

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

	Trailing Four Quarters		Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016
	February 2, 2019	February 3, 2018									
Most Comparable GAAP Ratio:											
Net Income	\$ 1,098	\$ 1,555	740	62	164	131	1,343	27	108	77	
Property and equipment - net	\$ 6,655	\$ 6,845	6,637				6,672				7,017
	16.5%	22.7%									
Non-GAAP Ratio:											
Net Income	\$ 1,098	\$ 1,555	740	62	164	131	1,343	27	108	77	
Add back interest expense, net	236	310	49	59	62	66	73	74	79	84	
Add back (deduct) loss (gain) on early retirement of debt	33	(10)	28	-	5	-	(11)	-	(2)	3	
Add back (deduct) federal, state and local tax expense (benefit)	322	(39)	226	12	33	52	(176)	10	60	68	
Earnings before interest and taxes (EBIT)	\$ 1,689	\$ 1,816									
Exclude restructuring, impairments, store closing and other costs	136	186	97	3	17	19	152	33	-	-	
Add back settlement charges	88	105	15	23	50	-	32	22	51	-	
Add back depreciation and amortization	962	991	244	248	235	235	250	254	244	243	
Add back rent expense, net											
Real estate	327	310									
Personal property	9	10									
Deferred rent amortization	14	14									
EBIT, excluding impact of restructuring, impairments, store closing and other costs, settlement charges, depreciation and amortization and net rent expense	\$ 3,225	\$ 3,432									
Property and equipment - net	\$ 6,655	\$ 6,845	6,637				6,672				7,017
Add back accumulated depreciation and amortization	4,553	4,733	4,495				4,610				4,856
Add capitalized value of non-capitalized leases	2,800	2,672									
Add (deduct) selected balance sheet components:											
Receivables	273	327	400	180	261	250	363	219	382	345	
Merchandise inventories	5,664	5,712	5,263	7,147	4,956	5,291	5,178	7,065	4,980	5,626	
Prepaid expenses and other current assets	608	616	620	594	580	638	650	610	571	634	
Other assets	803	830	726	733	865	889	880	835	810	793	
Merchandise accounts payable	(2,219)	(2,115)	(1,655)	(3,381)	(1,795)	(2,045)	(1,590)	(3,173)	(1,669)	(2,028)	
Accounts payable and accrued liabilities	(2,917)	(3,127)	(3,366)	(2,998)	(2,608)	(2,695)	(3,271)	(3,257)	(2,939)	(3,042)	
Total Average Invested Capital	\$ 16,220	\$ 16,493									
	19.9%	20.8%									

Management believes that return on invested capital (ROIC), as defined as EBIT, excluding the impact of restructuring, 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.

The company adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, on February 4, 2018. This standard was retrospectively adopted and the financial information above has been recast to reflect the requirements of the new standard. Further information on the impact of the new standard can be found on the company's investor relations page at [www.macysinc.com](http://www.macysinc.com).

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