

Lowes's Companies, Inc.
Consolidated Statements of Current and Retained Earnings (Unaudited)
In Millions, Except Per Share and Percentage Data

	Three Months Ended				Six Months Ended			
	July 31, 2020		August 2, 2019		July 31, 2020		August 2, 2019	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Current Earnings								
Net sales	\$ 27,302	100.00	\$ 20,992	100.00	\$ 46,977	100.00	\$ 38,733	100.00
Cost of sales	17,998	65.92	14,252	67.89	31,161	66.33	26,412	68.19
Gross margin	9,304	34.08	6,740	32.11	15,816	33.67	12,321	31.81
Expenses:								
Selling, general and administrative	5,020	18.39	4,048	19.29	9,215	19.62	7,909	20.42
Depreciation and amortization	327	1.20	311	1.48	653	1.39	614	1.58
Operating income	3,957	14.49	2,381	11.34	5,948	12.66	3,798	9.81
Interest – net	219	0.80	169	0.80	423	0.90	331	0.86
Pre-tax earnings	3,738	13.69	2,212	10.54	5,525	11.76	3,467	8.95
Income tax provision	910	3.33	536	2.56	1,360	2.89	745	1.92
Net earnings	\$ 2,828	10.36	\$ 1,676	7.98	\$ 4,165	8.87	\$ 2,722	7.03
Weighted average common shares outstanding – basic	752		781		754		788	
Basic earnings per common share ⁽¹⁾	\$ 3.74		\$ 2.14		\$ 5.50		\$ 3.44	
Weighted average common shares outstanding – diluted	753		781		755		789	
Diluted earnings per common share ⁽¹⁾	\$ 3.74		\$ 2.14		\$ 5.50		\$ 3.44	
Cash dividends per share	\$ 0.55		\$ 0.55		\$ 1.10		\$ 1.03	
Retained Earnings								
Balance at beginning of period	\$ 1,722		\$ 3,095		\$ 1,727		\$ 3,452	
Cumulative effect of accounting change	—		—		—		(263)	
Net earnings	2,828		1,676		4,165		2,722	
Cash dividends declared	(416)		(428)		(831)		(810)	
Share repurchases	—		(1,904)		(927)		(2,662)	
Balance at end of period	\$ 4,134		\$ 2,439		\$ 4,134		\$ 2,439	

⁽¹⁾ Under the two-class method, earnings per share is calculated using net earnings allocable to common shares, which is derived by reducing net earnings by the earnings allocable to participating securities. Net earnings allocable to common shares used in the basic and diluted earnings per share calculation were \$2,816 million for the three months ended July 31, 2020 and \$1,670 million for the three months ended August 2, 2019. Net earnings allocable to common shares used in the basic and diluted earnings per share calculation were \$4,149 million for the six months ended July 31, 2020 and \$2,713 million for the six months ended August 2, 2019.

Lowes's Companies, Inc.
Consolidated Statements of Comprehensive Income (Unaudited)
In Millions, Except Percentage Data

	Three Months Ended				Six Months Ended			
	July 31, 2020		August 2, 2019		July 31, 2020		August 2, 2019	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Net earnings	\$ 2,828	10.36	\$ 1,676	7.98	\$ 4,165	8.87	\$ 2,722	7.03
Foreign currency translation adjustments – net of tax	114	0.41	69	0.33	(45)	(0.10)	36	0.09
Cash flow hedges – net of tax	(5)	(0.02)	—	—	(108)	(0.23)	(16)	(0.04)
Other	(1)	—	—	—	4	0.01	2	—
Other comprehensive income/(loss)	108	0.39	69	0.33	(149)	(0.32)	22	0.05
Comprehensive income	\$ 2,936	10.75	\$ 1,745	8.31	\$ 4,016	8.55	\$ 2,744	7.08

Lowe's Companies, Inc.
Consolidated Balance Sheets (Unaudited)
In Millions, Except Par Value Data

	July 31, 2020	August 2, 2019	January 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,641	\$ 1,796	\$ 716
Short-term investments	1,085	275	160
Merchandise inventory – net	13,831	13,730	13,179
Other current assets	1,160	995	1,263
Total current assets	27,717	16,796	15,318
Property, less accumulated depreciation	18,612	18,203	18,669
Operating lease right-of-use assets	3,798	3,967	3,891
Long-term investments	326	179	372
Deferred income taxes – net	267	512	216
Other assets	1,043	1,038	1,005
Total assets	\$ 51,763	\$ 40,695	\$ 39,471
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	\$ 1,000	\$ —	\$ 1,941
Current maturities of long-term debt	609	1,009	597
Current operating lease liabilities	520	492	501
Accounts payable	12,916	9,499	7,659
Accrued compensation and employee benefits	1,139	717	684
Deferred revenue	1,715	1,324	1,219
Other current liabilities	3,471	2,794	2,581
Total current liabilities	21,370	15,835	15,182
Long-term debt, excluding current maturities	20,197	16,538	16,768
Noncurrent operating lease liabilities	3,859	4,055	3,943
Deferred revenue – extended protection plans	981	868	894
Other liabilities	1,000	759	712
Total liabilities	47,407	38,055	37,499
Shareholders' equity:			
Preferred stock, \$5 par value: Authorized – 5.0 million shares; Issued and outstanding – none	—	—	—
Common stock, \$0.50 par value: Authorized – 5.6 billion shares; Issued and outstanding – 756 million, 776 million, and 763 million shares, respectively	378	388	381
Capital in excess of par value	129	—	—
Retained earnings	4,134	2,439	1,727
Accumulated other comprehensive loss	(285)	(187)	(136)
Total shareholders' equity	4,356	2,640	1,972
Total liabilities and shareholders' equity	\$ 51,763	\$ 40,695	\$ 39,471

Lowe's Companies, Inc.
Consolidated Statements of Cash Flows (Unaudited)
In Millions

	Six Months Ended	
	July 31, 2020	August 2, 2019
Cash flows from operating activities:		
Net earnings	\$ 4,165	\$ 2,722
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	747	684
Noncash lease expense	234	228
Deferred income taxes	(14)	(121)
Loss on property and other assets – net	80	38
Share-based payment expense	64	51
Changes in operating assets and liabilities:		
Merchandise inventory – net	(674)	(1,153)
Other operating assets	66	(104)
Accounts payable	5,259	1,202
Other operating liabilities	1,825	36
Net cash provided by operating activities	11,752	3,583
Cash flows from investing activities:		
Purchases of investments	(1,132)	(245)
Proceeds from sale/maturity of investments	260	272
Capital expenditures	(710)	(526)
Proceeds from sale of property and other long-term assets	46	42
Other – net	(24)	(1)
Net cash used in investing activities	(1,560)	(458)
Cash flows from financing activities:		
Net change in commercial paper	(941)	(722)
Net proceeds from issuance of debt	3,961	2,972
Repayment of long-term debt	(568)	(629)
Proceeds from issuance of common stock under share-based payment plans	83	72
Cash dividend payments	(836)	(767)
Repurchase of common stock	(966)	(2,770)
Other – net	(4)	(7)
Net cash provided by (used in) financing activities	729	(1,851)
Effect of exchange rate changes on cash	4	(1)
Net increase in cash and cash equivalents, including cash classified within current assets held for sale	10,925	1,273
Less: Net decrease in cash classified within current assets held for sale	—	12
Net increase in cash and cash equivalents	10,925	1,285
Cash and cash equivalents, beginning of period	716	511
Cash and cash equivalents, end of period	\$ 11,641	\$ 1,796

Lowe's Companies, Inc.**Non-GAAP Financial Measures Reconciliation (Unaudited)**

To provide additional transparency, the Company has presented the non-GAAP financial measure of adjusted diluted earnings per share for comparing its operating performance for the three months ended July 31, 2020, with the respective period ended August 2, 2019. This measure excludes the impact of certain discrete items, as further described below, not contemplated in Lowe's Original Business Outlook to assist analysts and investors in understanding operational performance for the second quarter of fiscal 2020 and fiscal 2019.

Fiscal 2020 Impacts

For fiscal 2020, the Company has recognized financial impacts from the following discrete item, not contemplated in the Company's Original Business Outlook for the second quarter of fiscal 2020:

- Beginning in the third quarter of fiscal 2019, the Company began a strategic review of its Canadian operations, and in the fourth quarter of fiscal 2019, the Company announced additional actions to improve future performance and profitability of its Canadian operations. As a result of this review and related actions, in the second quarter of fiscal 2020, the Company recognized \$10 million of pre-tax operating costs related to remaining inventory write-downs and store closing costs (Canada restructuring).

Fiscal 2019 Impacts

During fiscal 2019, the Company recognized financial impacts from the following discrete item, not contemplated in the Company's Business Outlook for the second quarter of fiscal 2019:

- Prior to the beginning of fiscal 2019, the Company announced its intention to exit its Mexico retail operations and had planned to sell the operating business. During the three months ended August 2, 2019, the Company recognized a net loss of \$12 million in pre-tax operating losses associated with the exit and ongoing wind-down of the Mexico retail operations (Mexico adjustments).

Adjusted diluted earnings per share should not be considered an alternative to, or more meaningful indicator of, the Company's diluted earnings per share as prepared in accordance with GAAP. The Company's methods of determining non-GAAP financial measures may differ from the method used by other companies and may not be comparable.

Detailed reconciliations between the Company's GAAP and non-GAAP financial results are shown below and available on the Company's website at www.lowes.com/investor.

(in millions, except per share data)	Three Months Ended					
	(Unaudited)			(Unaudited)		
	July 31, 2020			August 2, 2019		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			\$ 3.74			\$ 2.14
Non-GAAP adjustments – per share impacts						
Canada restructuring	0.01	—	0.01	—	—	—
Mexico adjustments	—	—	—	0.02	(0.01)	0.01
Adjusted diluted earnings per share			\$ 3.75			\$ 2.15