

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

	Trailing Four Quarters		Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015	Quarter 2 2015	Quarter 1 2015	Quarter 4 2014
	January 28, 2017	January 30, 2016									
Most Comparable GAAP Ratio:											
Operating income	\$ 1,315	\$ 2,039	815	107	117	276	936	258	436	409	1,364
Property and equipment - net	\$ 7,317	\$ 7,708	7,017				7,616				7,800
	18.0%	26.5%									
Non-GAAP Ratio:											
Operating income	\$ 1,315	\$ 2,039	815	107	117	276	936	258	436	409	1,364
Exclude impairments, store closing and other costs	479	288	230	-	249	-	177	111	-	-	87
Add back settlement charges	98	-	17	62	6	13					
Add back depreciation and amortization	1,058	1,061	271	267	260	260	270	271	261	259	266
Add back rent expense, net											
Real estate	319	301									
Personal property	11	12									
Deferred rent amortization	9	8									
Operating income, excluding impact of impairments, store closing and other costs, depreciation and amortization and net rent expense	\$ 3,289	\$ 3,709									
Property and equipment - net	\$ 7,317	\$ 7,708	7,017				7,616				7,800
Add back accumulated depreciation and amortization	5,088	5,457	4,856				5,319				5,594
Add capitalized value of non-capitalized leases	2,712	2,568									
Add (deduct) selected balance sheet components:											
Receivables	411	338	522	262	423	436	558	200	334	259	424
Merchandise inventories	6,012	6,226	5,399	7,587	5,322	5,738	5,506	7,971	5,496	5,929	5,516
Prepaid expenses and other current assets	456	453	408	454	471	490	479	426	437	471	493
Other assets	881	775	813	909	904	898	897	768	725	710	743
Merchandise accounts payable	(2,182)	(2,366)	(1,423)	(3,375)	(1,877)	(2,052)	(1,526)	(3,608)	(1,942)	(2,386)	(1,693)
Accounts payable and accrued liabilities	(2,924)	(2,677)	(3,563)	(2,930)	(2,514)	(2,690)	(3,333)	(2,687)	(2,276)	(2,410)	(3,109)
Total Average Invested Capital	\$ 17,771	\$ 18,482									
	18.5%	20.1%									

Management believes that return on invested capital (ROIC), as defined as operating income, excluding the impact of impairments, 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.