

Non-GAAP Measures

EBIT Margin (Operating Margin)

We define EBIT Margin as earnings before interest and taxes as a percentage of sales.

Lowe's believes that EBIT Margin is a useful measure to describe the Company's operating profit.

EBITDAR

We define EBITDAR as earnings before interest, taxes, depreciation, amortization, share-based payments and rent.

Lease Adjusted Debt

We define Lease Adjusted Debt as short-term debt, current maturities of long-term debt, long-term debt excluding current maturities, and eight times the last four quarters' rent. We believe eight times rent is a reasonable industry standard estimate of the economic value of our leased assets.

Lowe's believes the ratio of Lease Adjusted Debt to EBITDAR is a useful supplemental measure, as it provides an indication of the results generated by the Company in relation to its level of indebtedness by reflecting cash flow that could be used to repay debt.

Non-GAAP Measures

ROIC

We define ROIC as trailing four quarters' Net Operating Profit after Tax (NOPAT) divided by the average of ending debt and equity for the last five quarters. Lowe's believes ROIC is a useful measure of how effectively the Company uses capital to generate profits.

Free Cash Flow

We define Free Cash Flow as net cash provided by operating activities less capital expenditures.

Lowe's believes Free Cash Flow is a useful measure to describe the Company's financial performance and measures its ability to generate excess cash from its business operations.

Non-GAAP financial measures should be considered in addition to, not as a substitute for, net income, total debt or other measures of financial performance prepared in accordance with GAAP.

Lowe's method of determining the foregoing non-GAAP financial measures may differ from other companies. Accordingly, such non-GAAP financial measures may not be comparable to measures used by other companies.



Reconciliation of Non-GAAP Measures

EBIT and EBITDAR	Four Quarters Ended	
	February 1, 2013	February 3, 2012
Net Earnings	1,959	1,839
Taxes	1,178	1,067
Interest (Note 1)	423	371
EBIT	3,560	3,277
Depreciation and Amortization (Note 2)	1,612	1,567
Share-based Payments	100	107
Rent	408	410
EBITDAR	5,680	5,361

Note 1: Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges for the four quarters ended 02/01/13 and 02/03/12

Note 2: Depreciation and amortization represents total Company depreciation, including Distribution Networks and Millworks, as well as amortization of certain trademarks and intangibles



Reconciliation of Non-GAAP Measures

	Period Ended	
	February 1, 2013	February 3, 2012
Lease Adjusted Debt		
Short-term Borrowings	-	-
Current Maturities of LTD	47	592
Long-term Debt Excluding Current Maturities	9,030	7,035
Total Debt	9,077	7,627
Rent (last four quarters)	408	410
8 Times Rent	3,264	3,280
Lease Adjusted Debt	12,341	10,907

Reconciliation of Non-GAAP Measures

	Four Quarters Ended	
EBIT and NOPAT	February 1, 2013	February 3, 2012
Net Earnings	1,959	1,839
Taxes	1,178	1,067
Interest	423	371
EBIT	3,560	3,277
Effective Tax Rate	37.6%	36.7%
Tax Adjustment	1,339	1,203
NOPAT	2,221	2,074

Reconciliation of Non-GAAP Measures

	FY 2013E	FY 2012	FY 2011
Free Cash Flow			
Net Cash Provided by Operating Activities	4,200	3,762	4,349
Capital Expenditures	1,200	1,211	1,829
Free Cash Flow	3,000	2,551	2,520

E = Estimate

