

Macy's, Inc.

Reconciliation of GAAP to non-GAAP Financial Measures

(Dollars in millions)

The following information relates to, and should be read in conjunction with, a conference call hosted by the management of Macy's, Inc. on February 24, 2015 to discuss the Company's financial condition and results of operations as of and for the 13 and 52 weeks ended January 31, 2015. An audio archive of the conference call and the text of the related press release can be accessed at www.macysinc.com/ir/.

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 in evaluating operating performance. See the tables below for supplemental financial data and corresponding reconciliations to GAAP financial measures. 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 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. Additionally, the amounts received by the Company on account of sales of departments licensed to third parties are limited to commissions received on such sales. 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.

Comparable sales growth

	13 Weeks Ended January 31 2015	52 Weeks Ended January 31 2015
Increase in comparable sales on an owned basis (Note 1)	<u>2.0%</u>	<u>0.7%</u>
Impact of growth in comparable sales of departments licensed to third parties (Note 2)	<u>0.5%</u>	<u>0.7%</u>
Increase in comparable sales on an owned plus licensed basis	<u>2.5%</u>	<u>1.4%</u>

Notes:

(1) Represents the period-to-period change in net sales from stores in operation throughout the year presented and the immediately preceding year and all net Internet sales, excluding commissions from departments licensed to third parties.

(2) Represents the impact on comparable sales of departments licensed to third parties occurring in stores in operation throughout the year presented and the immediately preceding year and via the Internet in the calculation of comparable sales. The Company licenses third parties to operate certain departments in its stores and online and receives commissions from these third parties based on a percentage of their net sales. In its financial statements prepared in conformity with GAAP, the Company includes these commissions (rather than sales of the departments licensed to third parties) in its net sales. The Company does not, however, include any amounts in respect of licensed department sales (or any commissions earned on such sales) in its comparable sales in accordance with GAAP (i.e. on an owned basis).

Macy's, Inc. believes that providing changes in comparable sales on an owned plus licensed basis, which includes the impact of growth in comparable sales of departments licensed to third parties supplementally to its results of operations calculated in accordance with GAAP assists in evaluating the Company's ability to generate sales growth, whether through owned businesses or departments licensed to third parties, on a comparable basis, and in evaluating the impact of changes in the manner in which certain departments are operated (e.g. the conversion in 2013 of most of the Company's previously owned athletic footwear business to licensed Finish Line shops).

Macy's, Inc.**Reconciliation of GAAP to non-GAAP Financial Measures**

(\$ and share count in millions)

Diluted earnings per share, excluding certain items

	13 Weeks Ended January 31 <u>2015</u>	13 Weeks Ended February 1 <u>2014</u>	<u>Increase</u>
Most comparable GAAP measure:			
Diluted earnings per share	<u>\$ 2.26</u>	<u>\$ 2.16</u>	<u>4.6%</u>
Non-GAAP measure:			
Diluted earnings per share	\$ 2.26	\$ 2.16	
Add back the impact of impairments, store closing and other costs	0.15	0.15	
Add back the impact of premium on early retirement of debt	<u>0.03</u>	<u>-</u>	
Diluted earnings per share, excluding the impact of impairments, store closing and other costs and premium on early retirement of debt	<u>\$ 2.44</u>	<u>\$ 2.31</u>	<u>5.6%</u>

Management believes that providing a measure of diluted earnings per share excluding the impact of impairments, store closing and other costs and premium on early retirement of debt 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 referred to in the press release to the earnings reported by the Company in past and future periods. Management believes that excluding the impact of impairments, store closing and other costs and premium on early retirement of debt from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented.

Macy's, Inc.**Reconciliation of GAAP to non-GAAP Financial Measures**

(\$ and share count in millions)

Diluted earnings per share, excluding certain items

	52 Weeks Ended January 31 <u>2015</u>	52 Weeks Ended February 1 <u>2014</u>	<u>Increase</u>
Most comparable GAAP measure:			
Diluted earnings per share	<u>\$ 4.22</u>	<u>\$ 3.86</u>	<u>9.3%</u>
Non-GAAP measure:			
Diluted earnings per share	\$ 4.22	\$ 3.86	
Add back the impact of impairments, store closing and other costs	0.15	0.14	
Add back the impact of premium on early retirement of debt	<u>0.03</u>	<u>-</u>	
Diluted earnings per share, excluding the impact of impairments, store closing and other costs and premium on early retirement of debt	<u>\$ 4.40</u>	<u>\$ 4.00</u>	<u>10.0%</u>

Management believes that providing a measure of diluted earnings per share excluding the impact of impairments, store closing and other costs and premium on early retirement of debt 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 referred to in the press release to the earnings reported by the Company in past and future periods. Management believes that excluding the impact of impairments, store closing and other costs and premium on early retirement of debt from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented.

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(\$ and share count in millions)

Diluted earnings per share, excluding certain items

	52 Weeks Ended January 31 <u>2015</u>	52 Weeks Ended January 30 <u>2010</u>	<u>Compound Growth Rate</u>
Most comparable GAAP measure:			
Diluted earnings per share	<u>\$ 4.22</u>	<u>\$ 0.78</u>	
Non-GAAP measure:			
Diluted earnings per share	\$ 4.22	\$ 0.78	
Add back the impact of impairments, store closing and other costs	0.15	0.18	
Add back the impact of premium on early retirement of debt	0.03	-	
Add back the impact of division consolidation costs	<u>-</u>	<u>0.40</u>	
Diluted earnings per share, excluding the impact of impairments, store closing and other costs, premium on early retirement of debt and division consolidation costs	<u>\$ 4.40</u>	<u>\$ 1.36</u>	<u>26%</u>

Management believes that providing a measure of diluted earnings per share excluding the impact of impairments, store closing and other costs, premium on early retirement of debt and division consolidation costs 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 referred to in the press release to the earnings reported by the Company in past and future periods. Management believes that excluding the impact of impairments, store closing and other costs, premium on early retirement of debt and division consolidation costs from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented.

Macy's, Inc.**Reconciliation of GAAP to non-GAAP Financial Measures**

(\$ and share count in millions)

Operating income and operating income as a percent to net sales, excluding certain items

	13 Weeks Ended January 31 <u>2015</u>	13 Weeks Ended February 1 <u>2014</u>	<u>Increase</u>
Most comparable GAAP measure:			
Net sales	<u>\$ 9,364</u>	<u>\$ 9,202</u>	
Operating income	<u>\$ 1,364</u>	<u>\$ 1,349</u>	
	<u>14.6%</u>	<u>14.7%</u>	
Non-GAAP measure:			
Net sales	<u>\$ 9,364</u>	<u>\$ 9,202</u>	
Operating income	<u>\$ 1,364</u>	<u>\$ 1,349</u>	
Add back the impact of impairments, store closing and other costs	<u>87</u>	<u>88</u>	
Operating income, excluding impact of impairments, store closing and other costs	<u>\$ 1,451</u>	<u>\$ 1,437</u>	<u>1.0%</u>
	<u>15.5%</u>	<u>15.6%</u>	

Management believes that operating income and operating income as a percent to net sales, excluding the impact of impairments, store closing and other costs are useful measures in evaluating the Company's ability to leverage sales. Management believes that excluding these costs from the calculation of these measures is particularly useful where the amounts of such items are not consistent in the periods presented.

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Reconciliation of GAAP to non-GAAP Financial Measures
(\$ and share count in millions)

Operating income and operating income as a percent to net sales, excluding certain items

	52 Weeks Ended January 31 <u>2015</u>	52 Weeks Ended February 1 <u>2014</u>	<u>Increase</u>
Most comparable GAAP measure:			
Net sales	<u>\$ 28,105</u>	<u>\$ 27,931</u>	
Operating income	<u>\$ 2,800</u>	<u>\$ 2,678</u>	
	<u>10.0%</u>	<u>9.6%</u>	
Non-GAAP measure:			
Net sales	<u>\$ 28,105</u>	<u>\$ 27,931</u>	
Operating income	<u>\$ 2,800</u>	<u>\$ 2,678</u>	
Add back the impact of impairments, store closing and other costs	<u>87</u>	<u>88</u>	
Operating income, excluding impact of impairments, store closing and other costs	<u>\$ 2,887</u>	<u>\$ 2,766</u>	<u>4.4%</u>
	<u>10.3%</u>	<u>9.9%</u>	

Management believes that operating income and operating income as a percent to net sales, excluding the impact of impairments, store closing and other costs are useful measures in evaluating the Company's ability to leverage sales. Management believes that excluding these costs from the calculation of these measures is particularly useful where the amounts of such items are not consistent in the periods presented.

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(\$ and share count in millions)

Adjusted earnings before interest, taxes, depreciation and amortization, as a percent to net sales

	52 Weeks Ended January 31 <u>2015</u>
Most comparable GAAP measure:	
Net sales	<u>\$ 28,105</u>
Net income	<u>\$ 1,526</u>
	<u>5.4%</u>
Non-GAAP measure:	
Net sales	<u>\$ 28,105</u>
Net income	\$ 1,526
Add back interest expense - net	393
Add back premium on early retirement of debt	17
Add back federal, state and local income tax expense	864
Add back impairments, store closing and other costs	87
Add back depreciation and amortization	<u>1,036</u>
Adjusted EBITDA	<u>\$ 3,923</u>
	<u>14.0%</u>

Management believes that earnings before interest, taxes, depreciation and amortization, adjusted for certain items, as a percent to net sales are useful measures in evaluating the Company's ability to leverage sales. Management believes that excluding these costs from the calculation of these measures is particularly useful where the amounts of such items are not consistent in the periods presented.

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(\$ and share count in millions)

Net income, excluding certain items

	13 Weeks Ended January 31 <u>2015</u>	13 Weeks Ended February 1 <u>2014</u>
Most comparable GAAP measure:		
Net income	<u>\$ 793</u>	<u>\$ 811</u>
Non-GAAP measure:		
Net income	\$ 793	\$ 811
Add back the after-tax impact of impairments, store closing and other costs	54	54
Add back the after-tax impact of premium on early retirement of debt	<u>10</u>	<u>-</u>
Net income, excluding the after-tax impact of impairments, store closing and other costs and premium on early retirement of debt	<u>\$ 857</u>	<u>\$ 865</u>

Management believes that providing a measure of net income excluding the after-tax impact of impairments, store closing and other costs and premium on early retirement of debt 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 referred to in the press release to the earnings reported by the Company in past and future periods. Management believes that excluding the after-tax impact of impairments, store closing and other costs and premium on early retirement of debt from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented.

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Cash flow from operating activities, net of cash used in investing activities

	52 Weeks Ended February 1 2014	52 Weeks Ended February 2 2013
Most comparable GAAP measure:		
Net cash provided by operating activities	<u>\$ 2,709</u>	<u>\$ 2,549</u>
Non-GAAP measure:		
Net cash provided by operating activities	\$ 2,709	\$ 2,549
Net cash used by investing activities	<u>(970)</u>	<u>(788)</u>
Net cash flow from operating activities, net of cash used in investing activities	<u>\$ 1,739</u>	<u>\$ 1,761</u>

Management believes cash flow from operating activities, net of cash used in investing activities is a useful measure in evaluating the Company's ability to generate cash from operations after giving effect to cash used by investing activities. Management believes that excluding cash flows from financing activities from the calculation of this measure is particularly useful where the amounts of such items are not consistent in the periods presented.