandise, and in Freeshop International, parent of Freeshop.com, a hub for online shopping. The total amount of these equity interests is $8.6 million at December 25, 1998 and is included in "Other assets" on the "Consolidated Statements of Financial Position."

20. SALE OF STOCK BY SUBSIDIARY

In October 1996, Metris, a then wholly-owned subsidiary, completed an initial public offering of 3,258,333 of its common shares at $16 a share. The transaction reduced the Company's ownership interest to approximately 83 percent. Metris realized net cash proceeds of approximately $47.4 million from the sale of shares, after underwriting discounts and commissions and expenses of the offering. The sale resulted in an increase of approximately $24.9 million in the Company's proportionate share of Metris' equity, which is included in "Additional paid-in capital" in the Company's Consolidated Statements of Financial Position.

21. CONTINGENCIES

The Company is a party to various claims, legal actions, sales tax disputes and other complaints arising in the ordinary course of business. In the opinion of management, any losses which may occur are adequately covered by insurance, are provided for in the consolidated financial statements, or are without merit and the ultimate outcome of these matters will not have a material effect on the consolidated financial position or operations of the Company.

At December 25, 1998, the Company had unused credit line commitments on its Credit Advantage Card(SM) accounts of $1.3 billion. The Company does not anticipate that all of its customers will exercise this entire available credit at any one time. Commitments on credit card lines are cancelable at any time.

22. SUBSEQUENT EVENTS (Unaudited)

On March 18, 1999, Bengal Subsidiary Corp., a wholly owned Subsidiary of Federated Department Stores, Inc., acquired the majority of the outstanding common shares of the Company.

On January 6, 1999, the Company increased its 19.9 percent investment in PC Flowers and Gifts to 40 percent. Beginning in 1999, the Company will account for PC Flowers and Gifts using the equity method of accounting.

On January 26, 1999, the Company acquired a 19.9 percent equity interest in Roxy Systems, Inc., a leading marketer of digital technology products on the Internet.

On January 6, 1999, the Company closed on the acquisition of Bedford Fair, a direct marketer of apparel. The acquisition will be accounted for as a purchase.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Fingerhut Companies, Inc.:

We have audited the accompanying consolidated statements of financial position of Fingerhut Companies, Inc. (the "Company") as of December 25, 1998 and December 26, 1997 and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for each of the fiscal years in the three-year period ended December 25, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fingerhut Companies, Inc. as of December 25, 1998 and December 26, 1997, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended December 25, 1998, in conformity with generally accepted accounting principles.

/KPMG Peat Marwick LLP/

Minneapolis, Minnesota
January 20, 1999

EXHIBIT 99.3

AUDITOR'S CONSENT

The Board of Directors
Fingerhut Companies, Inc.:

We consent to the use of our report included herein.

/s/ KPMG Peat Marwick LLP

Minneapolis, Minnesota
March 18, 1999