

Remarks by Terry J. Lundgren
Chairman, President and Chief Executive Officer of Macy's, Inc.
To the Annual Meeting of Shareholders
May 15, 2009

The current macro-economic environment is the worst we have seen in many decades. This has impacted virtually all retailers, including Macy's and Bloomingdale's. As fashion retailers, our financial results have reflected the difficulty faced by consumers who have been affected by job loss, declining home values, foreclosures and the credit crunch.

Yet, in spite of this difficult environment, our company has accomplished – and is accomplishing – a great deal. Throughout 2008, we outperformed nearly all of our major competitors in same-store sales. And we did it in a year when we initiated significant organizational changes.

We successfully piloted the My Macy's localization strategy that we believe will profoundly improve our opportunities for enhanced performance going forward. I'll talk more about my Macy's in a few minutes.

We also have aggressively reduced expenses, capital and inventory, enabling us to generate significant cash flow.

As the economy continued to weaken entering 2009, we moved forward with bold actions to streamline and unify our organization, while rolling out My Macy's nationwide and reducing expenses and conserving cash. As a result, Macy's, Inc. has remained strong and focused on weathering the recession and rebounding quickly when the economy eventually improves.

I could list dozens of examples of accomplishments by our organization since last year's shareholders meeting, but let me focus on just four.

First, we continued to enhance and differentiate Macy's merchandise assortments through exclusive agreements with well-recognized partners. Last fall, Macy's became the exclusive U.S. department store for Tommy Hilfiger apparel and FAO Schwarz toy shops, while completing the first full year as home to Martha Stewart Collection. In all, about 40 percent of merchandise sold at Macy's in 2008 was in brands exclusive to Macy's or in very limited distribution.

Last month, we announced that this fall Macy's will debut a fresh new line of better contemporary apparel with Rachel Roy, one of the leading new American designers. We expect to pursue other exclusive arrangements with key vendors and designers, but only if the product is right for the Macy's customer.

Second, Macy's marketing and advertising campaigns over the past year have been among the most-loved and best-remembered among all retailers and consumer brands.

Let's take a look at one spot that continues to be very popular with TV audiences. We call it "Anthem." Initially, this spot was produced to celebrate Macy's 150th anniversary last fall. But it has come to represent the staying power of our exceptional Macy's brand.

Another example: in the 2008 holiday season, Macy's reached customers with a campaign called "Believe" that invited Americans to share the spirit of generosity. In association with this campaign, Macy's donated \$1 million to the Make-A-Wish Foundation. Last week, the Believe campaign was named the classic marketing campaign of the year in a worldwide competition at the World Retail Congress in Barcelona, Spain.

Third, Macy's and Bloomingdale's enhanced and improved their multi-channel selling capabilities through Internet sites that were supported by new technologies, functionality and fulfillment capacity. Online sales -- macys.com and bloomingdales.com combined -- grew by 29 percent in 2008, and they were up by about 16 percent in the first quarter of 2009.

During the year, we successfully piloted a program that allows Macy's store sales associates to search the macys.com Web site from their registers for merchandise not available at that location and have it shipped directly to the customer. And customers shopping online at macys.com can check to see if specific items are available in the inventory of their local neighborhood Macy's store. Our best customers are those who shop both online and in-store. So we will aggressively pursue the multi-channel opportunity at both Macy's and Bloomingdale's.

That brings me to the fourth accomplishment I want to highlight. And it really is the headline for our company last year and this year.

In spring 2008, Macy's, Inc. began piloting a new localization initiative -- called My Macy's -- which was developed based on customer research, as well as input from Macy's store managers, senior company executives, merchandise vendors and industry experts. Our goal was to accelerate sales growth in existing locations by ensuring that customers at each Macy's store find merchandise assortments and shopping experiences custom-tailored to their specific needs.

My Macy's shifts responsibility for driving sales to the stores. And our stores organization is energized by the new process. Let's listen to some of our local store managers tell us about the power of engaging our customers in each location.

The My Macy's organizational model was piloted last year in 20 geographic districts that had been part of three regional Macy's divisions that were consolidated. This allowed additional investment in local markets while also generating \$100 million in annualized cost savings, beginning in 2009.

In the one year since those 20 My Macy's pilot districts were launched, our new local merchants and planners formally submitted nearly 13,000 documented ideas for improving the business in specific stores. About 90 percent of those ideas were approved for implementation.

These ideas included identifying opportunities for different sizes, colors, brands, fabric weights, styles and product categories that could better serve customer needs store-by-store.

That was 13,000 new ideas in just 20 local markets in just one year. So imagine the power of My Macy's as we roll it out nationally and refine the execution.

I'd like to show one last video. This describes just one of the ideas surfaced by our district team in Pittsburgh and implemented with great success. Let's watch.

Our My Macy's initiative started showing results by the fourth quarter of 2008 – earlier than we anticipated. So in February, we announced that the My Macy's structure would be rolled out to all Macy's stores nationwide. As of two weeks ago, the new organization is in place in 49 newly created districts, and we have added 1,200 new merchandising and planner positions into local markets.

As My Macy's was expanded, our company was transformed into a unified operating structure to support the Macy's business nationwide. This change will reduce central office and administrative expense, eliminate duplication, sharpen execution, and help the company to move faster and partner more effectively with our suppliers and business partners. Expense savings from our actions in 2009 are estimated at \$400 million annually, beginning in 2010, and \$250 million in the partial year of 2009.

With our new organization now in place, we have completed the process of transforming Macy's into a truly nationwide brand with local focus and execution in each local market. This distinguishes us from other retailers and represents a sustainable competitive advantage for Macy's going forward.

As you can see, this has been an exciting and productive period for Macy's, Inc. – despite the poor economy and negative affect on our sales and earnings.

As always, I am grateful to our shareholders for their support ... to our store associates for their dedication in serving our customers ... and to the executives in our central offices, support functions and field organization for their relentless pursuit of innovation.

I conclude my remarks at every Macy's, Inc. annual meeting by noting that our company has attracted, developed and retained the very best talent in the retailing industry. That continues to be the case today – perhaps more than ever. And it will fuel our success in the future.