

JCPENNEY REPORTS A 63 PERCENT INCREASE IN EBITDA TO \$176 MILLION AND REAFFIRMS FULL YEAR EBITDA GUIDANCE OF \$1 BILLION

Net Income improves 55 percent over the same period last year

Disciplined management and operational execution drove SG&A savings of \$93 million; a 280 basis point improvement versus the same quarter last year

PLANO, Texas - (May 13, 2016) - J. C. Penney Company, Inc. (NYSE: JCP) today announced financial results for its fiscal first quarter ended April 30, 2016. Comparable sales were (0.4) % for the first quarter.

Marvin R. Ellison, chief executive officer, said, "The first quarter was clearly challenging from a sales perspective. Although our business was not immune to the issues facing other retailers, I am pleased that we were able to deliver our second consecutive quarter of positive operating profit. In addition, the teams did an excellent job of proactively managing the business throughout the quarter to ensure we remained a fiscally disciplined organization. As a result, we exceeded our profitability expectations, achieving a 63 % increase in EBITDA to \$176 million for the quarter."

Ellison continued, "While our first quarter sales were below our expectations, we are maintaining our annual comp guidance of 3 % to 4 % as a result of the positive nature of our recent sales trends, the strength of our Sephora business and our decision to accelerate our appliance rollout. However, we are lowering our full year gross margin guidance to a 10 to 30 basis points increase for the year, reflecting the rollout of appliances and the rapid growth of our online business. Having said that, we remain confident that our turnaround remains on track, and we are excited about our 2016 sales drivers including new Sephora locations, Center Core enhancements and our nationwide rollout of major appliances announced earlier this week. Accordingly, we are reaffirming our \$1 billion in EBITDA for 2016."

For the quarter, Men's, Sephora and Footwear and Handbags were the Company's top performing divisions. Geographically, the North East and Ohio Valley were the best performing regions of the country.

For the first quarter, gross margin was 36.2 % of sales. Gross margin was impacted by additional markdowns due to unseasonable weather, partially offset by an improvement in our clearance selling margin.

SG&A expenses for the quarter were down \$93 million to \$872 million, or 31.0 % of sales, representing a 280 basis point improvement from last year. These savings were primarily driven by lower controllable costs and corporate overhead, reduced advertising spend and improved private label credit card income.

EBITDA improved \$68 million to \$176 million for the quarter, a 63 % improvement from the same period last year. Adjusted EBITDA improved 80 % to \$153 million, a \$68 million improvement from the same period last year. For the first quarter, the Company delivered a 55 % improvement in net income over the prior year to a loss of \$68 million or \$(0.22) per share. A reconciliation of GAAP to non-GAAP financial measures is included in the schedules accompanying the consolidated financial statements in this release.

Outlook

The Company updated its 2016 full year guidance as follows:

- Comparable store sales: expected to increase 3 % to 4 %;
- Gross margin: now, expected to increase 10 to 30 basis points;
- SG&A dollars: expected to decrease versus 2015;
- EBITDA: expected to be \$1 billion;
- Adjusted earnings per share: expected to be positive;
- Free cash flow: expected to improve versus 2015.

First Quarter Earnings Conference Call Details

At 8:30 a.m. ET today, the Company will host a live conference call conducted by chief executive officer Marvin Ellison and chief financial officer Ed Record. Management will discuss the Company's performance during the quarter and take questions from participants. To access the conference call, please dial (877) 337-1347, or (262) 558-6137 for international callers, and reference 97042356 conference ID or visit the Company's investor relations website at <http://ir.jcpenny.com>.

Telephone playback will be available for 7 days beginning approximately two hours after the conclusion of the meeting by dialing (855) 859-2056, or (800) 585-8367 for international callers, and referencing 97042356 conference ID.

Investors and others should note that we currently announce material information using SEC filings, press releases, public conference calls and webcasts. In the future, we will continue to use these channels to distribute material information about the Company and may also utilize our website and/or various social media to communicate important information about the Company, key personnel, new brands and services, trends, new marketing campaigns, corporate initiatives and other matters. Information that we post on our website or on social media channels could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website as well as the following social media channels:

Facebook (<https://www.facebook.com/jcp>) and Twitter (<https://twitter.com/jcpnews>).

Any updates to the list of social media channels we may use to communicate material information will be posted on the Investor Relations page of the Company's website at www.jcpenny.com

Media Relations:

(972) 431-3400 or jcpnews@jcp.com

Investor Relations:

(972) 431-5500 or jcpinvestorrelations@jcpenny.com

About JCPenney:

J. C. Penney Company, Inc. (NYSE:JCP), one of the nation's largest apparel and home furnishings retailers, is on a mission to ensure every shopping experience is worth the customer's time, money and effort. Whether shopping jcp.com or visiting one of over 1,000 store locations across the United States and Puerto Rico, customers will discover a broad assortment of products from a leading portfolio of private, exclusive and national brands.

Supporting this value proposition is the warrior spirit of over 100,000 JCPenney associates worldwide, who are focused on the Company's three strategic priorities of strengthening private brands, becoming a world-class omnichannel retailer and increasing revenue per customer. For additional information, please visit jcp.com.

Forward-Looking Statements

This release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expect" and similar expressions identify forward-looking statements, which include, but are not limited to, statements regarding sales, gross margin, selling, general and administrative expenses, earnings and cash flows. Forward-looking statements are based only on the Company's current assumptions and views of future events and financial performance. They are subject to known and unknown risks and uncertainties, many of which are outside of the Company's control that may cause the Company's actual results to be materially different from planned or expected results. Those risks and uncertainties include, but are not limited to, general economic conditions, including inflation, recession, unemployment levels, consumer confidence and spending patterns, credit availability and debt levels, changes in store traffic trends, the cost of goods, more stringent or costly payment terms and/or the decision by a significant number of vendors not to sell us merchandise on a timely basis or at all, trade restrictions, the ability to monetize non-core assets on acceptable terms, the ability to implement our strategic plan including our omnichannel initiatives, customer acceptance of our strategies, our ability to attract, motivate and retain key executives and other associates, the impact of cost reduction initiatives, our ability to generate or maintain liquidity, implementation of new systems and platforms including EMV chip technology, changes in tariff, freight and shipping rates, changes in the cost of fuel and other energy and transportation costs, disruptions and congestion at ports through which we import goods, increases in wage and benefit costs, competition and retail industry consolidations, interest rate fluctuations, dollar and other currency valuations, the impact of weather conditions, risks associated with war, an act of terrorism or pandemic, the ability of the federal government to fund and conduct its operations, a systems failure and/or security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or Company information, legal and regulatory proceedings and the Company's ability to access the debt or equity markets on favorable terms or at all. There can be no assurances that the Company will achieve expected results, and actual results may be materially less than expectations. Please refer to the Company's most recent Form 10-K for a further discussion of risks and uncertainties. Investors should take such risks into account and should not rely on forward-looking statements when making investment decisions. Any forward-looking statement made by us in this press release is based only on information currently available to us and speaks only as of the date on which it is

made. We do not undertake to update these forward-looking statements as of any future date.

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**J. C. PENNEY COMPANY, INC.
SUMMARY OF OPERATING RESULTS**

(Unaudited)

(Amounts in millions except per share data)

	Three Months Ended		
	April 30, 2016	May 2, 2015	% Inc. (Dec.)
Statements of Operations:			
Total net sales	\$ 2,811	\$ 2,857	(1.6)%
Cost of goods sold	1,793	1,816	(1.3)%
Gross margin	1,018	1,041	(2.2)%
Operating expenses/(income):			
Selling, general and administrative (SG&A)	872	965	(9.6)%
Pension	2	(19)	(100.0)%+
Depreciation and amortization	154	154	- %
Real estate and other, net	(38)	(35)	8.6 %
Restructuring and management transition	6	22	(72.7)%
Total operating expenses	996	1,087	(8.4)%
Operating income/(loss)	22	(46)	(100.0)%+
(Gain)/loss on extinguishment of debt	(4)	-	100.0 %+
Net interest expense	95	98	(3.1)%
Income/(loss) before income taxes	(69)	(144)	(52.1)%
Income tax expense/(benefit) (2)	(1)	6	(100.0)%+
Net income/(loss)	\$ (68)	\$ (150)	(54.7)%
Earnings/(loss) per share - basic and diluted	\$ (0.22)	\$ (0.49)	(55.1)%
Financial Data:			
Comparable store sales increase/(decrease) (3)	(0.4)%	3.4 %	
Ratios as a percentage of sales:			
Gross margin	36.2 %	36.4 %	
SG&A expenses	31.0 %	33.8 %	
Total operating expenses	35.4 %	38.0 %	
Operating income/(loss)	0.8 %	(1.6)%	
Effective income tax rate (2)	(1.4)%	4.2 %	
Common Shares Data:			
Issued and outstanding shares at end of period	307.3	305.3	
Weighted average shares - basic	307.2	305.5	
Weighted average shares - diluted	307.2	305.5	

1. *Prior year amounts have been adjusted to reflect the retrospective application of accounting policy change for recognizing pension expense.*
2. *For the three months ended April 30, 2016 and May 2, 2015, the Company increased its net valuation allowance by \$13 million and \$44 million, respectively, against certain federal and state net operating loss carry forward assets.*
3. *Comparable store sales include sales from all stores, including sales from services and commissions earned from our in-store licensed departments, that have been open for 12 consecutive full fiscal months and Internet sales. Stores closed for an extended period are not included in comparable store sales calculations, while stores remodeled and minor expansions not requiring store closure remain in the calculations. Certain items, such as sales return estimates and store liquidation sales, are excluded from the Company's calculation.*

Our definition and calculation of comparable store sales may differ from other companies in the retail industry.

SUMMARY BALANCE SHEETS

(Unaudited)

(Amounts in millions)

Summary Balance Sheets:	April 30, 2016	May 2, 2015	(1)
Current assets:			
Cash in banks and in transit	\$ 166	\$ 175	
Cash short-term investments	249	869	
Cash and cash equivalents	415	1,044	
Merchandise inventory	2,925	2,811	
Deferred taxes	231	176	
Prepaid expenses and other	227	226	
Total current assets	3,798	4,257	
Property and equipment, net	4,735	5,049	
Prepaid pension	-	243	
Other assets	593	601	
Total assets	\$ 9,126	\$ 10,150	
Liabilities and stockholders' equity			
Current liabilities:			
Merchandise accounts payable	\$ 995	\$ 1,063	
Other accounts payable and accrued expenses	1,125	1,028	
Current maturities of capital leases and note payable	17	40	
Current maturities of long-term debt	321	28	
Total current liabilities	2,458	2,159	
Long-term capital leases and note payable	7	22	
Long-term debt	4,388	5,226	
Deferred taxes	425	369	
Other liabilities	598	599	
Total liabilities	7,876	8,375	

Stockholders' equity		1,250	1,775
Total liabilities and stockholders' equity	\$	9,126	\$ 10,150

1. *Prior year amounts have been adjusted to reflect the retrospective application of accounting policy change for recognizing pension expense and for the adoption of Accounting Standards Update 2015-03 for the presentation of debt issuance costs.*

SUMMARY STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)

	Three Months Ended	
	April 30, 2016	May 2, 2015
Statements of Cash Flows:		
Cash flows from operating activities:		
Net income/(loss)	\$ (68)	\$ (150)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Restructuring and management transition	(1)	3
Asset impairments and other charges	1	1
Net gain on sale of non-operating assets	(5)	(2)
Net gain on sale of operating assets	(8)	(8)
(Gain)/loss on extinguishment of debt	(4)	-
Depreciation and amortization	154	154
Benefit plans	(12)	(25)
Stock-based compensation	10	10
Deferred taxes	(3)	1
Change in cash from:		
Inventory	(204)	(159)
Prepaid expenses and other assets	(59)	(37)
Merchandise accounts payable	70	66
Current income taxes	(1)	4
Accrued expenses and other	(264)	(84)
Net cash provided by/(used in) operating activities	<u>(394)</u>	<u>(226)</u>
Cash flows from investing activities:		
Capital expenditures	(39)	(46)
Proceeds from sale of non-operating assets	2	6
Proceeds from sale of operating assets	12	5
Joint venture return of investment	14	-
Net cash provided by/(used in) investing activities	<u>(11)</u>	<u>(35)</u>
Cash flows from financing activities:		
Payments of capital leases and note payable	(14)	(5)
Payments of long-term debt	(62)	(6)
Proceeds from stock options exercised	1	-
Other changes in stockholders' equity	(5)	(2)
Net cash provided by/(used in) financing activities	<u>(80)</u>	<u>(13)</u>

Net increase/(decrease) in cash and cash equivalents	(485)	(274)
Cash and cash equivalents at beginning of period	900	1,318
Cash and cash equivalents at end of period	<u>\$ 415</u>	<u>\$ 1,044</u>

1. *Prior year amounts have been adjusted to reflect the retrospective application of accounting policy change for recognizing pension expense.*

Reconciliation of Non-GAAP Financial Measures

(Unaudited)

(Amounts in millions except per share data)

We report our financial information in accordance with generally accepted accounting principles in the United States (GAAP). However, we present certain financial measures and ratios identified as non-GAAP under the rules of the Securities and Exchange Commission (SEC) to assess our results. We believe the presentation of these non-GAAP financial measures and ratios is useful in order to better understand our financial performance as well as to facilitate the comparison of our results to the results of our peer companies. In addition, management uses these non-GAAP financial measures and ratios to assess the results of our operations. It is important to view non-GAAP financial measures in addition to, rather than as a substitute for, those measures and ratios prepared in accordance with GAAP. We have provided reconciliations of the most directly comparable GAAP measures to our non-GAAP financial measures presented.

The following non-GAAP financial measures are adjusted to exclude restructuring and management transition charges, the impact of our qualified defined benefit pension plan (Primary Pension Plan), the (gain)/loss on extinguishment of debt, the net gain on the sale of non-operating assets, the proportional share of net income from our joint venture formed to develop the excess property adjacent to our home office facility in Plano, Texas (Home Office Land Joint Venture) and the tax impact for the allocation of tax benefit to other comprehensive income. Unlike other operating expenses, restructuring and management transition charges, the (gain)/loss on extinguishment of debt, the net gain on the sale of non-operating assets, the proportional share of net income from the Home Office Land Joint Venture and the tax impact for the allocation of tax benefit to other comprehensive income are not directly related to our ongoing core business operations. Primary Pension Plan expense/(income) is determined using numerous complex assumptions about changes in pension assets and liabilities that are subject to factors beyond our control, such as market volatility. Accordingly, we eliminate our Primary Pension Plan expense/(income) in its entirety as we view all components of net periodic benefit expense/(income) as a single, net amount, consistent with its presentation in our Consolidated Financial Statements. We believe it is useful for investors to understand the impact of restructuring and management transition charges, Primary Pension Plan expense/(income), the (gain)/loss on extinguishment of debt, the net gain on the sale of non-operating assets, the proportional share of net income from the Home Office Land Joint Venture and the tax impact for the allocation of tax benefit to other comprehensive income on our financial results and therefore are presenting the following non-GAAP financial measures: (1) adjusted net income/(loss) before net interest expense, income tax (benefit)/expense and depreciation and amortization (adjusted EBITDA); (2) adjusted net income/(loss); and (3) adjusted earnings/(loss) per share-diluted.

In addition, we believe that EBITDA is a useful measure in assessing our operating performance and are therefore presenting this non-GAAP financial measure in addition to the non-GAAP financial measures listed above.

EBITDA AND ADJUSTED EBITDA, NON-GAAP FINANCIAL MEASURES:

The following table reconciles net income/(loss), the most directly comparable GAAP measure, to EBITDA and adjusted EBITDA, non-GAAP financial measures:

	Three Months Ended	
	April 30, 2016	May 2, 2015 ⁽¹⁾
Net income/(loss)	\$ (68)	\$ (150)
Add: Net interest expense	95	98
Add: (Gain)/loss on extinguishment of debt	(4)	-
Total interest expense	91	98
Add: Income tax expense/(benefit)	(1)	6
Add: Depreciation and amortization	154	154
EBITDA (non-GAAP)	176	108
Add: Restructuring and management transition charges	6	22
Add: Primary pension plan expense/(income)	-	(21)
Less: Net gain on the sale of non-operating assets	(5)	(2)
Less: Proportional share of net income from the home office land joint venture	(24)	(22)
Adjusted EBITDA (non-GAAP)	\$ 153	\$ 85

1. Prior year amounts have been adjusted to reflect the retrospective application of accounting policy change for recognizing pension expense.

ADJUSTED NET INCOME/(LOSS) AND ADJUSTED EARNINGS/(LOSS) PER SHARE-DILUTED, NON-GAAP FINANCIAL MEASURES:

The following table reconciles net income/(loss) and earnings/(loss) per share-diluted, the most directly comparable GAAP measures, to adjusted net income/(loss) and adjusted earnings/(loss) per share-diluted, non-GAAP financial measures:

	Three Months Ended	
	April 30, 2016	May 2, 2015 ⁽¹⁾
Net income/(loss)	\$ (68)	\$ (150)
Earnings/(loss) per share-diluted	\$ (0.22)	\$ (0.49)
Add: Restructuring and management transition charges ⁽²⁾	6	22
Add: Primary pension plan expense/(income) ⁽²⁾	-	(21)
Add: (Gain)/loss on extinguishment of debt ⁽²⁾	(4)	-
Less: Net gain on the sale of non-operating assets ⁽²⁾	(5)	(2)
Less: Proportional share of net income from the home office land joint venture ⁽²⁾	(24)	(22)

Less: Tax impact resulting from other comprehensive income allocation (3)	(2)	-
<i>Adjusted net income/(loss) (non-GAAP)</i>	<u>\$ (97)</u>	<u>\$ (173)</u>
<i>Adjusted earnings/(loss) per share-diluted (non-GAAP)</i>	<u>\$ (0.32)</u>	<u>\$ (0.57)</u>

1. *Prior year amounts have been adjusted to reflect the retrospective application of accounting policy change for recognizing pension expense.*
2. *Reflects no tax effect due to the impact of the Company's tax valuation allowance.*
3. *Represents the net tax benefit that resulted from our other comprehensive income allocation between our operating loss and Accumulated other comprehensive income.*

Reconciliation of Non-GAAP Financial Measures

(Unaudited)

(Amounts in millions)

Free cash flow is a key financial measure of our ability to generate additional cash from operating our business and in evaluating our financial performance. We define free cash flow as cash flow from operating activities, less capital expenditures, plus the proceeds from the sale of operating assets. Free cash flow is a relevant indicator of our ability to repay maturing debt, revise our dividend policy or fund other uses of capital that we believe will enhance stockholder value. Free cash flow is considered a non-GAAP financial measure under the rules of the SEC. Free cash flow is limited and does not represent remaining cash flow available for discretionary expenditures due to the fact that the measure does not deduct payments required for debt maturities, pay-down of off-balance sheet pension debt, and other obligations or payments made for business acquisitions. Therefore, it is important to view free cash flow in addition to, rather than as a substitute for, our entire statement of cash flows and those measures prepared in accordance with GAAP.

FREE CASH FLOW, NON-GAAP FINANCIAL MEASURE:

The following table reconciles cash flow from operating activities, the most directly comparable GAAP measure, to free cash flow, a non-GAAP financial measure:

	Three Months Ended	
	April 30, 2016	May 2, 2015
Net cash provided by/(used in) operating activities	\$ (394)	\$ (226)
Add: Proceeds from sale of operating assets	12	5
Less: Capital expenditures	(39)	(46)
<i>Free cash flow (non-GAAP)</i>	<u>\$ (421)</u>	<u>\$ (267)</u>