

**Remarks By  
Terry J. Lundgren  
Chairman, President and Chief Executive Officer  
To The Macy's, Inc. Annual Shareholders Meeting  
May 20, 2011**

You are well aware of the extraordinary steps we have taken over the past five years to reinvent our business and organizational structure at Macy's, Inc. Between 2005 and 2009, we:

- Nearly doubled our size through the May Company acquisition;
- Transformed Macy's into a nationwide brand by converting nearly 600 stores from regional nameplates;
- Centralized our organization for clarity and speed in decision-making;
- Adopted a breakthrough localization strategy called My Macy's; and
- Significantly expanded our capabilities in e-commerce, mobile and digital marketing.

Most of these were very complex changes requiring difficult decisions that were implemented during a severe recession in our country. The process was necessary, but not easy.

The good news is that we are beginning to see the very positive results from the remodeling of our company. We had a terrific year in 2010, as well as an outstanding first quarter of 2011 at both Macy's and Bloomingdale's.

Same-store sales were up 4.6 percent in 2010, and up another 5.4 percent in the first quarter of 2011.

Operating income rose by 78 percent in 2010 from 2009, or by 32 percent when adjusted for various expenses. In the first quarter of 2011, operating income rose by another 63 percent from the first quarter of 2010.

Our balance sheet has strengthened. We ended our first quarter of 2011 with more than \$1.1 billion of cash after paying down more than \$1.5 billion of debt and contributing more than \$1 billion to our pension plan during the past five quarters.

We were upgraded to investment grade status by Standard & Poors on Wednesday, and our positive outlook was reaffirmed by Moody's shortly after we announced our first quarter earnings.

Return On Invested Capital – a key measure of financial productivity – rose to 17.4 percent in fiscal 2010 from 14.9 percent a year earlier. The calculation of ROIC is posted in the Financial Information section of our corporate website.

Best of all, we are developing a culture of growth at Macy's, Inc.

We believe the strategies that led to our success in 2010 are still in the early phases of implementation, with plenty of runway ahead to produce further improvements in sales, earnings and cash flow as our execution sharpens. Allow me to mention a few of them.

My Macy's localization has been a game-changer for our company and continues to represent a rare, sustainable competitive advantage. Some of our most successful geographic markets in 2010 sales growth were the original My Macy's pilot districts from 2008, such as Chicago – indicating that our execution continues to improve with experience.

The more we learn about our customers and their preferences, the better we are able to respond to their needs store-by-store. As each of our 69 My Macy's districts discover new avenues for success, we are able to share and leverage best practices across the country.

Omnichannel integration is helping Macy's and Bloomingdale's to develop deeper relationships with loyal customers who appreciate the convenience and flexibility we bring to the shopping experience.

Online sales at Macy's and Bloomingdale's have risen by 20 percent or more in each of the past three years. In fact, the growth was 29 percent in 2010, and 38 percent in the first quarter of 2011.

But we believe that the key to success is the integration across channels – blurring the line between our stores, the internet and mobile technology to the point that we surround our customers and can respond to their needs no matter which way they prefer to shop ... and we can access inventory no matter where it exists across the company.

Offering distinctive and exclusive merchandise, including our own private brands, continues to be vitally important to our success. Customers expect newness and unique ideas from us in the form of interesting products they don't see in other places.

In 2010, we launched a number of exciting market brands exclusively at Macy's, including Kenneth Cole Reaction, Sean John men's sportswear and Material Girl, a juniors collection from Madonna and her daughter Lourdes.

That momentum continues in 2011, particularly as we fill gaps in our assortment – we call this “white space” – where we are underserving customer demand.

This spring, we launched a new Impulse fashion private brand called Bar III, and we are presenting a series of our capsule collections in 2011 that feature rotating merchandise lines from leading designers in women's young, contemporary fashion.

One of our capsule collection designers is Karl Lagerfeld, who will launch this summer.

MAGIC Selling is our energized new approach to customer engagement at Macy's. MAGIC Selling helps us to better understand the needs of our customers, as well as to provide options and advice. It is, in effect, our in-store growth strategy.

We trained more than 130,000 store associates in this selling approach in 2010, and now are rolling out seasonal refresher courses in 2011. This training is supported by ongoing coaching of associates on the sales floor.

This is a multi-million-dollar investment designed to give our selling associates the tools they need to be successful.

With these and other strategies in place, you can see why we are so confident about the direction and momentum in our business.

Shareholders have benefitted from our progress. During fiscal 2010, our share price increased by 44 percent. And so far this fiscal year, as of the close of trading yesterday, our stock was up another 28 percent.

And, of course, last week, we announced the doubling of our dividend to 40 cents a year.

So how do we keep moving forward in the quest for continued growth and high performance?

The answer lies in the relentless pursuit of growth through innovation.

More than ever before, we are encouraging teamwork across functions among individuals with different perspectives and points of view. We are collaborating closely with our vendors and other outside partners.

Working together, we are formulating new ideas in every function so they can be evaluated, tested and rolled out quickly if successful. We are encouraging a higher level of risk-taking with the understanding that growth requires new and often untested approaches to the business.

Look around Macy's, Inc. today and you will see many examples of innovation at play.

You will see it in the enhanced use of tablet computer technology to support selling and product information in certain departments, such as cosmetics.

You can see it in our initiative to equip selected Macy's stores to efficiently pick and ship merchandise that may be out of stock or unavailable at other stores. This is part of our Search & Send process.

You can see it in our Impulse Beauty departments that feature interesting niche brands. Impulse Beauty is rolling out to a total of 100 Macy's stores this fall.

You see it in new special events and marketing initiatives designed to reach specific customer segments. One such event was the recent "Star Beach" shopping party for college students at our State Street Chicago store right before spring break.

Another was our “Million Dollar Makeover with Clinton Kelly,” which was marketed exclusively on Facebook. Our winner will be announced next Tuesday, May 24.

You can see one other great example of innovation around this meeting room today. These merchandise displays now in our stores across the country include QR codes that customers can capture with their smart phones to get more design and product information right in the palm of their hands.

As I said, Backstage Pass with QR codes is just one example of the spirit of innovation alive across our company today. After the meeting, scan a few of these QR codes with your own smart phone and see what has attracted so much attention from our customers.

This is a very exciting time to be at Macy’s, Inc. Our culture of growth is emerging, and we believe we have a long runway ahead to continue to meet our specific customers’ needs ... gain market share ... create opportunity for our associates ... and improve our performance on behalf of our shareholders.

Thank you for your support of our company, and for your enthusiasm as we build and enhance the Macy’s and Bloomingdale’s brands as America’s favorite retailers.

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