

MACY'S, INC.

Consolidated Statements of Income (Unaudited) (Note 1)

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

	13 weeks ended May 5, 2018		13 weeks ended April 29, 2017	
	\$	% to Net sales	\$	% to Net sales
Net sales	\$ 5,541		\$ 5,350	
Credit card revenues, net	157	2.8%	161	3.0%
Cost of sales	(3,382)	(61.0%)	(3,303)	(61.7%)
Selling, general and administrative expenses	(2,083)	(37.6%)	(2,057)	(38.5%)
Gains on sale of real estate	24	0.4%	68	1.3%
Impairment and other costs (Note 2)	(19)	(0.3%)	—	—%
Operating income	238	4.3%	219	4.1%
Benefit plan income, net	11		13	
Interest expense, net	(66)		(84)	
Premiums on early retirement of debt (Note 3)	—		(3)	
Income before income taxes	183		145	
Federal, state and local income tax expense (Note 4)	(52)		(68)	
Net income	131		77	
Net loss attributable to noncontrolling interest	8		1	
Net income attributable to Macy's, Inc. shareholders	\$ 139		\$ 78	
Basic earnings per share attributable to Macy's, Inc. shareholders	\$.45		\$.26	
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$.45		\$.26	
Average common shares:				
Basic	306.6		305.0	
Diluted	309.4		306.9	
End of period common shares outstanding	306.4		304.5	
Depreciation and amortization expense	\$ 235		\$ 243	

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Notes:

- (1) The 13 weeks ended April 29, 2017 have been recast to reflect the company's retrospective adoption of Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*, on February 4, 2018. Further, because of the seasonal nature of the retail business, the results of operations for the 13 weeks ended May 5, 2018 and April 29, 2017 (which do not include the Christmas season) are not necessarily indicative of such results for the fiscal year.
- (2) For the 13 weeks ended May 5, 2018, impairment and other costs associated with the wind-down of Macy's China Limited amounted to \$19 million on a pre-tax basis. The after tax effect of these charges during the 13 weeks ended May 5, 2018 was \$10 million after tax or \$.03 per diluted share attributable to Macy's, Inc.
- (3) The 13 weeks ended April 29, 2017 included \$3 million, on a pre-tax basis, of premium expenses and fees associated with the early retirement of debt. The after tax impact during the 13 weeks ended April 29, 2017 was \$2 million.
- (4) For the 13 weeks ended May 5, 2018, federal, state and local income taxes differed from the company's federal income tax statutory rate of 21% because of the effects of state and local taxes, including the settlement of various tax issues and tax examinations. Further, the 13 weeks ended May 5, 2018 and April 29, 2017 included the recognition of approximately \$3 million and \$11 million, respectively, of net tax deficiencies associated with share-based payment awards. These items as well as the enactment of U.S. federal tax reform in December 2017 resulted in an effective tax rate for the 13 weeks ended May 5, 2018 of 28.4% as compared to 46.9% for the 13 weeks ended April 29, 2017.