

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

	2018	2017	2016
Net sales	\$ 24,971	\$ 24,939	\$ 25,908
Credit card revenues, net.....	768	702	656
Cost of sales	(15,215)	(15,181)	(15,666)
Selling, general and administrative expenses.....	(9,039)	(8,954)	(9,257)
Gains on sale of real estate	389	544	209
Restructuring, impairment, store closing and other costs	(136)	(186)	(479)
Operating income	1,738	1,864	1,371
Benefit plan income, net.....	39	57	55
Settlement charges.....	(88)	(105)	(98)
Interest expense	(261)	(321)	(367)
Gains (losses) on early retirement of debt.....	(33)	10	—
Interest income	25	11	4
Income before income taxes.....	1,420	1,516	965
Federal, state and local income tax benefit (expense).....	(322)	39	(346)
Net income	1,098	1,555	619
Net loss attributable to noncontrolling interest	10	11	8
Net income attributable to Macy's, Inc. shareholders	\$ 1,108	\$ 1,566	\$ 627
Basic earnings per share attributable to Macy's, Inc. shareholders.....	\$ 3.60	\$ 5.13	\$ 2.03
Diluted earnings per share attributable to Macy's, Inc. shareholders.....	\$ 3.56	\$ 5.10	\$ 2.02

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

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

	2018	2017	2016
Net income	\$ 1,098	\$ 1,555	\$ 619
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 \$52 million, \$37 million and \$42 million	(151)	82	65
Reclassifications to net income:			
Net actuarial loss and prior service cost on post employment and postretirement benefit plans, net of tax effect of \$7 million, \$13 million and \$14 million	23	22	22
Settlement charges, net of tax effect of \$23 million, \$37 million and \$38 million	65	68	60
Total other comprehensive income (loss)	(63)	172	147
Comprehensive income	1,035	1,727	766
Comprehensive loss attributable to noncontrolling interest	10	11	8
Comprehensive income attributable to Macy's, Inc. shareholders	\$ 1,045	\$ 1,738	\$ 774

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

	February 2, 2019	February 3, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,162	\$ 1,455
Receivables	400	363
Merchandise inventories	5,263	5,178
Prepaid expenses and other current assets	620	650
Total Current Assets	7,445	7,646
Property and Equipment – net	6,637	6,672
Goodwill	3,908	3,897
Other Intangible Assets – net	478	488
Other Assets	726	880
Total Assets	\$ 19,194	\$ 19,583
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	\$ 43	\$ 22
Merchandise accounts payable	1,655	1,590
Accounts payable and accrued liabilities	3,366	3,271
Income taxes	168	296
Total Current Liabilities	5,232	5,179
Long-Term Debt	4,708	5,861
Deferred Income Taxes	1,238	1,148
Other Liabilities	1,580	1,662
Shareholders' Equity:		
Common stock (307.5 and 304.8 shares outstanding)	3	3
Additional paid-in capital	652	676
Accumulated equity	8,050	7,246
Treasury stock	(1,318)	(1,456)
Accumulated other comprehensive loss	(951)	(724)
Total Macy's, Inc. Shareholders' Equity	6,436	5,745
Noncontrolling interest	—	(12)
Total Shareholders' Equity	6,436	5,733
Total Liabilities and Shareholders' Equity	\$ 19,194	\$ 19,583

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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 30, 2016.....	\$ 3	\$ 621	\$ 6,334	\$ (1,665)	\$ (1,043)	\$ 4,250	\$ 3	\$ 4,253
Cumulative-effect adjustment (a)			45			45		45
Net income (loss)			627			627	(8)	619
Other comprehensive income.....					147	147		147
Common stock dividends (\$1.4925 per share).....			(459)			(459)		(459)
Stock repurchases.....				(316)		(316)		(316)
Stock-based compensation expense		60				60		60
Stock issued under stock plans....		(64)		81		17		17
Retirement of common stock			(406)	406		—		—
Deferred compensation plan distributions				5		5		5
Macy's China Limited						—	4	4
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)		27		3		3
Deferred compensation plan distributions				7		7		7
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)		135		48		48
Deferred compensation plan distributions				3		3		3
Stranded tax costs (b)			164		(164)	—		—
Macy's China Limited						—	22	22
Balance at February 2, 2019.....	\$ 3	\$ 652	\$ 8,050	\$ (1,318)	\$ (951)	\$ 6,436	\$ —	\$ 6,436

(a) Represents the cumulative-effect adjustment for the adoption of ASC Topic 606, Revenue from Contracts with Customers.

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

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

	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 1,098	\$ 1,555	\$ 619
Adjustments to reconcile net income to net cash provided by operating activities:			
Restructuring, impairment, store closing and other costs	136	186	479
Settlement charges	88	105	98
Depreciation and amortization	962	991	1,058
Stock-based compensation expense	63	58	61
Gains on sale of real estate	(389)	(544)	(209)
Amortization of financing costs and premium on acquired debt	(15)	(45)	(14)
Changes in assets and liabilities:			
(Increase) decrease in receivables	(61)	120	(1)
(Increase) decrease in merchandise inventories	(87)	221	107
Decrease in prepaid expenses and other current assets	21	17	37
Increase (decrease) in merchandise accounts payable	55	162	(132)
Increase (decrease) in accounts payable, accrued liabilities and other items not separately identified	44	(186)	(185)
Increase (decrease) in current income taxes	(136)	(114)	125
Increase (decrease) in deferred income taxes	112	(421)	(134)
Change in other assets and liabilities not separately identified	(156)	(129)	(108)
Net cash provided by operating activities	1,735	1,976	1,801
Cash flows from investing activities:			
Purchase of property and equipment	(657)	(487)	(596)
Capitalized software	(275)	(273)	(316)
Disposition of property and equipment	474	411	673
Other, net	2	(2)	(4)
Net cash used by investing activities	(456)	(351)	(243)
Cash flows from financing activities:			
Debt repaid	(1,149)	(988)	(754)
Dividends paid	(463)	(461)	(459)
Increase (decrease) in outstanding checks	16	(15)	61
Acquisition of treasury stock	—	(1)	(316)
Issuance of common stock	45	6	36
Proceeds from noncontrolling interest	7	13	6
Net cash used by financing activities	(1,544)	(1,446)	(1,426)
Net increase (decrease) in cash, cash equivalents and restricted cash	(265)	179	132
Cash, cash equivalents and restricted cash beginning of period	1,513	1,334	1,202
Cash, cash equivalents and restricted cash end of period	\$ 1,248	\$ 1,513	\$ 1,334
Supplemental cash flow information:			
Interest paid	\$ 328	\$ 361	\$ 396
Interest received	25	12	4
Income taxes paid (net of refunds received)	345	496	352

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