MACY'S, INC.

Credit Ratios and Other Financial Information

($ in millions)

The Company tracks two key credit ratios to measure our progress in strengthening our balance sheet and improving liquidity. In order to assess the degree of leverage, we look at debt relative to EBITDA. To assess interest expense coverage, we look at EBITDA relative to interest expense. For both of these ratios, we adjust debt, EBITDA and interest to take into account the impact of operating leases and retirement obligations and certain non-recurring items. This methodology is similar to those used by credit rating agencies to assess a company’s capital structure.

These credit ratios are non-GAAP financial measures. The Company reports its financial results in accordance with generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures provide users of the Company's financial information with additional useful information. These non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for, the Company's financial results prepared in accordance with GAAP. Certain of the items that may be excluded or included in these non-GAAP financial measures may be significant items that could impact the Company's financial position, results of operations and cash flows and should therefore be considered in assessing the Company's actual financial condition and performance. In particular, these financial measures have material limitations because they exclude cash and non-cash expenses that are necessary to operate the Company's business or that may be otherwise incurred or experienced in connection with the operation of its business. The methods used by the Company to calculate its non-GAAP financial measures may differ significantly from methods used by other companies to compute similar measures. As a result, any non-GAAP financial measures presented herein may not be comparable to similar measures provided by other companies.

The values of all income statement items included in the tables below are for the identified annual periods, with all of these items being derived from the Company's annual Form 10-K filings.

Except as noted below, the values for short-term debt and long-term debt are from the balance sheets for the identified dates, the value of the underfunded status of postemployment and postretirement benefits is based on the year-end funded status of the relevant retirement plans and benefit obligations, and the capitalized value of gross rent expense is based on gross rent expense for the applicable period multiplied by a factor of eight. The short-term debt as of and for the year ended January 28, 2012 has been adjusted to exclude $790 million of debt due in 2012 which was repaid from the proceeds of the issuance of $800 million of debt in January 2012.

The following financial information, including non-GAAP financial measures, should be read in conjunction with the audited financial statements, including the related notes, and other financial information contained in the Company's Securities and Exchange Commission filings.

	Target	As of and for the 52 weeks ended February 2, 2013	As of and for the 52 weeks ended January 28, 2012
Leverage ratio	2.4 - 2.7	2.4	2.6
Coverage ratio	6.4 - 6.6	7.9	7.1

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Adjusted EBITDA

Management believes that Adjusted EBITDA is a useful measure in evaluating the Company's ability to generate cash flow from its operations.

As computed below, Adjusted EBITDA represents earnings before interest, taxes and depreciation and amortization, adjusted to exclude the effects of impairments, store closing costs and gain on sale of leases, gross rent expense, and the excess of the net periodic benefit costs of the Company's postretirement and postretirement benefit obligations over the related service cost components of such benefit costs.

	As of and for the 52 weeks ended February 2, 2013	As of and for the 52 weeks ended January 28, 2012
Most Comparable GAAP Measure:		
Net income	$ 1,335	$ 1,256
Non-GAAP Measure:		
Net income	$ 1,335	$ 1,256
Add back interest expense	425	447
Add back premium on early retirement of debt	137	-
Deduct interest income	(3)	(4)
Add back federal, state and local income tax expense	767	712
Add back (deduct) impairments, store closing costs and gain on sale of leases,	5	(25)
Add back depreciation and amortization	1,049	1,085
Add back gross rent expense (Note 1)	280	271
Add back net periodic benefit costs of the postemployment and postretirement benefit obligations in excess of the service cost components (Note 2)	103	51
Adjusted EBITDA	$ 4,098	$ 3,793

Note 1

The add back of gross rent expense in calculating Adjusted EBITDA treats the Company's periodic rent expense under the relevant lease agreements in a manner consistent with the Company's owned properties.

Real estate	$ 269	$ 261
Personal property	11	10
	$ 280	$ 271

Note 2

The add back of the excess net periodic benefit cost of the Company's postemployment and postretirement benefit obligations over the service cost component of such benefit costs in calculating Adjusted EBITDA recognizes the fact that the service cost components of the net periodic benefit costs are primarily operating type costs and should be included in Adjusted EBITDA, while all other components of the net periodic benefit costs are primarily financing type costs and should be excluded from Adjusted EBITDA. Net periodic benefit costs include, where applicable, service cost, interest cost, expected return on assets, amortization of net actuarial gains and losses and the amortization of prior service costs or credits.

Net periodic benefit costs:		
Pension plan	$ 161	$ 101
Supplementary retirement plan	57	49
Postretirement benefit obligations	8	9
Less service cost component of net periodic benefit costs:		
Pension plan	(117)	(102)
Supplementary retirement plan	(6)	(6)
Postretirement benefit obligations	-	-
	$ 103	$ 51

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Leverage ratio

Management believes that the leverage ratio, as computed below and defined as Adjusted debt divided by Adjusted EBITDA, is a useful measure in evaluating the Company's ability to cover its debt-like obligations.

As computed below, Adjusted debt represents the Company's short-term and long-term debt, adjusted to include the underfunded status of the Company's postemployment and postretirement benefit obligations, net of an assumed 37% tax benefit, and a rent factor equal to periodic annual reported gross rent expense multiplied by a factor of eight. In addition, short-term debt as of and for the 52 weeks ended January 28, 2012, has been adjusted to exclude $790 million of debt due in 2012 which was repaid from the proceeds of the issuance of $800 million of debt in January 2012.

As computed above, Adjusted EBITDA represents earnings before interest, taxes and depreciation and amortization, adjusted to exclude the effects of impairments, store closing costs and gain on sale of leases, gross rent expense, and the excess of the net periodic benefit costs of the Company's postretirement and postretirement benefit obligations over the related service cost components of such benefit costs.

	As of and for the 52 weeks ended February 2, 2013	As of and for the 52 weeks ended January 28, 2012
Most Comparable GAAP Ratio:		
Short-term debt	$ 124	$ 1,103
Long-term debt	6,806	6,655
Total debt	$ 6,930	$ 7,758
Net income	$ 1,335	$ 1,256
	5.2	6.2
Non-GAAP Ratio:		
Short-term Debt	$ 124	$ 1,103
Less debt repaid with the proceeds from the January 2012 debt issuance:		
5.35% Senior notes due March 15, 2012	-	(617)
8.0% Senior debentures due July 15, 2012	-	(173)
Long-term debt	6,806	6,655
Underfunded status of postemployment and postretirement benefits (Note 1)	764	898
Capitalized value of gross rent expense (Note 2)	2,240	2,168
Adjusted debt	$ 9,934	$ 10,034
Adjusted EBITDA	$ 4,098	$ 3,793
	2.4	2.6

Note 1

The inclusion of the underfunded status (the amount by which the projected benefit obligation or accumulated postretirement benefit obligation exceeds the fair value of plan assets) of the Company's postemployment and postretirement obligations in Adjusted debt treats the Company's liability under the relevant benefit plans as debt equivalents. The assumed tax benefit represents the tax deductibility of contributions which impact the funded status of the plans.

	February 2, 2013	January 28, 2012
Underfunded status:		
Pension plan	$ 168	$ 389
Supplementary retirement plan	795	771
Postretirement benefit obligations	250	266
Less income tax effect of underfunded status of the pension and supplementary retirement plans and postretirement benefit obligations	(449)	(528)
	$ 764	$ 898

Note 2

The inclusion of the capitalized value of gross rent expense, as calculated by multiplying the periodic annual reported gross rent expense by a factor of eight, in adjusted debt treats the Company's primary liability under the relevant leases as a debt equivalent.

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Coverage ratio

Management believes that the coverage ratio, as computed below and defined as Adjusted EBITDA divided by Adjusted interest expense is a useful measure in evaluating the Company's ability to cover its interest-like costs on its debt-like obligations.

As computed above, Adjusted EBITDA represents earnings before interest, taxes and depreciation and amortization, adjusted to exclude the effects of impairments, store closing costs and gain on sale of properties, gross rent expense, and the excess of the net periodic benefit costs of the Company's postretirement and postretirement benefit obligations over the related service cost components of such benefit costs.

As computed below, Adjusted interest expense represents interest expense, excluding the premium on early retirement of debt, a portion of the Company's gross rent expense deemed to be equivalent of interest (estimated as 1/3 of gross rent expense) and the excess of the interest cost components of the net periodic benefit costs of the Company's postemployment and postretirement benefit obligations over the expected return on asset components of such benefit costs, if any.

	As of and for the 52 weeks ended February 2, 2013	As of and for the 52 weeks ended January 28, 2012
Most Comparable GAAP Ratio:		
Net income	$ 1,335	$ 1,256
Interest expense	$ 425	$ 447
	3.1	2.8
Non-GAAP Ratio:		
Adjusted EBITDA	$ 4,098	$ 3,793
Interest expense	$ 425	$ 447
Add portion of rents representative of the interest factor	93	90
Postemployment and postretirement benefit obligations adjustment, if any (Note 1)	-	-
Adjusted interest expense	$ 518	$ 537
	7.9	7.1

Note 1

The adjustment (i.e. representing the inclusion of any incremental financing costs) for the excess of the interest cost component of net periodic benefit costs of the Company's postemployment and postretirement benefit obligations over the expected return on asset component of such benefit costs in adjusted interest expense recognizes the additional financing cost associated with the use of cash to fund the postemployment and postretirement obligations and also that the economic benefits of overfunded postemployment and postretirement benefit plans are limited.

	February 2, 2013	January 28, 2012
Interest cost component of net periodic benefit costs:		
Pension plan	$ 157	$ 160
Supplementary retirement plan	35	36
Postretirement benefit obligations	12	14
Expected return on asset component of net periodic benefit costs:		
Pension plan	(253)	(248)
Supplementary retirement plan	-	-
Postretirement benefit obligations	-	-
Excess, if any, of the interest cost component of net periodic benefit costs over the expected return on asset component	$ -	$ -