RECONCILIATION OF NON-GAAP MEASURES

NON-GAAP MEASURES

Management uses non-GAAP financial measures, as further outlined in the following slides, because it considers them to be important supplemental measures of the Company's performance. Management also believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operating performance. These non-GAAP financial measures should not be considered alternatives to, or more meaningful indicators of, the Company's earnings per common share, total debt or other financial measures as prepared in accordance with GAAP. The Company's methods of determining these non-GAAP financial measures may differ from the methods used by other companies for these or similar non-GAAP financial measures. Accordingly, these non-GAAP financial measures may not be comparable to measures used by other companies.

NON-GAAP MEASURES

EBITDAR

We define EBITDAR as earnings before interest, taxes, depreciation, amortization, share-based payments, rent, and certain items as defined by the Company’s credit facility.

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 six times the last four quarters’ rent. We believe six 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.

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 MEASURES

Adjusted Diluted Earnings Per Share

We have presented Adjusted Diluted Earnings Per Share to exclude the impacts of certain items, as further detailed below, not contemplated in Lowe's original Business Outlook for 2017 to assist the user in understanding performance relative to that Business Outlook.

- In the first quarter of 2017, the company recognized a $464 million or $0.33 per share loss on extinguishment of debt in connection with a $1.6 billion cash tender offer.

RECONCILIATION OF NON-GAAP MEASURES

EBITDAR	Four Quarters Ended	
	May 4, 2018	May 5, 2017
Net Earnings	3,833	2,811
Interest [1]	632	649
Taxes	2,027	1,895
Depreciation and Amortization [2]	1,522	1,579
Share-based Payments	97	92
Rent	634	576
Certain Charges	66 [3]	1,013 [4]
EBITDAR	**8,811**	**8,615**

1 Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges
2 Depreciation and amortization represents total Company depreciation, including Distribution Networks and Millworks, as well as amortization of certain trademarks and intangibles
3 Certain charges includes a $66M charge related to the one-time Tax Reform Bonus.
4 Certain charges includes the following: $464M loss on extinguishment of debt and $87M charge from severance-related costs associated with productivity initiatives; $290M impairment associated with the joint venture in Australia; $76M goodwill and long-lived asset impairment charge associated with Orchard Supply Hardware; $96M charge related to a write-off as part of the Company's ongoing review of strategic initiatives.

RECONCILIATION OF NON-GAAP MEASURES

Lease Adjusted Debt	Four Quarters Ended	
	May 4, 2018	May 5, 2017
Short-term Borrowings	—	—
Current Maturities of LTD	896	295
Long-term Debt Excluding Current Maturities	14,948	15,770
Total Debt	**15,844**	**16,065**
6 Times Rent	3,800	3,451
Lease Adjusted Debt	**19,644**	**19,516**
EBITDAR	**8,811**	**8,615**
Lease Adjusted Debt to EBITDAR	**2.23**	**2.27**

RECONCILIATION OF NON-GAAP MEASURES

ROIC	Four Quarters Ended	
	May 4, 2018	May 5, 2017
Net Earnings	**3,833**	**2,811**
Interest	632	649
Loss on Extinguishment of Debt	—	464
Taxes	2,027	1,895
Net Operating Profit	**6,492**	**5,819**
Effective Tax Rate	34.6%	40.3%
Tax Adjustment	2,245	2,343
NOPAT	**4,247**	**3,476**
Average Debt and Equity	**21,890**	**22,216**
ROIC	**19.40%**	**15.65%**

RECONCILIATION OF NON-GAAP MEASURES

Free Cash Flow	**FY 2018E**	**FY 2017**	**FY 2016**
Net Cash Provided by Operating Activities	6,500	5,065	5,617
Capital Expenditures	1,700	1,123	1,167
Free Cash Flow	**4,800**	**3,942**	**4,450**

E = Estimate

SUMMARY OF ADJUSTMENTS

Summary of Operating Income Impacts (Income)/Expense	2017				
	Q1	Q2	Q3	Q4	YTD
Gain from Sale of Interest in Australian Joint Venture		(96)			(96)
One-time Cash Bonus Attributable to Tax Reform				66	66
Total		**(96)**			**(30)**

Summary of Non-Operating Income Impacts (Income)/Expense	2017				
	Q1	Q2	Q3	Q4	YTD
Loss on Extinguishment of Debt	464				464
Total	**464**				**464**

RECONCILIATION OF NON-GAAP MEASURES

The following provides a reconciliation of adjusted diluted earnings per share to diluted earnings per common share, the most directly comparable GAAP financial measure.

	Three Months Ended					
	May 4, 2018			May 5, 2017		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			**$1.19**			**$0.70**
Loss on extinguishment of debt	-	-	-	0.54	(0.21)	0.33
Adjusted diluted earnings per share			**$1.19**			**$1.03**

FORWARD LOOKING STATEMENTS

This presentation includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Statements including words such as “believe”, “expect”, “anticipate”, “plan”, “desire”, “project”, “estimate”, “intend”, “will”, “should”, “could”, “would”, “may”, “strategy”, “potential”, “opportunity” and similar expressions are forward-looking statements. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Forward-looking statements include, but are not limited to, statements about future financial and operating results, Lowe’s plans, objectives, business outlook, priorities, expectations and intentions, expectations for sales growth, comparable sales, earnings and performance, shareholder value, capital expenditures, cash flows, the housing market, the home improvement industry, demand for services, share repurchases, Lowe’s strategic initiatives, including those relating to acquisitions by Lowe’s and the expected impact of such transactions on our strategic and operational plans and financial results, and any statement of an assumption underlying any of the foregoing and other statements that are not historical facts. Although we believe that the expectations, opinions, projections, and comments reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and we can give no assurance that such statements will prove to be correct. Actual results may differ materially from those expressed or implied in such statements. A wide variety of potential risks, uncertainties and other factors could materially affect our ability to achieve the results either expressed or implied by these forward-looking statements including, but not limited to, management and key personnel change, changes in general economic conditions, such as the rate of unemployment, interest rate and currency fluctuations, changes to tax laws applicable to corporate multinationals, such as the recently enacted U.S. Tax Cuts and Jobs Act of 2017, fuel and other energy costs, slower growth in personal income, changes in consumer spending, changes in the rate of housing turnover, the availability of consumer credit and of mortgage financing, inflation or deflation of commodity prices, and other factors that can negatively affect our customers, as well as our ability to: (i) respond to adverse trends in the housing industry, a reduced rate of growth in household formation, and slower rates of growth in housing renovation and repair activity, as well as uneven recovery in commercial building activity; (ii) secure, develop, and otherwise implement new technologies and processes necessary to realize the benefits of our strategic initiatives focused on omni-channel sales and marketing presence and enhance our efficiency; (iii) attract, train, and retain highly-qualified associates; (iv) manage our business effectively as we adapt our operating model to meet the changing expectations of our customers; (v) maintain, improve, upgrade and protect our critical information systems from data security breaches, ransomware and other cyber threats; (vi) respond to fluctuations in the prices and availability of services, supplies, and products; (vii) respond to the growth and impact of competition; (viii) address changes in existing or new laws or regulations that affect consumer credit, employment/ labor, trade, product safety, transportation/logistics, energy costs, health care, tax or environmental issues; (ix) positively and effectively manage our public image and reputation and respond appropriately to unanticipated failures to maintain a high level of product and service quality that could result in a negative impact on customer confidence and adversely affect sales; and (x) effectively manage our relationships with selected suppliers of brand name products and key vendors and service providers, including third party installers. In addition, we could experience impairment losses if either the actual results of our operating stores are not consistent with the assumptions and judgments we have made in estimating future cash flows and determining asset fair values, or we are required to reduce the carrying amount of our investment in certain unconsolidated entities. With respect to acquisitions, potential risks include the effect of such transactions on Lowe’s and the target company’s strategic relationships, operating results and businesses generally; our ability to integrate personnel, labor models, financial, IT and other systems successfully; disruption of our ongoing business and distraction of management; hiring additional management and other critical personnel; increasing the scope, geographic diversity and complexity of our operations; significant integration costs or unknown liabilities; and failure to realize the expected benefits of the transaction. For more information about these and other risks and uncertainties that we are exposed to, you should read the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” included in our most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) and the description of material changes thereto, if any, included in our Quarterly Reports on Form 10-Q or subsequent filings with the SEC.

The forward-looking statements contained in this presentation are expressly qualified in their entirety by the foregoing cautionary statements. The foregoing list of important factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. All such forward-looking statements are based upon data available as of the date of this presentation or other specified date and speak only as of such date. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf about any of the matters covered in this presentation are qualified by these cautionary statements and in the “Risk Factors” included in our most recent Annual Report on Form 10-K and the description of material changes thereto, if any, included in our Quarterly Reports on Form 10-Q or subsequent filings with the SEC. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, change in circumstances, future events, or otherwise, except as may be required by law.