Second Quarter 2013 Earnings Call

August 21, 2013

Forward Looking Language

This document includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements of the Company's 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, the Company's strategic initiatives and any statement of an assumption underlying any of the foregoing, constitute "forward-looking statements" under the Act. Although we believe that the expectations, opinions, projections, and comments reflected in these forward-looking statements are reasonable, we can give no assurance that such statements will prove to be correct. A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results either expressed or implied by our forward-looking statements including, but not limited to, changes in general economic conditions, such as continued high rates of unemployment, interest rate and currency fluctuations, higher fuel and other energy costs, slower growth in personal income, changes in consumer spending, changes in the rate of housing turnover, the availability and increasing regulation of consumer credit and of mortgage financing, inflation or deflation of commodity prices, and other factors which can negatively affect our customers, as well as our ability to: (i) respond to adverse trends in the housing industry, such as the psychological effects of lower home prices, and in the level of repairs, remodeling, and additions to existing homes, as well as a general reduction in commercial building activity; (ii) secure, develop, and otherwise implement new technologies and processes designed to enhance our efficiency and competitiveness; (iii) attract, train, and retain highly-qualified associates; (iv) manage our business effectively as we adapt our traditional operating model to meet the changing expectations of our customers; (v) to maintain, improve, upgrade and protect our critical information systems; (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; and (ix) respond to unanticipated weather conditions that could adversely affect sales. In addition, we could experience additional impairment losses if 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. For more information about these and other risks and uncertainties that we are exposed to, you should read the "Risk Factors" and "Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K to the United States Securities and Exchange Commission (the "SEC") and the description of material changes therein or updated version thereof, if any, included in our Quarterly Reports on Form 10-Q.

The forward-looking statements contained in this document are based upon data available as of the date of the 2nd quarter release 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 release are qualified by these cautionary statements and the "Risk Factors" included in our Annual Report on Form 10-K to the SEC and the description of material changes, if any, therein included in our Quarterly Reports on Form 10-Q. 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.

Non-GAAP Financial Measures

Management is using non-GAAP financial measures in this presentation 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. Non-GAAP financial measures should be considered in addition to, not as a substitute for, net income, total debt or other financial measures 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.

Pursuant to the requirements of SEC Regulation G, detailed reconciliations between the Company's GAAP and non-GAAP financial results were posted, by incorporation within the appendix to this presentation, on the Company's Investor Relations website at www.Lowes.com/investor on the day the Company's operating and financial results were announced for the quarter ended August 2, 2013 and management presented certain non-GAAP financial measures during a conference call with analysts and investors. Investors are advised to carefully review and consider this information as well as the GAAP financial results that are disclosed in the Company's earnings releases and annual and quarterly SEC filings.

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Second Quarter Highlights

Comp Sales	+9.6%
Gross Margin	34.35%, +42 bps
SG&A	21.73%, -53 bps
EBIT Margin	10.29%, +121 bps
EPS	$0.88

- Achieved balanced growth by executing well within the strengthening home improvement market
  - Ticket and transaction growth contributed evenly to comp growth
  - All 12 product categories had comps at or above 5%
  - All 14 regions had positive comps
  - Pro Services business continued to perform well
- Recovered most of the outdoor sales missed in the first quarter
- Continued benefit from Superstorm Sandy recovery efforts
- Value Improvement Program contributed to sales and gross margin
- Continued to effectively control expenses
- Repurchased $1 billion of stock and paid $174 million in dividends

Product Category Performance*

Above Average

- Kitchens & Appliances
- Lawn & Garden
- Plumbing
- Tools & Outdoor Power Equipment

Average

- Lumber & Building Materials
- Millwork

Below Average

- Fashion Electrical
- Flooring
- Hardware
- Home Fashions, Storage & Cleaning
- Paint
- Seasonal Living

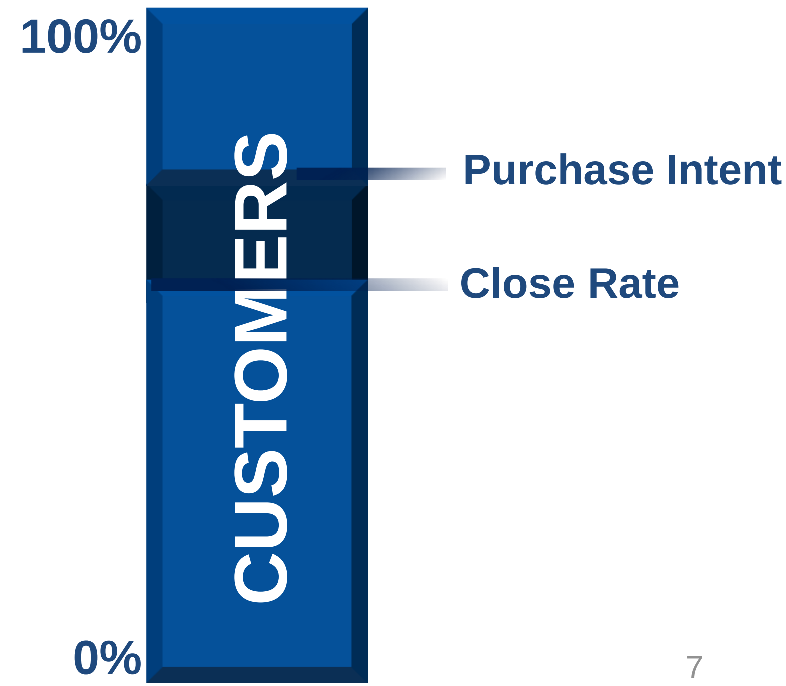
* Q2 comp sales were +9.6%; all categories were at or above +5%

Orchard Supply Hardware

- Further progress with our previously announced bid
  - 72 stores selected
  - Expect to fund with operating cash flow and close end of August
- Transaction will provide an opportunity to:
  - Increase footprint in California, where we are currently under-stored
  - Neighborhood format complementary to our strengths in big-box retail
  - Loyal customer base
  - Situated in high-density, prime locations
  - Participate more fully in California’s economic recovery
- Orchard will operate as a standalone business

Key Initiatives

- There is a gap between the percentage of customers who know what they want to purchase when they visit our stores and our close rate
- The following initiatives are designed to address that gap:
  - Value Improvement
  - Store Labor Investment
  - Product Differentiation
- Close rate is expected to improve ~100 bps in 2013

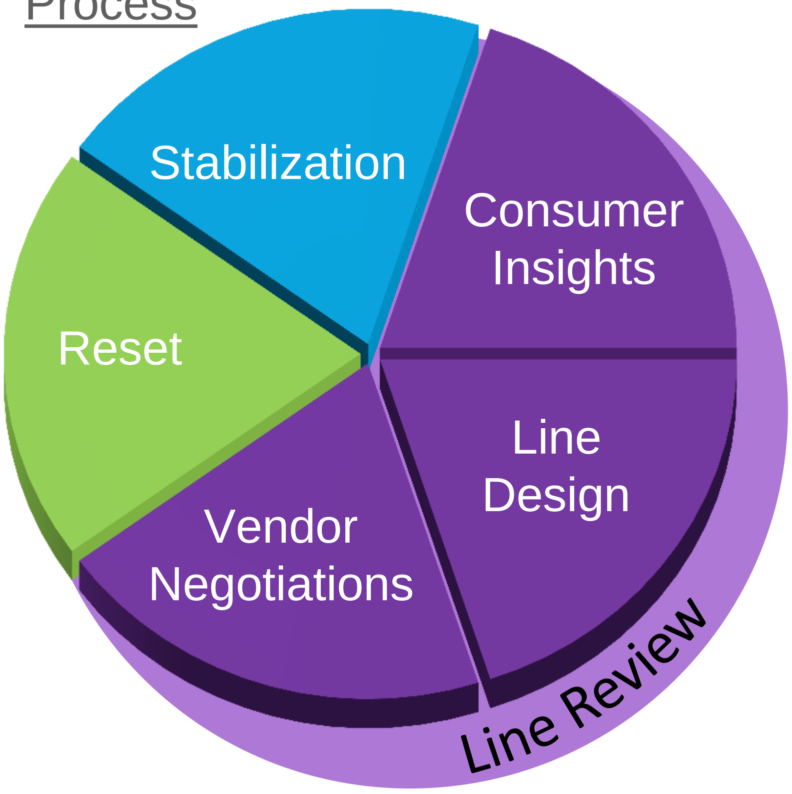


Value Improvement

- Intent is to enhance line designs, making them:
  - More relevant to each of the markets we serve
  - Easier for consumers to shop
  - More efficient for our associates to maintain
- Reduce duplication of features and functions within price points
  - Address unique tastes through endless aisle online
- Reinvest inventory in key high velocity items customers expect us to have in stock, including job lot quantities needed to complete large projects
  - Increase in-stock service level targets across entire product lines
- Lower unit costs by reducing funds set aside by vendors for promotional and marketing support and by negotiating lower first costs

Value Improvement

Process



Progress

- Completed resets representing ~70% of our business (versus ~50% in Q1)
- ~50% of resets have reached stabilization phase (versus ~30% in Q1)
- Mid-single digit comps and roughly 100 bps improvement in gross margin rate on average for stabilized lines

Store Labor Investment

- Close rate is significantly higher on weekends
- Weekday labor hours are disproportionately skewed towards tasking as we recover from the weekend
- Intent is to improve close rate by increasing the proportion of selling hours ~200 bps during high traffic weekday times
- Added ~150 hours per week to the staffing model for nearly two-thirds of our stores creating ~9,000 part-time positions
- Additional hours dedicated to the interior sales floor

Progress

- We continue to monitor performance and make adjustments as necessary

Product Differentiation

- Intent is to drive excitement in our stores through better display techniques, which include our revised end cap strategy and revamped promotional spaces (drop zones)
- Our revised end cap strategy focuses on:
  - Highly innovative products
  - Significant values
  - Private and national brand showcases
- Our revamped promotional spaces promote seasonally relevant, high value items

<u>Progress</u>

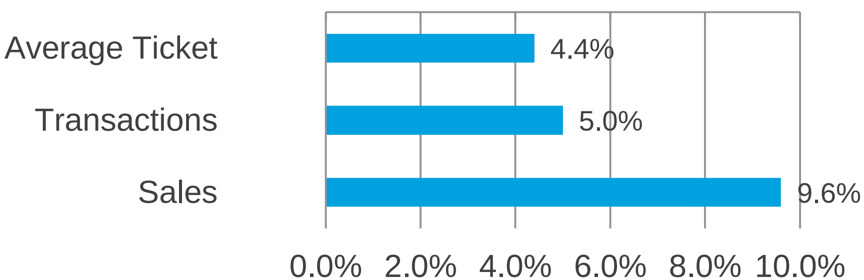
- Reset over 1,400 stores to date
- End cap and promotional spaces outperformed other areas of the store, and these stores outperformed remaining U.S. stores in the second quarter

Total Sales Summary

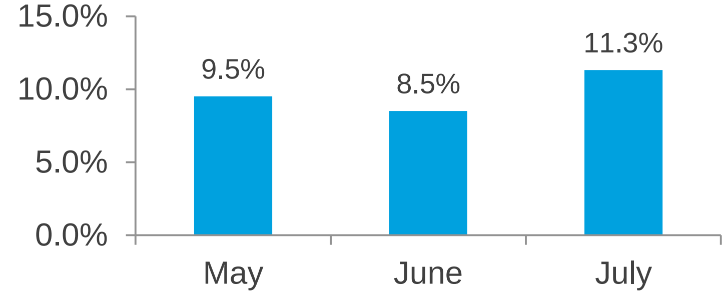
	Total	% change
Sales	$15.7B	+10.3%
Customer Transactions	239.5M	+5.3%
Average Ticket	$65.60	+4.7%

Comparable Sales Summary

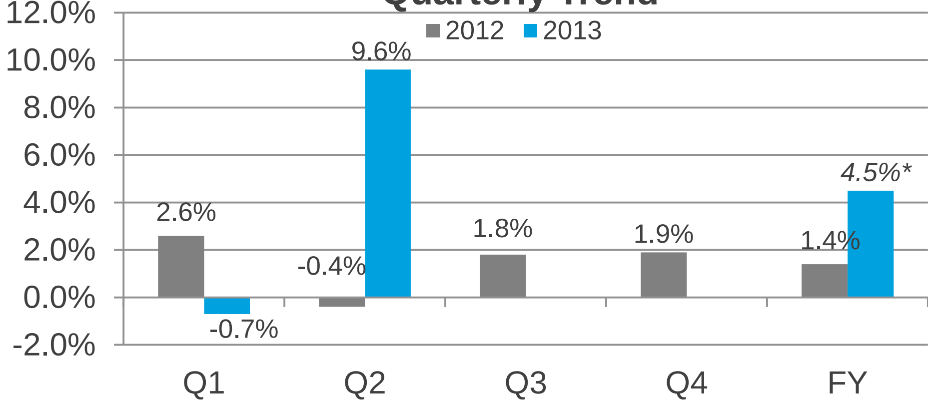
Transaction/Ticket



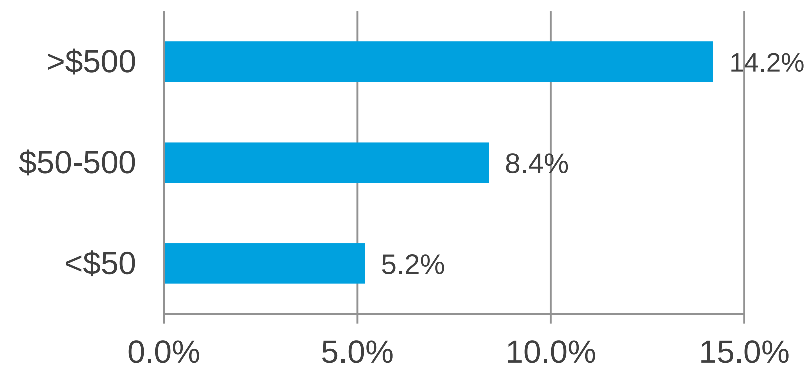
Monthly Trend



Quarterly Trend



Ticket Size



** Outlook*

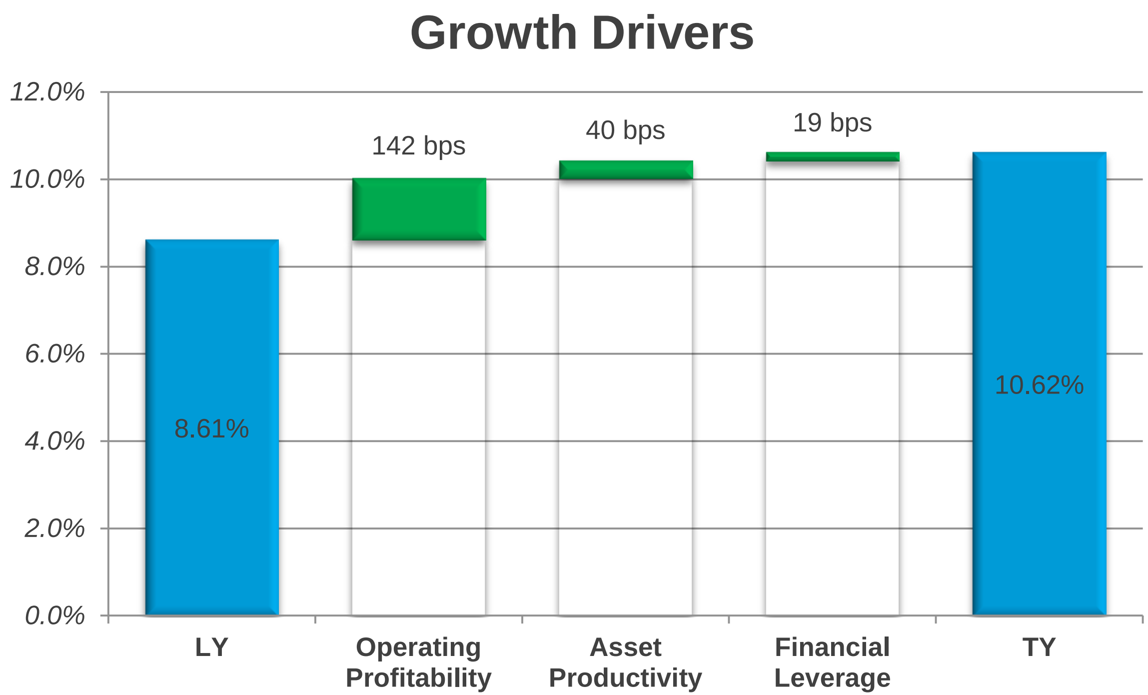
Operating Margin Summary

	% of Sales	Leverage/ (Deleverage)	Drivers
Gross Margin	34.35%	42 bps	(+) Value Improvement (+) Promotional Effectiveness (-) Proprietary Credit Value Proposition (-) Product Mix (-) Inflation
SG&A	21.73%	53 bps	(+) Store Payroll (+) Insurance, Advertising, Utilities, Rent, Property Taxes, Other (+) Prior Year Voluntary Separation Program (-) Incentive Compensation
Depreciation	2.33%	26 bps	(+) Higher Sales
EBIT Margin	10.29%	121 bps	

Balance Sheet Summary

		YOY Change
Cash & Cash Equivalents	$1.1B	-$625M or -36.6%
Inventory	$9.1B	+$407M or +4.7%
Inventory Turnover	3.73x	-2 bps
Return on Assets	6.38%	+114 bps
Accounts Payable	$5.7B	+$580M or +11.4%
Lease Adjusted Debt to EBITDAR	2.05x	

Return on Invested Capital



Statement of Cash Flows Summary

Operating Cash Flow	$3.4B
Capital Expenditures	$0.4B
Free Cash Flow	$3.0B
Share Repurchases:	
YTD	$2.0B
Authorization Remaining	~$3.0B

2013 Economic Landscape

- Key indicators include real disposable personal income, employment, home prices, housing turnover and home ownership levels
- Stronger than expected industry growth fed by modestly stronger gains in housing turnover and job growth than originally forecast, further offsetting the negative effects of higher taxes
- Steep increases in mortgage rates will likely take some steam out of the recent housing market rebound, but shouldn't derail it as long as job gains persist, homes continue to appreciate, and rates rise more gradually going forward

2013 Business Outlook*

(based on U.S. GAAP unless otherwise noted)

- Total sales are expected to increase approximately 5 percent
- Comparable sales are expected to increase approximately 4.5 percent
- The company expects to open approximately 10 stores in fiscal year 2013
- Earnings before interest and taxes as a percentage of sales (operating margin) are expected to increase approximately 65 basis points
- The effective income tax rate is expected to be approximately 37.9%
- Diluted earnings per share of approximately $2.10 are expected for the fiscal year ending January 31, 2014
- Cash flows from operations are expected to be approximately $3.9B
- Capital expenditures are expected to be approximately $1.0B
- The company expects to repurchase $3.6B of stock

* As of August 21, 2013

2013 Milestones

- Value Improvement
  - Finish initial round of resets by year-end
  - This is the standard for line reviews going forward
- Store Labor Investment
  - Continue to monitor performance and make adjustments as necessary
- Product Differentiation
  - Actively managing end caps and drop zones is now standard practice
- Each of these initiatives will be rolled into the base business for 2014

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Appendix

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.

Reconciliation of Non-GAAP Measures

	Four Quarters Ended	
EBIT and EBITDAR	August 2, 2013	August 3, 2012
Net Earnings	2,165	1,822
Taxes	1,299	1,063
Interest (Note 1)	447	392
EBIT	**3,911**	**3,277**
Depreciation and Amortization (Note 2)	1,591	1,570
Share-based Payments	91	103
Rent	407	406
EBITDAR	**6,000**	**5,356**

Note 1: Interest includes amortization of original issue discount, deferred loan costs & other non-cash amortization charges

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	
Lease Adjusted Debt	August 2, 2013	August 3, 2012
Short-term Borrowings	-	-
Current Maturities of LTD	47	594
Long-term Debt Excluding Current Maturities	9,015	9,008
Total Debt	**9,062**	**9,602**
Rent (last four quarters)	407	406
8 Times Rent	3,257	3,250
Lease Adjusted Debt	**12,319**	**12,852**

Reconciliation of Non-GAAP Measures

	Four Quarters Ended	
EBIT and NOPAT	August 2, 2013	August 3, 2012
Net Earnings	2,165	1,822
Taxes	1,299	1,063
Interest	447	392
EBIT	**3,911**	**3,277**
Effective Tax Rate	37.5%	36.8%
Tax Adjustment	1,466	1,207
NOPAT	**2,445**	**2,070**

Reconciliation of Non-GAAP Measures

Free Cash Flow	FY 2013E	FY 2012	FY 2011
Net Cash Provided by Operating Activities	3,900	3,762	4,349
Capital Expenditures	1,000	1,211	1,829
Free Cash Flow	**2,900**	**2,551**	**2,520**

E = Estimate

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