

# calculation of after-tax return on invested capital



Numerator (dollars in millions) (unaudited)	Trailing Twelve Months <sup>(f)</sup>													
	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Earnings from continuing operations before interest expense and income taxes	\$ 4,312	\$ 4,508	\$ 4,700	\$ 4,835	\$ 4,969	\$ 5,790	\$ 5,605	\$ 5,688	\$ 5,530	\$ 4,946	\$ 4,974	\$ 4,667	\$ 4,535	\$ 4,264
+ Operating lease interest <sup>(a)(b)</sup>	80	78	76	72	71	72	77	82	87	90	90	90	89	98
Adjusted earnings from continuing operations before interest expense and income taxes	4,392	4,586	4,776	4,907	5,040	5,862	5,682	5,770	5,617	5,036	5,064	4,756	4,624	4,362
- Income taxes <sup>(c)</sup>	864	1,420	1,571	1,638	1,648	1,849	1,791	1,840	1,827	1,717	1,694	1,575	1,524	1,444
<b>Net operating profit after taxes</b>	<b>\$ 3,528</b>	<b>\$ 3,166</b>	<b>\$ 3,205</b>	<b>\$ 3,269</b>	<b>\$ 3,392</b>	<b>\$ 4,013</b>	<b>\$ 3,891</b>	<b>\$ 3,930</b>	<b>\$ 3,790</b>	<b>\$ 3,319</b>	<b>\$ 3,370</b>	<b>\$ 3,181</b>	<b>\$ 3,100</b>	<b>\$ 2,918</b>

  

Denominator (dollars in millions) (unaudited)	Trailing Twelve Months <sup>(f)</sup>													
	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Current portion of long-term debt and other borrowings	\$ 270	\$ 1,354	\$ 1,354	\$ 1,717	\$ 1,718	\$ 729	\$ 647	\$ 1,627	\$ 815	\$ 825	\$ 841	\$ 112	\$ 91	\$ 483
+ Noncurrent portion of long-term debt	11,317	11,277	10,892	11,086	11,031	12,097	12,063	12,596	11,945	11,887	11,817	12,585	12,634	12,551
+ Shareholders' equity	11,709	11,137	11,098	11,021	10,953	11,069	11,577	12,545	12,957	13,256	13,942	14,174	13,997	16,373
+ Capitalized operating lease obligations <sup>(b)(d)</sup>	1,339	1,298	1,257	1,210	1,187	1,192	1,274	1,367	1,457	1,503	1,497	1,495	1,490	1,639
- Cash and cash equivalents	2,643	2,725	2,291	2,680	2,512	1,231	1,480	4,036	4,046	1,977	2,742	2,768	2,210	718
- Net assets of discontinued operations	2	4	10	17	62	60	80	249	226	196	217	335	1,479	4,550
Invested capital	\$ 21,990	\$ 22,337	\$ 22,300	\$ 22,337	\$ 22,315	\$ 23,796	\$ 24,001	\$ 23,850	\$ 22,902	\$ 25,298	\$ 25,138	\$ 25,263	\$ 24,523	\$ 25,778
<b>Average invested capital <sup>(e)</sup></b>	<b>\$ 22,152</b>	<b>\$ 23,067</b>	<b>\$ 23,150</b>	<b>\$ 23,093</b>	<b>\$ 22,608</b>	<b>\$ 24,547</b>	<b>\$ 24,569</b>	<b>\$ 24,556</b>	<b>\$ 23,713</b>	<b>\$ 25,538</b>	<b>\$ 25,286</b>	<b>\$ 25,434</b>	<b>\$ 24,971</b>	<b>\$ 25,873</b>
<b>After-tax return on invested capital</b>	<b>15.9%</b>	<b>13.7%</b>	<b>13.8%</b>	<b>14.2%</b>	<b>15.0%</b>	<b>16.3%</b>	<b>15.8%</b>	<b>16.0%</b>	<b>16.0%</b>	<b>13.0%</b>	<b>13.3%</b>	<b>12.5%</b>	<b>12.4%</b>	<b>11.3%</b>

<sup>(a)</sup> 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.

<sup>(b)</sup> 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.

<sup>(c)</sup> Calculated using the effective tax rate for continuing operations.

<sup>(d)</sup> Calculated as 8 times our trailing 12 months rent expense.

<sup>(e)</sup> Average based on the invested capital at the end of the current period and the invested capital at the end of the prior period.

<sup>(f)</sup> The trailing 12 months ended February 3, 2018 consisted of 53 weeks compared with 52 weeks in the comparable prior periods. Excluding the discrete impacts of the Tax Cuts and Jobs Act legislation enacted in December 2017, ROIC was 14.0 percent for the trailing twelve months ended February 3, 2018. 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 (dollars in millions) (unaudited)	Trailing Twelve Months													
	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Total rent expense	\$ 167	\$ 162	\$ 157	\$ 151	\$ 148	\$ 149	\$ 159	\$ 171	\$ 182	\$ 188	\$ 187	\$ 187	\$ 186	\$ 205
Capitalized operating lease obligations (Total rent expense x 8)	\$ 1,339	\$ 1,298	\$ 1,257	\$ 1,210	\$ 1,187	\$ 1,192	\$ 1,274	\$ 1,367	\$ 1,457	\$ 1,503	\$ 1,497	\$ 1,495	\$ 1,490	\$ 1,639
Operating lease interest (Capitalized operating lease obligations x 6%)	\$ 80	\$ 78	\$ 76	\$ 72	\$ 71	\$ 72	\$ 77	\$ 82	\$ 87	\$ 90	\$ 90	\$ 90	\$ 89	\$ 98