

Lowe'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			
	August 2, 2019		August 3, 2018		August 2, 2019		August 3, 2018	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Current Earnings								
Net sales	\$ 20,992	100.00	\$ 20,888	100.00	\$ 38,733	100.00	\$ 38,247	100.00
Cost of sales	14,252	67.89	14,003	67.04	26,412	68.19	25,615	66.97
Gross margin	6,740	32.11	6,885	32.96	12,321	31.81	12,632	33.03
Expenses:								
Selling, general and administrative	4,048	19.29	4,386	20.99	7,909	20.42	8,319	21.75
Depreciation and amortization	311	1.48	336	1.61	614	1.58	685	1.79
Operating income	2,381	11.34	2,163	10.36	3,798	9.81	3,628	9.49
Interest - net	169	0.80	153	0.74	331	0.86	313	0.82
Pre-tax earnings	2,212	10.54	2,010	9.62	3,467	8.95	3,315	8.67
Income tax provision	536	2.56	490	2.34	745	1.92	806	2.11
Net earnings	\$ 1,676	7.98	\$ 1,520	7.28	\$ 2,722	7.03	\$ 2,509	6.56
Weighted average common shares outstanding - basic	781		813		788		819	
Basic earnings per common share ⁽¹⁾	\$ 2.14		\$ 1.86		\$ 3.44		\$ 3.05	
Weighted average common shares outstanding - diluted	781		814		789		820	
Diluted earnings per common share ⁽¹⁾	\$ 2.14		\$ 1.86		\$ 3.44		\$ 3.05	
Cash dividends per share	\$ 0.55		\$ 0.48		\$ 1.03		\$ 0.89	
Retained Earnings								
Balance at beginning of period	\$ 3,095		\$ 5,405		\$ 3,452		\$ 5,425	
Cumulative effect of accounting change	—		—		(263)		33	
Net earnings	1,676		1,520		2,722		2,509	
Cash dividends declared	(428)		(390)		(810)		(728)	
Share repurchases	(1,904)		(1,018)		(2,662)		(1,722)	
Balance at end of period	\$ 2,439		\$ 5,517		\$ 2,439		\$ 5,517	

⁽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 \$1,670 million for the three months ended August 2, 2019 and \$1,515 million for the three months ended August 3, 2018. Net earnings allocable to common shares used in the basic and diluted earnings per share calculation were \$2,713 million for the six months ended August 2, 2019 and \$2,500 million for the six months ended August 3, 2018.

Lowe's Companies, Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions, Except Percentage Data

	Three Months Ended				Six Months Ended			
	August 2, 2019		August 3, 2018		August 2, 2019		August 3, 2018	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Net earnings	\$ 1,676	7.98	\$ 1,520	7.28	\$ 2,722	7.03	\$ 2,509	6.56
Foreign currency translation adjustments - net of tax	69	0.33	(70)	(0.34)	36	0.09	(154)	(0.40)
Other	—	—	—	—	(14)	(0.04)	—	—
Other comprehensive income/(loss)	69	0.33	(70)	(0.34)	22	0.05	(154)	(0.40)
Comprehensive income	\$ 1,745	8.31	\$ 1,450	6.94	\$ 2,744	7.08	\$ 2,355	6.16

Lowe's Companies, Inc.
Consolidated Balance Sheets

In Millions, Except Par Value Data

	(Unaudited) August 2, 2019	(Unaudited) August 3, 2018	February 1, 2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,796	\$ 2,251	\$ 511
Short-term investments	275	391	218
Merchandise inventory - net	13,730	11,885	12,561
Other current assets	995	956	938
Total current assets	16,796	15,483	14,228
Property, less accumulated depreciation	18,203	19,172	18,432
Operating lease right-of-use assets	3,967	—	—
Long-term investments	179	87	256
Deferred income taxes - net	512	249	294
Goodwill	303	1,271	303
Other assets	735	843	995
Total assets	\$ 40,695	\$ 37,105	\$ 34,508
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	\$ —	\$ —	\$ 722
Current maturities of long-term debt	1,009	894	1,110
Current operating lease liabilities	492	—	—
Accounts payable	9,499	8,984	8,279
Accrued compensation and employee benefits	717	671	662
Deferred revenue	1,324	1,449	1,299
Other current liabilities	2,794	2,583	2,425
Total current liabilities	15,835	14,581	14,497
Long-term debt, excluding current maturities	16,538	14,937	14,391
Noncurrent operating lease liabilities	4,055	—	—
Deferred revenue - extended protection plans	868	828	827
Other liabilities	759	978	1,149
Total liabilities	38,055	31,324	30,864
Shareholders' equity:			
Preferred stock - \$5 par value, none issued	—	—	—
Common stock - \$0.50 par value;			
Shares issued and outstanding			
August 2, 2019	776		
August 3, 2018	811		
February 1, 2019	801	388	401
Capital in excess of par value	—	—	—
Retained earnings	2,439	5,517	3,452
Accumulated other comprehensive loss	(187)	(142)	(209)
Total shareholders' equity	2,640	5,781	3,644
Total liabilities and shareholders' equity	\$ 40,695	\$ 37,105	\$ 34,508

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

	Six Months Ended	
	August 2, 2019	August 3, 2018
Cash flows from operating activities:		
Net earnings	\$ 2,722	\$ 2,509
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	684	751
Noncash lease expense	228	—
Deferred income taxes	(121)	(75)
Loss on property and other assets - net	38	261
Loss on cost method and equity method investments	12	3
Share-based payment expense	51	62
Changes in operating assets and liabilities:		
Merchandise inventory - net	(1,153)	(549)
Other operating assets	(116)	(140)
Accounts payable	1,202	2,408
Other operating liabilities	36	557
Net cash provided by operating activities	3,583	5,787
Cash flows from investing activities:		
Purchases of investments	(245)	(980)
Proceeds from sale/maturity of investments	272	1,012
Capital expenditures	(526)	(543)
Proceeds from sale of property and other long-term assets	42	30
Other - net	(1)	1
Net cash used in investing activities	(458)	(480)
Cash flows from financing activities:		
Net change in short-term borrowings	(722)	(1,137)
Net proceeds from issuance of long-term debt	2,972	—
Repayment of long-term debt	(629)	(24)
Proceeds from issuance of common stock under share-based payment plans	72	50
Cash dividend payments	(767)	(678)
Repurchase of common stock	(2,770)	(1,846)
Other - net	(7)	(2)
Net cash used in financing activities	(1,851)	(3,637)
Effect of exchange rate changes on cash	(1)	(7)
Net increase in cash and cash equivalents, including cash classified within current assets held for sale	1,273	1,663
Less: Net decrease in cash classified within current assets held for sale	12	—
Net increase in cash and cash equivalents	1,285	1,663
Cash and cash equivalents, beginning of period	511	588
Cash and cash equivalents, end of period	\$ 1,796	\$ 2,251

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 earnings per share to exclude the impact of certain discrete items, as further described below, not contemplated in Lowe's original Business Outlook for 2019 to assist the user in understanding performance relative to that Business Outlook.

In addition, as part of its Business Outlook for 2019, the company has provided a comparison to the non-GAAP financial measure of adjusted operating margin for fiscal 2018, which excludes the impact of certain discrete items, as further described below, not contemplated in Lowe's original Business Outlook for 2018, to assist the user in further understanding the company's Business Outlook for fiscal 2019 in comparison to fiscal 2018.

The company believes these non-GAAP financial measures provide useful insight for analysts and investors in evaluating the company's operational performance.

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. During the second quarter, the Company recognized \$14 million of pre-tax operating costs for the ongoing wind-down of the Mexico retail operations which were offset by \$3 million tax benefit (Mexico adjustments).

During fiscal 2018, the company recognized the following pre-tax charges, not contemplated in the company's original Business Outlook for 2018:

- During the fourth quarter of fiscal 2018, the company recorded \$952 million 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 is exploring 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).

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

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) August 2, 2019			(Unaudited) August 3, 2018		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			\$ 2.14			\$ 1.86
Non-GAAP adjustments - per share impacts						
Mexico adjustments	0.02	(0.01)	0.01	—	—	—
Orchard Supply Hardware charges	—	—	—	0.28	(0.07)	0.21
Adjusted diluted earnings per share			\$ 2.15			\$ 2.07

(in millions, except operating margin)	Year Ended (Audited)	
	February 1, 2019	
Operating income, as reported	\$	4,018
Non-GAAP adjustments		
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 charge		13
Adjusted operating income	\$	6,105
Adjusted operating margin		8.56%