

★ macy's
bloomingdale's

CORPORATE
FACT BOOK

WHAT'S IN A NAME?

04

Federated
DEPARTMENT STORES, INC.

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FISCAL YEAR 2004-2005

CALENDAR OF PUBLIC DISCLOSURES*

MONTHLY SALES ANNOUNCEMENTS

Month	Fiscal 2004 News Release Dates*	Fiscal 2005 News Release Dates*
February	3/4/04	3/3/05
March	4/8/04	4/7/05
April	5/6/04	5/5/05
May	6/3/04	6/2/05
June	7/8/04	7/7/05
July	8/5/04	8/4/05
August	9/2/04	9/1/05
September	10/7/04	10/6/05
October	11/4/04	11/3/05
November	12/2/04	12/1/05
December	1/6/05	1/5/06
January	2/3/05	2/2/06

QUARTERLY RESULTS

Three Months Ended	2004 News Release Dates*	10Q/10K SEC Filing
5/1/04	5/12/04	6/10/04
7/31/04	8/11/04	9/9/04
10/30/04	11/10/04	12/9/04
1/29/05	2/22/05	3/30/05
Three Months Ended	2005 News Release Dates*	10Q/10K SEC Filing
4/30/05	5/11/05	6/6/05
7/30/05	8/10/05	9/6/05
10/29/05	11/9/05	12/5/05
1/28/06	2/21/06	3/29/06

* All dates are subject to change.

The Fact Book contains certain forward-looking statements that reflect current views of the future financial performance and other events of Federated. The words “may,” “will,” “could,” “expect,” “plan,” “anticipate,” “believe” and other similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties. Future results or outcomes could differ materially from current expectations due to a variety of factors that affect the company, including competitive pressures from specialty stores, general merchandise stores, manufacturers’ outlets, off-price and discount stores, new and established forms of home shopping (including the Internet, mail-order catalogs and television) and general consumer spending levels, including the impact of the availability and level of consumer debt, and the effect of weather and other factors identified in documents filed by the Company with the SEC.

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FINANCIAL HIGHLIGHTS

	2003	2002	2001
Net Sales	\$ 15.264 billion	\$ 15.435 billion	\$ 15.651 billion
Change in same-store sales ^(Note 1)	(0.9%)	(3.0%)	(5.3%)
Income from Continuing Operations			
Before Income Taxes	\$ 1.084 billion	\$ 1.048 billion	\$ 764 million
% of sales	7.1%	6.8%	4.9%
Diluted Earnings (Loss) Per Share			
Income from Continuing Operations ^(Note 2)	\$ 3.71	\$ 3.21	\$ 2.54
Net Income (Loss) ^(Note 2)	\$ 3.71	\$ 4.12	\$ (1.38)
Cash Flow Before Financing Activities ^(Note 3)	\$ 1.028 billion	\$ 531 million	\$ 580 million

Notes:

- (1) Represents the year-to-year percentage change in net sales from stores in operation throughout the year presented and the immediately preceding year, including for 2001 Stern's stores in operation throughout the first quarter of 2001 and 2000, and excluding for 2001 the impact of the 53rd week in 2000.
- (2) Excluding the impact of a one-time \$.20 per share reduction in net deferred income tax liabilities, diluted earning per share for both income from continuing operations and net income would be \$3.51 in 2003.
- (3) Represents net cash provided by continuing operating activities of \$1,590 million for 2003, \$1,168 million for 2002 and \$1,351 million for 2001 reduced by the net cash used by continuing investing activities of \$562 million for 2003, \$637 million for 2002 and \$771 million for 2001.



FEDERATED-AT-A-GLANCE

FEDERATED DEPARTMENT STORES, INC. IS ONE OF THE NATION'S LEADING DEPARTMENT STORE RETAILERS. FEDERATED OPERATED 459 STORES IN 34 STATES, GUAM AND PUERTO RICO AS OF MAY 1, 2004 UNDER THE NAMES OF BLOOMINGDALE'S, BON-MACY'S, BURDINES-MACY'S, GOLDSMITH'S-MACY'S, LAZARUS-MACY'S, MACY'S AND RICH'S-MACY'S. IT ALSO OPERATES MACYS.COM, BLOOMINGDALE'S BY MAIL, AND A NETWORK OF ONLINE BRIDAL REGISTRIES OPERATED IN CONJUNCTION WITH WEDDINGCHANNEL.COM.

Macy's East

95 stores in Connecticut, Delaware, Louisiana, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Virginia and Puerto Rico. Annual 2003 sales of \$4.692 billion.

Macy's West

144 stores in Arizona, California, Hawaii, Minnesota, Nevada, New Mexico, Texas and Guam. Annual 2003 sales of \$4.203 billion.

Macy's Home Store

Home merchandise sold in all 423 Macy's-nameplate stores.

Rich's/Lazarus/Goldsmith's-Macy's

71 stores: 28 of which operate under the Rich's-Macy's name in Alabama, Georgia and South Carolina; 38 of which operate as Lazarus-Macy's stores in Indiana, Kentucky, Ohio, Pennsylvania and West Virginia; and five of which operate under the Goldsmith's-Macy's name in Tennessee. Annual 2003 sales of \$2.032 billion.

Bloomingdale's

36 stores in California, Florida, Illinois, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, New York, Pennsylvania and Virginia. Annual 2003 sales of \$1.861 billion.

Burdines-Macy's

63 stores in Florida. Annual 2003 sales of \$1.339 billion.

Bon-Macy's

50 stores in Idaho, Montana, Oregon, Washington and Wyoming. Annual 2003 sales of \$974 million.

Federated Corporate

Headquartered in Cincinnati, OH and New York, NY

Federated Corporate Marketing (FCM)

Headquartered in New York, NY

Federated Logistics & Operations (FLO)

Headquartered in Secaucus, NJ

Federated Merchandising Group (FMG)

Headquartered in New York, NY

Federated Systems Group (FSG)

Headquartered in Atlanta, GA

Financial, Administrative and Credit Services Group (FACS)

Headquartered in Cincinnati, OH

CORPORATE PHILOSOPHY

Federated clearly recognizes that the customer is paramount, and that all actions and strategies must be directed toward providing an enhanced merchandise offering and better service to targeted consumers through dynamic department stores and direct-to-customer retail formats.

Aggressive implementation of the company's strategies, as well as careful and thorough planning, will provide Federated's department stores with an important competitive edge.

Federated is committed to open and honest communications with employees, shareholders,

vendors, customers, analysts and the news media. The company seeks to be proactive in sharing information and in keeping these key stakeholder groups up-to-date on important and material developments.

At Federated, our greatest strength lies in the skill, judgment and talent of our people. Every day a production of enormous magnitude takes place on our selling floors and behind the scenes, where our people bring the company's strategic goals to life. Our priority on attracting, retaining and growing the most talented people in the retail industry has been and will continue to be our greatest advantage.



CORPORATE OBJECTIVES

The corporate objectives of Federated Department Stores, Inc. are:

- TO ACCELERATE DEPARTMENT STORES COMP-STORE SALES GROWTH;
- TO EFFECTIVELY UTILIZE EXCESS CASH FLOW THROUGH A COMBINATION OF STRATEGIC GROWTH OPPORTUNITIES, STOCK BUYBACKS, DEBT REDUCTION AND DIVIDEND PAYMENTS;
- TO GROW EARNINGS PER SHARE WHILE INCREASING RETURN ON GROSS INVESTMENT; AND
- TO CONTINUE TO INCREASE THE COMPANY'S PROFITABILITY LEVELS (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION) AS A PERCENT OF SALES.





IN THE 75 YEARS SINCE ITS
FOUNDING, FEDERATED
DEPARTMENT STORES, INC.

WHAT'S IN A NAME?

HAS KNOWN EXACTLY WHAT'S
IN A NAME. THE COMPANY
BEGAN WITH SOME OF THE
BEST-KNOWN NAMES IN
RETAILING GATHERED UNDER
A CORPORATE UMBRELLA THAT
HAS GROWN AND CHANGED
ALONG WITH THE AMERICAN
RETAIL LANDSCAPE. TODAY,
THE NAME FEDERATED
CONTINUES TO EVOKE ALL
THAT IS NEW, EXCITING AND
INNOVATIVE IN DEPARTMENT
STORE RETAILING.



BUILDING THE MACY'S AND BLOOMINGDALE'S BRAND NAMES

ASK ANY SHOPPER FOR A SHORT LIST OF AMERICA'S BEST AND MOST RECOGNIZED DEPARTMENT STORES – THOSE THAT OFFER FASHION, NEWNESS, VALUE AND CONVENIENCE – AND SHE'S LIKELY TO NAME MACY'S AND BLOOMINGDALE'S.

★ macy's bloomingdale's



It's no coincidence. Macy's and Bloomingdale's are compelling national brand names that stand out in the highly competitive arena of U.S. retailing. Macy's translates fashion trends and lifestyle choices into wear-now apparel and home décor for a broad swath of the population. Bloomingdale's defines "chic" for its sophisticated, upscale customer who craves the latest designer fashions and expects exceptional, personalized service.

Both stores are rooted in more than 130 years of history. Each is woven into the fabric of American culture and known worldwide. These stores are where characters in movies and TV series work and shop. They're where celebrities and alluring events draw crowds. They're where a loyal legion of customers shop first when looking for apparel and accessories for themselves and their families ... for gifts for their friends ... for the décor to dress their homes.

Simply put, Macy's and Bloomingdale's are among America's most powerful brand names.

Federated recognizes these names as among the corporation's most valued assets, and our strategy is to invest in building the Macy's and Bloomingdale's brands in a manner that drives comp store sales and leverages investments in marketing and sales promotion.

By maximizing the Macy's and Bloomingdale's nameplates, Federated is emerging as a new breed of department store operator – one agile enough to fuse national brand recognition and merchandising acumen with local store execution and a regional focus on the customer.

In 2003, we propelled Macy's presence nationwide through successful co-branding with our regional department store nameplates. Bon-Macy's, Burdines-Macy's, Goldsmith's-Macy's, Lazarus-Macy's and Rich's-Macy's have made Macy's local for millions of new customers. This will allow the company to magnify the impact of marketing on a nationwide basis, as well as leverage major events such as the Macy's Thanksgiving Day Parade and the Fourth of July fireworks in New York.

Meanwhile, Bloomingdale's continued to refine its merchandise offerings, store ambience, marketing approach and customer service techniques.



BLOOMINGDALE'S: LIKE NO OTHER STORE IN THE WORLD

Bloomingdale's is sharpening its edge with improved stores, new locations, enhanced tools for building customer relationships, and an ongoing obsession with offering unique and differentiated merchandise.

These factors are driving a renewed energy at Bloomingdale's, already known globally for being "like no other store in the world."

Bloomingdale's serves a special type of fashion-forward customer, one that enjoys the trend of the moment while still appreciating the classics of the past. She wants what's new and hot, and she easily spots and latches onto emerging fashion trends. Bloomingdale's customer is as comfortable wearing a Chanel suit as she is in a Marc Jacobs jacket with blue jeans. She expects and demands top quality.

Being the first with fashion and exclusive merchandise is what Bloomingdale's is all about. Its customers regularly see new designers, as well as the latest collections and shops from established names such as Calvin Klein, Ralph Lauren, Burberry, David Yurman, Chanel and Armani.

Bridge sportswear and Young East Sider (YES) are particular strengths of Bloomingdale's, and we are continuously resetting these stages – as well as entire stores – with new shops, looks and designer fashion. Stores today have less signage, brighter lighting and clearer site lines to increase the ease of shopping. In response to customer research, we are enhancing store amenities such as lounges, fitting rooms and seating areas.

YES departments have been upgraded in selected Bloomingdale's locations. In downtown Chicago, for example, junior's and young men's collections have



been combined in an environment of more eclectic visual presentation, more congenial departmental layouts and eye-catching entertainment carried on plasma screens.

Bloomingdale's will continue to selectively open new stores to expand its reach to targeted market niches. In 2003, it opened two new stores in prime locations in Atlanta – Bloomingdale's first presence in that market – as well as two new home

stores in the Chicago area. Bloomingdale's opened a focused new fashion store in the Soho section of Manhattan in spring 2004, and will open a new West Coast flagship in downtown San Francisco in fall 2006.

To its customer, Bloomingdale's represents a unique experience in catering to her individualized needs. We engage this customer through a philosophy called "the B-way of courtesy," which demonstrates Bloomingdale's eagerness to serve. Sales associates regularly contact our top customers personally to announce new merchandise of interest, invite them to store events and follow-up to ensure satisfaction with purchases.

As part of the customer experience at Bloomingdale's, a new point-of-sale system to be tested in 2004 will provide sales associates information on a customer's previous purchases so that additional items can be suggested while a transaction is processed.

Overlaying this approach is sophisticated advertising that reflects a distinctive flair and sense of humor that separates Bloomingdale's from other upscale retailers. In 2003, Bloomingdale's introduced an exclusive new lifestyle magazine – called "B" – which offers dazzling four-color fashion spreads, as well as advice on travel, entertaining and decorating.



MACY'S: AMERICA'S "WAY TO SHOP"

MACY'S HAS EXPERIENCED SOMETHING OF A MAKEOVER.

Already the nation's best-known department store, we have extended the Macy's name to co-brand Federated's regional department store divisions, established a new Macy's Home Store division, introduced a new marketing approach and accelerated the rollout of "reinvent" elements to stores coast to coast.

The process began with extensive research on customer attitudes and shopping behaviors across the country. We explored where American consumers are shopping ... how and why they're shopping ... and what they expect from stores.

As a result, we more precisely defined the Macy's core customer. She's a fashion-conscious woman between the ages of 25-54. She more often than not works outside the home, and her household income averages more than \$75,000 a year. Most are married; about half have children; and her purchase decisions are defined by her lifestyle.

Macy's core customer loves to shop. In fact, she shops an average of 78 times a year for the categories of merchandise sold at Macy's, spending about \$5,000 a year on herself, her family and for gifts.

Ever conscious about what's "brand right" for Macy's, Federated's business focus is consistent with four strategic priorities – differentiated assortments, simplified pricing, improving the shopping experience and marketing.

ASSORTMENTS

Macy's merchandise assortments today are better edited and more focused. We are eliminating duplication and clutter on the selling floor, while also re-introducing categories and items the customer is telling us she wants. We're more aggressively pursuing new ideas, becoming more curious and moving faster.

Exclusive private brands are important to differentiating Macy's assortments and delivering value to the customer.

New private brands such as Hotel Collection, offering luxury bed and bath linens, and Tasso Elba, a modern traditional men's sportswear line, supplement already highly successful collections from I-N-C, Charter Club, Alfani, Greendog, The Cellar and Tools of the Trade. In 2004, I-N-C will launch a men's collection, and an exciting new home accessories line called "Inhabit" will debut, adding yet another category of exclusive merchandise under the Macy's umbrella.

In 2003, private brands represented 17 percent of total sales in Macy's-branded stores. Over time, total penetration is expected to reach 20 percent.

Macy's also is attracting exclusive and limited-distribution national brands, such as "H" by Tommy Hilfiger and new





collections from Jones New York Signature, Lauren by Ralph Lauren, Michael Kors and Calvin Klein.

Recognizing that merchandise for the home is a significant strength and differentiator for Macy's, Federated in early 2004 created a Macy's Home Store division. Based in New York, this centralized organization is responsible for overall strategy, merchandising and marketing of home-related categories of business – including textiles, tabletop, housewares and furniture – in all stores that carry the Macy's nameplate.

Our customer already looks to us as a favored place to shop for her home needs. Our national and international vendor base, combined with our high-quality private brands for the home, provides a strong foundation on which to build this part of our business with newness and value, making it bigger and better than ever before.

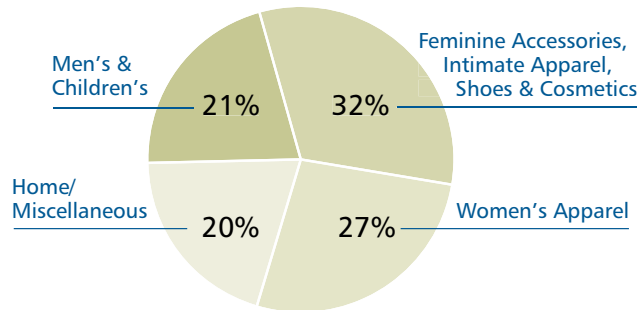
SIMPLIFIED PRICING

Recognizing that while customers continue to respond to value-oriented events, many have become confused by the complex system of sales, clearances, markdowns and promotions at department stores and other retailers. Macy's has developed a better approach.

Shoppers are beginning to find simplified pricing that is more credible, clear and easy to understand. Over the past two years, promotional coupons have been reduced by a total of 20 percent. True to its value proposition, Macy's is expanding its strategic program of Everyday Value – highly attractive prices for some of our best-selling items that a customer will always find at the same great value price, every day, in our stores. These are items that never go on sale so a customer doesn't need to wait to buy them.



SALES BY MERCHANDISING CATEGORIES 2003 (% OF TOTAL SALES)



Footnote: Sales include leased businesses such as Fine Jewelry



IMPROVING THE SHOPPING EXPERIENCE

Federated is entering its third year of rolling out key improvements as part of its drive to reinvent the department store. This includes listening to the voice of the customer, then taking action to make shopping simpler, more convenient and more interesting.

More than \$170 million has been invested in the past two years in reinventing more than 100 Macy's-branded stores, particularly as the Macy's name has been added to regional department store nameplates. Included are new fitting rooms, electronic price checkers, wayfinding signage and shopping buggies.

MARKETING

Macy's is employing a more compelling approach to communicate with its targeted customer and strengthen its unique brand image. Macy's new advertising theme – "Way to Shop" – will communicate with this customer in words and images she recognizes and understands. And with about 425 stores nationwide now part of the brand, Macy's can advertise consistently coast to coast for greater efficiency and impact – supported by a national e-commerce presence through macys.com.

"Way to Shop" celebrates the experience of shopping, reflecting the way customers think of a trip to a Macy's-branded store. More advertising dollars are being allocated to high-energy broadcast spots that reach our core customers more competitively in key markets.





SUCCESS IS A STATE OF MIND

In fashion retailing, the difference between winning and losing with the customer comes down to attitude – having the can-do spirit that appeals to a shopper, serves her needs, and keeps her coming back time and again. At Federated, we're embracing change and building a culture of success that's infectious.

The company's future growth and prosperity depends on attracting, retaining and developing the best people in retailing. We're reaching out to create a community of talent that embraces the unique capabilities of each individual, recognizes and rewards high performance, and develops skills at every level of the organization.

We're connecting with customers by proactively soliciting their opinions, carefully analyzing the feedback, then taking appropriate action. Aside from our in-store interactions, we received feedback from nearly 200,000 consumers in 2003 through customer response letters and the "Tell Us What You Think" feature on our Internet sites. This dialogue has guided our strategic priorities in improving assortments, pricing, store environments and marketing.

In the last year, Federated has become a more creative and innovative company, one that is known for always testing new merchandise, techniques and concepts, for rolling out the successes and learning from the mistakes. Our internal organization is coming closer together so we can learn from each other, leverage our collective experience and build strength on strength.

Most of all, we're capturing and catapulting the power of our nameplate brands – Macy's and Bloomingdale's – and our private brands of merchandise. We are thinking nationally and acting locally, always with the customer foremost in our minds.

It all comes together to create a culture of success and a mindset of achievement. And that's what's in the name "Federated" – by any measure, a company to watch.

CAPITAL EXPENDITURES

Federated's capital expenditures (including capitalized software) totaled \$568 million in 2003, and for the 2004-2006 period, Federated's capital spending plan is now expected to be about \$1.8 billion.

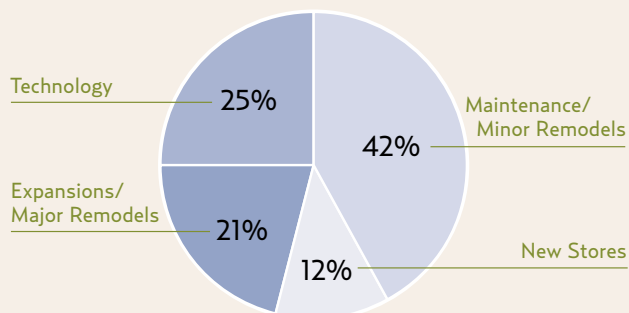
Over the next three years, the company has allocated about 63 percent of its capital budget to store remodels, expansions and maintenance including reinvent initiatives. Included in this capital are 51 major remodels and expansions.

Elements of the reinvent concept will continue to be rolled out to stores nationwide in 2004 and beyond. These elements include improved visual presentations and signage, upscale shopping buggies, price-check scanners, enhanced fitting rooms and customer lounges.

New stores account for approximately 12 percent of the three-year capital-spending plan for 2004-2006. The company plans to open seven new stores (see page 18) in 2004.

New technology accounts for the remaining 25 percent of the 2004-2006 capital-spending plan. Federated continues to invest in technology to improve its operations and customers' experiences in our stores.

CAPITAL PLAN 2004-2006



FEDERATED PRIVATE BRANDS

FEDERATED IS RECOGNIZED AS A RETAIL INDUSTRY LEADER IN DEVELOPING PRIVATE BRAND MERCHANDISE THAT DIFFERENTIATES THE ASSORTMENTS IN OUR STORES AND DELIVERS EXCEPTIONAL VALUE TO THE CUSTOMER. IN ADDITION, SELECTED FEDERATED PRIVATE BRAND MERCHANDISE IS SOLD THROUGH NON-COMPETITIVE DEPARTMENT STORES INTERNATIONALLY.

MERCHANDISE FOR EACH FEDERATED PRIVATE BRAND IS DEVELOPED TO APPEAL TO A CERTAIN CUSTOMER LIFESTYLE AND SUPPORTED WITH MARKETING PROGRAMS THAT CREATE A PRECISELY DEFINED BRAND IMAGE.

ALFANI

Updated, contemporary styling for men and women inspired by the trend toward modern fashion.



Fresh, casual sportswear for juniors and young men with vintage-inspired themes.



Charter Club incorporates a wide range of classic merchandise for women and the home – including ready-to-wear, intimate apparel, accessories and home furnishings. Club Room is classic menswear for the value-conscious customer.

first impressions

Infant and layette apparel for gift-giving and purchase by parents. With fashions for infants 0 to 24 months, the brand offers durable, everyday playwear, a delicate layette collection and value-priced mix-and-match separates.



Fun and upbeat trend-oriented apparel and accessories for kids. Greendog delivers what today's peer-influenced kids want: clothes that feel good, look relaxed and feature "hot" looks and colors.



HOTEL COLLECTION

An affordable luxury brand for the home, offering exceptional quality and value. Hotel Collection features 460- and 600-thread-count sheets, micro-cotton towels, cashmere throws, cotton/silk comforters and upscale, modern tabletop and barware.



A collection of updated casual and career fashions for women and men.

Style&co.

Updated moderate sportswear in casual and comfortable key pieces that mix, match and coordinate.

Tasso Elba

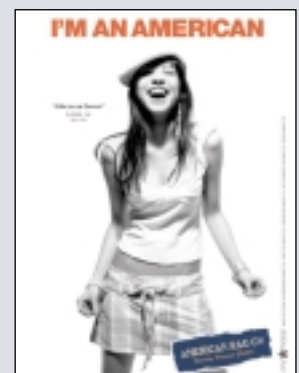
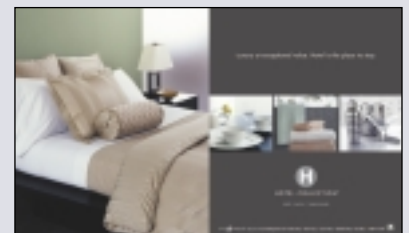
Menswear that speaks to an urbane customer. Tasso is timeless, top-quality investment dressing with an understated European feel. Tasso Elba's take on modern traditional sportswear has proven to be a necessary luxury for its upscale customer.



Housewares and related home merchandise inspired by Macy's famous lower level. From everyday dishes to tabletop accessories, barware, decorative items and more, The Cellar includes a variety of dazzling kitchen ideas.

Tools of the Trade

Exceptional cookware, bakeware, cutlery and kitchen gadgets at great prices.



SOCIAL RESPONSIBILITY

There is no shortage of talk about the obligation of public companies to be socially responsible to the people and communities on whom they depend. At Federated, we hold those same beliefs – along with a belief that actions speak louder than words when it comes to tackling some of the toughest problems facing us today.

SWEATSHOPS AND CHILD LABOR

In 1995, following government investigations into sweatshop conditions and incidents of child labor by some manufacturers of products for the American marketplace, Federated adopted a stringent Vendor/Supplier Code of Conduct that sets out specific standards and requirements for any vendor wanting to do business with Federated. All of the company's vendors are required to sign written affirmations, agreeing to comply with the company's Code of Conduct, that is designed to protect workers in this country and abroad. Among other things, the Code requires Federated's vendors to allow unannounced factory inspections for contractual compliance, as well as for compliance with laws and regulations dealing with child or forced labor and unsafe working conditions. Such inspections of factories engaged in the production of private brand merchandise for the company are made routinely and violations can lead to termination by the company for noncompliance with the Code. (Federated's policy on sweatshops and forced or child labor is posted at www.fds.com. The company's Vendor/Supplier Code of Conduct also is available by calling 1-800-261-5385.)

WELFARE-TO-WORK

Federated divisions have been active partners with local governments and service organizations in cities from coast to coast where there are ongoing programs aimed at preparing welfare recipients to move into gainful employment. In addition to providing hands-on assistance in developing job criteria and specific training curricula, Federated's stores and central division offices have provided much-needed employment opportunities for many former welfare recipients who are entering the workforce, often for the first time. At Macy's in New York City, for instance, the division has been publicly recognized by the Office of the Mayor for its leadership in working with various local service agencies to develop job-training programs specifically tailored to the needs of the retail sector, and for hiring more than 200 program graduates during the first 18 months of this successful public-private partnership.

ENVIRONMENT

While retailers face fewer environmental challenges than do most manufacturing companies, Federated remains committed to protecting the environment and the quality of life in the communities where we live and work. From recycling programs that are in place throughout the company to capital expenditures for energy-efficiency upgrades in stores and facilities, Federated is engaged in numerous ongoing environmental conservation efforts nationwide. Outside experts are hired to conduct annual environmental audits to ensure that our facilities are in compliance with local, state and federal environmental laws. In addition, the company promotes the purchase and use of recycled materials whenever possible; it routinely monitors and regulates indoor air quality standards, maintains policies to ensure compliance with prohibitions against the use of ozone-depleting substances, and consistently employs strict procedures for the storage, handling and disposal of hazardous waste.

CONSUMER CHOICE

In a free society as eclectic and ethnically varied as ours, customers expect and demand a range of choices that meet their individual needs and fashion preferences. In our role as retailers, we recognize that it is the consumer who ultimately will determine what products will continue to be viable retail offerings. Such decisions are made daily at the cash register by individual consumers and function as a singularly effective barometer for determining what will and will not be sold by retailers in a free and open marketplace. Varied and conflicting viewpoints about what should or should not be sold underscore our belief that factors unrelated to the workings of a free economy are inappropriate determinants of retail offerings. For example, while we respect the views of individuals who choose not to buy or wear fur, we also respect the wishes of many others who are our customers and who want to make such choices for themselves.

Federated is involved in other crucial issue areas as well. Over the last four years the company has initiated and completed an extensive readily-achievable upgrading of stores and facilities to comply with the Americans With Disabilities Act. The company also has actively participated in facilitating consumer product recalls, and in industry efforts to safeguard consumer privacy, prevent credit fraud and abuses of personal bankruptcy laws that cost American families millions of dollars annually.



RECENT DEVELOPMENTS

HERE IS A SAMPLING
OF IMPORTANT
DEVELOPMENTS
ANNOUNCED
BY FEDERATED
IN 2003 AND
EARLY 2004.



MANAGEMENT TRANSITIONS IN SMOOTH SUCCESSION



Terry J. Lundgren

FEDERATED SUCCESSFULLY IMPLEMENTED A LONG-PLANNED MANAGEMENT TRANSITION AND CHANGE IN ITS TOP CORPORATE MANAGEMENT STRUCTURE. TERRY J. LUNDGREN, PRESIDENT/CHIEF OPERATING OFFICER AND CHIEF MERCHANDISING OFFICER, BECAME FEDERATED'S CHIEF EXECUTIVE OFFICER IN FEBRUARY 2003 AND CHAIRMAN OF THE COMPANY IN FEBRUARY 2004, SUCCEEDING JAMES M. ZIMMERMAN. UNDER THE NEW CORPORATE STRUCTURE, FIVE CORPORATE VICE CHAIRS REPORT DIRECTLY TO LUNDGREN. THEY INCLUDE:

VICE CHAIRS



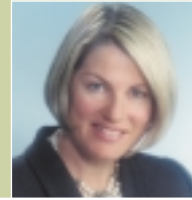
Thomas G. Cody
responsible for legal and human resources, as well as internal audit, external affairs and the company's philanthropic activities



Thomas L. Cole
responsible for support operations



Janet E. Grove
responsible for the company's merchandising, private brand and product development operations



Susan D. Kronick
responsible for all of the company's department store divisions



Ronald W. Tysoe
responsible for finance and real estate

MACY'S HOME STORE LAUNCHED

As a further step toward reinventing the department store, Federated in early 2004 announced the creation of Macy's Home Store, a centralized organization responsible for overall strategy, merchandising and marketing of home-related categories of business in all 423 stores nationally that carry the Macy's nameplate. Included are textiles, tabletop, housewares and furniture, which together represent approximately \$2.6 billion in 2003 sales for Federated, or approximately 19 percent of total sales in the Macy's-named divisions.

Based in New York, the new division is headed by Eric Salus, previously president of the company's Seattle-based Bon-Macy's division.

The primary driver behind this move is to accelerate sales by improving and further differentiating Macy's home assortments. A more coordinated, centralized approach to home buying, merchandising and marketing is enabling



Macy's to work more effectively with vendors to better edit assortments, secure unique product and introduce newness that will excite our customers and further distinguish our offerings. The company's national and international vendor base, combined with high-quality private brands for the home – Charter Club, Hotel Collection, The Cellar and Tools of the Trade – provides a strong foundation on which to build Macy's home business as the home retailing industry's premier organization.

MACY'S BRAND EXTENDED TO REGIONAL DIVISIONS

Federated implemented a broad national strategy to more fully leverage its Macy's brand. The Macy's name was coupled with Rich's in February 2003, with The Bon Marché, Lazarus and Goldsmith's regional department store nameplates in August 2003, and with Burdines in February 2004.

By layering the powerful Macy's national brand onto Federated's strong divisional operations and regional nameplates, the company is able to fully capitalize nationally on the powerful Macy's brand for the first time, as well as to operate more efficiently as a company. This was a positive and exciting development for customers, who have responded favorably.

As part of this Macy's branding strategy, Federated accelerated the introduction of new reinvent features aimed at making the shopping experience more convenient and enjoyable in targeted markets affected by the nameplate change. Some of these improvements included enhanced fitting room environments with waiting lounges, improved in-store signage, the introduction of automated price-check devices and upscale shopping buggies in all stores, and the integration of plasma video screens in selected store locations.

FEDERATED ADJUSTS PRESENCE IN THE ATLANTA MARKET

Following the nameplate integration of Macy's and Rich's, Federated readjusted its market presence in the Atlanta market to maximize the presence of Rich's-Macy's and introduce Bloomingdale's to shoppers there.

A total of 28 stores were re-branded as Rich's-Macy's, including the Atlanta-area Rich's stores and Macy's store at Northlake. As part of the integration, Federated



accelerated a rollout of many of its innovative "reinvent" initiatives, along with other major store remodeling and renovation projects.

As part of this strategy, four Macy's stores – in downtown Atlanta and at Cumberland, Southlake and Gwinnett Place – closed. Two other Macy's locations – in Perimeter Mall and Lenox Square – were redesigned and reopened in Fall 2003 as Bloomingdale's. In addition, one floor of the previous Macy's store in Town Center at Cobb was converted to a Rich's-Macy's furniture gallery.

The company's capital investment in the Atlanta market, including the Bloomingdale's conversions, was more than \$75 million in 2003.



GO RED: MACY'S SUPPORTS HEART HEALTH FOR WOMEN

Always a leader in fashion, Macy's now is rallying women to start listening to their hearts. In 2003, Macy's announced a three-year, \$4.5 million commitment to raise awareness and funds for heart health as the national retail sponsor of the American Heart Association's Go Red For Women campaign.

Launched at a Macy's Herald Square special event in February 2004, the sponsorship supports "Go Red for Women" through promotions such as cooking demonstrations, fashion events and specially created merchandise. Supporting the AHA and its campaign enables Macy's stores nationwide to help all women – customers and employees alike – take action against heart disease and make heart disease prevention a part of their lives.

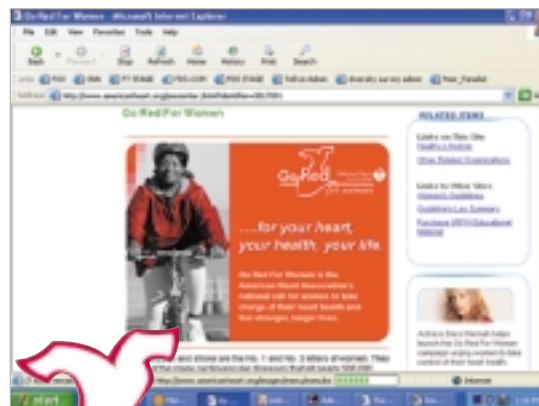
The Go Red initiative was the first major nationwide marketing event under the expanded Macy's nameplate and involves all Macy's-branded stores. The \$4.5 million contribution to the American Heart Association is the largest single gift in the company's history.

DIVIDEND/STOCK REPURCHASE

Based on the company's financial strength and the stability of its cash flow, Federated's board of directors instituted a quarterly dividend payment of 12.5 cents per share of common stock. The first dividend was payable in July 2003.

In addition, Federated spent about \$645 million to repurchase approximately 16 million shares in 2003. In view of the substantial cash that Federated has on its balance sheet and its expected future cash flow, the company will continue to have the flexibility to fund strategic investments, as well as further reduce our debt.

In 2003, cash flow from continuing operations, before financing activities, totaled more than \$1 billion. This was nearly double the prior year's level.



NEW STORES

IN 2004, SEVEN NEW STORES ARE EXPECTED TO OPEN:

Bloomingdale's

Manhattan, New York City (Soho)*
Garden City, NY (Roosevelt Field furniture)*

Bon-Macy's

Kennewick, WA (Columbia Center furniture)

Macy's West

Antioch, CA (County East Mall)
Rancho Cucamonga, CA (Victoria Gardens Mall)
Los Angeles, CA (West Pavilion Mall furniture)

Rich's-Macy's

Douglasville, GA (Arbor Place Mall)

*Opened in April 2004





- THE BEST TALENT FOR EVERY JOB
- COMMUNITY LEADERSHIP
- A DIVERSE AND INCLUSIVE COMPANY

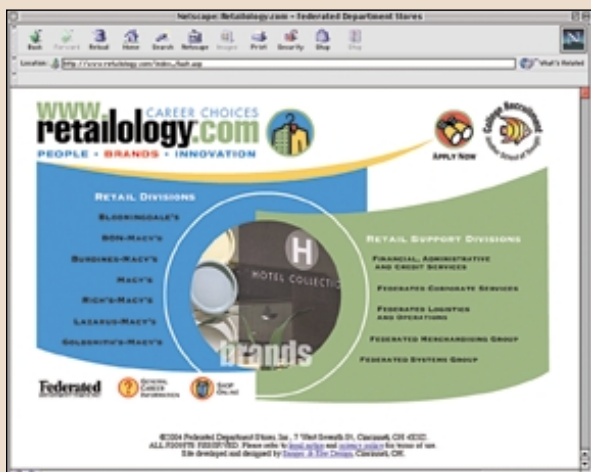


THE BEST TALENT FOR EVERY JOB

WWW.RETAILOLOGY.COM

Federated enjoys a well-deserved reputation for attracting, developing, recognizing and retaining the best people in retailing. We understand that ours is a people business, and that our customers benefit when our associates embody the best skills, expertise and experiences in the marketplace.

Recruiting and hiring well begins by fostering a talent mindset within our organization, and by cultivating a pool of talent upon which we can draw to support our business needs. We believe in making the extra effort to ensure all positions are filled with exactly the right people with the right experience, attitude, energy level and skill set.



Among the tools we use in attracting qualified candidates is Retailology.com, a recruiting Web site used to fill positions in all functions and at virtually all levels nationwide. Retailology.com (and its affiliated

division-specific recruiting sites, such as macysjobs.com) has the richest search capability of any retail recruiting site, allowing visitors to search for individual positions by location, department and/or title. It is considered an innovator among major company sites for recruiting employees, and has been named among the Top 25 (of Fortune 500 companies) for Corporate Staffing Sites by CareerXroads.com.

Federated Leadership Institute

Once hired, Federated employees at all levels benefit from extensive training and development programs. Among them are the Federated Leadership Institute, which provides formal education and development for the organization's top 1,000 executives. The Leadership Institute has emerged as retailing's most successful tool for professional growth at the middle- and senior-management levels. It has been named an "American Express Retail Best Practice" by American Express and the National Retail Federation and continues to improve each year with new techniques and programs.

Succession planning is crucial to maintaining success in our organization. Some level of turnover is inevitable in any company. But identifying and queuing up successors in advance smoothes the transition and reduces the cost and disruption. We are working to anticipate future needs by building a community of talent for each area of business opportunity.

Today, we often identify and interview potentially interested candidates – even when a crucial position isn't immediately available. We strive to

identify potential candidates for each type of position that might become open – even before it does. This is why Retailology.com is an invaluable tool. It attracts a broad range of potential job-seekers (more than 4 million visitors in 2003) who can access a reservoir of relevant information about careers at Federated and then apply online.

With the best people in every position, Federated can and will be an innovator, an industry leader ... and a top-tier financial performer. Good things only happen to a company by having the right people in place in the right jobs. That's particularly true of a service-based company like Federated.



Our greatest assets are our store locations, our brand names and most important the skill, motivation and contribution of our people.



LEADERSHIP INSTITUTE GIVES NEW STORE MANAGERS A "FAST START"

In what may be a first for the retailing industry, Federated has launched a virtual leadership training program for first-time store general managers in every division.



The program, called Fast Start, was developed by the award-winning Federated Leadership Institute (FLI)

and is intended to help recently appointed general managers come up to speed quickly on the broad range of issues within the scope of their new job.

"When someone gets promoted to a general manager position – whether it's from inside the company or from the outside – it's often a big step up. They have a lot of people to manage and many new responsibilities," said Debbie Friedman, who oversees FLI. "Leadership is crucial to creating a climate that drives results."

Sessions will be offered continuously so that managers can train within their first few months on the job. "After the first six months someone is in place, it's too late to take advantage of some of the early wins that will result from Fast Start," Friedman said.

Rather than requiring managers to leave their stores for remote training, Fast Start is delivered via conference call and desktop interaction for three 90-minute sessions in consecutive weeks. General managers learn effective leadership and business management techniques, compare experiences with their peers, learn Federated best practices and address questions. The technology used in Fast Start even allows online breakout groups for small-group discussions on specific topics.

"It's rare to use this type of virtual training for leadership and management skills," Friedman said. "This is the type of training often used to teach technology and systems, but seldom for leadership. I think Federated is at the very forefront here."

BLOOMINGDALE'S NAMED 2003 DIVISION OF THE YEAR

Boasting the highest same-store sales increase and the most significant year-over-year improvement in operating income, Bloomingdale's has received the nod as Federated's "Division of the Year" for 2003. The Manhattan-based division also was recognized for its customer service, as well as for excellent in-store execution of merchandising strategies and exceptional progress in building nationally on the strength of the Bloomingdale's brand.

2003 SERVICE LEADERSHIP AWARDS

General managers named as Service Leaders are honored for overall leadership in service: surpassing Federated's standard 75 rating on customer response letters, achieving sales plan and attaining credit goals. In addition, award winners exhibited exceptional leadership skills.

BLOOMINGDALE'S

Cathy Muhlenforth

*store manager,
Palm Beach Gardens,
West Palm Beach, FL.*

MACY'S EAST

John Valentine

*store manager,
The Mall at Short Hills,
Short Hills, NJ.*

BON-MACY'S

Wendy Munson

*store manager,
Walla Falls Mall,
Walla Walla, WA.*

MACY'S WEST

Jim Evans

*store manager,
Fashion Show Mall,
Las Vegas, NV.*

BURDINES-MACY'S

Carolyn Ventola

*store manager,
Westshore Mall,
Tampa, FL.*

RLG-MACY'S

Mary Margaritis

*store manager,
Lazarus-Macy's,
Easton Town Center,
Columbus, OH.*

IMPROVING THROUGH CUSTOMER FEEDBACK

Federated has been honored by the NRF Foundation and American Express for its process of collecting and managing customer feedback via Customer Response Letters and the "Tell Us What You Think" feature on our corporate Internet site. Customer Response Letters and "Tell Us What You Think" has helped Federated better connect with its customers. In 2003, more than 95,000 customer comments were received and processed through the www.fds.com "Tell Us" Web site feature. In addition, information received from more than 118,000 customer response letters was processed last year. This system has allowed Federated to gather, organize, understand and manage input from nearly 200,000 customers in 2003 – more than double the volume from 2002.

In many cases, the system has turned "disappointed" customers into loyal fans because the company was able to quickly and decisively respond to their needs or concerns. Moreover, the system has facilitated the process of recognizing some of our most successful store associates, based on positive customer experiences, which has resulted in greater job satisfaction and associate retention.

FEDERATED'S STAR ACADEMY

Each year, one sales associate and one sales manager are selected from each department store division for inclusion in Federated's Star Academy. They are our brightest and most successful sales professionals. The Star Academy is a demonstration of Federated's strategy to attract and retain the best people in the retail industry.

Selection to the Academy is based on success in "connecting with the customer" through a commitment to service and satisfaction.

Founded in 1995, the Star Academy now includes 120 women and men who serve as role models and mentors for newer and less-experienced sales professionals. Each of these winners has a story of excellence and achievement that inspires his or her peers.

Inducted into the Star Academy for exceptional performance in 2003 were:

BLOOMINGDALE'S



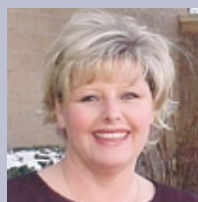
Judith Nicolich,
sales manager –
bridge sportswear,
The Mall at Short Hills,
Short Hills, NJ



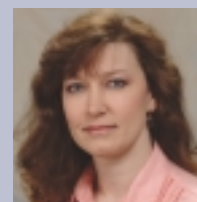
Dana Turnoff,
sales associate –
Young East Sider,
Aventura Mall,
Miami, FL



BON-MACY'S

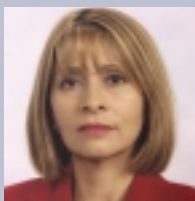


Polly Hildebrandt,
sales manager –
moderates & petites,
West Boise Mall,
Boise, ID

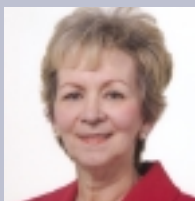


Shelley Davies,
sales associate –
housewares,
South Hill Mall,
Puyallup, WA

BURDINES-MACY'S



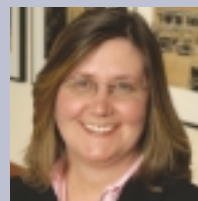
Monica Villamil,
sales manager –
better sportswear,
Pembroke Lakes Mall,
Pembroke Pines, FL



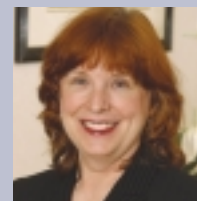
Edith Krepp,
sales associate –
intimate apparel,
Boca Raton Mall,
Boca Raton, FL



MACY'S EAST



Leslie Scotidas,
sales manager –
better & moderate,
Commack Plaza,
Commack, NY

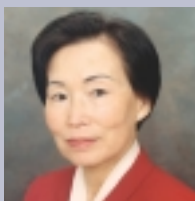


Lois Ashbrook,
Jones specialist –
better sportswear,
King of Prussia Mall,
King of Prussia, PA

MACY'S WEST



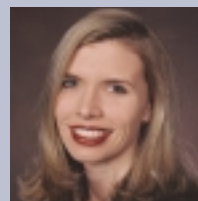
Rosa Losey,
sales manager –
cosmetics & fragrances,
Fresno Mall,
Fresno, CA



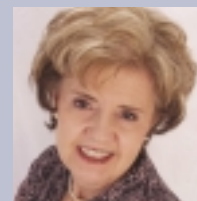
Akiko Tanaka,
sales associate –
housewares,
Oakridge Mall,
San Jose, CA



RLG-MACY'S



Jennifer Olsen,
sales manager –
men's furnishings & sportswear,
Rich's-Macy's Lenox Mall,
Atlanta, GA



Marilyn Gintert,
I-N-C specialist –
better sportswear,
Ross Park Mall,
Pittsburgh, PA

A DIVERSE AND INCLUSIVE COMPANY

DIVERSITY WITHIN OUR WORKFORCE, VENDOR RELATIONSHIPS AND CUSTOMER BASE IS IMPORTANT TO FEDERATED. MANAGEMENT'S PHILOSOPHY IS INTENDED TO ENSURE THAT APPRECIATION FOR THE UNIQUE CHARACTERISTICS AND STRENGTHS OF EVERY INDIVIDUAL IS PERVASIVE AT EVERY LEVEL OF THE COMPANY.



Of Federated's total management/professional ranks, 65 percent of our executives are women and 25 percent are racial minorities. This ranks Federated among the leaders in diversity in our industry, as well as among major U.S. corporations.

In addition to being the right thing to do, having a diverse workforce is a distinct business advantage. Since Federated serves customers in virtually every geographic and demographic segment in the U.S., our stores need to reflect the characteristics of our customers through merchandise styles and assortments, store displays and advertising.

The company recognizes that 40 percent of the U.S. population is 45 or older, that men comprise a fast-growing customer segment and that the spending power of racial minorities is more than \$1.4 trillion.

Federated has adjusted its business strategies accordingly. From the sales floor ... to advertising and marketing ... to our merchants who must anticipate varied consumer needs and preferences, diversity works for Federated because it improves the process of serving a diverse American marketplace.

Federated has adopted diversity as a philosophy in managing its workforce, serving its customers and working with its vendors. To bolster and enhance this initiative among a new generation of young Americans, Federated has turned to local and national advertising, online Internet postings, college recruiting at universities nationwide and active community-outreach programs in local markets.

We are committed to training and developing our workforce so that qualified individuals can be readily promoted in the organization. Federated's training programs are among the best in retail today. The training curriculum is designed to make new hires experts in areas such as systems, retail



math, advertising, merchandise planning and buying and sales management.

Importantly, Federated has extended its commitment to diversity beyond our workforce to include the communities we serve and the vendors we support. Federated is an active and long-standing supporter of organizations such as the Women's Business Enterprise National Council (WBENC), the National Minority Supplier Development Council (NMSDC), the Urban League, the United Negro College Fund, the Hispanic Chamber of Commerce and the United States PanAsian American Chamber (USPAC).

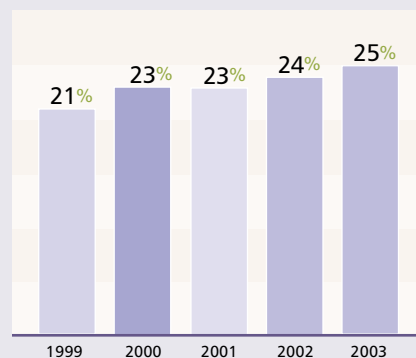
Additionally, Federated's nationally recognized vendor development program seeks to source goods and services – either for resale or in support of our business operations – from qualified minority- and women-owned enterprises. In 2003, these purchases totaled more than \$365 million.



IN 2003, FEDERATED WAS:

- NAMED ONE OF THE TOP 30 COMPANIES FOR EXECUTIVE WOMEN BY THE NATIONAL ASSOCIATION OF FEMALE EXECUTIVES (NAFE)
- PLACED BY HISPANIC MAGAZINE AMONG THE 100 COMPANIES PROVIDING THE BEST OPPORTUNITIES FOR LATINOS
- LISTED AMONG THE GFN.COM 50 MOST POWERFUL AND GAY-FRIENDLY PUBLICLY TRADED COMPANIES
- AMONG THE HIGHEST SCORERS IN THE HUMAN RIGHTS CAMPAIGN FOUNDATION'S CORPORATE EQUALITY INDEX. THIS INDEX RATES MAJOR U.S. CORPORATIONS ON THEIR RECORDS TOWARD LESBIAN, GAY, BISEXUAL AND TRANSGENDER EMPLOYEES.

PERCENTAGE OF TOTAL MINORITY MANAGEMENT/ PROFESSIONAL-LEVEL EMPLOYEES



COMMUNITY LEADERSHIP

Federated is proud of its track record as a retailer responsive to diverse customer needs, an employer offering enriching career experiences, a company practicing responsible and ethical business practices, and a caring corporate citizen that leads and supports worthwhile community initiatives.

Federated believes in giving back to the communities from which we draw strength and sustenance. We understand that stronger, healthier and more vibrant communities provide better environments for our stores to do business, and for our employees and customers to live and work. Federated and its divisions support this commitment to improving our communities by emphasizing charitable giving and employee volunteerism at both the national and local levels.

FOUNDATION AND CORPORATE GIVING

The Federated Department Stores Foundation, the company's operating divisions and its 111,000 employees nationwide channel much-needed funding to charitable organizations, civic programs, community projects, and arts/cultural and educational institutions in hundreds of local communities from coast to coast.

Charitable giving, both through the Federated Foundation and directly from Federated's divisions and corporate office, totaled approximately \$14.9 million in fiscal 2003.

Federated and its divisions are among the nation's largest contributors to United Way organizations across the

country. In 2003, Federated and its employees contributed more than \$11.7 million to local United Way campaigns – including about \$3 million in Foundation funds and \$8.7 donated personally by our employees.

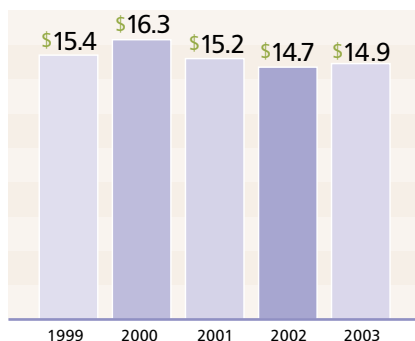
In addition, through the company's Matching Gifts program, Federated employees doubled the impact of their own generosity through dollar-for-dollar matches from the Federated Foundation for contributions totaling more than \$1.85 million in 2003. Beginning in 2004, the Federated Foundation will begin matching employee gifts to qualifying hunger relief organizations, in addition to those that focus on arts/culture, education, women's issues and HIV/AIDS prevention and treatment.

Extraordinary company and Foundation contributions include:

- Sponsorship of the American Heart Association's "Go Red for Women" campaign to encourage heart health among women across the U.S. Macy's is a national sponsor, contributing \$4.5 million over three years;
- Foundation grants of \$100,000 each to the New York City Police Museum, New York City Police Foundation and New York Firefighters Burn Center Foundation, based on Macy's East exceptional employee United Way campaigns after the 9/11 disaster;
- Grants totaling \$100,000 from the Foundation and Macy's West to five American Red Cross chapters in California for disaster relief assistance following wild fires;

TOTAL CHARITABLE GIVING

INCLUDES FEDERATED FOUNDATION, CORPORATE AND DIVISIONS
(IN MILLIONS)





- A grant of \$1 million over three years to the New York City Leadership Academy under the “Children First” agenda, launched by Mayor Michael Bloomberg, for aggressively transforming the city’s public school system;
- Gifts totaling \$125,000 to the Success By Six early childhood education initiative in Cincinnati.

Again in 2003, the Federated Foundation worked to maximize the impact of its giving in metro New York, California and other areas where several divisions operate. Multi-divisional cooperation, supported by regional grants from the Foundation, facilitated significant gifts to worthwhile organizations including:

- Operation Outreach in southern California to provide in-school and outreach counseling to more than 350,000 at-risk children in grades K-12;
- The Susan G. Komen Breast Cancer Foundation for continued breast education awareness programs in New York metro area;
- God’s Love We Deliver for nutrition counseling and education to victims of HIV/AIDS and cancer;
- A scientific award to the Elizabeth Glaser Pediatric AIDS Foundation for continued research in areas of prevention;
- Manhattan Children’s Advocacy Center for services to children who are victims of sexual, physical and emotional abuse and neglect;

- Women’s health conferences developed by the national Speaking of Women’s Health and Universal Sisters.

The Federated Foundation continues its exceptional support for retail and business education and leading colleges and universities nationwide. New in 2003 was a \$100,000 grant from the Foundation’s Macy’s East Fund to Talladega College in New York for scholarship assistance to minority students.

THANKS FOR SHARING INVOLVES CUSTOMERS

Federated’s Thanks for Sharing program – a unique initiative in which customers and charities benefit when they shop for the holidays – debuted as a national initiative in 2003. About \$3.3 million was raised for designated



charities, including United Way, American Cancer Society, YWCA, America’s Second Harvest, Make a Wish Foundation, and Susan G. Komen Foundation for Breast Cancer Research.

Beginning in October, customers of Macy’s, Bon-Macy’s, Rich’s-Macy’s, Lazarus-Macy’s, Goldsmith’s-Macy’s, Burdines and macys.com joined the Thanks for Sharing program for \$25. In return, they received a Reward Card valued at 10 percent of all their credit card net purchases made during the holiday period. For each Thanks for Sharing program member, Federated donated \$10 to charity.



VOLUNTEERISM

Over the years, we have worked to channel the energy and resources devoted by our employees nationwide to volunteer projects in their communities. Federated believes that community service is a cornerstone of the company's values, as well as a grassroots representation of its overall philosophy.

Federated's Partners in Time employee volunteer program celebrates its 15th anniversary in 2004. It is a nationally recognized program adopted by all of the company's divisions and operations across the country. Over the years, a total of 1 million hours has been given in community service nationwide, valued at more than \$16 million. Partners' simple, successful mission, "Sharing Our Time To Make A Difference," has impacted nearly all segments of society.

In 2003, more than 50,000 employees and their families and friends volunteered more than 110,000 hours of time, valued at more than \$1.8 million to non-profit organizations. They worked on about 3,125 Partners in Time projects in 2003.

The largest percentage of Partners in Time efforts in 2003 were in the area of children and school partnerships – 22 percent of our projects. Projects involving women's issues represented 15 percent of volunteer efforts. With the enduring success of Federated's "Bag Hunger" food drive, hunger relief represented 13 percent of our volunteer efforts last year.

AMONG PARTNERS IN TIME HIGHLIGHTS FOR 2003:

Rich's/Lazarus/Goldsmith's-Macy's (RLG-M) has created a multi-level "Partnership Against Domestic Violence." In addition to philanthropic grants for Violence in the Workplace seminars and adolescent and youth counseling programs, RLG-M volunteers manage personal care item collections in the division's 28 markets. Partners also create "Days of Renewal" in several cities, collaborative efforts with women's shelters that offer spa treatments and cosmetic makeovers – welcome personal pampering which clients rarely experience – while their children are cared for by other RLG-M volunteers.

Employees from Macy's East downtown Boston store have volunteered for nine years to benefit the "women's division" of the Pine Street Inn, the largest homeless shelter in New England. Executives and associates work hand-in-hand preparing a meal for 200 women on the last Sunday of each month – shopping, cooking, serving and cleaning up – and they've not missed a month since 1995.



Partners in Time's sixth annual Bag Hunger food drive, held concurrently in all divisions in June, collected 1.5 million pounds of food, providing 7 million meals to community hunger agencies in the program's history. In 2003, Federated joined with food retailers Kroger and Sam's Club, enabling associates to participate conveniently and stretch the value of their contributions.

RLG-M orchestrated a Back to School "Supply Fest," in partnership with Staples, which distributed 30,000 supply packs through Boys' & Girls' Clubs in the Midwest. Supplies purchased by generous customers in our stores were packaged and delivered by our Partners volunteers.

In Atlanta, when two new Bloomingdale's stores experienced construction delays, local managers organized four days of volunteer service for salaried employees. New Bloomie's trainees in New York have created projects and volunteer as a class for efforts such as Ronald McDonald House variety show skits or city park clean-ups.

Partners committees work with divisional diversity councils to create programs that expose our employees to diverse





cultural experiences. In Cincinnati, for example, employees have worked with the National Underground Railroad Freedom Center to help create the Center's new volunteer program. Federated believes that employees who engage in community service are empowered with information about diverse cultures and an understanding that improves job effectiveness.

Bon-Macy's is piloting a new program called C*A*R*E*S (Community Action Reveals Excellence & Strengths), designed to build leadership skills through service. Participants work with a coach to develop one of four skill areas: Communication, Interpersonal Skills, Coping/Adapting and Management. CARES' goal is to allow associates to develop important leadership skills in a non-threatening environment – skills that they can apply on the job.

Nearly all divisions support Making Strides Against Breast Cancer or the Komen Race for the Cure with major sponsorship and hundreds of volunteers as project organizers, walkers or water station staffers. Further support is given through bag stuffers and in-store pick up of race registrations.

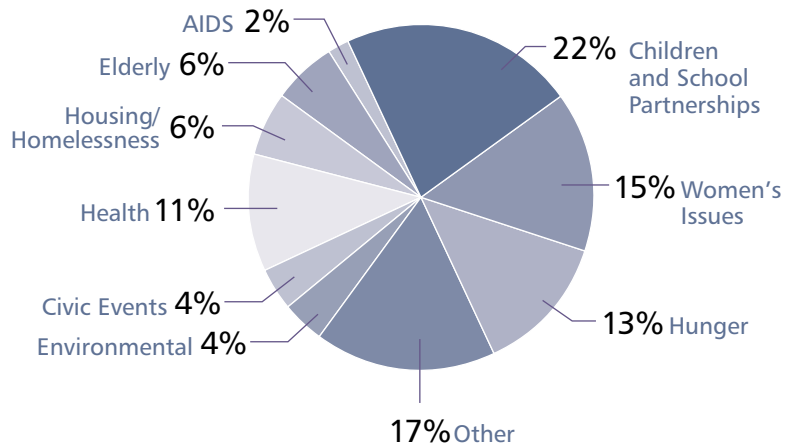


EARNING *for* LEARNING

Since its introduction in 1998, the joint Federated Foundation/Partners in Time Earning for Learning (EFL) initiative has provided 45,000 hours of substantive educational volunteerism for youth, as well as 2,900 grants for schools totaling \$728,750. Federated has fulfilled its commitment to America's Promise to provide at least \$500,000 to the country's schools. In total, more than 1,000 schools in 509 cities in 36 states and Washington D.C. have received grants in support of our employees' tutoring and mentoring. In 2003, 324 participants earned nearly \$100,000 for local schools.



TOTAL FEDERATED 2003
PARTNERS IN TIME VOLUNTEER PROJECTS
BY ISSUE AREA



FEDERATED'S FINANCIAL PERFORMANCE IN FISCAL 2003 CLEARLY INDICATES PROGRESS IN IMPLEMENTING KEY STRATEGIES FOR BUILDING THE MACY'S AND BLOOMINGDALE'S BRANDS.

SALES TRENDS IMPROVED THROUGHOUT THE YEAR AND, COUPLED WITH EXCELLENT INVENTORY MANAGEMENT, LED TO IMPROVED PROFITABILITY

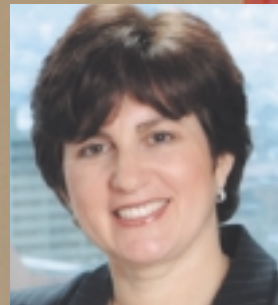


STRONG FINANCIAL RESULTS

AND A BETTER-THAN-ANTICIPATED SAME-STORE SALES INCREASE OF 1.4 PERCENT IN THE FOURTH QUARTER.

CASH FLOW FROM CONTINUING OPERATIONS, BEFORE FINANCING ACTIVITIES, TOTALED MORE THAN \$1 BILLION. THIS WAS NEARLY DOUBLE THE PRIOR YEAR'S LEVEL, ENABLING THE COMPANY TO INSTITUTE A CASH DIVIDEND, REPURCHASE APPROXIMATELY 16 MILLION SHARES OF FEDERATED COMMON STOCK, PAY DOWN MORE THAN \$450 MILLION OF DEBT, AND END THE YEAR WITH MORE THAN \$900 MILLION IN CASH.

DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS WERE \$3.71 FOR THE YEAR, OR \$3.51 EXCLUDING A ONE-TIME REDUCTION IN NET DEFERRED INCOME TAX LIABILITIES, UP 9 PERCENT OVER THE PREVIOUS YEAR'S \$3.21 IN DILUTED EARNINGS PER SHARE.



"...THE MOST SIGNIFICANT INDICATOR OF FEDERATED'S POSITIVE PERFORMANCE WAS CONTINUED STRONG FREE CASH FLOW."

KAREN M. HOGUET
Chief Financial Officer

SALES BY MONTH
(DOLLARS IN MILLIONS)

2003

Month	Sales	# Stores	% Change Comp-Store Sales
February	\$984	456	-6.8%
March	1,232	456	-6.5%
April	1,075	456	-1.4%
1st QTR	\$3,291		-5.0%
May	\$1,136	456	-0.8%
June	1,336	455	-2.0%
July	962	460	-0.4%
2nd QTR	\$3,434		-1.2%
August	\$1,077	460	-0.8%
September	1,352	460	3.2%
October	1,057	465	-2.0%
3rd QTR	\$3,486		0.2%
November	\$1,459	465	-0.1%
December	2,781	465	1.2%
January	813	459	5.5%
4th QTR	\$5,053		1.4%
TOTAL	\$15,264		-0.9% Comp-Store Sales Decrease

2002	Month	Sales	# Stores	% Change Comp-Store Sales
	February	\$1,048	457	-2.8%
	March	1,309	457	-0.2%
	April	1,096	461	-5.9%
	1st QTR	\$3,453		-2.9%
	May	\$1,150	460	-3.4%
	June	1,367	459	-0.4%
	July	969	460	-5.2%
	2nd QTR	\$3,486		-2.8%
	August	\$1,084	460	-5.8%
	September	1,314	461	-0.1%
	October	1,081	467	0.3%
	3rd QTR	\$3,479		-2.0%
	November	\$1,471	468	-7.4%
	December	2,771	468	-2.6%
	January	775	455	-1.2%
	4th QTR	\$5,017		-3.9%
	TOTAL	\$15,435		-3.0% Comp-Store Sales Decrease

2001	Month	Sales	# Stores	% Change Comp-Store Sales
	February	\$1,079	440	-1.6%
	March	1,315	440	-3.2%
	April	1,162	440	0.8%
	1st QTR	\$3,556		-1.5%
	May	\$1,159	432	-3.3%
	June	1,326	432	-6.4%
	July	1,003	450	-4.2%
	2nd QTR	\$3,488		-4.8%
	August	\$1,129	453	-2.6%
	September	1,289	452	-12.9%
	October	1,057	459	-8.7%
	3rd QTR	\$3,475		-8.6%
	November	\$1,564	460	0.9%
	December	2,794	461	-8.6%
	January	774	459	-8.8%
	4th QTR	\$5,132		-6.0%
	TOTAL	\$15,651		-5.3% Comp-Store Sales Decrease

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	2003	2002	2001
Net Sales	\$ 15,264	\$ 15,435	\$ 15,651
Cost of sales:			
Recurring	9,099	9,255	9,531
Inventory valuation adjustments	–	–	53
Total cost of sales	9,099	9,255	9,584
Percent to sales	59.6%	60.0%	61.2%
Gross margin	6,165	6,180	6,067
Percent to sales	40.4%	40.0%	38.8%
Selling, general and administrative expenses	4,824	4,837	4,801
Percent to sales	31.6%	31.3%	30.7%
Asset impairment and restructuring charges	–	–	162
Operating income	1,341	1,343	1,104
Percent to sales	8.8%	8.7%	7.1%
Interest expense	(266)	(311)	(347)
Interest income	9	16	7
Income from continuing operations before income taxes	1,084	1,048	764
Federal, state and local income tax expense	(391)	(410)	(256)
Income from continuing operations	693	638	508
Discontinued operations:			
Loss from discontinued operations, net of tax effect	–	–	(14)
Income (loss) on disposal of discontinued operations, net of tax effect	–	180	(770)
Net income (loss)	\$ 693	\$ 818	\$ (276)
Diluted earnings (loss) per share:			
Income from continuing operations	\$ 3.71	\$ 3.21	\$ 2.54
Income (loss) from discontinued operations	–	.91	(3.92)
Net income (loss)	\$ 3.71	\$ 4.12	\$ (1.38)

CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN MILLIONS)

ASSETS	January 31, 2004	February 1, 2003
Cash	\$ 925	\$ 716
Accounts receivable	3,213	2,945
Merchandise inventories	3,215	3,359
Supplies and prepaid expenses	99	124
Deferred income tax assets	-	10
Total Current Assets	7,452	7,154
Property and Equipment – net	6,174	6,379
Goodwill	262	262
Other Intangible Assets – net	378	378
Other Assets	284	268
Total Assets	\$ 14,550	\$ 14,441
LIABILITIES & SHAREHOLDERS' EQUITY		
Short-term debt	\$ 908	\$ 946
Accounts payable & accrued liabilities	2,613	2,584
Income taxes	362	71
Total Current Liabilities	3,883	3,601
Long-Term Debt	3,151	3,408
Deferred Income Taxes	998	998
Other Liabilities	578	672
Shareholders' Equity	5,940	5,762
Total Liabilities & Shareholders' Equity	\$ 14,550	\$ 14,441

CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN MILLIONS)

	2003	2002	2001
<i>Cash flows from continuing operating activities:</i>			
Net income (loss)	\$ 693	\$ 818	\$ (276)
(Income) loss from discontinued operations	–	(180)	784
Depreciation and amortization	710	680	689
Asset impairment and restructuring charges	–	–	215
Increase in working capital and other, net	187	(150)	(61)
Net cash provided by continuing operating activities	1,590	1,168	1,351
<i>Cash flows from continuing investing activities:</i>			
Capital expenditures for property and equipment and capitalized software	(568)	(627)	(651)
Acquisition of Liberty House, Inc., net of cash acquired	–	–	(175)
Disposition of property and equipment	6	20	55
Increase in other assets	–	(30)	–
Net cash used by continuing investing activities	(562)	(637)	(771)
<i>Cash flows from continuing financing activities:</i>			
Net debt repaid	(293)	(1,008)	(119)
Dividends paid	(69)	–	–
Acquisition of treasury stock	(645)	(392)	(299)
Issuance of common stock	193	29	323
Other, net	(5)	(4)	21
Net cash used by continuing financing activities	(819)	(1,375)	(74)
Net cash provided (used) by continuing operations	209	(844)	506
Net cash provided (used) by discontinued operations	–	924	(92)
Net increase in cash	209	80	414
Cash at beginning of period	716	636	222
Cash at end of period	\$ 925	\$ 716	\$ 636

FISCAL 2003 –

COMPARISON OF THE 52 WEEKS ENDED JANUARY 31, 2004 AND THE 52 WEEKS ENDED FEBRUARY 1, 2003

Income from continuing operations and net income for 2003 totaled \$693 million, compared to income from continuing operations of \$638 million and net income of \$818 million for 2002. Net income for 2002 included \$180 million of income from the disposal of discontinued operations, net of tax effect. The higher income from continuing operations primarily resulted from a combination of lower interest expense and a one-time \$38 million favorable income tax adjustment.

NET SALES

Net sales for 2003 totaled \$15,264 million, compared to net sales of \$15,435 million for 2002, a decrease of 1.1%. On a comparable store basis (sales from stores in operation throughout 2002 and 2003), net sales decreased 0.9% compared to 2002. Bloomingdale's produced the strongest sales performance in 2003 compared to 2002. Sales of the Company's private label brands continued to outperform the national brands and the penetration of the Company's private brands increased in 2003 to 17.1% of sales in Macy's – branded stores, as compared to 16.4% in 2002. By family of business, sales were strong in career apparel and more updated fashions in both men's and women's wear. Sales were also strong in handbags, jewelry, cosmetics, furniture and bedding. Weaker sales trends continued to be experienced in the soft home areas – primarily tabletop (china, silver, glass) and housewares.

COST OF SALES

Cost of sales was 59.6% of net sales for 2003, compared to 60.0% for 2002. The cost of sales rate and corresponding gross margin benefited from lower net markdowns due to lower inventory levels throughout 2003 and good receipt management. Merchandise inventories were down 4.3% at the end of 2003 as compared to the end of 2002. The valuation of merchandise inventories on the last-in, first-out basis did not impact cost of sales in either period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses were 31.6% of net sales for 2003 compared to 31.3% for 2002. SG&A expenses in actual dollars for 2003 decreased 0.3% compared to 2002. Included in SG&A expenses for 2003 were approximately \$59 million of costs incurred in

connection with the Rich's-Macy's and Burdines-Macy's consolidations and other announced store closings. Included in SG&A expenses for 2002 were approximately \$68 million of costs incurred in connection with the Rich's-Macy's consolidation and other announced store closings. Excluding the store closing and consolidation costs in both 2003 and 2002, SG&A expenses in actual dollars would be relatively flat compared to 2002. Higher depreciation and amortization expense and increases in pension and medical costs in 2003 were partially offset by lower selling costs and reductions in pre-opening expenses.

NET INTEREST EXPENSE

Net interest expense was \$257 million for 2003 compared to \$295 million for 2002, primarily due to lower levels of borrowings.

INCOME TAX EXPENSE

The Company's effective income tax rate of 36.0% for 2003 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 other items, partially offset by a one-time favorable tax adjustment. The one-time favorable tax adjustment reduced income tax expense for 2003 by \$38 million and resulted from a change in estimate of the effective tax rate that existing deferred tax assets and liabilities will ultimately be settled. The Company's effective income tax rate of 39.1% for 2002 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 other items.



The background of the slide features two black mannequins in a store window display. One mannequin is seen from the back, wearing a dark pinstriped top and dark leather pants. The other mannequin is seen from the front, wearing a similar dark pinstriped top. The background is a light-colored wood-grain wall.

OPERATIONAL OVERVIEW

RETAIL OPERATIONS

BLOOMINGDALE'S

BON-MACY'S

BURDINES-MACY'S

MACY'S EAST

MACY'S WEST

MACY'S HOME STORE

RICH'S/LAZARUS/GOLDSMITH'S-MACY'S

BLOOMINGDALE'S

1000 THIRD AVENUE • NEW YORK, NY 10022

212-705-2000

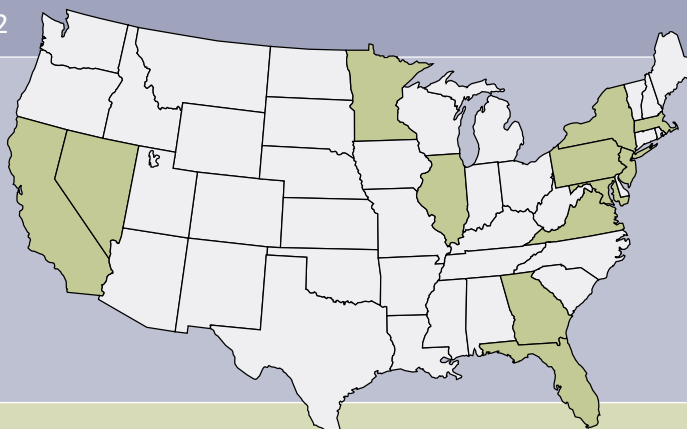
2003 Annual Sales: \$1.861 billion

of Stores: 36*

Total Store
Gross Square Feet: 8.118 million*

Employees: 11,100

*as of 5/1/04



CALIFORNIA	MARYLAND	NEW JERSEY
FLORIDA	MASSACHUSETTS	NEW YORK
GEORGIA	MINNESOTA	PENNSYLVANIA
ILLINOIS	NEVADA	VIRGINIA



Michael Gould
CHAIRMAN

Bloomingdale's, a leader in department store fashion, serves customers through 36 stores in 12 states. It focuses on upscale fashion apparel and home-related goods, with an emphasis on distinctive merchandise offerings.

Bloomingdale's famed Manhattan flagship on 59th Street and Lexington Avenue anchors a group of eleven locations in the greater New York metropolitan area. In addition, the division operates six stores in California, two in each of the Philadelphia, Washington, D.C., Boston and Atlanta markets, five in southeast Florida, four in Chicago, and one each in Bloomington, MN and Las Vegas.

Bloomingdale's was founded in 1872 by Lyman and Joseph Bloomingdale on 56th Street in New York.

The Bloomingdale brothers had the foresight to open in a part of town that was about to boom. New York's "silk stocking district" grew up around the store, which soon moved to its current location and by 1931 covered an entire square block. It became part of Federated in 1930, a year after the parent company was founded.

Bloomingdale's has been described more as a lifestyle than as a store, creating a tradition of exceptional shopping not only for New Yorkers but for visitors from everywhere in the world.

The Bloomingdale's division operates the Bloomingdale's by Mail national fashion catalog.

In addition, in 2003 Bloomingdale's launched "B," its own fashion and lifestyle magazine. The dazzling quarterly magazine offers inspiration and advice on fashion, beauty, home decor, entertaining, pop culture, fashion happenings, celebrity interviews and travel destinations.

In 2003 and 2004, Bloomingdale's opened six new stores – two full-line stores in Atlanta, GA (Lenox and Perimeter), a single full-line location in the Soho district of New York City, two home stores, one in downtown Chicago and one in Oakbrook, IL and a furniture gallery in Garden City, NY.

Bloomingdale's is led by Chairman Michael Gould. Gould was named to his position in 1991 after having served as president and CEO of Giorgio Beverly Hills, and as chairman and CEO of Robinson's department stores in southern California.

BLOOMINGDALE'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)	State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
CALIFORNIA				MINNESOTA			
Beverly Hills	Beverly Center	1997	163	Bloomington	Mall of America	1992	233
Los Angeles	Century City	1996	235	NEVADA			
Newport Beach	Fashion Island	1996	172	Las Vegas	Fashion Show Mall Home Store	2002	99
Newport Beach	Fashion Island Home Store	1996	68	NEW JERSEY			
Palo Alto	Stanford	1996	229	Bridgewater	Bridgewater Commons	2002	161
Sherman Oaks	Sherman Oaks	1996	229	Hackensack	Riverside Square	1959	297
FLORIDA				Short Hills	Short Hills Mall	1967	246
Boca Raton	Boca Raton	1986	270	South Brunswick	S. Brunswick Square (clearance)	2000	50
Miami	Aventura	1997	252	Wayne	Willowbrook	2002	274
Miami	The Falls	1984	229	NEW YORK			
Orlando	The Mall at Millenia	2002	235	Garden City	Roosevelt Field	1995	314
West Palm Beach	The Gardens (PGA)	1990	235	Garden City	Roosevelt Field Furniture Gallery	2004*	69
GEORGIA				Huntington	Walt Whitman	1998	230
Atlanta	Lenox Square	2003	281	Manhattan	59th Street/Lexington	1886	935
Atlanta	Perimeter Mall	2003	234	Manhattan	Soho	2004*	122
ILLINOIS				White Plains	White Plains	1975	300
Chicago	Medinah Home Store	2003	131	PENNSYLVANIA			
Chicago	900 N. Michigan Ave.	1988	256	King of Prussia	King of Prussia	1981	248
Oakbrook	Oakbrook Home Store	2003	91	Willow Grove	Willow Grove	1982	239
Skokie	Old Orchard	1995	206	VIRGINIA			
MARYLAND				McLean	Tyson's Corner	1976	272
Kensington	White Flint	1977	259				
MASSACHUSETTS							
Newton	Chestnut Hill	1973	124				
Newton	Chestnut Hill	1978	130				

*Opened in April 2004

BON-MACY'S

THIRD AVENUE AND PINE STREET • SEATTLE, WA 98181

206-344-2121

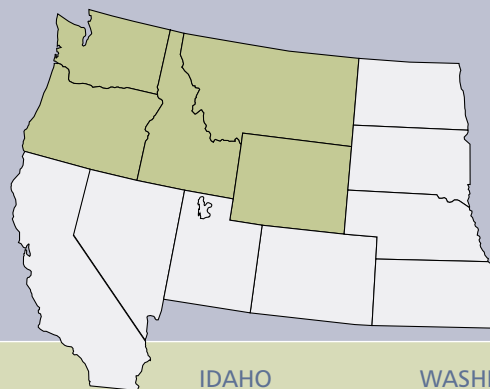
2003 Annual Sales: \$974 million

of Stores: 50*

Total Store Gross Square Feet: 5.749 million*

Employees: 7,000

*as of 5/1/04



IDAHO

MONTANA

OREGON

WASHINGTON

WYOMING



Daniel H. Edelman
CHAIRMAN

Seattle-based Bon-Macy's reflects the August 2003 integration of The Bon Marché – a regional department store with more than 100 years of heritage in the Pacific Northwest – with Macy's world-renowned identity. Bringing customers the best of both worlds, Bon-Macy's remains a retailing innovator in a dynamic and diverse area of the U.S.

Bon-Macy's is clearly the department store leader in the Pacific Northwest, with a track record of serving major metropolitan areas and local communities with stores tailored to their needs. Some Bon-Macy's stores offer a full line of both fashion apparel and home merchandise. Others are dedicated furniture/home stores, or smaller locations without furniture departments.

The majority of Bon-Macy's 50 stores are in the state of Washington, and primarily in the Seattle, Tacoma, Olympia and Spokane markets. Groups of mostly smaller stores are located in Idaho, Montana, Oregon and Wyoming. Bon-Macy's stores operate separately from

Federated's Macy's East and Macy's West divisions, based in New York and San Francisco, respectively.

The Bon Marché was founded in Seattle in 1890 and patterned after a prototype department store of the same name in Paris. Its current landmark store in downtown Seattle opened in 1929 and today anchors the division's store group.

The division's brand promise positions Bon-Macy's to serve "The good life in the Northwest." It is summarized as "BON life."

In 2004, Bon-Macy's will open a furniture gallery in Kennewick, WA.

Chairman Daniel H. Edelman leads Bon-Macy's management team. Edelman joined The Bon Marché as president in 1997 and was named chairman in February 1998. Previously, he was vice chairman of Macy's West in San Francisco for six years and held various finance and control positions with Macy's in New York and California. He first joined Macy's in 1976.

BON-MACY'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)	State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
IDAHO				WASHINGTON (continued)			
Boise	Downtown	1937	118	Olympia	Capital Mall	1978	111
Boise	Boise Town Square	1988	180	Olympia	Olympia Furniture Gallery	1996	40
Coeur D'Alene	Coeur D'Alene	2002	44	Puyallup	South Hill Mall	1994	105
Idaho Falls	Grand Teton Mall	1984	60	Redmond	Redmond Furniture Gallery	1987	40
Lewiston	Lewiston Center Mall	1978	44	Redmond	Redmond Town Center	2003	111
Moscow	Palouse Empire Mall	1979	41	Seattle	Downtown Flagship	1929	861
Nampa	Karcher Mall	1973	60	Seattle	Northgate Mall	1950	319
Pocatello	Pine Ridge Mall	1981	60	Silverdale	Kitsap Mall	1985	120
Twin Falls	Magic Valley Mall	1987	61	Silverdale	Silverdale Furniture Gallery	1995	40
MONTANA				Spokane	Downtown	1947	357
Bozeman	Main Mall	1980	51	Spokane	East Valley Mall	1997	122
Helena	The Northside Center	2001	65	Spokane	Northtown	1993	106
Missoula	Downtown	1865	113	Tacoma	Tacoma Furniture Gallery	2003	51
OREGON				Tacoma	Tacoma Mall	1964	256
Bend	Bend River Mall	1980	76	Tukwila	Budget House (clearance)	1974	25
Eugene	Valley River Mall	1990	123	Tukwila	Southcenter Mall	1968	265
North Bend	Pony Village Mall	1980	41	Tukwila	Tukwila Furniture Gallery	1981	49
Roseburg	Garden Valley Mall	1980	40	Walla Walla	Walla Falls	1944	69
Salem	Lancaster Mall	1980	67	Wenatchee	Wenatchee Valley Mall	2001	87
WASHINGTON				Yakima	Valley Mall	2002	110
Bellevue	Bellevue Square Mall	1984	179	WYOMING			
Bellevue	Bellevue Square Home Store	1984	51	Casper	East Ridge Mall	1983	61
Bellingham	Bellis Fair Mall	1988	120	ANNOUNCED NEW STORE			
Bellingham	Bellingham Furniture Gallery	1991	40	Kennewick, WA	Kennewick Furniture Gallery	2004	40
Burlington	Cascade Mall	1989	62				
Everett	Everett Mall	1977	133				
Federal Way	Sea-Tac Mall	1977	141				
Kelso/Longview	Three Rivers Mall	1987	51				
Kennewick	Columbia Center Mall	1969	122				
Kennewick	Columbia Center Mall	2002	40				
Lynnwood	Alderwood Mall	1979	221				
Lynnwood	Alderwood Furniture Gallery	1985	40				

BURDINES-MACY'S

22 EAST FLAGLER STREET • MIAMI, FL 33131

305-835-5151

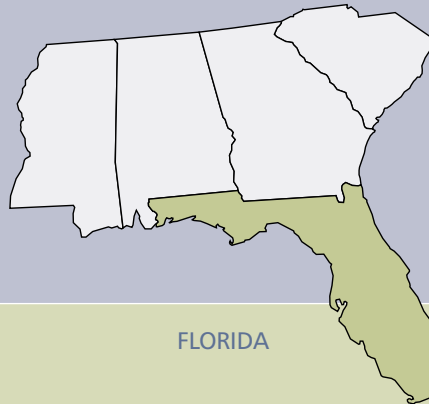
2003 Annual Sales: \$1.339 billion

of Stores: 63*

Total Store Gross Square Feet: 10.375 million*

Employees: 10,600

*as of 5/1/04



Timothy M. Adams
CHAIRMAN



Nirmal K. Tripathy
PRESIDENT



J. David Scheiner
VICE CHAIRMAN &
DIRECTOR OF STORES

Burdines-Macy's, which celebrated its 100th year of operation in 1998, became a leading local retailer even before Florida became a winter tourist mecca for millions. Now that the state is the world's largest magnet for domestic and international visitors year-round, Burdines-Macy's more than ever is the preferred Florida shopping experience.

Burdines-Macy's is known widely as "The Florida Store." It operates exclusively within the state, catering to the growing population of white-collar professionals, as well as to highly diverse customer segments that include domestic and Latin American tourists, retirees and seasonal residents.

Burdines-Macy's stores – 63 in all – can be found in most major markets in the Florida peninsula, with concentrations in south Florida and in the Bay area on the Gulf Coast. Over the years, the growth of this division has mirrored the development of Florida itself.

In 1898, two years after the first passengers had stepped off the newly completed Florida East Coast Railroad to incorporate the city of Miami, William M. Burdine opened the first Burdines store to sell work clothes, notions and piece goods to construction workers and soldiers from the Spanish-American War and local Miccosukee and Seminole Indians. Macy's began operating stores in Florida in the 1980s.

Over the decades, stores proliferated, primarily in Florida's southeast corner, as tourism and development

boomed. In 1989, Burdines was consolidated with the Tampa-based Maas Brothers/Jordan Marsh division of Allied Stores Corporation (then a Federated sister company), whose store base was particularly strong on the state's Gulf Coast.

In January 2004, the Burdines nameplate was integrated with Macy's to form Burdines-Macy's – bringing customers across Florida the best of Burdines' local knowledge with Macy's worldwide renown. At that time, Burdines-Macy's Miami-based management also began operating former Macy's stores in Florida.

Burdines-Macy's is led by Chairman Timothy M. Adams, President Nirmal K. "Trip" Tripathy and Vice Chairman J. David Scheiner. Adams was named chairman of Burdines, effective April 2001, after serving as president of The Bon Marché, the company's Seattle-based division since 1998. Adams previously served as executive vice president and general merchandise manager at Macy's West in San Francisco. He joined Macy's in 1989. Tripathy was named president in December 2003 after serving since July 2002 as Burdines' executive vice president for administration. Previously, he was chief financial officer of Limited Stores. Scheiner, vice chairman and director of stores, joined Burdines in 1972. He later was president of Maas Brothers/Jordan Marsh from 1988 to 1991, when it merged with Burdines and he became vice chairman.

BURDINES-MACY'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)	State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
DADE COUNTY				GULF COAST			
Hialeah	Westland	1967	209	Bradenton	Bradenton	1973	132
Miami	Aventura	1983	275	Brandon	Brandon Town Center	1995	142
Miami	Aventura Mall	1999	233	Clearwater	Countryside Mall	1975	213
Miami	Cutler Ridge	1981	145	Clearwater	Countryside Furniture Gallery	2000	50
Miami	Dadeland	1962	421	Ft. Myers	Edison Mall	1965	129
Miami	Dadeland Home Store	1992	209	Ft. Myers	Edison Mall	1979	168
Miami	Downtown Miami	1898	481	Naples	Naples	1977	143
Miami	International	1982	145	Port Charlotte	Port Charlotte Town Center	1994	85
Miami	Miami Beach	1953	96	Port Richey	Port Richey	1981	84
Miami	South Dade Furniture Gallery	1979	70	Sarasota	Sarasota	1976	153
Miami	The Falls	1996	221	Sarasota	South Trail	1977	143
Miami	West Dade	1982	205	St. Petersburg	Tyrone	1972	162
EAST COAST				Tampa	Gandy Furniture Gallery	1954	61
Boca Raton	Boca Raton	1979	228	Tampa	University Square	1974	140
Boca Raton	Boca Raton Furniture Gallery	1999	50	Tampa	West Shore	1966	236
Boynton Beach	Boynton Beach	1985	227	Tampa	Citrus Mall	1999	162
Boynton Beach	Boynton Beach	1989	172	NORTH			
Coral Springs	Coral Square	1984	111	Gainesville	Oaks Mall	1984	104
Coral Springs	Coral Square	1985	142	Ocala	Ocala	1980	85
Ft. Lauderdale	Sunrise Galleria	1980	216	Tallahassee	Tallahassee	1979	169
Ft. Lauderdale	Ft. Lauderdale Furniture Gallery	2002	45				
Jensen Beach	Stuart	1987	140				
Palm Beach	Palm Beach Mall	1979	190				
Pembroke Pines	Pembroke Lake Mall	1992	181				
Pembroke Pines	Pembroke Furniture Gallery	1997	51				
Plantation	Broward Mall	1978	204				
Plantation	Plantation	1988	262				
Pompano Beach	Pompano Beach	1969	151				
West Palm Beach	City Place	2000	108				
West Palm Beach	The Gardens (PGA)	1988	215				
West Palm Beach	The Gardens (PGA)	1988	249				
West Palm Beach	Wellington Commons	2001	200				
Vero Beach	Vero Beach	1996	104				
CENTRAL							
Daytona Beach	Daytona Beach	1982	164				
Lakeland	Lakeland Square Mall	1995	101				
Melbourne	Melbourne	1983	104				
Merritt Island	Merritt Island	1970	173				
Orlando	Altamonte	1975	152				
Orlando	Altamonte Furniture Gallery	2000	50				
Orlando	Colonial Fashion	1973	206				
Orlando	Florida Mall	1999	202				
Orlando	The Mall at Millenia	2002	275				
Oveido	Oveido Marketplace	2000	195				
Seminole	Seminole Town Center	1995	161				
Winter Haven	Winter Haven	1977	75				

MACY'S EAST

151 W. 34TH STREET • NEW YORK, NY 10001

212-695-4400

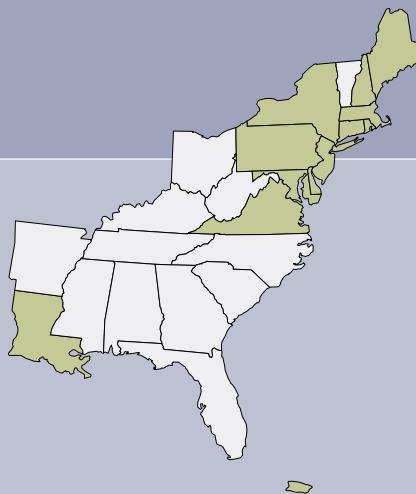
2003 Annual Sales: \$4.692 billion

of Stores: 95*

Total Store Gross Square Feet: 23.089 million*

Employees: 28,100

*as of 5/1/04



Ronald Klein
CHAIRMAN



James E. Gray
PRESIDENT

CONNECTICUT MASSACHUSETTS RHODE ISLAND
DELAWARE NEW HAMPSHIRE VIRGINIA
LOUISIANA NEW JERSEY PUERTO RICO
MAINE NEW YORK
MARYLAND PENNSYLVANIA

Macy's East is the company's largest division and incorporates under the Macy's nameplate stores from the former A&S/Jordan Marsh division of Federated. Its locations are classic department stores, offering a broad range of high-quality apparel for the family and home-related merchandise.

Macy's East operates 95 Macy's stores in 12 eastern states and Puerto Rico. Macy's flagship store on Herald Square in Manhattan is the world's largest store – and arguably its most famous, thanks in part to the annual Thanksgiving Day parade televised worldwide.

Macy's stores operate in the New York City, Albany, Boston, Philadelphia, Baltimore, Washington, D.C. and New Orleans metropolitan areas, as well as in southern New Hampshire, Maine and Connecticut.

Macy's East traces its roots to dry goods stores first opened in the mid-1800s. Eben Jordan and Benjamin L. Marsh established Jordan Marsh in Boston in 1841, while Rowland H. Macy launched R.H. Macy & Co. in New York City in 1858. Both stores grew to be prominent retailing forces in their respective markets and branched out over the years.

Macy's moved to its current Herald Square location in 1902. In 1924, completion of a 7th Avenue addition made it the

world's largest store concurrent with the first Thanksgiving Day parade.

A Macy's in San Juan, Puerto Rico – the company's first store outside of the continental United States – opened to rave reviews in 2000. In 2001, 17 former Stern's locations were converted to Macy's stores.

Early in 2003, Macy's stores in the Atlanta market were integrated with Rich's locations into Rich's-Macy's stores operated by the Atlanta-based Rich's/Lazarus/Goldsmith's-Macy's division. Macy's stores in Florida were integrated with Burdines locations into Burdines-Macy's stores late in 2003.

Chairman Ron Klein and President Jim Gray head the Macy's East management team. Klein was named chairman in February 2004 after serving for three years as chairman of the Atlanta-based RLG-Macy's division. Previously, he served as executive vice chairman of Macy's East and chairman of Federated's New Jersey-based Stern's division, which has closed. Previous to Stern's, Klein was Macy's East's vice chairman and director of stores. He began his retail career as a buyer for Bloomingdale's in 1974 and has served in a number of Federated divisions in merchandising positions. Before becoming president of Macy's East in 1994, Gray, now a 41-year Federated veteran, was president of Burdines in Florida, and also previously served as chairman of Bullock's in Los Angeles.

MACY'S EAST

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)	State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
CONNECTICUT				NEW JERSEY (continued)			
Danbury	Danbury Fair	1987	241	Springfield	Route 22 Furniture Gallery	1962	40
Stamford	Stamford	1982	255	Toms River	Ocean County	1977	170
Trumbull	Trumbull	1987	217	Wayne	Preakness	1963	81
Waterford	Waterford	1984	120	Wayne	Route 46 Furniture Gallery	1972	63
DELAWARE				Wayne	Willowbrook	1967	378
Newark	Christiana	1979	217	West Orange	Essex Green Plaza	1975	93
LOUISIANA				Woodbridge	Woodbridge	1971	278
Kenner	Esplanade	1986	279	NEW YORK			
New Orleans	New Orleans Centre	1988	235	Albany	Albany	1985	149
MAINE				Albany	Colonie	1990	341
Portland	Portland	1969	194	Bayshore	Bay Shore	1963	319
MARYLAND				Bronx	Parkchester	1941	171
Glen Burnie	Marley Station	1987	267	Brooklyn	Bayridge (bedding)	2000	3
Owings Mills	Owings Mills	1986	267	Brooklyn	Fulton Mall	1865	1,157
Perry Hall	White Marsh	1981	198	Brooklyn	Kings Plaza	1970	338
MASSACHUSETTS				Commack	Commack Plaza	1981	208
Boston	Downtown	1950	389	Douglaston	Douglaston	1981	158
Braintree	Braintree	1967	303	Elmhurst	Queens Center	1995	313
Brockton	Brockton	1977	73	Flushing	Flushing	1951	277
Burlington	Burlington	1968	255	Garden City	Roosevelt Field	1956	461
Framingham	Framingham Furniture Gallery	1994	41	Hampton Bays	Hampton Bays	1981	50
Framingham	Natick Mall	1994	211	Hicksville	Broadway Mall	1956	309
Hyannis	Cape Cod	1978	119	Huntington Station	Walt Whitman Mall	1962	307
Peabody	Peabody	1958	301	Lake Grove	Smith Haven	1969	326
Swansea	Swansea	1988	102	Manhattan	Herald Square	1902	2,168
NEW HAMPSHIRE				Manhasset	Manhasset	1965	335
Bedford	Bedford	1966	180	Massapequa	Sunrise Mall	1973	213
Nashua	Nashua	1986	128	Nanuet	Nanuet	1969	227
Newington	Newington	1983	78	Nassau	Carle Place (clearance)	1971	51
Salem	Salem	1994	159	Nassau	Carle Place Furniture Gallery	1971	86
NEW JERSEY				New Springvale	Staten Island	1965	255
Bridgewater	Bridgewater	1988	259	New Springvale	Staten Island Furniture Gallery	2003	50
Cherry Hill	Cherry Hill	1962	334	Queens	Queens Furniture Gallery	2001	64
Cherry Hill	Cherry Hill Furniture Gallery	2001	61	Valley Stream	Valley Stream	1986	274
Deptford	Deptford	1975	208	White Plains	White Plains	1980	315
East Brunswick	East Brunswick	1970	244	Yonkers	Cross County	1987	260
Eatontown	Monmouth	1960	294	Yorktown	Yorktown	1987	121
Eatontown	Route 35 Furniture Gallery	1980	37	PENNSYLVANIA			
Edison	Menlo Park	1959	351	King of Prussia	King of Prussia	1991	256
Freehold	Raceway Mall	1998	244	Langhorne	Oxford Valley	1973	197
Jersey City	Newport Center	2002	220	North Wales	Montgomery	1978	220
Lawrenceville	Quaker Bridge	1976	215	Springfield	Springfield	1974	192
Ledgewood	Ledgewood Mall	1994	73	Whitehall	Lehigh Valley	1976	218
Livingston	Livingston	1971	266	Willow Grove	Willow Grove Park Mall	2001	226
Mays Landing	Hamilton	1987	259	RHODE ISLAND			
North Bergen	Columbia Park (bedding)	2000	5	Warwick	Warwick	1970	309
North Brunswick	North Brunswick Furniture Gallery	1995	38	VIRGINIA			
Paramus	Bergen Mall	1957	305	Arlington	Pentagon City	1989	307
Paramus	Garden State Plaza	1957	485	Fairfax	Fair Oaks Mall	2000	220
Paramus	Paramus Park	1974	303	McLean	Tyson's Galleria	1988	265
Paramus	Paramus Furniture Gallery	2000	77	Springfield	Springfield	1991	287
Rockaway	Rockaway	1977	262	PUERTO RICO			
Short Hills	Short Hills	1981	279	San Juan	Plaza Las Americas	2000	254
South Plainfield	Middlesex	1976	81				

MACY'S WEST

50 O'FARRELL STREET • SAN FRANCISCO, CA 94102

415-397-3333

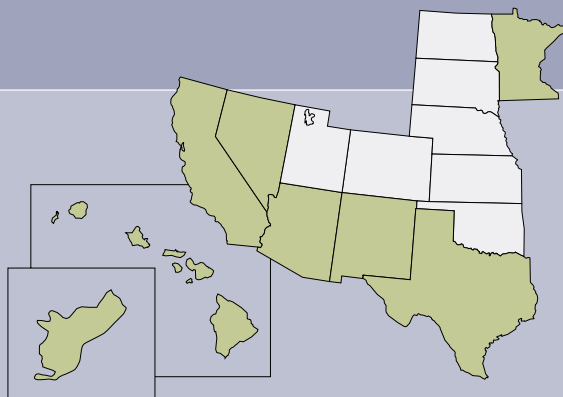
2003 Annual Sales: \$4.203 billion

of Stores: 144*

Total Store Gross Square Feet: 23.445 million*

Employees: 29,900

*as of 5/1/04



Robert L. Mettler
CHAIRMAN



Michael J. Osborn
PRESIDENT



Rudolph J. Borneo
VICE CHAIRMAN &
DIRECTOR OF STORES

ARIZONA
CALIFORNIA
HAWAII
MINNESOTA
NEVADA
NEW MEXICO
TEXAS
GUAM

The Macy's West division now operates 144 stores in Arizona, California, Hawaii, Minnesota, Nevada, New Mexico, Texas and Guam.

Macy's serves both the southern and northern California areas, with a group of stores also in the Dallas, Phoenix, Tucson, Sacramento, Las Vegas and Reno markets, as well as on the Hawaiian islands. Single stores operate in the Houston, San Antonio, Albuquerque and Minneapolis/St. Paul markets, as well as on Guam.

Macy's was long-established as a New York retailing powerhouse when it looked west in 1945 and acquired O'Connor Moffat and Company in San Francisco as its California beachhead. Two years later, O'Connor Moffat stores, including the landmark Union Square location opened in 1866, were converted to Macy's – and eventually rolled out into other northern California markets and other western regions.

In 1988, Macy's purchased the Bullock's division of Federated, which had been founded in 1906 in Los Angeles by John G. Bullock. Bullock's stores were converted to the Macy's nameplate in 1996.

In 1995, Federated acquired Los Angeles-based Broadway Stores, Inc., which operated 82 Broadway, Emporium and Weinstock's stores in California and four other southwestern states. Of those acquired stores, more than 50 were converted to the Macy's nameplate in 1996.

In 2001, following Federated's acquisition of Liberty House, 12 department stores in Hawaii and Guam, as well as six resort and specialty stores, were added to Macy's West and converted to the Macy's nameplate. In 2004, three new Macy's stores will open in California.

The Macy's West division also operates the macys.com e-commerce site, offering customers 24/7 shopping.

Macy's West is headed by Chairman Robert L. Mettler, President Michael J. Osborn and Vice Chairman Rudolph J. Borneo. Mettler became chairman of Macy's West in 2002 after three years as the division's president. Previously, he served as Sears, Roebuck & Co.'s president of merchandising for all full-line stores. Mettler is a 30-year retailing veteran who has served as president and CEO of Robinson's in Los Angeles, as well as in various positions with Allied Stores Corporation and May Department Stores Company. Osborn became Macy's West's president in 2002 after serving as president of Burdines. Having started his career at Bullock's in Los Angeles, Osborn's roles have included executive vice president for administration at the former Stern's division and senior vice president for stores at Burdines. Borneo, a career Macy's executive, has been vice chairman of Macy's West since 1992 and had been president of Macy's South/Bullock's for the four previous years. He joined the company in 1964.

MACY'S WEST

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)	State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
ARIZONA				CALIFORNIA (continued)			
Mesa	Fiesta Mall	1979	205	Palm Desert	Palm Desert	1983	80
Scottsdale	Scottsdale Fashion Square	2002	243	Palo Alto	Stanford	1961	223
Phoenix	Biltmore Fashion Park	1968	213	Palo Alto	Stanford	1961	96
Phoenix	Metrocenter	1973	154	Pasadena	Pasadena	1947	304
Phoenix	Paradise Valley	1991	184	Pasadena	Pasadena Plaza	1980	158
Tucson	Park Mall	1974	153	Pleasanton	Pleasanton Furniture Gallery	1994	48
Tucson	Tucson Mall	1982	138	Pleasanton	Stoneridge	1980	197
CALIFORNIA				Pleasanton	Stoneridge	1980	174
Arcadia	Santa Anita	1974	188	Redding	Mt. Shasta Mall	2001	106
Bakersfield	Valley Plaza	1967	150	Richmond	Hilltop	1976	201
Brea	Brea	1978	185	Riverside	Galleria at Tyler	1970	156
Burbank	Burbank	1992	278	Roseville	The Ridge at Creekside	2001	50
Carlsbad	Carlsbad	1980	118		Furniture Gallery		
Carlsbad	Plaza Camino Real	1979	156	Roseville	Roseville Mall	2000	180
Cerritos	Los Cerritos Center	1971	176	Sacramento	Arden Fair	1961	198
Chula Vista	Chula Vista Center	1962	181	Sacramento	Country Club Plaza	1961	165
Citrus Heights	Sunrise	1972	178	Sacramento	Downtown Plaza	1979	201
Citrus Heights	Sunrise	1972	160	Sacramento	Sacramento	1963	338
Concord	Sun Valley Mall	1967	206	Salinas	Northridge Center	1972	177
Concord	Sun Valley Mall	1981	183	San Bernardino	Inland Center	1966	145
Corte Madera	The Village at Corte Madera	1985	133	San Diego	Horton Plaza	1985	139
Costa Mesa	Crystal Court Home Store	1996	209	San Diego	La Jolla	1977	154
Costa Mesa	South Coast Plaza	1973	275	San Diego	Mission Valley Home Store	1975	185
Costa Mesa	South Coast Plaza	1973	78	San Diego	Fashion Valley	1969	204
Culver City	Fox Hills	1975	189	San Francisco	Stonestown	1952	280
Cupertino	Vallco Fashion Park	1997	177	San Francisco	Union City (clearance)	1977	53
Daly City	Serramonte	1968	233	San Francisco	Union Square	1866	912
Escondido	North County Fair	1986	151	San Francisco	Union Square	1866	248
Fairfield	Solano Mall	1985	165	San Jose	Eastridge	1971	187
Fresno	Fresno	1983	187	San Jose	Oakridge	1978	165
Fresno	Fresno	1970	76	San Leandro	Bay Fair	1957	223
Fresno	Fresno Furniture Gallery	2000	73	San Mateo	Hillsdale	1954	255
Glendale	Glendale Galleria	1976	191	San Mateo	Hillsdale Furniture Gallery	1987	35
Hayward	Southland Mall	1983	179	San Rafael	Northgate Mall-Marin	1964	266
Laguna Hills	Laguna Hills	1975	156	Santa Ana	Santa Ana	1958	334
La Mesa	Grossmont Shopping Center	1961	151	Santa Barbara	Paseo Nuevo	1990	141
Los Angeles	Beverly Center	1982	158	Santa Clara	Valley Fair	1957	308
Los Angeles	Beverly Center	1982	67	Santa Clara	Valley Fair	1956	401
Los Angeles	Broadway Plaza	1973	266	Santa Cruz	Capitola Mall	2002	103
Los Angeles	Century City	1976	136	Santa Monica	Santa Monica Place	1990	158
Los Angeles	Lakewood Center	2000	208	Santa Rosa	Coddington Regional	1966	203
Los Angeles	Mission Road (clearance)	1998	75	Santa Rosa	Santa Rosa	1981	187
Manhattan Beach	Manhattan Beach	1982	111	Sherman Oaks	Sherman Oaks	1962	312
Manhattan Beach	Manhattan Beach	1982	67	Stockton	Stockton	1966	168
Mission Viejo	Mission Viejo	1980	197	Sunnyvale	Sunnyvale	1979	178
Modesto	Vintage Fair	1981	146	Temecula	Promenade Mall	2002	165
Modesto	Vintage Fair	1977	87	Thousand Oaks	The Oaks	1978	155
Montclair	Montclair Plaza	1968	147	Thousand Oaks	The Oaks	1983	149
Montebello	Montebello Town Center	2001	89	Torrance	Del Amo	1966	289
Monterey	Del Monte Center	1967	237	Torrance	Del Amo Home Store	1966	165
Monterey	Monterey Furniture Gallery	1997	18	Ventura	Buena Ventura Plaza	1963	180
Newpark	Newpark	1980	196	Walnut Creek	Broadway Plaza	1954	188
Newport Beach	Newport Beach	1995	83	Walnut Creek	Broadway Plaza	1995	72
Northridge	Northridge	1971	215	West Covina	West Covina	1975	150
Novato	Novato Furniture Gallery	1992	50	Westminster	Westminster Mall	2002	175
				Woodland Hills	Promenade	1993	192
				Woodland Hills	Promenade	1993	81

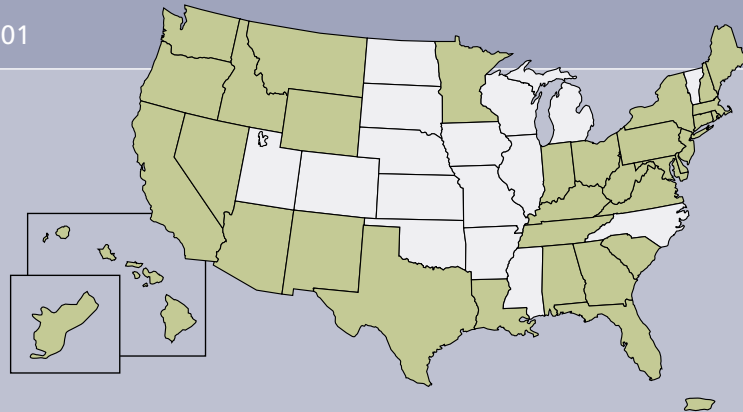
MACY'S WEST

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
HAWAII			
Aiea (Oahu)	Pearlridge	1971	166
Hilo (Hawaii)	Prince Kuhio Plaza	1985	50
Hilo (Hawaii)	Prince Kuhio Plaza	2003	62
Honolulu (Oahu)	Ala Moana	1966	324
Honolulu (Oahu)	Ala Moana Jewel Gallery (specialty)	1989	2
Honolulu (Oahu)	Downtown Honolulu	1850	80
Honolulu (Oahu)	Kahala	1958	106
Honolulu (Oahu)	Kahala Lifestyle (specialty)	1995	3
Honolulu (Oahu)	Waikiki	1937	37
Kaanapali (Maui)	Hyatt Regency (specialty)	1983	7
Kahului (Maui)	Queen Kaahumanu Center	1972	80
Kahului (Maui)	Queen Kaahumanu Center	2003	87
Kailua (Oahu)	Kailua	1946	59
Kailua-Kona (Hawaii)	Makalapua	1997	52
Kaneohe (Oahu)	Windward Mall	1982	87
Kohala Coast (Hawaii)	Mauna Lani Bay (specialty)	1983	3
Lihue (Kauai)	Kukui Grove	1992	50
Lihue (Kauai)	Kukui Grove	2003	27
Waikoloa (Hawaii)	Kings' Shops (specialty)	1992	4
MINNESOTA			
Bloomington	Mall of America	1992	333
NEVADA			
Las Vegas	Boulevard	1966	178
Las Vegas	The Fashion Show	1981	201
Las Vegas	Las Vegas Home Store	1994	111
Las Vegas	Meadows	1978	165
Reno	Reno	1978	167
Reno	Reno	1979	102
Reno	Reno Furniture Gallery	1994	52

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
NEW MEXICO			
Albuquerque	Coronado Center	1976	153
TEXAS			
Dallas	Dallas Galleria	1985	268
Dallas	Stonebriar Mall	2000	210
Houston	Houston Galleria	1986	256
San Antonio	North Star Mall	1997	178
GUAM			
Dededo	Micronesia	1994	88
ANNOUNCED NEW STORES			
Antioch, CA	County East Mall	2004	107
Rancho Cucamonga, CA	Victoria Gardens Mall	2004	175
Los Angeles, CA	West Pavilion Mall Furniture Gallery	2004	50

MACY'S HOME STORE

11 PENN PLAZA • NEW YORK, NY 10001



Eric Salus
PRESIDENT

ALABAMA	GEORGIA	MAINE	NEW HAMPSHIRE	PENNSYLVANIA	WASHINGTON
ARIZONA	HAWAII	MARYLAND	NEW JERSEY	RHODE ISLAND	WEST VIRGINIA
CALIFORNIA	IDAHO	MASSACHUSETTS	NEW MEXICO	SOUTH CAROLINA	WYOMING
CONNECTICUT	INDIANA	MINNESOTA	NEW YORK	TENNESSEE	GUAM
DELAWARE	KENTUCKY	MONTANA	OHIO	TEXAS	PUERTO RICO
FLORIDA	LOUISIANA	NEVADA	OREGON	VIRGINIA	

Federated formed the Macy's Home Store division early in 2004 to extend its leadership in home fashions. This New York-based division is responsible for overall strategy, merchandising and marketing of home-related categories of business in all 423 stores nationally that carry the Macy's nameplate. This includes centralizing buying, planning and marketing for textiles, tabletop, housewares and furniture – currently a \$2.6 billion business across the Macy's-branded divisions.

Macy's Home Store was created to accelerate sales by improving and further differentiating the company's home assortments. A more coordinated, centralized approach to home buying, merchandising and marketing will enable the company to work more effectively with vendors to better edit assortments, secure unique product and introduce newness that will excite customers and further distinguish our offerings.

Macy's Home Store builds on what already is a core business. The customer already looks to Macy's as a favored place to shop for her home needs. The company's national and

international vendor base, combined with its high-quality private brands for the home – Charter Club, Hotel Collection, The Cellar and Tools of the Trade – provides a strong foundation on which to build this part of our business, making it bigger and better than ever before.

This new division solidifies the Macy's brand as America's premier retailer for high quality, fashion-right home furnishings. The Macy's Home Store operates with an impressive and talented organization. The company expects this new division to become a magnet that will attract the best and brightest home furnishings executives in the country.

Macy's Home Store is led by President Eric Salus, previously president of Seattle-based Bon-Macy's. Salus began his retail career in 1975 in the executive training program at Famous Barr in St. Louis. His career included merchandising positions of increasing responsibility with various retailers prior to being named executive vice president/home at Macy's in New York in 1997. He was named president of Bon-Macy's in Seattle in May 2003.

RICH'S/LAZARUS/GOLDSMITH'S-MACY'S

223 PERIMETER CENTER PARKWAY • ATLANTA, GA 30346

770-913-4000

2003 Annual Sales: \$2.032 billion

of Stores: 71*

Total Store Gross Square Feet: 13.429 million*

Employees: 15,000

*as of 5/1/04



David L. Nichols
PRESIDENT & CHIEF
OPERATING OFFICER



Michael G. Krauter
PRESIDENT & CHIEF
MERCHANDISING
OFFICER

LAZARUS-MACY'S

INDIANA
KENTUCKY
OHIO
PENNSYLVANIA
WEST VIRGINIA

RICH'S-MACY'S

ALABAMA
GEORGIA
SOUTH CAROLINA

GOLDSMITH'S-MACY'S

TENNESSEE

Rich's-Macy's/Lazarus-Macy's/Goldsmith's-Macy's – known informally as “RLG-Macy's” – benefits from the most colorful heritage in American retailing. Its history can be traced to 1830 in Cincinnati; 1849 in Pittsburgh; 1851 in Columbus, OH; 1853 in Dayton, OH; 1867 in Atlanta; and 1870 in Memphis, TN. More than a century later, its stores help set the pace of department store retailing in all of these major cities – and dozens more.

Today these stores are known as Rich's-Macy's in Georgia, Alabama and South Carolina; Lazarus-Macy's in Ohio, Kentucky, Indiana, Pennsylvania and West Virginia; and Goldsmith's-Macy's in Tennessee. Together, they operate 71 stores and employ more than 15,000 people.

In February 2003, Rich's stores in Georgia, Alabama and South Carolina were combined with Macy's East operations in the Atlanta area to form Rich's-Macy's stores. In August 2003, the Lazarus and Goldsmith's nameplates also were integrated with Macy's. All are operated by the RLG-Macy's division.

This division has grown over time through a series of acquisitions and consolidations among family-owned retailers, bringing together Rich's and Macy's from Atlanta, Goldsmith's from Memphis, Lazarus from Columbus, Shillito's from Cincinnati, Rike's from Dayton, Block's from Indianapolis, and Horne's from Pittsburgh. Separately and together, Rich's-Macy's/Lazarus-Macy's/Goldsmith's-Macy's

stores are recognized for popular merchandise, good customer service and close ties to the communities where they do business.

Rich's and Goldsmith's were combined into one division in 1989. Shillito's and Rike's were merged in 1982, and Shillito/Rikes and Lazarus came together under the Lazarus banner in 1986. Block's was folded into Lazarus in 1988, followed by Horne's in 1994. Rich's, Goldsmith's and Lazarus were consolidated in March 1995 into a single division with headquarters in Atlanta.

In 2004, the division will open a new Rich's-Macy's store in Douglasville, GA.

The division operates under the direction of David L. Nichols, president and chief operating officer, and Michael G. Krauter, president and chief merchandising officer. Nichols joined RLG-Macy's as president in August 2000. Previously, he was chairman and CEO of Mercantile Stores, a company he joined as an executive trainee in 1963. Over the years, he served Mercantile and its divisions as a store manager, general merchandise manager, group president and chief financial officer. Krauter was named to his current role in February 2004 after serving for three years as executive vice president and director of stores for RLG-Macy's. He began his career as a sales manager at Macy's East in New York, and rose through the ranks at various Macy's divisions.

RICH'S-MACY'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
ALABAMA			
Birmingham	Brookwood Village	1974	244
Birmingham	Riverchase Galleria	1986	226
GEORGIA			
Athens	Georgia Square Mall	1981	121
Atlanta	Cumberland Mall	1973	280
Atlanta	Greenbriar	1965	200
Atlanta	Lenox Square	1959	433
Atlanta	Mall of Georgia	2000	245
Atlanta	Northlake	1971	192
Atlanta	North Point Mall	1993	250
Atlanta	North Point Furniture Gallery	2000	71
Atlanta	Perimeter Mall	1971	280
Atlanta	Perimeter Furniture Gallery	1986	87
Atlanta	The Mall at Stonecrest	2001	160
Augusta	Augusta Furniture Gallery	2003	64
Augusta	Augusta Mall	1978	151
Columbus	Peachtree Mall	2002	139

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
GEORGIA (continued)			
Decatur	North DeKalb	1965	190
Decatur	South DeKalb	1969	188
Duluth	Gwinnett Place Mall	1984	245
Duluth	Gwinnett Furniture Gallery	1998	51
Kennesaw	Town Center at Cobb	1986	255
Kennesaw	Town Center Furniture Gallery	2003	57
Macon	Macon	1975	158
Morrow	Southlake	1976	233
Savannah	Oglethorpe Mall	1992	143
Union City	Shannon Mall	1980	130
SOUTH CAROLINA			
Columbia	Columbia Mall	1978	186
Greenville	Haywood Mall	1980	152
ANNOUNCED NEW STORE			
Douglasville, GA	Arbor Place Mall	2004	140

LAZARUS-MACY'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
INDIANA			
Evansville	Eastland Mall	1982	171
Greenwood	Greenwood Park	1980	160
Indianapolis	Castleton Square	1973	310
Kokomo	Markland Mall	1987	60
KENTUCKY			
Florence	Florence Mall	1977	147
Florence	Florence Home Store	1994	112
Lexington	Fayette Mall	1971	279
Louisville	Jefferson Mall	1979	157
Louisville	Oxmoor Center	1970	278
Owensboro	Owensboro	1987	55
OHIO			
Cincinnati	Beechmont Mall	1969	171
Cincinnati	Fountain Place	1997	186
Cincinnati	Kenwood Furniture Gallery	1989	71
Cincinnati	Kenwood Towne Centre	1988	219
Cincinnati	Northgate Mall	1993	191
Cincinnati	Tri-County Mall	1960	235
Columbus	Downtown	1909	933
Columbus	Eastland Mall	1967	245
Columbus	Eastland Furniture Gallery	1972	72

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
OHIO (continued)			
Columbus	Easton Town Center	2001	245
Columbus	Kingsdale Center	1970	108
Columbus	Polaris Mall	2001	180
Columbus	Tuttle Crossing	1997	225
Columbus	Tuttle Furniture Gallery	1996	41
Columbus	Westland Mall	1962	210
Dayton	Dayton Mall	1969	263
Dayton	Fairfield Commons	1994	152
Lancaster	River Valley Mall	1987	50
Lima	Lima Mall	1971	195
Mansfield	Richland Mall	1969	195
Springfield	Upper Valley Mall	1971	155
PENNSYLVANIA			
Monroeville	Monroeville	1969	263
Natrona Heights	Natrona Heights	1956	73
Pittsburgh	Ross Park	1986	201
Pittsburgh	Ross Park Furniture Gallery	1997	48
Pittsburgh	South Hills Furniture Gallery	1993	21
Pittsburgh	South Hills Village	1965	260
WEST VIRGINIA			
Barboursville	Huntington Mall	1981	162

GOLDSMITH'S-MACY'S

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
TENNESSEE			
Jackson	Old Hickory	1981	160
Memphis	Hickory Ridge	1981	226
Memphis	Oak Court	1961	397

State/City	Mall/Location	Year Opened	Gross Sq. Ft. (in 000's)
TENNESSEE (continued)			
Memphis	Southland Mall	1966	150
Memphis	Wolfchase Galleria	1997	266



FEDERATED

IN THE SPOTLIGHT

- *HISPANIC Magazine* has placed Federated among the 100 companies providing the most opportunities to Latinos.
- In 2004, the National Association for Female Executives (NAFE) again named Federated to its Top 30 Companies for Executive Women. This listing celebrates organizations that develop and promote women to serve in top positions.
- Federated is named among the gfn.com 50 Most Powerful and Gay-Friendly Companies in Corporate America.
- Federated is listed in Training's Top 100 corporations "unsurpassed in harnessing human capital."
- Federated scored an 86 – the second highest rating – on the Human Rights Campaign Foundation's 2003 Corporate Equality Index. The index rates major U.S. corporations on their records toward lesbian, gay, bisexual and transgender employees.
- Federated's process for collecting and managing customer feedback has been recognized as a best practice among U.S. retailers by the NRF Foundation and American Express.
- Federated is the only retailer (and ranked 45th overall) on DiversityInc's list of Top 50 Companies for Diversity for 2004.



OPERATIONAL OVERVIEW

SUPPORT OPERATIONS

- FEDERATED CORPORATE
- FEDERATED CORPORATE MARKETING (FCM)
- FEDERATED LOGISTICS & OPERATIONS (FLO)
- FEDERATED MERCHANDISING GROUP (FMG)
- FEDERATED SYSTEMS GROUP (FSG)
- FINANCIAL, ADMINISTRATIVE AND CREDIT SERVICES (FACS)

FEDERATED CORPORATE

7 West Seventh Street • Cincinnati, OH 45202
513-579-7000

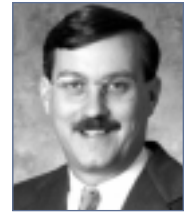
Federated's Cincinnati corporate office is home to a solid organization of professional managers and staff specialists that provides a wide range of services to the total corporation, including divisions and support operations nationwide. Support services and counsel to company operations include tax, audit, accounting, cash management and finance, planning, insurance, statistical analysis and forecasting, law, communications and real estate. In addition, the Cincinnati-based corporate office houses the company's consolidated divisional accounting function. Diversity, employee training and vendor development programs, along with the Federated Department Stores Foundation, also are run out of Federated's Cincinnati corporate office. In addition, the company maintains corporate offices in New York City.



FEDERATED CORPORATE MARKETING (FCM)

151 West 34th Street • New York, NY 10001
212-494-3412

Federated Corporate Marketing (FCM) was established in May 2003 to direct overall activity on initiatives implemented to support the company's focus on Marketing (one of Federated's four strategic priorities). FCM is responsible for driving the development of distinctive sales promotion programs for the Macy's brand that are national in scope but remain locally responsive.



Peter Sachse
PRESIDENT AND
CHIEF MARKETING
OFFICER

Through compelling advertising, unique visual merchandising and iconic special events, FCM's integrated marketing programs are designed to move the Macy's nameplates into a "Category of One," a position of privilege no other department store can own.

FCM works with the divisional marketing teams and Macy's national advertising agencies to create and implement a nationwide strategy that features unique offerings, value and in-store shopping experiences targeted to core customer lifestyles. Through FCM's leadership, a consistent message is communicated by speaking with a common voice across divisions and leveraging combined resources. This allows Federated to build the Macy's brand while maximizing the return on its significant investment in marketing.

FCM is headed by President Peter Sachse, who serves as the company's Chief Marketing Officer. Prior to establishing FCM in 2003, he served for two years as president of the Seattle-based Bon Marché division (now Bon-Macy's). Sachse began his retail career with Macy's in Kansas City in 1980 and held senior-level merchant roles with Macy's Bullock's division, Macy's East and The Bon Marché.



FEDERATED LOGISTICS & OPERATIONS (FLO)

500 Meadowlands Parkway • Secaucus, NJ 07094
201-422-7300

Federated Logistics & Operations (FLO) was created in 1994 to coordinate merchandise distribution and logistics functions and vendor technology across the company for all Federated department store divisions nationwide. The organization's scope was expanded again in 1997 to assume corporatewide responsibility for key operational areas of the business, including energy management, asset recovery, accounts payable, purchasing, loss prevention, shortage control, leased departments, store design/construction and maintenance functions. Using the most advanced technology available, FLO works to reduce the corporation's operational costs and to avoid any kinks that could interrupt mission-critical functions.

FLO has long been a pioneer in retail technology innovation. In fact, its plan to improve vendor relationships and manage merchandise inventories – Federated Accelerated Sales & Stock Turn (FASST) as it was called – employed an advanced system of retail merchandise technologies, including universal product codes (UPCs), electronic data interchange (EDI) and quick response (QR) technology. Today, that initiative is recognized for progressing the industry-wide adoption of customer service and data management technology.

Furthering its commitment to innovation and efficiency, FLO is embracing a new approach to retail management – Six Sigma. A customer-focused, best business practices model aimed at achieving, sustaining and maximizing business success, the Six Sigma system refines operations in order to reach a statistically derived performance target by training employees in specialty areas of process improvement.

FLO is headed by Chairman Thomas L. Cole and Peter Longo, president of Federated Logistics. Cole was named chairman in 1997 after serving as president of the organization (previously known as Federated Logistics) since its inception in 1994. Earlier, Cole was president of Federated Merchandising for six years and served as senior vice president for financial services at the Lazarus division. Cole also serves as corporate vice chair of Federated. Longo was named president of Federated Logistics in January 2000 after serving as the division's executive vice president. He is a Federated veteran who first joined the company in 1973 at Bloomingdale's.



Thomas L. Cole
CHAIRMAN



Peter Longo
PRESIDENT
FEDERATED
LOGISTICS

FEDERATED MERCHANDISING GROUP (FMG)

11 Penn Plaza • New York, NY 10001
212-494-6000

The Federated Merchandising Group (FMG) is responsible for the process of conceptualizing, designing, sourcing and marketing private label and private branded goods across all headquarters department store divisions. FMG also is charged with managing core vendor relationships. In-house design and production teams work with product developers to fine-tune current trends identified in the marketplace. Networking with its offices in 14 countries, FMG can find the best source for each product to bring definitive value at competitive retail prices to Federated store customers. In addition, FMG identifies targeted market segments for brands exclusive to Federated, and develops and implements marketing programs to reach these defined customer groups.

Janet E. Grove and Leonard Marcus head FMG. Grove, who also serves as corporate vice chair of Federated, was named chairman of FMG in February 1998. She previously served as executive vice president for center core, cosmetics and home merchandise. She added the title of chief executive officer in December 1999. Previously, she was executive vice president for ready-to-wear and center core. Grove joined FMG in January 1996 as a senior vice president from Broadway Stores, Inc., where she was executive vice president for home merchandise and center core. She began her retail career in 1973 at Macy's West and held various positions there over the next 19 years.

Marcus moved to become FMG's president in June 1997 from Stern's, where he had been president since 1995. Previously, he was president of the A&S/Jordan Marsh division of Federated since 1989. Marcus began his retail career at A&S in 1974.



Janet E. Grove
CHAIRMAN



Leonard Marcus
PRESIDENT



FEDERATED SYSTEMS GROUP (FSG)

5985 State Bridge Road • Duluth, GA 30097
678-474-2000

Federated Systems Group (FSG) was formed in 1985 to consolidate the diverse data processing operations of Federated. Long recognized in the retail industry for its leadership position in technology, FSG provides an integrated line of high-performance retail, electronic commerce, and data warehouse systems for use at all levels within Federated. FSG uses a mix of Internet, wireless, client/server, midrange, and mainframe technologies to meet Federated business needs. FSG management works closely with department store divisions, the corporate office and merchandise vendors to identify new opportunities and ensure that the company's systems can adapt to changing business conditions.

In particular, FSG develops, maintains and implements systems that support Federated's strategic priorities. FSG continues to refine technologies that improve operations and reduce costs in the supply chain. New technology on the sales floor is helping process transactions more quickly, accurately and efficiently, leading to an improved experience for customers at point of sale. Moreover, new systems are helping Federated to measure and manage return on investment in merchandising, marketing and sales promotion programs. As technology continues to change and improve, the company expects to maximize benefits to the business by applying new tools and developments as they emerge. Thanks to FSG, Federated is constantly improving its ability to offer customers more products in more ways and in less time than ever before.

Larry Lewark directs FSG's efforts and reports to Federated Vice Chair Tom Cole. A career executive with Federated, Lewark was named the company's chief information officer in 2001 and has been FSG's president since 1997. Previously, he was senior vice president for Credit and Systems at the company's Financial, Administrative and Credit Services (FACS) division. Lewark began his career at Federated in 1970 and has served in a variety of buying, store management, data processing and technology positions.



Larry Lewark
PRESIDENT & CHIEF
INFORMATION
OFFICER

FINANCIAL, ADMINISTRATIVE AND CREDIT SERVICES (FACS)

9111 Duke Boulevard • Mason, OH 45040
513-398-5221

Financial, Administrative and Credit Services (FACS), Federated's credit services facility, was founded in 1989. It services all private label credit card accounts on behalf of FDS Bank for each of the company's retail department store divisions.

Proprietary credit is an important service offered to Federated customers, and approximately 42 percent of customer purchases are through the use of these credit cards. Each business day, Federated collects, organizes and analyzes millions of customer transactions. This data helps managers run the business and provides a tool for Federated to market more efficiently to targeted customer segments.

Federated customers opened more than 3.1 million new proprietary charge accounts in 2003, bringing the total number of accounts on record to 50 million. In all, more than 25 million individual customers used their Federated store charge accounts in 2003.

Federated, through FACS, maintains a "Family of Cards" credit program to recognize and reward the most loyal customers of Federated's department store divisions. Through the Family of Cards, frequent buyers earn rewards every time they use one of Federated's proprietary credit cards.

FACS' primary operation is located in suburban Cincinnati, with satellite facilities in Clearwater, FL, and Tempe, AZ. FACS provides credit services, such as credit authorizations, new account development and processing, customer service and collections for FDS Bank. It also provides telemarketing and mail and phone order processing services for Federated's retail department store divisions.

Beyond credit-related functions, FACS also is responsible for financial services such as centralized payroll and benefits processing for all Federated divisions.

FACS is led by President Amy Hanson, who reports to Federated Vice Chair Tom Cole. In 2002, Hanson became president of FACS after serving as president of credit services and prior to that, as senior vice president for credit operations. She joined the company in 1983 and has held various positions at Federated Corporate and FACS, where she first was appointed group manager for planning and receivables in 1991.



Amy Hanson
PRESIDENT

FEDERATED HISTORY

FEDERATED STANDS TODAY AS THE NATION'S LARGEST DEPARTMENT STORE RETAILER. FEDERATED CELEBRATES



75 YEARS OF SUCCESS

ITS 75TH BIRTHDAY IN 2004, BUT ITS RETAILING ROOTS EXTEND FAR BEYOND THAT, STRETCHING BACK TO THE MIDDLE OF THE 19TH CENTURY WHEN MOST OF ITS DEPARTMENT STORE FRANCHISES WERE FOUNDED. THE COMPANY BUILT ON THOSE TRADITIONALLY STRONG FRANCHISES, CALLING ON THE EXPERIENCE AND INNOVATIVE RETAIL STRATEGIES OF EACH DIVISION TO CONTRIBUTE TO FEDERATED'S OVERALL SUCCESS. AS A RESULT, FEDERATED UNDERSTANDS AND MEETS THE NEEDS OF AMERICAN CONSUMERS IN WAYS UNMATCHED BY ANY OTHER RETAILER, ANYWHERE.



75 YEARS OF SUCCESS

Seventy-five years ago on the morning of March 6, 1929, millions of Americans opened their edition of *The New York Times* to find a headline that would send the business and retail world into a spin of excited chatter and speculation – “Abraham & Straus and Filene’s to Unite.” The announcement marked the beginning of the evolution of what was to become one of the largest and most influential corporations in retail history.

Federated Department Stores was born through the combination of Abraham & Straus of Brooklyn, Filene’s of Boston, F&R Lazarus & Co. of Columbus, Ohio and Bloomingdale’s of New York. Each of these retailers was an established, prominent presence with a rich history of its own. In joining together, they agreed to maintain their separate identities while linking their financial interests. These pioneers recognized the immense opportunity that lay before them and on November 25th, 1929 Federated Department Stores was incorporated as a revolutionary new company in American retail.

As Federated emerged in the years of the Great Depression and World War II, it became apparent that the corporation was equipped with both resilience and adaptability. It adapted to the times by implementing innovative retail firsts, such as “pay when you can” credit policies and arranging merchandise by size rather than color, brand or price. Not surprisingly, one of the best and boldest ideas of the time belonged to Fred Lazarus, the retailing legend and president of F&R Lazarus. He became concerned in 1939 upon realizing that Thanksgiving would fall on the last day of November. This meant fewer shopping days in the coveted holiday shopping season between Thanksgiving and Christmas, a circumstance that could push many retailers from the black to the red. Mr. Fred, as he came to be called, proposed a brazen solution when he suggested to President Roosevelt that in the future, Thanksgiving be anchored to the fourth Thursday in November. The President supported

this proposition, and within two years it passed through Congress into law.

When the war came home to America in 1941, Federated responded with the resound of a company dedicated to community and civic support. Selling war bonds, volunteering with the Red Cross, helping in Victory Gardens and participating in U.S.O. events became part of its daily business. Thirteen percent of Federated’s workforce fought in the war, and 56 died in action.



As the nation went on to recover from the strife of a long war, Federated surged forward into a new era of the company's history. It was about to embark on a new beginning sparked by another epiphany credited to Mr. Fred. During a trip to Houston, Texas in 1944, he was astonished to find that the sizeable city had not a single department store. It became obvious to him that Federated had to begin acting on such opportunities that were there for the taking. Upon his return, he convinced Federated's directors that remaining a holding company was no longer conducive to achieving the kind of success possible in the country's booming retail industry. He suggested a bold transition to an operating company that could take advantage of the incredible growth and expansion opportunities that lay ahead. After much debate and some resistance, the directors agreed and Federated was reconstituted as an operating company in 1945, with Fred Lazarus as its president and Cincinnati as its headquarters.



Federated's first priorities as an operating company were expansion and acquisitions that spanned the late 1940s to the early 1960s. By 1964, it was prospering at an extraordinary pace. Its number of divisions had expanded from the original five to an impressive 14, and annual sales for the first time had skyrocketed to more than \$1 billion. The growth continued steadily into the 1970s as Federated mirrored the population trend of expansion to the suburbs. New malls and shopping centers were springing up everywhere, and Federated was there to satisfy the new demand for a retail presence in suburbia. This new trend played a major part in the growth of Federated between 1964 and 1979, when its number of stores increased 400 percent and annual sales quadrupled to \$4.8 billion.

It also was during this era of powerful and positive change that Federated shifted its concentration from growth through acquisitions to expanding the company's retail formats. Mr. Fred had stepped down as CEO in 1966 and passed the reins to his son. Ralph Lazarus recognized retail trends that shifted toward the demand for better merchandise and more brands, leaving the door wide open for Federated to satisfy consumers whose demand for lower-priced retailers was not being met. So by the 1970s, Federated had started a number of discount divisions that operated in Florida, Texas and California. At the same time, Lazarus also set his sights on real estate development through a wholly owned subsidiary, Federated Stores Realty. This resulted in a new string of regional shopping malls with Federated stores as their anchors. Federated ended the decade of the '70s on a high note as it celebrated its 50th anniversary with the acquisition of



75 YEARS OF SUCCESS CONTINUED

Rich's in Atlanta, construction of a new corporate headquarters building in Cincinnati and a total of 20 divisions and 364 stores.

It became apparent in the 1980s, as the tone of the industry changed dramatically, that Federated's endurance and resolve as a retail powerhouse was going to be tested. Howard Goldfeder took the reins of CEO from Ralph Lazarus in 1982 amid a period of changes. As divisional consolidation was taking place between the company's Rike's and Shillito's operations, Federated planned for a new retail concept called MainStreet, which it promoted as a "junior" department store. The company also reinforced its longstanding tradition of giving back to the community with the establishment of the Federated Foundation in 1980, setting aside \$15 million in earnings to create the corpus of this charitable trust. Things looked stable for the corporation until 1988 when a Canadian real estate developer named Robert Campeau turned his sights on Federated. A takeover ensued, and just two years later Federated was forced to file for bankruptcy.

In perhaps the most difficult period of its history, Federated's strong operations and determined leadership rebuilt the corporation into an even stronger company. By 1992, Federated emerged from the ashes as a new public company. Within three years, Federated had doubled in size, acquiring Macy's in 1994 and Broadway Stores in 1995. It dove into the Internet and e-commerce with macys.com and the acquisition of Fingerhut, a company that was building a sophisticated e-commerce infrastructure. When the e-commerce bubble burst and the acquisition of Fingerhut



became a very public failure shortly thereafter, Federated responded with candor. Chairman/CEO Jim Zimmerman declared that the company remained confident in its resolve to take prudent risks rather than choosing to stand still.

Seventy-five years after its founding, Federated is one of the nation's most successful and respected retail institutions. The company continues to prosper by adapting and flowing with new demands on department stores in an ever-changing society. Embracing the words and philosophy of one of its founders, Fred Lazarus Jr., Federated succeeds by striving to be "a living mirror of our civilization in which we see the constant changing needs and wishes of our people."



FEDERATED HISTORY – CHRONOLOGY

- 1830** Shillito's founded in Cincinnati by John Shillito.
- 1841** Eben Jordan and Benjamin L. Marsh open Jordan Marsh in Boston.
- 1851** F&R Lazarus & Company founded in Columbus, OH by Simon Lazarus.
- 1858** Rowland H. Macy opens R.H. Macy & Co. as a dry goods store in New York City. First-day sales totaled \$11.06.
- 1859** Macy's first year sales were approximately \$85,000, on an advertising budget of \$2,800.
- 1865** Wechsler & Abraham (later Abraham & Straus) founded in Brooklyn, NY by Abraham Abraham and Joseph Wechsler.
- 1867** Rich's founded in Atlanta by Morris Rich.
- 1867** Stern Brothers (later Stern's) founded in Manhattan.
- 1870** Goldsmith's founded in Memphis.
- 1872** Bloomingdale Brothers, Inc. founded in New York City by Lyman and Joseph Bloomingdale. First-day sales totaled \$3.68.
- 1888** The Straus family acquires a general partnership with Macy's.
- 1890** The Bon Marché founded in Seattle.
- 1893** The Straus family buys out Joseph Wechsler's interest in Wechsler & Abraham, changing the store's name to Abraham & Straus. While A&S did not become part of Macy's, the two stores kept a close association, even sharing overseas offices.
- 1898** Burdines founded in Miami.
- 1902** Macy's moves to Herald Square in New York City.
- 1907** Bullock's founded by John Bullock and P.G. Winnett in Los Angeles.
- 1924** Macy's Herald Square location becomes largest store in the world, following completion of 7th Avenue addition. Also, 10,000 people watch Macy's first Thanksgiving Day parade.
- 1925** Macy's acquires Davison-Paxon-Stokes of Atlanta.



- 1929** Federated Department Stores, Inc. is formed as a holding company by several family-owned department stores, including Abraham & Straus and F&R Lazarus (along with its Cincinnati-based subsidiary, Shillito's) and Filene's of Boston. Corporate offices established in Columbus, OH.
- 1930** Bloomingdale's joins Federated. First-year sales for Federated were \$112 million.
- 1934** A modern merchandising standard is set when Fred Lazarus (son of Simon) arranges garments in groups of a single size with a range of style, color and price in that size, rather than the other way around. Lazarus based this technique upon observations made in Paris.
- 1935** Boston's Jordan Marsh is one of the founders of New York City-based Allied Stores Corporation, a successor to Hahn Department Stores, Inc. A holding company founded in 1928, Hahn brought chain store advantages to independent, family-owned department stores.
- Fred Lazarus Jr. convinces President Franklin Roosevelt that changing the Thanksgiving holiday from the last Thursday of November to the fourth Thursday, extending the Christmas shopping season, would be good for the nation's business. A 1941 Act of Congress perpetuated the arrangement.
- 1939** Federated and Allied stores made shopping easier during difficult economic times by offering credit, a "pay when you can" policy and developing a reputation for community involvement in times of crisis.
- 1945** Federated moves its offices to Cincinnati. Macy's acquires O'Connor Moffat & Company of San Francisco.

FEDERATED HISTORY – CHRONOLOGY CONTINUED

- 1946** In several ways, Shillito's becomes the first department store to embrace the African-American community. It is the nation's first department store to give credit to African-Americans, as well as employ them as salespeople and executives. The store's restaurant is the first in downtown Cincinnati to serve African-American customers.
- 1947** O'Connor Moffat becomes Macy's California.
- 1951** Allied acquires New Jersey's Stern Brothers, later known as Stern's.
- 1956** Miami-based Burdines becomes a division of Federated.
- 1957** Seventeen-year-old designer-to-be Ralph Lauren sells sweaters at Bloomingdale's over Christmas week. The following year, he joins Allied Stores as assistant menswear buyer.
- 1959** Federated acquires Dayton, Ohio-based Rike's and Memphis-based Goldsmith's.
- 1962** Allied acquires the William H. Block Company of Indianapolis.
- 1964** Federated breaks the 10-figure barrier for the first time, netting annual sales of \$1.215 billion. Federated acquires Los Angeles' Bullock's and I. Magnin.
- 1967** Allied also passes the billion dollar mark, with annual sales of \$1.024 billion.
- 1968** Black Retail Action Group (BRAG), founded in part by Abraham & Straus executives, gives technical assistance to minority-owned businesses and scholarships to retailing students. This furthers A&S' commitment to African-Americans; the company was the country's first major retailer to sign up for Plans for Progress, President Kennedy's commission on job opportunities for African-Americans.
- 1976** Through an exchange of common stock, Federated acquires Atlanta-based Rich's.
- 1980** To help meet the civic, health and welfare, educational and cultural needs of the communities Federated serves, the company invests \$15 million to establish a foundation.
- 1982** The merger of Rike's of Dayton and Shillito's of Cincinnati results in Shillito-Rikes.
- 1985** The newly formed Federated Systems Group (then known as The SABRE Group) begins the conversion of all Federated divisions to a common electronic data processing system.
- Davison's of Atlanta changes its name to Macy's.



1986 A single, billion-dollar organization is formed with the merger of Federated's Shillito-Rikes of Cincinnati, and Columbus-based Lazarus. With headquarters in Cincinnati, the division operates under the Lazarus name.

Campeau Corporation acquires Allied Stores Corporation, which is reorganized under the merger agreement.

1987 Federated buys Allied's Indianapolis-based Block's division, incorporating it into Lazarus.

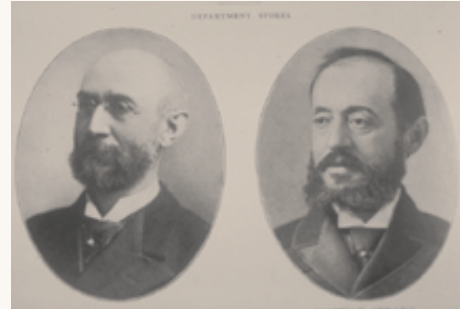
1988 Campeau Corporation acquires Federated. Several Federated divisions, including Foley's and Filene's are sold to other retailers. Macy's purchases Bullock's and I. Magnin from Campeau. To consolidate with Federated, Allied's New York headquarters move to Cincinnati. Allied – operating in tandem with Federated – comprises The Bon Marché, Jordan Marsh, Maas Brothers and Stern's. Goldsmith's merges into Rich's, although the Goldsmith's nameplate is maintained in the Memphis market.

1989 Federated forms its Financial, Administrative and Credit Services operation (The FACS Group) in suburban Cincinnati to centralize credit services for all department store divisions.

Federated's employee volunteer program, Partners in Time, is founded at Rich's/Goldsmith's as a way to give back to the community.

1990 In January, saddled by debt resulting from the highly leveraged Campeau takeover of Federated, both Federated and Allied file for bankruptcy reorganization. The reorganizing of more than \$8 billion of debt begins. Allen Questrom becomes chairman and chief executive officer, joining James M. Zimmerman, president and chief operating officer, to form the senior management team that would resurrect the company.

1991 Divisional consolidations begin. The company's Florida operations, including all former Maas Brothers/Jordan Marsh stores, operate under the Burdines name, and division headquarters are consolidated in Miami.



1992 A new public company – Federated Department Stores, Inc. – emerges in February with 220 department stores in 26 states and annual sales of approximately \$7 billion. The former Allied Stores Corporation is merged into Federated. A consolidation of the A&S and Jordan Marsh divisions results in the A&S/Jordan Marsh division, headquartered in Brooklyn, NY. Early in the new year, Macy's files for protection under Chapter 11.

1993 Federated announces the centralization of divisional accounting and accounts payable functions in Cincinnati. In addition, a management realignment reconfigures merchandise distribution for its Northeastern divisions.

1994 Federated acquires the Joseph Horne Co. of Pittsburgh, adding 10 Pennsylvania stores to its Lazarus division. In December, Federated acquires R.H. Macy & Co., creating the largest department store retailer in the nation. Acquisition approval, granted by U.S. Bankruptcy Court in December, culminates Macy's three-year reorganization plan.

Macy's East, headquartered in New York City, merges with A&S/Jordan Marsh to form a \$4 billion retailing division of Federated. In San Francisco, Macy's West continues to operate all West Coast Macy's and Bullock's stores, as Federated restores its presence in California and Texas.

Federated announces the discontinuation of the I. Magnin chain; 13 I. Magnin stores are sold or converted to Macy's or Bullock's.

Federated Logistics is formed to coordinate the company's distribution facilities and functions in the Northeast U.S.

FEDERATED HISTORY – CHRONOLOGY CONTINUED

1995 Rich's/Goldsmith's and Lazarus are consolidated into one division – Rich's/Lazarus/Goldsmith's, based in Atlanta and operating stores in nine Southeast and Midwestern states.

Federated acquires Broadway Stores, Inc., based in Los Angeles. Initially, this added 82 Broadway, Emporium and Weinstock's department stores in California and four other Southwestern states with annual sales of more than \$2 billion. Federated announces that 56 of these stores will be converted to the Macy's nameplate. Five others will become Bloomingdale's, while other locations will be sold or closed.

Federated Logistics is expanded to handle distribution, logistics functions and vendor technology for all Federated divisions nationwide.

A&S stores, already a part of the Macy's East division, are converted to the Macy's nameplate.

1996 Jordan Marsh stores in the Northeast U.S., already part of the Macy's East division, are converted to the Macy's nameplate. Meanwhile, Bullock's stores in Southern California, already part of the Macy's West division, are renamed Macy's.

The Federated Department Stores Foundation is reactivated as the company's primary vehicle for charitable giving. Total contributions by Federated, its divisions and the Foundation were \$7.8 million in fiscal 1996.

Bloomingdale's opens its first California stores with four locations – three in the Los Angeles area and one in Palo Alto.

Macy's West launches *www.macys.com*.

1997 In May, James M. Zimmerman succeeds Allen Questrom as chairman and chief executive of Federated. Terry J. Lundgren becomes president and chief merchandising officer.

1998 For the first time since 1988, Federated's debt was rated by major agencies as investment grade. In the fall, the company launches a new Macy's By Mail catalog and re-launches *macys.com*.

1999 Fingerhut Companies, Inc. of Minnetonka, MN, a leading direct-marketing company, is acquired by Federated in March.

2000 A new private brand of apparel and accessories for children, called Greendog, debuts at stores across the country.

2001 In February, Federated announces that its Stern's division will be closed, with most locations being converted to the Bloomingdale's or Macy's nameplates.

In July, Federated acquires Liberty House, Hawaii's largest retailer and only conventional department store group. It becomes part of Macy's West.

2002 Federated disposes of Fingerhut.

Terry J. Lundgren becomes chief operating officer in addition to president and chief merchandising officer.

2003 Federated integrates the Macy's nameplates with its regional department stores – creating Bon-Macy's, Burdines-Macy's, Goldsmith's-Macy's, Lazarus-Macy's and Rich's-Macy's. Federated Corporate Marketing developed.

Bloomingdale's enters the Atlanta market for the first time with two stores.

Terry J. Lundgren becomes president and chief executive officer. James M. Zimmerman remains chairman of the board.

Federated board initiates quarterly dividends.

2004 Terry J. Lundgren becomes chairman, president and CEO as James M. Zimmerman retires as chairman of the company.

Macy's Home Store division is formed.



BOARD OF DIRECTORS



Meyer Feldberg
DEAN
COLUMBIA BUSINESS SCHOOL
COLUMBIA UNIVERSITY



Earl G. Graves, Sr.
CHAIRMAN &
CHIEF EXECUTIVE OFFICER
EARL G. GRAVES, LTD.



Sara Levinson
PRESIDENT
WOMEN'S GROUP
RODALE, INC.
NON-EXECUTIVE CHAIRMAN
CLUB MOM



Terry J. Lundgren
CHAIRMAN, PRESIDENT &
CHIEF EXECUTIVE OFFICER
FEDERATED DEPARTMENT
STORES, INC.



Joseph Neubauer
EXECUTIVE CHAIRMAN
OF THE BOARD
ARAMARK CORPORATION



Joseph A. Pichler
CHAIRMAN
OF THE BOARD
THE KROGER CO.



Ronald W. Tysoe
VICE CHAIR
FEDERATED DEPARTMENT
STORES, INC.



Karl M. von der Heyden
FORMER VICE CHAIRMAN
PEPSICO, INC.



Craig E. Weatherup
FORMER CHAIRMAN &
CHIEF EXECUTIVE OFFICER
THE PEPSI BOTTLING
GROUP, INC.



Marna C. Whittington
CHIEF OPERATING OFFICER
ALLIANZ DRESNER
ASSET MANAGEMENT
PRESIDENT
NICHOLAS APPLGATE
CAPITAL MANAGEMENT

CORPORATE MANAGEMENT

EXECUTIVE OFFICERS



Terry J. Lundgren
CHAIRMAN,
PRESIDENT & CHIEF
EXECUTIVE OFFICER

Terry J. Lundgren, Federated's president since May 1997, assumed the role of chief executive officer in February 2003 and chairman in January 2004. Previously, he served as the company's chief operating officer and chief merchandising officer. Lundgren has devoted most of his career to Federated, having first joined the Bullock's division in Los Angeles in 1975 and rising to become president of the Bullocks

Wilshire specialty operations. In 1988, Lundgren joined Neiman Marcus, where he was chairman and chief executive officer before returning to Federated in 1994 to head the New York-based Federated Merchandising Group.



Janet E. Grove
VICE CHAIR

Janet E. Grove was elected Federated vice chair in February 2003 in addition to serving as chair of the Federated Merchandising Group (FMG), a position she has held since 1998. Previously, she served as FMG's executive vice president for center core, cosmetics and home merchandise. She added the title of chief executive officer in December 1999.

Previously, she was executive vice president for ready-to-wear and center core. Grove joined FMG in January 1996 as a senior vice president from Broadway Stores, Inc., where she was executive vice president for home merchandise and center core. She began her retail career in 1973 at Macy's West.



Thomas G. Cody
VICE CHAIR

Thomas G. Cody was elected in February 2003 as vice chair with responsibility for legal and human resources, internal audit, external affairs and the company's philanthropic activities. Previously, he served as executive vice president for legal and human resources since May 1988. From 1982 to 1988, Cody held the position of senior vice president for law and public

affairs for Federated. Prior to joining Federated, he spent six years with Pan American World Airways, Inc. as senior vice president, general counsel and secretary.



Susan D. Kronick
VICE CHAIR

Susan D. Kronick, responsible for all the company's department store divisions, was elected Federated vice chair in February 2003 after serving for two years as group president responsible for overseeing the regional department store divisions. Previously, she had served as chairman of Burdines and president of RLG. Kronick, a native of New York, spent the previous 20 years

at Bloomingdale's, most recently serving as senior executive vice president and director of stores.



Thomas L. Cole
VICE CHAIR

Thomas L. Cole was elected in February 2003 as the corporation's vice chair responsible for Federated Logistics & Operations (FLO), which includes store design and construction; Federated Systems Group (FSG), and the Financial, Administrative and Credit Services (FACS) divisions. Cole has served as chairman of all three support divisions – FLO since 1995, FSG since

2001 and FACS since 2002. Earlier, Cole was president of Federated Merchandising for six years and served as senior vice president for financial services at the Lazarus division. He began his career at Federated in 1972.



Ronald W. Tysoe
VICE CHAIR

Ronald W. Tysoe, Federated vice chair for finance and real estate, was elected vice chair in April 1990 and previously served as the company's chief financial officer. Before joining Federated, he had been president and chief operating officer of Campeau Corporation, a position to which he was named in April 1989.

SENIOR VICE PRESIDENTS



Dennis J. Broderick
GENERAL COUNSEL
& SECRETARY



David W. Clark
HUMAN RESOURCES



Karen M. Hoguet
CHIEF FINANCIAL OFFICER



Rudolph V. Javosky
STORE DESIGN &
CONSTRUCTION

VICE PRESIDENTS



Joel A. Belsky
CONTROLLER



William L. Hawthorne, III
DIVERSITY & DEPUTY
GENERAL COUNSEL



Bradley R. Mays
TAX



Gary J. Nay
REAL ESTATE



Carol A. Sanger
CORPORATE
COMMUNICATIONS
& EXTERNAL AFFAIRS



Cynthia Ray Walker
AREA RESEARCH



Felicia Williams
INTERNAL AUDIT



Michael Zorn
EMPLOYEE RELATIONS

SHAREHOLDER INFORMATION

COMMON STOCK

SHARES OF FEDERATED COMMON STOCK ARE TRADED ON THE NEW YORK STOCK EXCHANGE. THE COMPANY'S TRADING SYMBOL IS FD.

THE APPROXIMATE NUMBER OF FEDERATED SHAREHOLDERS OF RECORD, AS OF JANUARY 31, 2004, WAS 12,207. AS OF THAT DATE, THERE WERE APPROXIMATELY 178 MILLION SHARES OF FEDERATED COMMON STOCK OUTSTANDING, EXCLUDING SHARES HELD BY FEDERATED.

TRANSFER AGENT FOR FEDERATED SHARES IS:

The Bank of New York
Shareholder Relations Department
Church Street Station
P.O. Box 11258
New York, NY 10286-1258
1-800-524-4458

FEDERATED INVESTOR RELATIONS DEPARTMENT:

513-579-7028

FEDERATED INFORMATION REQUEST HOTLINE:

1-800-261-5385

VISIT US ON THE INTERNET:

www.fds.com
www.bloomingdales.com
www.macys.com
www.retailology.com
www.gogreendog.com
www.macysweddingchannel.com

FEDERATED CORPORATE GOVERNANCE

Federated believes strongly in good corporate governance and transparency in financial reporting. If you would like to know more, please visit the Corporate Governance section of our corporate web site at www.fds.com/corporategovernance.

2003	Shares Traded	Average Daily Volume	Prices	
			Low	High
First Quarter	108,585,000	1,724,000	23.51	30.91
Second Quarter	113,382,000	1,800,000	29.93	40.90
Third Quarter	120,012,000	1,875,000	38.50	47.93
Fourth Quarter	113,782,000	1,865,000	42.54	50.60

2002	Shares Traded	Average Daily Volume	Prices	
			Low	High
First Quarter	87,337,000	1,386,000	36.83	44.26
Second Quarter	90,137,000	1,431,000	31.39	44.10
Third Quarter	108,194,000	1,691,000	23.59	38.13
Fourth Quarter	101,216,000	1,659,000	25.50	34.75

FEDERATED OPERATES STORES IN:*

ALABAMA

Rich's-Macy's (2)

ARIZONA

Macy's West (7)

CALIFORNIA

Bloomingdale's (6)
Macy's West (104)

CONNECTICUT

Macy's East (4)

DELAWARE

Macy's East (1)

FLORIDA

Bloomingdale's (5)
Burdines-Macy's (63)

GEORGIA

Bloomingdale's (2)
Rich's-Macy's (24)

HAWAII

Macy's West (19)

IDAHO

Bon-Macy's (9)

ILLINOIS

Bloomingdale's (4)

INDIANA

Lazarus-Macy's (4)

KENTUCKY

Lazarus-Macy's (6)

LOUISIANA

Macy's East (2)

MAINE

Macy's East (1)

MARYLAND

Bloomingdale's (1)
Macy's East (3)

MASSACHUSETTS

Bloomingdale's (2)
Macy's East (9)

MINNESOTA

Bloomingdale's (1)
Macy's West (1)

MONTANA

Bon-Macy's (3)

NEVADA

Bloomingdale's (1)
Macy's West (7)

NEW HAMPSHIRE

Macy's East (4)

NEW JERSEY

Bloomingdale's (5)
Macy's East (30)

NEW MEXICO

Macy's West (1)

NEW YORK

Bloomingdale's (6)
Macy's East (29)

OHIO

Lazarus-Macy's (21)

OREGON

Bon-Macy's (5)

PENNSYLVANIA

Bloomingdale's (2)
Lazarus-Macy's (6)
Macy's East (6)

RHODE ISLAND

Macy's East (1)

SOUTH CAROLINA

Rich's-Macy's (2)

TENNESSEE

Goldsmith's-Macy's (5)

TEXAS

Macy's West (4)

VIRGINIA

Bloomingdale's (1)
Macy's East (4)

WASHINGTON

Bon-Macy's (32)

WEST VIRGINIA

Lazarus-Macy's (1)

WYOMING

Bon-Macy's (1)

GUAM

Macy's West (1)

PUERTO RICO

Macy's East (1)

Number of Stores 459
*(394 department stores;
53 furniture galleries and
home stores; 12 others)*

Store Gross Sq. Ft.
(in thousands)..... 84,205

Total States 34
+ Guam and
Puerto Rico

Total Number
of Employees 111,000

* Information as of May 1, 2004

Federated
DEPARTMENT STORES, INC.

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Federated
DEPARTMENT STORES, INC.
www.fds.com

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