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 property acquired.

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 Measures

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

Amounts in Billions	
EBIT and EBITDAR	FY 2012E
Net Earnings	$1.9
Taxes	1.2
Interest	0.4
EBIT	**$3.5**
Depreciation and Amortization	1.6
Share-based Payments	0.1
Rent	0.4
EBITDAR	**$5.6**

E = Estimate

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Reconciliation of Non-GAAP Measures

Amounts in Billions	
Lease Adjusted Debt	FY 2012E
Short-term Borrowings	$0.3
Current Maturities of LTD	0.1
Long-term Debt Excluding Current Maturities	9.0
Total Debt	**$9.4**
Rent (last four quarters)	0.4
8 Times Rent	3.2
Lease Adjusted Debt	**$12.6**

E = Estimate

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Reconciliation of Non-GAAP Measures

Amounts in Billions	
EBIT and NOPAT	FY 2012E
Net Earnings	$1.9
Taxes	1.2
Interest	0.4
EBIT	**$3.5**
Effective Tax Rate	37.7%
Tax Adjustment	1.3
NOPAT	**$2.2**

E = Estimate

LOWE'S NEVER STOP IMPROVING

Reconciliation of Non-GAAP Measures

Amounts in Billions	
Free Cash Flow	FY 2012E
Net cash provided by operating activities	$3.4
Property acquired	(1.3)
Free Cash Flow	**$2.1**

E = Estimate

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