

calculation of after-tax return on invested capital



Numerators	Trailing Twelve Months ^(f)													
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
(dollars in millions) (unaudited)														
Earnings from continuing operations before interest expense and income taxes	\$ 4,700	\$ 4,835	\$ 4,969	\$ 5,790	\$ 5,605	\$ 5,688	\$ 5,530	\$ 4,946	\$ 4,974	\$ 4,667	\$ 4,535	\$ 4,264	\$ 4,301	\$ 4,579
+ Operating lease interest ^{(a)(b)}	76	72	71	72	77	82	87	90	90	90	89	98	94	95
Adjusted earnings from continuing operations before interest expense and income taxes	4,776	4,907	5,040	5,862	5,682	5,770	5,617	5,036	5,064	4,756	4,624	4,362	4,395	4,674
- Income taxes ^(c)	1,571	1,638	1,648	1,849	1,791	1,840	1,827	1,717	1,694	1,575	1,524	1,444	1,492	1,604
Net operating profit after taxes	\$ 3,205	\$ 3,269	\$ 3,392	\$ 4,013	\$ 3,891	\$ 3,930	\$ 3,790	\$ 3,319	\$ 3,370	\$ 3,181	\$ 3,100	\$ 2,918	\$ 2,903	\$ 3,070
Denominator														
(dollars in millions) (unaudited)														
Current portion of long-term debt and other borrowings	\$ 1,354	\$ 1,717	\$ 1,718	\$ 729	\$ 647	\$ 1,627	\$ 815	\$ 825	\$ 841	\$ 112	\$ 91	\$ 483	\$ 294	\$ 1,466
+ Noncurrent portion of long-term debt	10,892	11,086	11,031	12,097	12,063	12,596	11,945	11,887	11,817	12,585	12,634	12,551	12,551	11,315
+ Shareholders' equity	11,098	11,021	10,953	11,069	11,577	12,545	12,957	13,256	13,942	14,174	13,997	16,373	16,433	16,486
+ Capitalized operating lease obligations ^{(b)(d)}	1,257	1,210	1,187	1,192	1,274	1,367	1,457	1,503	1,497	1,495	1,490	1,639	1,573	1,587
- Cash and cash equivalents	2,291	2,680	2,512	1,231	1,480	4,036	4,046	1,977	2,742	2,768	2,210	718	766	677
- Net assets of discontinued operations	10	17	62	60	80	249	226	196	217	335	1,479	4,550	4,653	4,573
Invested capital	\$ 22,300	\$ 22,337	\$ 22,315	\$ 23,796	\$ 24,001	\$ 23,850	\$ 22,902	\$ 25,298	\$ 25,138	\$ 25,263	\$ 24,523	\$ 25,778	\$ 25,432	\$ 25,604
Average invested capital ^(e)	\$ 23,150	\$ 23,093	\$ 22,608	\$ 24,547	\$ 24,569	\$ 24,556	\$ 23,713	\$ 25,538	\$ 25,286	\$ 25,434	\$ 24,971	\$ 25,873	\$ 25,620	\$ 25,705
After-tax return on invested capital	13.8%	14.2%	15.0%	16.3%	15.8%	16.0%	16.0%	13.0%	13.3%	12.5%	12.4%	11.3%	11.3%	11.9%

^(a) Represents the add-back to operating income to reflect the hypothetical interest expense we would incur if the property under our operating leases were owned or accounted for as capital leases, using 8 times our trailing 12 months rent expense and an estimated interest rate of 6 percent.

^(b) See the following Reconciliation of Capitalized Operating Leases table for the adjustments to our GAAP total rent expense to obtain the hypothetical capitalization of operating leases and related operating lease interest.

^(c) Calculated using the effective tax rate for continuing operations.

^(d) Calculated as 8 times our trailing 12 months rent expense.

^(e) Average based on the invested capital at the end of the current period and the invested capital at the end of the prior period.

^(f) Excluding the net gain on the December 2015 sale of our pharmacy and clinic businesses, ROIC was 14.3 percent, 13.7 percent, 14.0 percent and 13.9 percent for the trailing twelve months ended October 29, 2016, July 30, 2016, April 30, 2016, and January 30, 2016, respectively.

Reconciliation of Capitalized Operating Leases	Trailing Twelve Months													
	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
(dollars in millions) (unaudited)														
Total rent expense	\$ 157	\$ 151	\$ 148	\$ 149	\$ 159	\$ 171	\$ 182	\$ 188	\$ 187	\$ 187	\$ 186	\$ 205	\$ 197	\$ 199
Capitalized operating lease obligations (Total rent expense x 8)	\$ 1,257	\$ 1,210	\$ 1,187	\$ 1,192	\$ 1,274	\$ 1,367	\$ 1,457	\$ 1,503	\$ 1,497	\$ 1,495	\$ 1,490	\$ 1,639	\$ 1,573	\$ 1,587
Operating lease interest (Capitalized operating lease obligations x 6%)	\$ 76	\$ 72	\$ 71	\$ 72	\$ 77	\$ 82	\$ 87	\$ 90	\$ 90	\$ 90	\$ 89	\$ 98	\$ 94	\$ 95

Last Updated: 8/16/2017