

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 long-term debt, current maturities of long-term debt, short-term debt 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 and its level of indebtedness in relation to its capital structure 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 our ability to generate excess cash from our business operations.

Non-GAAP financial measures should be considered in addition to, not as a substitute for, total debt, net income 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

Four Quarters Ended

EBIT and EBITDAR	February 3, 2012	January 28, 2011
Net Earnings	1,838	2,010
Taxes	1,068	1,218
Interest (Note 1)	371	332
EBIT	3,277	3,560
Depreciation (Note 2)	1,565	1,674
Share-based Payments	108	115
Rent	410	402
EBITDAR	5,360	5,751

Note 1: Interest includes amortization of original issue discount & deferred loan costs totaling \$4.3M for the four quarters ended 2/3/12 and \$3.8M for the four quarters ended 1/28/11.

Note 2: Depreciation is total company depreciation, including Distribution Networks and Millworks.

Reconciliation of Non-GAAP Measures

	Period Ended	
Lease Adjusted Debt	February 3, 2012	January 28, 2011
Short-term Borrowings	-	-
Current Maturities of LTD	592	36
Long-term Debt Excluding Current Maturities	7,035	6,537
Total Debt	7,627	6,573
Rent (last four quarters)	410	402
8 Times Rent	3,280	3,216
Lease Adjusted Debt	10,907	9,789

Reconciliation of Non-GAAP Measures

	Four Quarters Ended	
EBIT and NOPAT	February 3, 2012	January 28, 2011
Net Earnings	1,838	2,010
Taxes	1,068	1,218
Interest	371	332
EBIT	3,277	3,560
Effective Tax Rate	36.7%	37.7%
Tax Adjustment	1,203	1,342
NOPAT	2,074	2,218

Reconciliation of Non-GAAP Measures

Free Cash Flow	FY 2012 E	FY 2011	FY 2010
Net cash provided by operating activities	4,200	4,349	3,852
Property acquired	1,300	1,829	1,329
Free Cash Flow	2,900	2,520	2,523

E = Estimate