

Non-GAAP Measures

The Company's presentations may include certain non-GAAP financial measures, such as its return on invested capital ("ROIC") calculation and its adjusted debt/EBITDAR ratio. This supplemental information should not be considered in isolation or as a substitute for the related GAAP measures.

Return on Invested Capital

We believe that ROIC is meaningful for management and investors because it measures how effectively we deploy our capital base. We define ROIC as follows:

Net Operating Profit After Tax (Page 2)

We define net operating profit after tax as operating income for the last four quarters less income taxes calculated using the effective tax rate for that period.

Average Debt and Equity (Page 2)

We define average debt and equity as the average of beginning and ending long-term debt (including current installments of long-term debt) and equity for the last four quarters.

Return on Invested Capital (Page 2)

We define ROIC as net operating profit after tax divided by average debt and equity.

Adjusted Debt/EBITDAR

We believe that our adjusted debt/EBITDAR ratio better enables management and investors to understand and analyze our level of indebtedness in relation to our capital structure. We define adjusted debt/EBITDAR as follows:

Adjusted Debt (Page 3)

We define adjusted debt as long-term debt (including current installments of long-term debt), plus short-term debt, plus eight times operating rents (excluding the impact of stores no longer operated by us) for the last four quarters. We believe eight times operating rents is a reasonable industry standard for estimating the economic value of our leased assets.

EBITDAR (Page 4)

We define EBITDAR as net earnings before interest and other, net, income taxes, depreciation and amortization, and operating rents; calculated on a four quarter rolling basis.

Adjusted Debt/EBITDAR (Page 5)

We define adjusted debt/EBITDAR as adjusted debt divided by EBITDAR.



Return on Invested Capital Calculation

(USD millions)	Four Quarters Ended	
	April 29, 2018	April 30, 2017
Net earnings	\$9,020	\$8,168
Interest and other, net	981	940
Income taxes	4,712	4,591
Operating income	\$14,713	\$13,699
Income tax adjustment ⁽¹⁾	(4,988)	(4,936)
Net operating profit after tax	\$9,725	\$8,763
Average debt and equity	\$27,014	\$27,091
Return on invested capital	36.0%	32.3%

(1) Defined as operating income multiplied by the effective tax rate.



Adjusted Debt Calculation

(USD millions)	Period Ended	
	April 29, 2018	April 30, 2017
Long-term debt (including current installments of long-term debt)	\$25,443	\$22,937
Short-term debt	350	—
Total debt	\$25,793	\$22,937
Eight times operating rents ⁽¹⁾	7,202	6,940
Adjusted debt ⁽²⁾	\$32,995	\$29,877

(1) Excludes certain rent payments to reflect the impact of stores no longer operated by us. This adjustment reduces eight times operating rents by \$86 million for the period ended April 29, 2018 and \$84 million for the period ended April 30, 2017.

(2) Adjusted debt does not include \$400 million of provisional tax liabilities related to a one-time tax on deemed repatriation of historical earnings of foreign subsidiaries as imposed by the Tax Cuts and Jobs Act of 2017. See Note 5 in the 2017 Form 10-K for further discussion.



EBITDAR Calculation

(USD millions)	Four Quarters Ended	
	April 29, 2018	April 30, 2017
Net earnings	\$9,020	\$8,168
Interest and other, net	981	940
Income taxes	4,712	4,591
Depreciation and amortization ⁽¹⁾	2,089	1,992
Operating rents	911	878
EBITDAR	\$17,713	\$16,569

(1) Includes depreciation of distribution centers and tool rental equipment included in cost of sales and amortization of deferred financing costs included in interest expense.



Adjusted Debt/EBITDAR Calculation

(USD millions)	Four Quarters Ended	
	April 29, 2018	April 30, 2017
Adjusted debt	\$32,995	\$29,877
EBITDAR	\$17,713	\$16,569
Adjusted debt/EBITDAR	1.9x	1.8x

