

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 3, 2018		August 4, 2017		August 3, 2018		August 4, 2017	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Current Earnings								
Net sales	\$ 20,888	100.00	\$ 19,495	100.00	\$ 38,247	100.00	\$ 36,355	100.00
Cost of sales	13,689	65.54	12,825	65.79	25,036	65.46	23,885	65.70
Gross margin	7,199	34.46	6,670	34.21	13,211	34.54	12,470	34.30
Expenses:								
Selling, general and administrative	4,691	22.45	3,931	20.16	8,878	23.21	7,807	21.47
Depreciation and amortization	345	1.65	357	1.83	705	1.84	722	1.99
Operating income	2,163	10.36	2,382	12.22	3,628	9.49	3,941	10.84
Interest - net	153	0.74	159	0.81	313	0.82	319	0.87
Loss on extinguishment of debt	—	—	—	—	—	—	464	1.28
Pre-tax earnings	2,010	9.62	2,223	11.41	3,315	8.67	3,158	8.69
Income tax provision	490	2.34	804	4.13	806	2.11	1,137	3.13
Net earnings	\$ 1,520	7.28	\$ 1,419	7.28	\$ 2,509	6.56	\$ 2,021	5.56
Weighted average common shares outstanding - basic	813		841		819		849	
Basic earnings per common share ⁽¹⁾	\$ 1.86		\$ 1.68		\$ 3.05		\$ 2.37	
Weighted average common shares outstanding - diluted	814		842		820		850	
Diluted earnings per common share ⁽¹⁾	\$ 1.86		\$ 1.68		\$ 3.05		\$ 2.37	
Cash dividends per share	\$ 0.48		\$ 0.41		\$ 0.89		\$ 0.76	
Retained Earnings								
Balance at beginning of period	\$ 5,405		\$ 5,346		\$ 5,425		\$ 6,241	
Cumulative effect of accounting change	—		—		33		—	
Net earnings	1,520		1,419		2,509		2,021	
Cash dividends declared	(390)		(344)		(728)		(643)	
Share repurchases	(1,018)		(1,168)		(1,722)		(2,366)	
Balance at end of period	\$ 5,517		\$ 5,253		\$ 5,517		\$ 5,253	

⁽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 \$1,515 million for the three months ended August 3, 2018 and \$1,413 million for the three months ended August 4, 2017. Net earnings allocable to common shares used in the basic and diluted earnings per share calculation were \$2,500 million for the six months ended August 3, 2018 and \$2,013 million for the six months ended August 4, 2017.

Lowe's Companies, Inc.

Consolidated Statements of Comprehensive Income (Unaudited)

In Millions, Except Percentage Data

	Three Months Ended				Six Months Ended			
	August 3, 2018		August 4, 2017		August 3, 2018		August 4, 2017	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Net earnings	\$ 1,520	7.28	\$ 1,419	7.28	\$ 2,509	6.56	\$ 2,021	5.56
Foreign currency translation adjustments - net of tax	(70)	(0.34)	106	0.54	(154)	(0.40)	105	0.29
Other comprehensive income/(loss)	(70)	(0.34)	106	0.54	(154)	(0.40)	105	0.29
Comprehensive income	\$ 1,450	6.94	\$ 1,525	7.82	\$ 2,355	6.16	\$ 2,126	5.85

Lowe's Companies, Inc.
Consolidated Balance Sheets

In Millions, Except Par Value Data

	(Unaudited) August 3, 2018	(Unaudited) August 4, 2017	February 2, 2018
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,251	\$ 1,696	\$ 588
Short-term investments	391	119	102
Merchandise inventory - net	11,885	11,407	11,393
Other current assets	956	811	689
Total current assets	15,483	14,033	12,772
Property, less accumulated depreciation	19,172	19,762	19,721
Long-term investments	87	360	408
Deferred income taxes - net	249	328	168
Goodwill	1,271	1,255	1,307
Other assets	843	930	915
Total assets	\$ 37,105	\$ 36,668	\$ 35,291
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	\$ —	\$ —	\$ 1,137
Current maturities of long-term debt	894	296	294
Accounts payable	8,984	8,649	6,590
Accrued compensation and employee benefits	671	665	747
Deferred revenue	1,449	1,450	1,378
Other current liabilities	2,583	2,565	1,950
Total current liabilities	14,581	13,625	12,096
Long-term debt, excluding current maturities	14,937	15,788	15,564
Deferred revenue - extended protection plans	828	790	803
Other liabilities	978	929	955
Total liabilities	31,324	31,132	29,418
Shareholders' equity:			
Preferred stock - \$5 par value, none issued	—	—	—
Common stock - \$0.50 par value;			
Shares issued and outstanding			
August 3, 2018	811		
August 4, 2017	837		
February 2, 2018	830	419	415
Capital in excess of par value	—	—	22
Retained earnings	5,517	5,253	5,425
Accumulated other comprehensive income/(loss)	(142)	(136)	11
Total shareholders' equity	5,781	5,536	5,873
Total liabilities and shareholders' equity	\$ 37,105	\$ 36,668	\$ 35,291

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

	Six Months Ended	
	August 3, 2018	August 4, 2017
Cash flows from operating activities:		
Net earnings	\$ 2,509	\$ 2,021
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	751	768
Deferred income taxes	(75)	(87)
Loss on property and other assets - net	261	13
Loss on extinguishment of debt	—	464
(Gain) loss on cost method and equity method investments	3	(87)
Share-based payment expense	62	55
Changes in operating assets and liabilities:		
Merchandise inventory - net	(549)	(850)
Other operating assets	(140)	166
Accounts payable	2,408	2,031
Other operating liabilities	557	580
Net cash provided by operating activities	5,787	5,074
Cash flows from investing activities:		
Purchases of investments	(980)	(624)
Proceeds from sale/maturity of investments	1,012	789
Capital expenditures	(543)	(476)
Proceeds from sale of property and other long-term assets	30	10
Acquisition of business - net	—	(505)
Other - net	1	10
Net cash used in investing activities	(480)	(796)
Cash flows from financing activities:		
Net change in short-term borrowings	(1,137)	(511)
Net proceeds from issuance of long-term debt	—	2,968
Repayment of long-term debt	(24)	(2,574)
Proceeds from issuance of common stock under share-based payment plans	50	80
Cash dividend payments	(678)	(603)
Repurchase of common stock	(1,846)	(2,503)
Other - net	(2)	(9)
Net cash used in financing activities	(3,637)	(3,152)
Effect of exchange rate changes on cash	(7)	12
Net increase in cash and cash equivalents	1,663	1,138
Cash and cash equivalents, beginning of period	588	558
Cash and cash equivalents, end of period	\$ 2,251	\$ 1,696

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 Outlooks for 2018 and 2017 to assist the user in understanding performance relative to that Business Outlook. The company believes this non-GAAP financial measure provides useful insight for analysts and investors in evaluating what management considers the company's operational performance.

In the second quarter of 2017, the company recognized a \$96 million gain from the sale of the company's interest in its Australian joint venture.

In the second quarter of 2018, the company recognized \$230 million of non-cash pre-tax charges, consisting of long-lived asset impairments and discontinued projects, as a result of a strategic reassessment of Orchard Supply Hardware (Orchard Supply Hardware charges).

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 this non-GAAP financial measure may differ from the method used by other companies for this or similar non-GAAP financial measures. Accordingly, this non-GAAP measure 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.

(millions, except per share data)	Three Months Ended					
	(Unaudited)			(Unaudited)		
	August 3, 2018			August 4, 2017		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			\$ 1.86			\$ 1.68
Non-GAAP Adjustments						
Gain on sale of interest in Australian joint venture	—	—	—	(0.11)	—	(0.11)
Orchard Supply Hardware charges	0.28	(0.07)	0.21	—	—	—
Adjusted diluted earnings per share			\$ 2.07			\$ 1.57