

Fiscal 2017 and 2016 Pro Forma Financial Information



★macy's bloomingdales bluemercury®

All statements in this press release that are not statements of historical fact are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Macy's management and are subject to significant risks and uncertainties. Actual results could differ materially from those expressed in or implied by the forward-looking statements contained in this release because of a variety of factors, including conditions to, or changes in the timing of, proposed real estate and other transactions, prevailing interest rates and non-recurring charges, the effect of federal tax reform, store closings, competitive pressures from specialty stores, general merchandise stores, off-price and discount stores, manufacturers' outlets, the Internet, mail-order catalogs and television shopping and general consumer spending levels, including the impact of the availability and level of consumer debt, the effect of weather and other factors identified in documents filed by the company with the Securities and Exchange Commission. Macy's disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The pro forma financial statements included in this presentation contain Non-GAAP financial measures. For a reconciliation of non-GAAP items, please see the Supplemental Information section.

Table of Contents

- I. Overview
- II. Pro Forma 2017 Annual Financial Information
 - Income Statement, Balance Sheet, ROIC, Leverage Ratio, Key Financial Metrics (annual and quarterly)
- III. Pro Forma 2017 Quarterly Financial Information
 - Income Statement, Balance Sheet
- IV. Pro Forma 2016 Annual Financial Information
 - Income Statement, Balance Sheet, ROIC, Leverage Ratio, Key Financial Metrics (annual and quarterly)
- V. Pro Forma 2016 Quarterly Financial Information
 - Income Statement, Balance Sheet
- VI. Supplemental Information

Overview

- In Fiscal 2018, Macy's, Inc. adopted new FASB accounting standards for revenue recognition and pension accounting.
- The new standards did not have a material impact on Macy's, Inc.'s financial results; however, they impacted the presentation of certain transactions and also resulted in new lines being added to Macy's, Inc.'s financial statements.
- Macy's, Inc. adopted these new standards on a retrospective basis and, starting with the first quarter of 2018, Macy's, Inc. will recast historical financial information when earnings are reported.
- Included with this presentation are unaudited pro forma financial statements for Fiscal 2017 and 2016.
- All amounts in this presentation are in millions except percentages and per share figures.

Pro Forma 2017 Annual Financial Information



★macy's bloomingdales bluemercury®

Income Statement – Fiscal 2017

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 24,837					\$ 24,939	
Credit card revenues, net	-	-	702	102		702	2.8%
Cost of sales	(15,152)	-61.0%		(29)		(15,181)	-60.9%
SG&A	(8,131)	-32.8%	(702)	(64)	(57)	(8,954)	-35.9%
Gains on sale of real estate	544	2.2%				544	2.2%
Restructuring, impairment, store closing and other costs	(186)	-0.7%				(186)	-0.7%
Settlement charges	(105)	-0.4%			105	-	0.0%
Operating income	1,807	7.3%	-	9	48	1,864	7.5%
Benefit plan income, net	-				57	57	
Settlement charges	-				(105)	(105)	
Net premiums on early retirement of debt	10					10	
Interest expense, net	(310)					(310)	
Income before income taxes	1,507		-	9	-	1,516	
Income tax benefit	29			10		39	
Net income	1,536		-	19	-	1,555	
Net loss attributable to NCI	11					11	
Net income attributable to Macy's	\$ 1,547		-	19	-	\$ 1,566	
Basic EPS	\$ 5.07					\$ 5.13	
Diluted EPS	\$ 5.04					\$ 5.10	

Gross Margin - net sales***	39.0%					39.1%	
Adjusted EBITDA*	\$ 3,089	12.4%				\$ 3,098	12.4%
Adjusted EBIT*	\$ 2,098	8.4%				\$ 2,107	8.4%
Adjusted EPS*	\$ 3.77					\$ 3.79	
Leverage ratio	2.7					2.7	
ROIC**	20.8%					20.8%	

*Adjusted metrics exclude the impact of restructuring, impairment, store closing and other costs, settlement charges, net premiums on the early retirement of debt, and deferred tax effects of federal tax reform.

**We plan on updating our ROIC definition to start with EBIT in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting.

***Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of February 3, 2018

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 1,455		\$ 1,455
Receivables	363		363
Merchandise inventories	5,178		5,178
Prepaid expenses and other	448	202	650
Total Current Assets	7,444		7,646
Property and Equipment - net	6,672		6,672
Goodwill	3,897		3,897
Other Intangible Assets - net	488		488
Other Assets	880		880
Total Assets	\$ 19,381		\$ 19,583
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 22		\$ 22
Merchandise accounts payable	1,590		1,590
Accounts payable and accrued liabilities	3,167	104	3,271
Income taxes	296		296
Total Current Liabilities	5,075		5,179
Long-Term Debt	5,861		5,861
Deferred Income Taxes	1,122	26	1,148
Other Liabilities	1,662		1,662
Shareholders' Equity	5,661	72	5,733
Total Liabilities and Shareholders' Equity	\$ 19,381		\$ 19,583

ROIC – Fiscal 2017

Unaudited

	Actual 2017	<i>Revenue Adjustments</i>	Proforma 2017
EBIT*	\$ 1,807	9	\$ 1,816
Exclude restructuring, impairment, store closing and other costs	186		186
Add back settlement charges	105		105
Add back depreciation and amortization	991		991
Add back rent expense, net			
Real estate	325	(15)	310
Personal property	10		10
Deferred rent amortization	14		14
Adjusted EBITDAR*	3,438		3,432
Property and equipment - net	6,845		6,845
Add back accumulated depreciation and amortization	4,733		4,733
Add back capitalized value of non-capitalized leases	2,792	(120)	2,672
Add (deduct) selected balance sheet components:			
Receivables	327		327
Merchandise inventories	5,712		5,712
Prepaid expenses and other current assets	422	194	616
Other assets	830		830
Merchandise accounts payable	(2,115)		(2,115)
Accounts payable and accrued liabilities	(3,027)	(100)	(3,127)
Total average invested capital	16,519		16,493
ROIC	20.8%		20.8%

**We plan on updating our ROIC definition to start with EBIT and adjust to EBITDAR in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting.*

Leverage Ratio – Fiscal 2017

Unaudited

	Actual 2017	<i>Revenue Adjustments</i>	Proforma 2017
Adjusted EBITDA:			
Net income	\$ 1,536	19	\$ 1,555
Add back interest expense, net	310		310
Deduct net premiums on early retirement of debt	(10)		(10)
Deduct federal, state and local income tax benefit	(29)	(10)	(39)
Add back restructuring, impairment, store closing and other costs	186		186
Add back settlement charges	105		105
Add back depreciation and amortization	991		991
Add back gross rent expense	338		338
Deduct net periodic benefit costs of the postemployment and postretirement benefit obligations in excess of the service cost components	(57)		(57)
Adjusted EBITDA	3,370		3,379
Short-term debt	22		22
Long-term debt	5,861		5,861
Underfunded status of postemployment and postretirement benefits	535		535
Capitalized value of gross rent expense	2,704		2,704
Adjusted debt	9,122		9,122
Leverage ratio	2.7		2.7

In order to assess the degree of leverage, the Company calculates an internal leverage ratio to look at debt relative to EBITDA. See further discussion in the Company's Credit Ratios and Other Financial Information documents on the Company's investor relation section of its website.

The rent factor for 2017 was updated to 8.0x from 8.1x.

2017 Summary of Key Financial Metrics

Unaudited

	Adjusted EBIT			Adjusted EPS			Adjusted EBITDA %		
	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma
Q1 2017	220	12	232	\$ 0.24	\$ 0.02	\$ 0.26	8.7%	0.2%	8.9%
Q2 2017	305	(9)	296	\$ 0.48	\$ (0.02)	\$ 0.46	9.9%	-0.3%	9.6%
Q3 2017	176	(10)	166	\$ 0.23	\$ (0.02)	\$ 0.21	8.1%	-0.1%	8.0%
Q4 2017	1,397	16	1,413	\$ 2.82	\$ 0.03	\$ 2.85	19.0%	0.2%	19.2%
Annual	2,098	9	2,107	\$ 3.77	\$ 0.02	\$ 3.79	12.4%	0.0%	12.4%

Certain adjustments represent values less than \$.01 per diluted share attributable to Macy's, Inc. shareholders or 0.0%.

Amounts for the annual period may not equal the sum of the quarterly results for the respective periods due to rounding conventions.

Pro Forma 2017 Quarterly Financial Information



★macy's bloomingdales bluemercury®

Income Statement – Q1 2017

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,338			12		\$ 5,350	
Credit card revenues, net	-	-	161			161	3.0%
Cost of sales	(3,306)	-61.9%		3		(3,303)	-61.7%
SG&A	(1,880)	-35.3%	(161)	(3)	(13)	(2,057)	-38.5%
Gains on sale of real estate	68	1.3%				68	1.3%
Operating income	220	4.1%	-	12	(13)	219	4.1%
Benefit plan income, net	-				13	13	
Premiums on early retirement of debt	(3)					(3)	
Interest expense, net	(84)					(84)	
Income before income taxes	133		-	12	-	145	
Income tax expense	(63)				(5)	(68)	
Net income	70		-	7	-	77	
Net loss attributable to NCI	1					1	
Net income attributable to Macy's	\$ 71		-	7	-	\$ 78	
Basic EPS	\$ 0.23					\$ 0.26	
Diluted EPS	\$ 0.23					\$ 0.26	
Gross Margin - net sales**	38.1%					38.3%	
Adjusted EBITDA*	\$ 463	8.7%				\$ 475	8.9%
Adjusted EBIT*	\$ 220	4.1%				\$ 232	4.3%
Adjusted EPS*	\$ 0.24					\$ 0.26	

*Adjusted metrics exclude the impact of premiums on the early retirement of debt.

**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of April 29, 2017

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 1,201		\$ 1,201
Receivables	345		345
Merchandise inventories	5,626		5,626
Prepaid expenses and other	397	237	634
Total Current Assets	7,569		7,806
Property and Equipment - net	6,886		6,886
Goodwill	3,897		3,897
Other Intangible Assets - net	496		496
Other Assets	793		793
Total Assets	\$ 19,641		\$ 19,878
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 313		\$ 313
Merchandise accounts payable	2,028		2,028
Accounts payable and accrued liabilities	2,905	137	3,042
Income taxes	355		355
Total Current Liabilities	5,601		5,738
Long-Term Debt	6,412		6,412
Deferred Income Taxes	1,482	40	1,522
Other Liabilities	1,846		1,846
Shareholders' Equity	4,300	60	4,360
Total Liabilities and Shareholders' Equity	\$ 19,641		\$ 19,878

Income Statement – Q2 2017

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,552			84		\$ 5,636	
Credit card revenues, net	-	-	167			167	3.0%
Cost of sales	(3,313)	-59.7%		(90)		(3,403)	-60.4%
SG&A	(1,977)	-35.6%	(167)	(3)	(14)	(2,161)	-38.4%
Gains on sale of real estate	43	0.8%				43	0.8%
Settlement charges	(51)	-0.9%			51	-	0.0%
Operating income	254	4.6%	-	(9)	37	282	5.0%
Benefit plan income, net	-				14	14	
Settlement charges	-				(51)	(51)	
Net premiums on early retirement of debt	2					2	
Interest expense, net	(79)					(79)	
Income before income taxes	177		-	(9)	-	168	
Income tax expense	(64)			4		(60)	
Net income	113		-	(5)	-	108	
Net loss attributable to NCI	3					3	
Net income attributable to Macy's	\$ 116		-	(5)	-	\$ 111	
Basic EPS	\$ 0.38					\$ 0.36	
Diluted EPS	\$ 0.38					\$ 0.36	
Gross Margin - net sales**	40.3%					39.6%	
Adjusted EBITDA*	\$ 549	9.9%				\$ 540	9.6%
Adjusted EBIT*	\$ 305	5.5%				\$ 296	5.3%
Adjusted EPS*	\$ 0.48					\$ 0.46	

*Adjusted metrics exclude the impact of settlement charges and net premiums on the early retirement of debt.
**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of July 29, 2017

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 783		\$ 783
Receivables	382		382
Merchandise inventories	4,980		4,980
Prepaid expenses and other	412	159	571
Total Current Assets	6,557		6,716
Property and Equipment - net	6,822		6,822
Goodwill	3,897		3,897
Other Intangible Assets - net	493		493
Other Assets	810		810
Total Assets	\$ 18,579		\$ 18,738
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 16		\$ 16
Merchandise accounts payable	1,669		1,669
Accounts payable and accrued liabilities	2,873	66	2,939
Income taxes	52		52
Total Current Liabilities	4,610		4,676
Long-Term Debt	6,301		6,301
Deferred Income Taxes	1,512	37	1,549
Other Liabilities	1,773		1,773
Shareholders' Equity	4,383	56	4,439
Total Liabilities and Shareholders' Equity	\$ 18,579		\$ 18,738

Income Statement – Q3 2017

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,281			-		\$ 5,281	
Credit card revenues, net	-	-	145			145	2.7%
Cost of sales	(3,175)	-60.1%		23		(3,152)	-59.7%
SG&A	(1,995)	-37.8%	(145)	(33)	(15)	(2,188)	-41.4%
Gains on sale of real estate	65	1.2%				65	1.2%
Restructuring and other costs	(33)	-0.6%				(33)	-0.6%
Settlement charges	(22)	-0.4%			22	-	0.0%
Operating income	121	2.3%	-	(10)	7	118	2.2%
Benefit plan income, net	-				15	15	
Settlement charges	-				(22)	(22)	
Interest expense, net	(74)					(74)	
Income before income taxes	47		-	(10)	-	37	
Income tax expense	(13)			3		(10)	
Net income	34		-	(7)	-	27	
Net loss attributable to NCI	2			1		3	
Net income attributable to Macy's	\$ 36		-	(6)	-	\$ 30	
Basic EPS	\$ 0.12					\$ 0.10	
Diluted EPS	\$ 0.12					\$ 0.10	
Gross Margin - net sales**	39.9%					40.3%	
Adjusted EBITDA*	\$ 430	8.1%				\$ 420	8.0%
Adjusted EBIT*	\$ 176	3.3%				\$ 166	3.1%
Adjusted EPS*	\$ 0.23					\$ 0.21	
*Adjusted metrics exclude the impact of restructuring and other costs, settlement charges and net premiums on the early retirement of debt.							
**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.							

Balance Sheet – As of October 28, 2017

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 534		\$ 534
Receivables	219		219
Merchandise inventories	7,065		7,065
Prepaid expenses and other	432	178	610
Total Current Assets	8,250		8,428
Property and Equipment - net	6,742		6,742
Goodwill	3,897		3,897
Other Intangible Assets - net	491		491
Other Assets	835		835
Total Assets	\$ 20,215		\$ 20,393
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 22		\$ 22
Merchandise accounts payable	3,173		3,173
Accounts payable and accrued liabilities	3,162	95	3,257
Income taxes	34		34
Total Current Liabilities	6,391		6,486
Long-Term Debt	6,297		6,297
Deferred Income Taxes	1,553	33	1,586
Other Liabilities	1,750		1,750
Shareholders' Equity	4,224	50	4,274
Total Liabilities and Shareholders' Equity	\$ 20,215		\$ 20,393

Income Statement – Q4 2017

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 8,666			6		\$ 8,672	
Credit card revenues, net	-	-	229			229	2.6%
Cost of sales	(5,358)	-61.8%		35		(5,323)	-61.4%
SG&A	(2,279)	-26.2%	(229)	(25)	(15)	(2,548)	-29.3%
Gains on sale of real estate	368	4.2%				368	4.2%
Restructuring, impairment, store closing and other costs	(152)	-1.8%				(152)	-1.7%
Settlement charges	(32)	-0.4%			32	-	0.0%
Operating income	1,213	14.0%	-	16	17	1,246	14.4%
Benefit plan income, net	-				15	15	
Settlement charges	-				(32)	(32)	
Net premiums on early retirement of debt	11					11	
Interest expense, net	(73)					(73)	
Income before income taxes	1,151		-	16	-	1,167	
Income tax benefit	170			6		176	
Net income	1,321		-	22	-	1,343	
Net loss attributable to NCI	4					4	
Net income attributable to Macy's	\$ 1,325		-	22	-	\$ 1,347	
Basic EPS	\$ 4.34					\$ 4.41	
Diluted EPS	\$ 4.31					\$ 4.38	
Gross Margin - net sales**		38.2%					38.6%
Adjusted EBITDA*	\$ 1,647	19.0%				\$ 1,663	19.2%
Adjusted EBIT*	\$ 1,397	16.1%				\$ 1,413	16.3%
Adjusted EPS*	\$ 2.82					\$ 2.85	

*Adjusted metrics exclude the impact of restructuring, impairment, store closing and other costs, settlement charges, net premiums on the early retirement of debt, and deferred tax effects of federal tax reform.

**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Pro Forma 2016 Annual Financial Information



★macy's bloomingdales bluemercury®

Income Statement – Fiscal 2016

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 25,778			130		\$ 25,908	
Credit card revenues, net	-	-	656			656	2.5%
Cost of sales	(15,621)	-60.6%		(45)		(15,666)	-60.5%
SG&A	(8,474)	-32.8%	(656)	(72)	(55)	(9,257)	-35.7%
Gains on sale of real estate	209	0.8%				209	0.8%
Impairments, store closing and other costs	(479)	-1.9%				(479)	-1.8%
Settlement charges	(98)	-0.4%			98	-	0.0%
Operating income	1,315	5.1%	-	13	43	1,371	5.3%
Benefit plan income, net	-				55	55	
Settlement charges	-				(98)	(98)	
Interest expense, net	(363)					(363)	
Income before income taxes	952		-	13	-	965	
Income tax expense	(341)			(5)		(346)	
Net income	611		-	8	-	619	
Net loss attributable to NCI	8					8	
Net income attributable to Macy's	\$ 619		-	8	-	\$ 627	
Basic EPS	\$ 2.01					\$ 2.03	
Diluted EPS	\$ 1.99					\$ 2.02	

Gross Margin - net sales***	39.4%					39.5%	
Adjusted EBITDA*	\$ 2,950	11.4%				\$ 2,963	11.4%
Adjusted EBIT*	\$ 1,892	7.3%				\$ 1,905	7.4%
Adjusted EPS*	\$ 3.11					\$ 3.14	
Leverage ratio	3.2					3.2	
ROIC**	18.5%					18.5%	

*Adjusted metrics exclude the impact of impairments, store closing and other costs and settlement charges.

**We plan on updating our ROIC definition to start with EBIT in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting.

***Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of January 28, 2017

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 1,297		\$ 1,297
Receivables	522		522
Merchandise inventories	5,399		5,399
Prepaid expenses and other	408	231	639
Total Current Assets	7,626		7,857
Property and Equipment - net	7,017		7,017
Goodwill	3,897		3,897
Other Intangible Assets - net	498		498
Other Assets	813		813
Total Assets	\$ 19,851		\$ 20,082
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 309		\$ 309
Merchandise accounts payable	1,423		1,423
Accounts payable and accrued liabilities	3,563	143	3,706
Income taxes	352		352
Total Current Liabilities	5,647		5,790
Long-Term Debt	6,562		6,562
Deferred Income Taxes	1,443	35	1,478
Other Liabilities	1,877		1,877
Shareholders' Equity	4,322	53	4,375
Total Liabilities and Shareholders' Equity	\$ 19,851		\$ 20,082

ROIC – Fiscal 2016

Unaudited

	Actual 2016	<i>Revenue Adjustments</i>	Proforma 2016
EBIT*	\$ 1,315	13	\$ 1,328
Exclude impairments, store closing and other costs	479		479
Add back settlement charges	98		98
Add back depreciation and amortization	1,058		1,058
Add back rent expense, net			
Real estate	319	(13)	306
Personal property	11		11
Deferred rent amortization	9		9
Adjusted EBITDAR*	3,289		3,289
Property and equipment - net	7,317		7,317
Add back accumulated depreciation and amortization	5,088		5,088
Add back capitalized value of non-capitalized leases	2,712	(104)	2,608
Add (deduct) selected balance sheet components:			
Receivables	402		402
Merchandise inventories	6,012		6,012
Prepaid expenses and other current assets	456	231	687
Other assets	881		881
Merchandise accounts payable	(2,173)		(2,173)
Accounts payable and accrued liabilities	(2,924)	(151)	(3,075)
Total average invested capital	17,771		17,747
ROIC	18.5%		18.5%

*We plan on updating our ROIC definition to start with EBIT and adjust to EBITDAR in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting.

Leverage Ratio – Fiscal 2016

Unaudited

	Actual 2016	<i>Revenue Adjustments</i>	Proforma 2016
Adjusted EBITDA:			
Net income	\$ 611	8	\$ 619
Add back interest expense	367		367
Deduct interest income	(4)		(4)
Add back federal, state and local income tax expense	341	5	346
Add back impairments, store closing and other costs	479		479
Add back settlement charges	98		98
Add back depreciation and amortization	1,058		1,058
Add back gross rent expense	335		335
Deduct net periodic benefit costs of the postemployment and postretirement benefit obligations in excess of the service cost components	(55)		(55)
Adjusted EBITDA	3,230		3,243
Short-term debt	309		309
Long-term debt	6,562		6,562
Underfunded status of postemployment and postretirement benefits	648		648
Capitalized value of gross rent expense	2,714		2,714
Adjusted debt	10,233		10,233
Leverage ratio	3.2		3.2

In order to assess the degree of leverage, the Company calculates an internal leverage ratio to look at debt relative to EBITDA. See further discussion in the Company's Credit Ratios and Other Financial Information documents on the Company's investor relation section of its website.

2016 Summary of Key Financial Metrics

Unaudited

	Adjusted EBIT			Adjusted EPS			Adjusted EBITDA %		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Q1 2016	289	12	301	\$ 0.40	\$ 0.02	\$ 0.42	9.5%	0.2%	9.7%
Q2 2016	372	(10)	362	\$ 0.54	\$ (0.02)	\$ 0.52	10.8%	-0.3%	10.5%
Q3 2016	169	(8)	161	\$ 0.17	\$ (0.01)	\$ 0.16	7.7%	-0.1%	7.6%
Q4 2016	1,062	19	1,081	\$ 2.02	\$ 0.04	\$ 2.06	15.7%	0.1%	15.8%
Annual	1,892	13	1,905	\$ 3.11	\$ 0.03	\$ 3.14	11.4%	-	11.4%

Certain adjustments represent values less than \$.01 per diluted share attributable to Macy's, Inc. shareholders or 0.0%.

Amounts for the annual period may not equal the sum of the quarterly results for the respective periods due to rounding conventions. Further, adjusted EPS quarterly and annual amounts include the impact of various 2016 stock repurchases as disclosed in the Company's 2016 Form 10-K.

Pro Forma 2016 Quarterly Financial Information



★macy's bloomingdales bluemercury®

Income Statement – Q1 2016

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,771			3		\$ 5,774	
Credit card revenues, net	-	-	162			162	2.8%
Cost of sales	(3,516)	-60.9%		12		(3,504)	-60.7%
SG&A	(1,980)	-34.3%	(162)	(3)	(11)	(2,156)	-37.3%
Gains on sale of real estate	14	0.2%				14	0.2%
Settlement charges	(13)	-0.2%			13	-	0.0%
Operating income	276	4.8%	-	12	2	290	5.0%
Benefit plan income, net	-				11	11	
Settlement charges	-				(13)	(13)	
Interest expense, net	(98)					(98)	
Income before income taxes	178		-	12	-	190	
Income tax expense	(63)			(5)		(68)	
Net income	115		-	7	-	122	
Net loss attributable to NCI	1					1	
Net income attributable to Macy's	\$ 116		-	7	-	\$ 123	
Basic EPS	\$ 0.37					\$ 0.40	
Diluted EPS	\$ 0.37					\$ 0.39	
Gross Margin - net sales**	39.1%					39.3%	
Adjusted EBITDA*	\$ 549	9.5%				\$ 561	9.7%
Adjusted EBIT*	\$ 289	5.0%				\$ 301	5.2%
Adjusted EPS*	\$ 0.40					\$ 0.42	

*Adjusted metrics exclude the impact of settlement charges.
**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of April 30, 2016

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 734		\$ 734
Receivables	399		399
Merchandise inventories	5,738		5,738
Income Tax Receivable	19		19
Prepaid expenses and other	490	282	772
Total Current Assets	7,380		7,662
Property and Equipment - net	7,475		7,475
Goodwill	3,897		3,897
Other Intangible Assets - net	511		511
Other Assets	898		898
Total Assets	\$ 20,161		\$ 20,443
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 642		\$ 642
Merchandise accounts payable	2,015		2,015
Accounts payable and accrued liabilities	2,690	195	2,885
Income taxes	-		-
Total Current Liabilities	5,347		5,542
Long-Term Debt	6,990		6,990
Deferred Income Taxes	1,536	34	1,570
Other Liabilities	2,134		2,134
Shareholders' Equity	4,154	53	4,207
Total Liabilities and Shareholders' Equity	\$ 20,161		\$ 20,443

Income Statement – Q2 2016

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,866			102		\$ 5,968	
Credit card revenues, net	-	-	158			158	2.6%
Cost of sales	(3,468)	-59.1%		(109)		(3,577)	-59.9%
SG&A	(2,047)	-34.9%	(158)	(3)	(15)	(2,223)	-37.2%
Gains on sale of real estate	21	0.4%				21	0.4%
Impairments, restructuring and other costs	(249)	-4.3%				(249)	-4.3%
Settlement charges	(6)	-0.1%			6	-	0.0%
Operating income	117	2.0%	-	(10)	(9)	98	1.6%
Benefit plan income, net	-				15	15	
Settlement charges	-				(6)	(6)	
Interest expense, net	(97)					(97)	
Income before income taxes	20		-	(10)	-	10	
Income tax expense	(11)			4		(7)	
Net income	9		-	(6)	-	3	
Net loss attributable to NCI	2					2	
Net income attributable to Macy's	\$ 11		-	(6)	-	\$ 5	
Basic EPS	\$ 0.03					\$ 0.02	
Diluted EPS	\$ 0.03					\$ 0.02	

Gross Margin - net sales**	40.9%					40.1%	
Adjusted EBITDA*	\$ 632	10.8%				\$ 622	10.5%
Adjusted EBIT*	\$ 372	6.3%				\$ 362	6.1%
Adjusted EPS*	\$ 0.54					\$ 0.52	

*Adjusted metrics exclude the impact of impairments, restructuring and other costs and settlement charges.

**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of July 30, 2016

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 1,000		\$ 1,000
Receivables	423		423
Merchandise inventories	5,322		5,322
Prepaid expenses and other	471	194	665
Total Current Assets	7,216		7,410
Property and Equipment - net	7,187		7,187
Goodwill	3,897		3,897
Other Intangible Assets - net	502		502
Other Assets	904		904
Total Assets	\$ 19,706		\$ 19,900
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 1,063		\$ 1,063
Merchandise accounts payable	1,877		1,877
Accounts payable and accrued liabilities	2,514	117	2,631
Income taxes	23		23
Total Current Liabilities	5,477		5,594
Long-Term Debt	6,567		6,567
Deferred Income Taxes	1,448	30	1,478
Other Liabilities	2,164		2,164
Shareholders' Equity	4,050	47	4,097
Total Liabilities and Shareholders' Equity	\$ 19,706		\$ 19,900

Income Statement – Q3 2016

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 5,626			6		\$ 5,632	
Credit card revenues, net	-		147			147	2.6%
Cost of sales	(3,386)	-60.2%		24		(3,362)	-59.7%
SG&A	(2,112)	-37.5%	(147)	(38)	(14)	(2,311)	-41.0%
Gains on sale of real estate	41	0.7%				41	0.7%
Settlement charges	(62)	-1.1%			62	-	0.0%
Operating income	<u>107</u>	<u>1.9%</u>	<u>-</u>	<u>(8)</u>	<u>48</u>	<u>147</u>	<u>2.6%</u>
Benefit plan income, net	-				14	14	
Settlement charges	-				(62)	(62)	
Interest expense, net	<u>(81)</u>					<u>(81)</u>	
Income before income taxes	<u>26</u>		<u>-</u>	<u>(8)</u>	<u>-</u>	<u>18</u>	
Income tax expense	<u>(11)</u>			<u>3</u>		<u>(8)</u>	
Net income	<u>15</u>		<u>-</u>	<u>(5)</u>	<u>-</u>	<u>10</u>	
Net loss attributable to NCI	<u>2</u>					<u>2</u>	
Net income attributable to Macy's	<u>\$ 17</u>		<u>-</u>	<u>(5)</u>	<u>-</u>	<u>\$ 12</u>	
Basic EPS	\$ 0.05					\$ 0.04	
Diluted EPS	\$ 0.05					\$ 0.04	
Gross Margin - net sales**	39.8%					40.3%	
Adjusted EBITDA*	\$ 436	7.7%				\$ 428	7.6%
Adjusted EBIT*	\$ 169	3.0%				\$ 161	2.9%
Adjusted EPS*	\$ 0.17					\$ 0.16	

*Adjusted metrics exclude the impact of settlement charges.
**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Balance Sheet – As of October 29, 2016

Unaudited

	As reported	<i>Revenue Adjustments</i>	Proforma
Assets:			
Current Assets:			
Cash and equivalents	\$ 457		\$ 457
Receivables	262		262
Merchandise inventories	7,587		7,587
Income tax receivable	60		60
Prepaid expenses and other	454	215	669
Total Current Assets	8,820		9,035
Property and Equipment - net	7,149		7,149
Goodwill	3,897		3,897
Other Intangible Assets - net	499		499
Other Assets	909		909
Total Assets	\$ 21,274		\$ 21,489
Liabilities and Shareholders' Equity:			
Current Liabilities:			
Short-term debt	\$ 938		\$ 938
Merchandise accounts payable	3,375		3,375
Accounts payable and accrued liabilities	2,930	146	3,076
Total Current Liabilities	7,243		7,389
Long-Term Debt	6,563		6,563
Deferred Income Taxes	1,548	27	1,575
Other Liabilities	2,129		2,129
Shareholders' Equity	3,791	42	3,833
Total Liabilities and Shareholders' Equity	\$ 21,274		\$ 21,489

Income Statement – Q4 2016

Unaudited

	As reported	% of Sales	<u>Credit Income</u>	<u>Other Revenue Adjustments</u>	<u>Pension</u>	Proforma	% of Sales
Net sales	\$ 8,515			19		\$ 8,534	
Credit card revenues, net	-	-	189			189	2.2%
Cost of sales	(5,251)	-61.7%		28		(5,223)	-61.2%
SG&A	(2,335)	-27.4%	(189)	(28)	(15)	(2,567)	-30.1%
Gains on sale of real estate	133	1.6%				133	1.6%
Impairments, store closing and other costs	(230)	-2.7%				(230)	-2.7%
Settlement charges	(17)	-0.2%			17	-	0.0%
Operating income	815	9.6%	-	19	2	836	9.8%
Benefit plan income, net	-				15	15	
Settlement charges	-				(17)	(17)	
Interest expense, net	(87)					(87)	
Income before income taxes	728		-	19	-	747	
Income tax expense	(256)			(7)		(263)	
Net income	472		-	12	-	484	
Net loss attributable to NCI	3					3	
Net income attributable to Macy's	\$ 475		-	12	-	\$ 487	
Basic EPS	\$ 1.56					\$ 1.59	
Diluted EPS	\$ 1.54					\$ 1.58	
Gross Margin - net sales**		38.3%					38.8%
Adjusted EBITDA*	\$ 1,333	15.7%				\$ 1,352	15.8%
Adjusted EBIT*	\$ 1,062	12.5%				\$ 1,081	12.7%
Adjusted EPS*	\$ 2.02					\$ 2.06	

*Adjusted metrics exclude the impact of impairments, store closing and other costs and settlement charges.

**Gross Margin - net sales is calculated as (Net Sales - Cost of Sales)/Net Sales.

Supplemental Information



★ macy's bloomingdale's bluemercury®

Credit Card Income – 2017

Unaudited

	2017				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
Earnings from Credit (as previously disclosed)	180	183	161	244	768
Proprietary Card Fraud and New Account Origination	(19)	(16)	(16)	(15)	(66)
Earnings from Credit (including Proprietary Card Fraud and New Account Origination)	161	167	145	229	702

Amounts for the year-to-date period may not equal the sum of the quarterly results for the respective periods due to rounding conventions.

Credit Card Income – 2016

Unaudited

	2016				
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
Earnings from Credit (as previously disclosed)	182	181	165	208	736
Proprietary Card Fraud and New Account Origination	(20)	(23)	(18)	(19)	(80)
Earnings from Credit (including Proprietary Card Fraud and New Account Origination)	162	158	147	189	656

Amounts for the annual period may not equal the sum of the quarterly results for the respective periods due to rounding conventions.

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Earnings Before Interest and Taxes (EBIT), Adjusted EBIT and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

	Q1 2017			Q2 2017			Q3 2017		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Net income	\$ 70	7	\$ 77	\$ 113	(5)	\$ 108	\$ 34	(7)	\$ 27
Add back interest expense, net	84		84	79		79	74		74
Add back (deduct) net premium on early retirement of debt	3		3	(2)		(2)	-		-
Add back federal, state and local income tax expense	63	5	68	64	(4)	60	13	(3)	10
EBIT	220		232	254		245	121		111
Add back restructuring and other costs	-		-	-		-	33		33
Add back settlement charges	-		-	51		51	22		22
Adjusted EBIT	220		232	305		296	176		166
Add back depreciation and amortization	243		243	244		244	254		254
Adjusted EBITDA	\$ 463		\$ 475	\$ 549		\$ 540	\$ 430		\$ 420

	Q4 2017			Fiscal 2017		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Net income	\$ 1,321	22	\$ 1,343	\$ 1,536	19	\$ 1,555
Add back interest expense, net	73		73	310		310
Deduct net premium on early retirement of debt	(11)		(11)	(10)		(10)
Deduct federal, state and local income tax benefit	(170)	(6)	(176)	(29)	(10)	(39)
EBIT	1,213		1,229	1,807		1,816
Add back restructuring, impairment, store closing and other costs	152		152	186		186
Add back settlement charges	32		32	105		105
Adjusted EBIT	1,397		1,413	2,098		2,107
Add back depreciation and amortization	250		250	991		991
Adjusted EBITDA	\$ 1,647		\$ 1,663	\$ 3,089		\$ 3,098

Management believes that EBIT, Adjusted EBIT and Adjusted EBITDA excluding the impact of certain items, as disclosed above, are useful measures to assist the reader in evaluating the Company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings from period-to-period. Management believes that excluding these items from the calculation of these measures are particularly useful when the items are not associated with the Company's core operations and the amounts of such items are not consistent in the periods presented. Management also believes that EBIT, Adjusted EBIT and Adjusted EBITDA excluding the impact of certain items, as disclosed above, are frequently used by investors and securities analysts in their evaluations of companies, and that such supplemental measures facilitate comparisons between companies that have different capital and financing structures and/or tax rates.

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Diluted earnings per share attributable to Macy's, Inc. shareholders, excluding certain items (Adjusted EPS)

	Q1 2017			Q2 2017			Q3 2017		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 0.23	0.03	\$ 0.26	\$ 0.38	(0.02)	\$ 0.36	\$ 0.12	(0.02)	\$ 0.10
Add back the pre-tax impact of restructuring and other costs	-	-	-	-	-	-	0.11	-	0.11
Add back the pre-tax impact of settlement charges	-	-	-	0.17	-	0.17	0.07	-	0.07
Add back the pre-tax impact of net premiums on the early retirement of debt (Note 1)	0.02	(0.01)	0.01	-	-	-	-	-	-
Deduct the income tax impact of certain items identified above	(0.01)	-	(0.01)	(0.07)	-	(0.07)	(0.07)	-	(0.07)
Diluted earnings per share attributable to Macy's, Inc. shareholders excluding certain items	<u>\$ 0.24</u>		<u>\$ 0.26</u>	<u>\$ 0.48</u>		<u>\$ 0.46</u>	<u>\$ 0.23</u>		<u>\$ 0.21</u>

	Q4 2017			Fiscal 2017		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 4.31	0.07	\$ 4.38	\$ 5.04	0.06	\$ 5.10
Add back the pre-tax impact of restructuring and other costs	0.50	-	0.50	0.61	-	0.61
Add back the pre-tax impact of settlement charges	0.10	-	0.10	0.34	-	0.34
Deduct the pre-tax impact of net premiums on the early retirement of debt	(0.03)	-	(0.03)	(0.03)	-	(0.03)
Deduct the income tax impact of certain items identified above	(0.20)	-	(0.20)	(0.33)	-	(0.33)
Deduct the deferred tax effects of federal tax reform	(1.86)	(0.04)	(1.90)	(1.86)	(0.04)	(1.90)
Diluted earnings per share attributable to Macy's, Inc. shareholders excluding certain items	<u>\$ 2.82</u>		<u>\$ 2.85</u>	<u>\$ 3.77</u>		<u>\$ 3.79</u>

Management believes that providing a measure of diluted earnings per share attributable to Macy's, Inc. shareholders excluding the impact of certain items, as disclosed above, is a useful measure to assist the reader in evaluating the Company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings from period-to-period. Management believes that excluding the impact of these items from the calculation of this measure is particularly useful where the items are not associated with the Company's core operations and the amounts of such items are not consistent in the periods presented.

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Return on invested capital (ROIC)

	Actual 2017	<i>Revenue Adjustments</i>	Proforma 2017
Operating income	\$ 1,807	9	\$ 1,816
Property and equipment - net	6,845		6,845
	26.4%		26.5%
EBIT*	\$ 1,807	9	\$ 1,816
Exclude restructuring, impairment, store closing and other costs	186		186
Add back settlement charges	105		105
Add back depreciation and amortization	991		991
Add back rent expense, net			
Real estate	325	(15)	310
Personal property	10		10
Deferred rent amortization	14		14
Adjusted EBITDAR*	3,438		3,432
Property and equipment - net	6,845		6,845
Add back accumulated depreciation and amortization	4,733		4,733
Add back capitalized value of non-capitalized leases	2,792	(120)	2,672
Add (deduct) selected balance sheet components:			
Receivables	327		327
Merchandise inventories	5,712		5,712
Prepaid expenses and other current assets	422	194	616
Other assets	830		830
Merchandise accounts payable	(2,115)		(2,115)
Accounts payable and accrued liabilities	(3,027)	(100)	(3,127)
Total average invested capital	16,519		16,493
ROIC	20.8%		20.8%

**We plan on updating our ROIC definition to start with EBIT and adjust to EBITDAR in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting. See non-GAAP reconciliation of EBIT on a previous slide.*

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Earnings Before Interest and Taxes (EBIT), Adjusted EBIT and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA)

	Q1 2016			Q2 2016			Q3 2016		
	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma
Net income	\$ 115	7	\$ 122	\$ 9	(6)	\$ 3	\$ 15	(5)	\$ 10
Add back interest expense, net	98		98	97		97	81		81
Add back federal, state and local income tax expense	63	5	68	11	(4)	7	11	(3)	8
EBIT	276		288	117		107	107		99
Add back impairments, store closing and other costs	-		-	249		249	-		-
Add back settlement charges	13		13	6		6	62		62
Adjusted EBIT	289		301	372		362	169		161
Add back depreciation and amortization	260		260	260		260	267		267
Adjusted EBITDA	\$ 549		\$ 561	\$ 632		\$ 622	\$ 436		\$ 428

	Q4 2016			Fiscal 2016		
	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma	As Reported	<u>Revenue</u> <u>Adjustments</u>	Proforma
Net income	\$ 472	12	\$ 484	\$ 611	8	\$ 619
Add back interest expense, net	87		87	363		363
Add back federal, state and local income tax expense	256	7	263	341	5	346
EBIT	815		834	1,315		1,328
Add back impairments, store closing and other costs	230		230	479		479
Add back settlement charges	17		17	98		98
Adjusted EBIT	1,062		1,081	1,892		1,905
Add back depreciation and amortization	271		271	1,058		1,058
Adjusted EBITDA	\$ 1,333		\$ 1,352	\$ 2,950		\$ 2,963

Management believes that EBIT, Adjusted EBIT and Adjusted EBITDA excluding the impact of certain items, as disclosed above, are useful measures to assist the reader in evaluating the Company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings from period-to-period. Management believes that excluding these items from the calculation of these measures are particularly useful when the items are not associated with the Company's core operations and the amounts of such items are not consistent in the periods presented. Management also believes that EBIT, Adjusted EBIT and Adjusted EBITDA excluding the impact of certain items, as disclosed above, are frequently used by investors and securities analysts in their evaluations of companies, and that such supplemental measures facilitate comparisons between companies that have different capital and financing structures and/or tax rates.

Results for the fiscal year may not equal the sum of the quarterly results for the respective periods due to rounding conventions.

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Diluted earnings per share attributable to Macy's, Inc. shareholders, excluding certain items (Adjusted EPS)

	Q1 2016			Q2 2016			Q3 2016		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 0.37	0.02	\$ 0.39	\$ 0.03	(0.01)	\$ 0.02	\$ 0.05	(0.01)	\$ 0.04
Add back the pre-tax impact of impairments and other costs	-	-	-	0.80	-	0.80	-	-	-
Add back the pre-tax impact of settlement charges	0.04	-	0.04	0.02	-	0.02	0.20	-	0.20
Deduct the income tax impact of certain items identified above	(0.01)	-	(0.01)	(0.31)	-	(0.32)	(0.08)	-	(0.08)
Diluted earnings per share attributable to Macy's, Inc. shareholders excluding certain items	<u>\$ 0.40</u>		<u>\$ 0.42</u>	<u>\$ 0.54</u>		<u>\$ 0.52</u>	<u>\$ 0.17</u>		<u>\$ 0.16</u>

	Q4 2016			Fiscal 2016		
	As Reported	Revenue Adjustments	Proforma	As Reported	Revenue Adjustments	Proforma
Diluted earnings per share attributable to Macy's, Inc. shareholders	\$ 1.54	0.04	\$ 1.58	\$ 1.99	0.03	\$ 2.02
Add back the pre-tax impact of impairments and other costs	0.75	-	0.75	1.54	-	1.54
Add back the pre-tax impact of settlement charges	0.05	-	0.05	0.31	-	0.31
Deduct the income tax impact of certain items identified above	(0.32)	-	(0.32)	(0.73)	-	(0.73)
Diluted earnings per share attributable to Macy's, Inc. shareholders excluding certain items	<u>\$ 2.02</u>		<u>\$ 2.06</u>	<u>\$ 3.11</u>		<u>\$ 3.14</u>

Management believes that providing a measure of diluted earnings per share attributable to Macy's, Inc. shareholders excluding the impact of certain items, as disclosed above, is a useful measure to assist the reader in evaluating the Company's ability to generate earnings and that providing such a measure will allow investors to more readily compare the earnings from period-to-period. Management believes that excluding the impact of these items from the calculation of this measure is particularly useful where the items are not associated with the Company's core operations and the amounts of such items are not consistent in the periods presented.

Reconciliation of GAAP and Non-GAAP Financial Measures

Unaudited

Return on invested capital (ROIC)

	Actual 2016	<i>Revenue Adjustments</i>	Proforma 2016
Operating income	\$ 1,315	56	\$ 1,371
Property and equipment - net	7,317		7,317
	18.0%		18.7%
EBIT*	\$ 1,315	13	\$ 1,328
Exclude impairments, store closing and other costs	479		479
Add back settlement charges	98		98
Add back depreciation and amortization	1,058		1,058
Add back rent expense, net			
Real estate	319	(13)	306
Personal property	11		11
Deferred rent amortization	9		9
Adjusted EBITDAR*	3,289		3,289
Property and equipment - net	7,317		7,317
Add back accumulated depreciation and amortization	5,088		5,088
Add back capitalized value of non-capitalized leases	2,712	(104)	2,608
Add (deduct) selected balance sheet components:			
Receivables	411		411
Merchandise inventories	6,012		6,012
Right of return asset	-	231	231
Prepaid expenses and other current assets	456		456
Other assets	881		881
Merchandise accounts payable	(2,182)		(2,182)
Accounts payable and accrued liabilities	(2,924)	(151)	(3,075)
Total average invested capital	17,771		17,747
ROIC	18.5%		18.5%

*We plan on updating our ROIC definition to start with EBIT and adjust to EBITDAR in order to be economically consistent with our current calculation due to the impact of the new pension plan accounting. See non-GAAP reconciliation of EBIT on a previous slide.