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, 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 (inclusive of interest on operating leases subesequent to the adoption of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*), and certain items as defined by the Company's credit facility.

Lease-Adjusted Debt

As of fiscal 2019, subsequent to the adoption of ASU 2016-02, *Leases (Topic 842)*, we define Lease-Adjusted Debt as short-term debt, current maturities of long-term debt, long-term debt excluding current maturities, and operating lease liabilities reflected on our balance sheet.

Prior to the adopt of ASU 2016-02, *Leases (Topics 842)*, we defined 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.

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 rolling 12 months' Lease Adjusted Net Operating Profit after Tax (Lease Adjusted NOPAT) divided by the average of current year and prior year Total Equity and Total Debt including Operating Lease Liabilities.

Lowe’s believes ROIC is a useful measure of how effectively the Company uses capital to generate profits.

Lease Adjusted NOPAT

We define Lease Adjusted NOPAT as Net Operating Profit, excluding interest associated with operating leases, after tax.

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 Operating Income / Adjusted Operating Margin

As part of its Business Outlook for 2019, we have presented a comparison of Adjusted Operating Income and Adjusted Operating Margin which excludes the impacts of certain discrete items, as further detailed below, not contemplated in Lowe's original Business Outlook for fiscal 2018 to assist the user in understanding the Company's Business Outlook for fiscal 2019 in comparison to fiscal 2018.

- During the fourth quarter of fiscal 2018, the Company recorded $952M of goodwill impairment associated with its Canadian operations (Canadian goodwill impairment);
- On August 17, 2018, the Company committed to exit its Orchard Supply Hardware operations. As a result, the Company recognized pre-tax charges of $230 million during the second quarter of fiscal 2018 associated with long-lived asset impairments and discontinued projects. During the third quarter of fiscal 2018, the Company recognized pre-tax charges of $123 million associated with accelerated depreciation and amortization, severance and lease obligations. During the fourth quarter of fiscal 2018, the Company recognized additional pre-tax charges of $208 million primarily related to lease obligations. Total pre-tax charges for fiscal year 2018 were $561 million (Orchard Supply Hardware charges);
- On October 31, 2018, the Company committed to close 20 under-performing stores across the U.S. and 31 locations in Canada, including 27 under-performing stores. As a result, the Company recognized pre-tax charges of $121 million during the third quarter of fiscal 2018 associated with long-lived asset impairment and severance obligations. During the fourth quarter of fiscal 2018, the Company recognized additional pre-tax charges of $150 million, primarily associated with severance and lease obligation costs, as well as accelerated depreciation. Total pre-tax charges for fiscal year 2018 were $271 million (U.S. and Canada store closure charges);
- On November 20, 2018, the Company announced its plans to exit retail operations in Mexico and explore strategic alternatives. During the third quarter, $22 million of long-lived asset impairment was recognized on certain assets in Mexico as a result of the strategic evaluation. During the fourth quarter, an additional $222 million of impairment was recognized. Total charges for fiscal year 2018 were $244 million (Mexico impairment charges);
- During the third quarter of fiscal 2018, the Company identified certain non-core activities within its U.S. home improvement business to exit, including Alacrity Renovation Services and Iris Smart Home. As a result, during the third quarter of 2018, the Company recognized pre-tax charges of $14 million associated with long-lived asset impairment and inventory write-down. During the fourth quarter of fiscal 2018, the Company recognized additional pre-tax charges of $32 million. Total pre-tax charges for fiscal year 2018 were $46 million (Non-core activities charges), and;
- During the fourth quarter of fiscal 2018, the Company recorded pre-tax charges of $13 million, associated with severance costs due to the elimination of the Project Specialists Interiors position (Project Specialists Interiors charge).

NON-GAAP MEASURES

Adjusted Diluted Earnings Per Share / Forecasted Adjusted Diluted Earnings Per Share

We have presented Adjusted Diluted Earnings Per Share for the quarter ended May 3, 2019, and Forecasted Adjusted Diluted Earnings Per Share for the fiscal year ended January 31, 2020, to exclude the impacts of certain items, as further detailed below, not contemplated in Lowe's original Business Outlook for 2019 to assist the user in understanding performance relative to that Business Outlook.

- The Company previously announced its intention to exit its Mexico retail operations and had planned to sell the operating business. However, in the first quarter of 2019, after an extensive market evaluation, the decision was made to instead sell the assets of the business through liquidation. As a result, in the first quarter of 2019, the Company recognized favorable net income of $70 million or net $0.09 per share impact associated with a favorable tax benefit due to the decision to pursue a sale through liquidation, offset by losses, net of tax, for the period associated with the wind-down of the Mexico operations.

NON-GAAP MEASURES

Adjusted Effective Tax Rate

We have presented an Adjusted Effective Tax Rate for the quarter ended May 3, 2019. We have adjusted to exclude items also excluded from Adjusted Earnings per Share, as described on slide 6. This adjustment relates to a certain discrete item not contemplated in Lowe's original Business Outlook for fiscal 2019, and the Company believes this non-GAAP financial measure provides useful insight for analysts and investors in understanding performance relative to these Business Outlooks and comparative performance between respective periods in fiscal 2019 and 2018.

RECONCILIATION OF NON-GAAP MEASURES

EBITDAR (in millions)	Four Quarters Ended May 3, 2019	Four Quarters Ended May 4, 2018
Net Earnings	**$ 2,372**	**$ 3,833**
Interest [1]	626	632
Taxes	972	2,027
Depreciation and Amortization [2]	1,554	1,522
Share-based Payments	93	97
Rent	622	634
Certain Charges	1,901 [3]	66 [4]
EBITDAR	**$ 8,140**	**$ 8,811**

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: $952M of goodwill impairment associated with the company's Canadian operations, $412M of long-lived asset impairment, discontinued project charges, and closing costs associated with Orchard Supply Hardware, $221M of long-lived asset impairment, discontinued projects, and severance-related costs associated with the Company's closure of 20 U.S. and 31 Canada locations, $261M of impairment associated with the company's decision to exit its Mexico operations, $42M of non-core activities charges, and $13M of severance costs associated with the elimination of the Project Specialists Interiors position.
4 Certain charges includes a $66M charge related to the one-time Tax Reform Bonus.

RECONCILIATION OF NON-GAAP MEASURES

Lease Adjusted Debt (in millions)	Four Quarters Ended	
	May 3, 2019	May 4, 2018
Short-term Borrowings	—	—
Current Maturities of LTD	1,008	896
Current Operating Lease Liabilities	500	—
Long-term Debt Excluding Current Maturities	16,542	14,948
Noncurrent Operating Lease Liabilities	4,064	—
Total Debt	**$ 22,114**	**$ 15,844**
6 Times Rent [1]	—	3,800
Lease Adjusted Debt	**$ 22,114**	**$ 19,644**
EBITDAR	**$ 8,140**	**$ 8,811**
Lease Adjusted Debt to EBITDAR	**2.72**	**2.23**

[1] In Q3 2018 our credit facility was amended to reflect the expected adoption of ASU 842. Beginning in Q1 2019, our lease adjusted debt includes operating lease liabilities reflected on our balance sheet and the multiple of rent is no longer applicable.

RECONCILIATION OF NON-GAAP MEASURES

ROIC (in millions, except percentage data)	Four Quarters Ended May 3, 2019	Four Quarters Ended May 4, 2018
Pre-Tax Earnings	**$ 3,344**	**$ 5,860**
Interest	626	632
Operating Lease Interest [1]	201	211
Lease Adjusted Net Operating Profit	**4,171**	**6,703**
Effective Tax Rate	29.1%	34.6%
Tax Adjustment	1,212	2,318
Lease Adjusted NOPAT	**$ 2,959**	**$ 4,385**
Average Debt and Equity	**$ 25,676**	**$ 25,813**
ROIC	**11.52%**	**16.99%**

[1] Includes a proforma estimate of operating lease interest for periods prior to the adoption of ASU 2016-02, *Leases (Topic 842)*

RECONCILIATION OF NON-GAAP MEASURES

Free Cash Flow	FY 2019E	FY 2018	FY 2017
Net Cash Provided by Operating Activities	4,500	6,193	5,065
Capital Expenditures	1,600	1,174	1,123
Free Cash Flow	**2,900**	**5,019**	**3,942**

E = Estimate

RECONCILIATION OF NON-GAAP MEASURES

The following provides a reconciliation of adjusted operating income and adjusted operating margin to operating income and operating margin, respectively, the most directly comparable GAAP financial measures.

Adjusted Operating Margin (in millions, except percentage data)	Year Ended February 1, 2019
Operating income, as reported	$ 4,018
Canadian goodwill impairment	952
Orchard Supply Hardware charges	561
U.S. and Canada store closure charges	271
Mexico impairment charges	244
Non-core activities charges	46
Project Specialists Interiors charges	13
Adjusted operating income	**$ 6,105**
Operating margin, as reported [1]	**5.64%**
Adjusted operating margin [2]	**8.56%**

[1] Operating margin is defined as operating income as a percentage of sales.
[2] Adjusted operating margin is defined as adjusted operating income as a percentage of sales, as reported.

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 3, 2019			May 4, 2018		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			**$1.31**			**$1.19**
Mexico adjustments	0.01	(0.10)	(0.09)	—	—	—
Adjusted diluted earnings per share			**$1.22**			**$1.19**

RECONCILIATION OF NON-GAAP MEASURES

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

	Fiscal 2019 Lowe's Business Outlook					
	Lower End of Guidance Range			Upper End of Guidance Range		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Forecasted diluted earnings per share			**$5.54**			**$5.74**
Mexico adjustments	0.01	(0.10)	(0.09)	0.01	(0.10)	(0.09)
Adjusted diluted earnings per share guidance			**$5.45**			**$5.65**

RECONCILIATION OF NON-GAAP MEASURES

The following provides a reconciliation of adjusted effective tax rate to the effective tax, the most directly comparable GAAP financial measure.

Adjusted Effective Tax Rate (in millions, except percentage data)	Three Months Ended					
	May 3, 2019			May 4, 2018		
	Pre-Tax Earnings	Tax	Effective Rate	Pre-Tax Earnings	Tax	Effective Rate
Effective Tax Rate, As Reported	$ 1,255	$ 209	**16.61%**	$ 1,305	$ 317	**24.26%**
Mexico adjustments	12	82		—	—	
Adjusted Effective Tax Rate	**$ 1,267**	**$ 291**	**22.94%**	**$ 1,305**	**$ 317**	**24.26%**

SUMMARY OF ADJUSTMENTS

Summary of Operating Income Impacts (Income)/Expense	2018				
	Q1	Q2	Q3	Q4	YTD
Canadian goodwill impairment				952	952
Orchard Supply Hardware charges		230	123	208	561
U.S. & Canada store closure charges			121	150	271
Mexico impairment charges			22	222	244
Non-core activities charges			14	32	46
Project Specialists Interiors charge				13	13
Total		**230**	**280**	**1,577**	**2,087**

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 and dispositions 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, changes in general economic conditions, such as the rate of unemployment, interest rate and currency fluctuations, 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, recently enacted or proposed tariffs, disruptions caused by our recent management and key personnel changes, 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, and otherwise successfully execute on our strategy and implement our strategic initiatives, including acquisitions, dispositions, and the closing of certain stores and facilities; (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 system outages, 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, environmental issues or privacy and data protection; (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 and other charges 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 and dispositions, potential risks include the effect of such transactions on Lowe’s and the target company’s or operating business’s strategic relationships, operating results and businesses generally; our ability to integrate or divest 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 or decreasing the scope, geographic diversity and complexity of our operations; significant integration or disposition 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.