

Macy's, Inc.
Return on Invested Capital (ROIC)
(\$ in millions)

	Trailing Four Quarters		Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
	February 3, 2018	January 28, 2017									
Most Comparable GAAP Ratio:											
Operating income	\$ 1,807	\$ 1,315	1,213	121	254	220	815	107	117	276	936
Property and equipment - net	\$ 6,845	\$ 7,317	6,672				7,017				7,616
	26.4%	18.0%									
Non-GAAP Ratio:											
Operating income	\$ 1,807	\$ 1,315	1,213	121	254	220	815	107	117	276	936
Exclude restructuring, impairment, store closing and other costs	186	479	152	33	-	-	230	-	249	-	177
Add back settlement charges	105	98	32	22	51	-	17	62	6	13	
Add back depreciation and amortization	991	1,058	250	254	244	243	271	267	260	260	270
Add back rent expense, net											
Real estate	325	319									
Personal property	10	11									
Deferred rent amortization	14	9									
Operating income, excluding impact of restructuring, impairment, store closing and other costs, settlement charges, depreciation and amortization and net rent expense	\$ 3,438	\$ 3,289									
Property and equipment - net	\$ 6,845	\$ 7,317	6,672				7,017				7,616
Add back accumulated depreciation and amortization	4,733	5,088	4,610				4,856				5,319
Add capitalized value of non-capitalized leases	2,792	2,712									
Add (deduct) selected balance sheet components:											
Receivables	327	402	363	219	382	345	522	262	423	399	558
Merchandise inventories	5,712	6,012	5,178	7,065	4,980	5,626	5,399	7,587	5,322	5,738	5,506
Prepaid expenses and other current assets	422	456	448	432	412	397	408	454	471	490	479
Other assets	830	881	880	835	810	793	813	909	904	898	897
Merchandise accounts payable	(2,115)	(2,173)	(1,590)	(3,173)	(1,669)	(2,028)	(1,423)	(3,375)	(1,877)	(2,015)	(1,526)
Accounts payable and accrued liabilities	(3,027)	(2,924)	(3,167)	(3,162)	(2,873)	(2,905)	(3,563)	(2,930)	(2,514)	(2,690)	(3,333)
Total Average Invested Capital	\$ 16,519	\$ 17,771									
	20.8%	18.5%									

Management believes that return on invested capital (ROIC), as defined as operating income excluding the impact of impairments, restructuring, store closing and other costs and settlement charges, depreciation and amortization and net rent expense, as a percentage to its average invested capital, is a useful measure in evaluating how efficiently the Company employs its capital. As computed above, the total average invested capital is comprised of an annual two-point (i.e., end of the previous year and the immediately preceding year) average of gross property and equipment, a capitalized value of non-capitalized leases equal to periodic annual reported net rent expense multiplied by a factor of eight and a four-point (i.e., end of each quarter within the period presented) average of other selected assets and liabilities. The calculation of the capitalized value of non-capitalized leases is consistent with industry and credit rating agency practice and the specified assets are subject to a four-point average to compensate for seasonal fluctuations.

Note: Quarterly amounts may not sum to annual amounts due to rounding conventions.