

Federated

DEPARTMENT STORES, INC.

On May 19 2006, the Federated Department Stores, Inc. board of directors approved a two-for-one stock split of Federated common stock. The split is structured in the form of a 100% stock dividend, payable June 9, 2006 to shareholders of record on May 26, 2006. As a result of the stock split, each shareholder will receive one additional share of common stock for each share of common stock owned as of the close of business on the record date. To assist our shareholders in their understanding of the stock split, we have provided answers to the following frequently asked questions:

What is a two-for-one stock split in the form of a 100% stock dividend?

A 100% stock dividend is a common way to implement a two-for-one stock split. On the payment date, June 9, 2006, each stockholder will receive one additional share of stock for each share owned as of the close of business on the record date, May 26, 2006. Since there will be twice as many shares after the split, each share will be worth half of what it was worth immediately prior to the split, while the overall value of a stockholder's investment remains the same.

The difference between a stock split in the form of a dividend and a stock split not in the form of a dividend is that the shares will continue to trade under the same CUSIP number.

How many shares will I receive?

A 2-for-1 split means the investor will have twice as many shares as he or she had on the close of business on the record date, at half the market price per share. Here's an example: If an investor owns 100 shares of FD as of the record date and the market price is \$74.00/share, that investor's total value is \$7,400.00. After the split, the investor will have a total of 200 shares of stock, but the market price will be \$37.00/share. The investor's total investment value in FD remains the same at \$7,400.00 until the stock price moves up or down.

What and when are the key dates for the stock split?

Record Date – May 26, 2006: This date exists to determine which shareholders are entitled to receive additional shares due to the split.

- ❑ Any shareholder who owns stock as of the close of business on this date will receive one additional share for each share he or she owns.
- ❑ If you purchase shares between the Record Date and the Payable Date, you are entitled to receive an amount of split shares equal to the shares you purchased.
- ❑ If you sold your shares before the close of business on the record date, or between the Record Date and the Payable Date, you will not be entitled to receive the stock dividend.

Mailing /Payment Date/ Distribution Date – June 9, 2006: This is the date when The Bank of New York, Federated's stock transfer agent, will mail you a Statement of Account or Direct Registration ("DRS") Transaction Advice detailing the split transaction and the number of additional shares. Please note that the Direct Registration transaction Advice or Statement of Account form reflects only shares held in your Registered Shareholder account or BuyDIRECTsm account with The Bank of New York. Make sure to retain the DRS Transaction Advice or Statement of Account in a safe place, because Federated is no longer issuing stock certificates. If you have any questions, please contact Bank of New York at 1-866-337-3311.

Ex- Date for the stock split – June 12, 2006: This is the date when Federated common shares will trade on NYSE at the new split-adjusted price, reflecting the doubling of the number of outstanding shares.

Can I view my Bank of New York account online?

Yes. Please log on to www.stockbny.com and click on the “Log In” link in the “Shareholder Account Access” section to get started.

How are shares from the stock split credited to my brokerage account?

If you hold Federated Department Stores common stock in a brokerage account, the additional shares will be sent directly to your broker for credit to your brokerage account. Please contact your broker directly for an account statement reflecting the additional shares credited to your account as a result of the split, or with any questions regarding your brokerage account.

Why is the company splitting the stock?

These actions reflect our confidence in the future operating results and cash flow of the company, as well as our ongoing determination to build long-term shareholder value

Does the two-for-one stock split in the form of a 100 percent stock dividend dilute the value of my Federated stock holdings by increasing the number of shares?

No, this stock split will not change the proportionate interest a stockholder maintains in Federated (e.g. a person owning 1 percent of Federated common stock before the split will continue to own 1 percent of Federated stock after the split).

Do I have to pay for the shares?

There is no cost to you in connection with the stock split.

Has Federated previously split the stock?

This will be the first stock split since Federated was listed in its current form on the New York Stock Exchange in February 1992.

Will the par value change?

No. The par value will remain at \$0.01 per share.

What will happen to the dividend?

With the stock split, Federated’s quarterly dividend will be 12.75 cents per outstanding common share, payable July 3, 2006, to Federated shareholders of record at the close of business on June 16, 2006.

Do I have to pay taxes on the new shares? What happens to my cost basis in my old shares?

No. You will not have to pay taxes on your receipt of your new shares. Federated's distribution of the new shares to you pursuant to the stock split is considered to be a nontaxable stock distribution for U.S. Federal income tax purposes.

Following the stock split, you will need to allocate your pre-split tax basis in your old Federated shares equally between your old Federated shares and your new Federated shares. Consequently, 50% of the pre-split tax basis in your old Federated shares will be allocated to your old Federated shares and the remaining 50% will be allocated to your new Federated shares. For a shareholder who owns several blocks of Federated stock that were purchased at different times, this allocation must be done on a block by block basis.

You should consult with your own personal tax advisor if you have any questions regarding your own specific facts and circumstances.

What happens to my shares in the BuyDIRECTSM Dividend Reinvestment Program?

Your DRIP share count will double.

What is Direct Registration?

Direct Registration is a form of electronic registration of stock ownership that enables Federated shareholders to be directly registered on the books of The Bank of New York, as agent for Federated, with no need for physical stock certificates.

What are the advantages of Direct Registration?

Direct Registration should be very convenient for you. The benefits include:

- ❑ Safer ownership: Saves you the administrative burden of keeping track of original stock certificates, and eliminates the worry and cost associated with replacing lost, destroyed or stolen certificates
- ❑ Faster and easier transfer of shares: Shares can be moved quickly since stock certificates do not need to be mailed to the Stock Transfer Agent
- ❑ Convenient sales: Shares can be sold either by The Bank of New York or by your own broker.

What if I want to send in my existing physical Federated stock certificates and have those shares converted to Direct Registration?

Yes. You may elect to deposit the shares represented by your existing stock certificates into your account at The Bank of New York. To deposit stock certificates, send them via Registered Mail return-receipt requested, to the Bank. **Please do not sign the stock certificate(s).** You should include the bottom (detachable) section of your Direct Registration Transaction Advice or Statement of Account form with your written instructions regarding the deposit, and mail them to:

Federated Department Stores, Inc.
C/o The Bank of New York
Receive and Deliver Department
Church Street Station
P.O. Box 11002
New York, NY 10286-1002

We recommend the you insure the package for 2% of the value of the shares being mailed [*Value = Number of Shares X Current Stock Price*]. If you have any questions regarding this process contact Bank of New York at 1-866-337-3311.

Can I get stock certificates instead of Direct Registration if I want to?

Federated is no longer issuing physical stock certificates. Your Direct Registration Transaction Advice will be your evidence of ownership of the shares.

What do I do with my current, pre-split, stock certificates?

Keep them - do not destroy them. The stock certificates are still valid. All your certificates should be kept in a safe place. However, as mentioned above, today most shares are kept in paperless fashion and shareholders with certificates have the option to conveniently convert all valid certificates to Direct Registration.

How does the stock split affect my stockholder voting rights this year?

The 2006 proxy-voting season takes place prior to the Record Date of the stock split. There is no impact. Next year, assuming your holdings are unchanged and if the total number of shares outstanding were to be unchanged, you would vote twice as many shares, but your proportionate vote would remain the same relative to other shareholders.

How can I sell my new shares if I choose?

This process is unchanged. You may sell shares through your stockbroker or through The Bank of New York's BuyDIRECTsm Dividend Reinvestment Plan. For more information, contact them at 1-866-337-3311 or www.stockbny.com.

I am a May shareholder who didn't exchange my shares yet. What should I do? How will this affect the exchange?

Contact The Bank of New York for directions on how to submit your May shares for exchange into Federated common stock and cash. The number of FD shares you are entitled to receive as compensation for your May shares pursuant to the merger will simply double. Your cash consideration remains the same. Please contact the Reorganization Department at The Bank of New York at 1-800-292-2301.

How do I contact The Bank of New York?

The Bank of New York is the transfer agent and registrar for Federated Department Stores common stock.

Call: Monday – Friday from 8 a.m. to 8 p.m. (Eastern)

U.S. toll-free:	1-866-337-3311
International Callers:	1-212-815-3700
TDD for the hearing impaired:	1-888-269-5221

E-Mail:

shareowners@bankofny.com

Internet:

www.stockbny.com

Mail:

<u>BuyDIRECTsm Participants:</u> (Optional cash investments and sales)	<u>Deposit certificate into Direct Registration, change your address, replace your of dividend check, enroll for direct deposit of dividends or to transfer stock:</u>
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