

MACY'S, INC.
CONSOLIDATED STATEMENTS OF INCOME
(millions, except per share data)

	2019	2018	2017
Net sales	\$ 24,560	\$ 24,971	\$ 24,939
Credit card revenues, net	771	768	702
Cost of sales	(15,171)	(15,215)	(15,181)
Selling, general and administrative expenses	(8,998)	(9,039)	(8,954)
Gains on sale of real estate	162	389	544
Restructuring, impairment, store closing and other costs	(354)	(136)	(186)
Operating income	970	1,738	1,864
Benefit plan income, net	31	39	57
Settlement charges	(58)	(88)	(105)
Interest expense	(205)	(261)	(321)
Gains (losses) on early retirement of debt	(30)	(33)	10
Interest income	20	25	11
Income before income taxes	728	1,420	1,516
Federal, state and local income tax benefit (expense)	(164)	(322)	39
Net income	564	1,098	1,555
Net loss attributable to noncontrolling interest	—	10	11
Net income attributable to Macy's, Inc. shareholders	\$ 564	\$ 1,108	\$ 1,566
Basic earnings per share attributable to Macy's, Inc. shareholders	\$ 1.82	\$ 3.60	\$ 5.13
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 1.81	\$ 3.56	\$ 5.10

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

MACY'S, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(millions)

	2019	2018	2017
Net income	\$ 564	\$ 1,098	\$ 1,555
Other comprehensive income (loss), net of taxes:			
Net actuarial gain (loss) and prior service credit on post employment and postretirement benefit plans, net of tax effect of \$36 million, \$52 million and \$37 million	(107)	(151)	82
Reclassifications to net income:			
Net actuarial loss and prior service cost on post employment and postretirement benefit plans, net of tax effect of \$8 million, \$7 million and \$13 million	23	23	22
Settlement charges, net of tax effect of \$14 million, \$23 million and \$37 million	44	65	68
Total other comprehensive income (loss)	(40)	(63)	172
Comprehensive income	524	1,035	1,727
Comprehensive loss attributable to noncontrolling interest	—	10	11
Comprehensive income attributable to Macy's, Inc. shareholders	\$ 524	\$ 1,045	\$ 1,738

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

MACY'S, INC.
CONSOLIDATED BALANCE SHEETS
(millions)

	February 1, 2020	February 2, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 685	\$ 1,162
Receivables	409	400
Merchandise inventories	5,188	5,263
Prepaid expenses and other current assets	528	620
Total Current Assets	6,810	7,445
Property and Equipment – net	6,633	6,637
Right of Use Assets	2,668	—
Goodwill	3,908	3,908
Other Intangible Assets – net	439	478
Other Assets	714	726
Total Assets	\$ 21,172	\$ 19,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$ 539	\$ 43
Merchandise accounts payable	1,682	1,655
Accounts payable and accrued liabilities	3,448	3,366
Income taxes	81	168
Total Current Liabilities	5,750	5,232
Long-Term Debt	3,621	4,708
Long-Term Lease Liabilities	2,918	—
Deferred Income Taxes	1,169	1,238
Other Liabilities	1,337	1,580
Shareholders' Equity:		
Common stock (309.0 and 307.5 shares outstanding)	3	3
Additional paid-in capital	621	652
Accumulated equity	7,989	8,050
Treasury stock	(1,241)	(1,318)
Accumulated other comprehensive loss	(995)	(951)
Total Macy's, Inc. Shareholders' Equity	6,377	6,436
Noncontrolling interest	—	—
Total Shareholders' Equity	6,377	6,436
Total Liabilities and Shareholders' Equity	\$ 21,172	\$ 19,194

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

MACY'S, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(millions)

	Common Stock	Additional Paid-In Capital	Accumulated Equity	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Macy's, Inc. Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance at January 28, 2017	\$ 3	\$ 617	\$ 6,141	\$ (1,489)	\$ (896)	\$ 4,376	\$ (1)	\$ 4,375
Net income (loss)			1,566			1,566	(11)	1,555
Other comprehensive income					172	172		172
Common stock dividends (\$1.51 per share)			(461)			(461)		(461)
Stock repurchases				(1)		(1)		(1)
Stock-based compensation expense		58				58		58
Stock issued under stock plans		(24)		34		10		10
Other		25				25		25
Balance at February 3, 2018	3	676	7,246	(1,456)	(724)	5,745	(12)	5,733
Net income (loss)			1,108			1,108	(10)	1,098
Other comprehensive loss					(63)	(63)		(63)
Common stock dividends (\$1.51 per share)			(468)			(468)		(468)
Stock-based compensation expense		63				63		63
Stock issued under stock plans		(87)		138		51		51
Stranded tax costs (a)			164		(164)	—		—
Macy's China Limited						—	22	22
Balance at February 2, 2019	3	652	8,050	(1,318)	(951)	6,436	—	6,436
Cumulative-effect adjustment (b)			(158)			(158)		(158)
Net income			564			564		564
Other comprehensive loss					(40)	(40)		(40)
Common stock dividends (\$1.51 per share)			(470)			(470)		(470)
Stock repurchases				(1)		(1)		(1)
Stock-based compensation expense		38				38		38
Stock issued under stock plans		(69)		78		9		9
Other			3		(4)	(1)		(1)
Balance at February 1, 2020	\$ 3	\$ 621	\$ 7,989	\$ (1,241)	\$ (995)	\$ 6,377	\$ —	\$ 6,377

(a) Represents the reclassification of stranded tax effects to retained earnings as a result of U.S. federal tax reform.

(b) Represents the cumulative-effect adjustment to retained earnings for the adoption of Accounting Standards Update 2016-02 (ASU-2016-02), Leases (Topic 842), on February 3, 2019.

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

MACY'S, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 564	\$ 1,098	\$ 1,555
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring, impairment, store closing and other costs	354	136	186
Settlement charges	58	88	105
Depreciation and amortization	981	962	991
Benefit plans	31	30	35
Stock-based compensation expense	38	63	58
Gains on sale of real estate	(162)	(389)	(544)
Deferred income taxes	(6)	112	(421)
Amortization of financing costs and premium on acquired debt	4	(15)	(45)
Changes in assets and liabilities:			
(Increase) decrease in receivables	(9)	(61)	120
(Increase) decrease in merchandise inventories	75	(87)	221
Decrease in prepaid expenses and other current assets	89	21	17
Increase in merchandise accounts payable	40	55	162
Increase (decrease) in accounts payable and accrued liabilities	(257)	14	(221)
Decrease in current income taxes	(60)	(136)	(114)
Change in other assets and liabilities	(132)	(156)	(129)
Net cash provided by operating activities	1,608	1,735	1,976
Cash flows from investing activities:			
Purchase of property and equipment	(902)	(657)	(487)
Capitalized software	(255)	(275)	(273)
Disposition of property and equipment	185	474	411
Other, net	(30)	2	(2)
Net cash used by investing activities	(1,002)	(456)	(351)
Cash flows from financing activities:			
Debt issuance costs	(3)	—	—
Debt repaid	(597)	(1,149)	(988)
Dividends paid	(466)	(463)	(461)
Increase (decrease) in outstanding checks	(62)	16	(15)
Acquisition of treasury stock	(1)	—	(1)
Issuance of common stock	6	45	6
Proceeds from noncontrolling interest	—	7	13
Net cash used by financing activities	(1,123)	(1,544)	(1,446)
Net increase (decrease) in cash, cash equivalents and restricted cash	(517)	(265)	179
Cash, cash equivalents and restricted cash beginning of period	1,248	1,513	1,334
Cash, cash equivalents and restricted cash end of period	\$ 731	\$ 1,248	\$ 1,513
Supplemental cash flow information:			
Interest paid	\$ 242	\$ 328	\$ 361
Interest received	20	25	12
Income taxes paid (net of refunds received)	229	345	496
Restricted cash, end of period	46	86	58

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