

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

	Three Months Ended				Fiscal Year Ended			
	January 29, 2021		January 31, 2020		January 29, 2021		January 31, 2020	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Current Earnings								
Net sales	\$ 20,311	100.00	\$ 16,027	100.00	\$ 89,597	100.00	\$ 72,148	100.00
Cost of sales	13,855	68.22	11,046	68.92	60,025	66.99	49,205	68.20
Gross margin	6,456	31.78	4,981	31.08	29,572	33.01	22,943	31.80
Expenses:								
Selling, general and administrative	4,541	22.36	3,685	22.99	18,526	20.68	15,367	21.30
Depreciation and amortization	391	1.92	338	2.11	1,399	1.56	1,262	1.75
Operating income	1,524	7.50	958	5.98	9,647	10.77	6,314	8.75
Interest – net	204	1.00	183	1.14	848	0.95	691	0.96
Loss on extinguishment of debt	—	—	—	—	1,060	1.18	—	—
Pre-tax earnings	1,320	6.50	775	4.84	7,739	8.64	5,623	7.79
Income tax provision	342	1.69	266	1.66	1,904	2.13	1,342	1.86
Net earnings	\$ 978	4.81	\$ 509	3.18	\$ 5,835	6.51	\$ 4,281	5.93
Weighted average common shares outstanding – basic	734		763		748		777	
Basic earnings per common share ⁽¹⁾	\$ 1.33		\$ 0.67		\$ 7.77		\$ 5.49	
Weighted average common shares outstanding – diluted	735		764		750		778	
Diluted earnings per common share ⁽¹⁾	\$ 1.32		\$ 0.66		\$ 7.75		\$ 5.49	
Cash dividends per share	\$ 0.60		\$ 0.55		\$ 2.30		\$ 2.13	
Retained Earnings								
Balance at beginning of period	\$ 3,942		\$ 2,238		\$ 1,727		\$ 3,452	
Cumulative effect of accounting change	—		—		—		(263)	
Net earnings	978		509		5,835		4,281	
Cash dividends declared	(440)		(420)		(1,724)		(1,653)	
Share repurchases	(3,363)		(600)		(4,721)		(4,090)	
Balance at end of period	\$ 1,117		\$ 1,727		\$ 1,117		\$ 1,727	

⁽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 \$973 million for the three months ended January 29, 2021, and \$508 million for the three months ended January 31, 2020. Net earnings allocable to common shares used in the basic and diluted earnings per share calculation were \$5,811 million for the fiscal year ended January 29, 2021, and \$4,268 million for the fiscal year ended January 31, 2020.

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

	Three Months Ended				Fiscal Year Ended			
	January 29, 2021		January 31, 2020		January 29, 2021		January 31, 2020	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Net earnings	\$ 978	4.81	\$ 509	3.18	\$ 5,835	6.51	\$ 4,281	5.93
Foreign currency translation adjustments – net of tax	105	0.52	34	0.21	78	0.09	94	0.13
Cash flow hedges – net of tax	5	0.02	(6)	(0.04)	(79)	(0.09)	(22)	(0.03)
Other	(1)	—	—	—	1	—	1	—
Other comprehensive income	109	0.54	28	0.17	—	—	73	0.10
Comprehensive income	\$ 1,087	5.35	\$ 537	3.35	\$ 5,835	6.51	\$ 4,354	6.03

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

	January 29, 2021	January 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,690	\$ 716
Short-term investments	506	160
Merchandise inventory – net	16,193	13,179
Other current assets	937	1,263
Total current assets	22,326	15,318
Property, less accumulated depreciation ⁽¹⁾	19,155	18,769
Operating lease right-of-use assets	3,832	3,891
Long-term investments	200	372
Deferred income taxes – net	340	216
Other assets ⁽¹⁾	882	905
Total assets	\$ 46,735	\$ 39,471
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	\$ —	\$ 1,941
Current maturities of long-term debt	1,112	597
Current operating lease liabilities	541	501
Accounts payable	10,884	7,659
Accrued compensation and employee benefits	1,350	684
Deferred revenue	1,608	1,219
Other current liabilities	3,235	2,581
Total current liabilities	18,730	15,182
Long-term debt, excluding current maturities	20,668	16,768
Noncurrent operating lease liabilities	3,890	3,943
Deferred revenue – extended protection plans	1,019	894
Other liabilities	991	712
Total liabilities	45,298	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 – 731 million and 763 million shares, respectively	366	381
Capital in excess of par value	90	—
Retained earnings	1,117	1,727
Accumulated other comprehensive loss	(136)	(136)
Total shareholders' equity	1,437	1,972
Total liabilities and shareholders' equity	\$ 46,735	\$ 39,471

⁽¹⁾ Effective for the year ending January 29, 2021, excess property amounts previously reported in other assets were reclassified to property, less accumulated depreciation. The consolidated balance sheet as of January 31, 2020, has been revised to conform with current presentation.

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

	Fiscal Year Ended	
	January 29, 2021	January 31, 2020
Cash flows from operating activities:		
Net earnings	\$ 5,835	\$ 4,281
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,594	1,410
Noncash lease expense	479	468
Deferred income taxes	(108)	177
Loss on property and other assets – net	139	117
Loss on extinguishment of debt	1,060	—
Share-based payment expense	155	98
Changes in operating assets and liabilities:		
Merchandise inventory – net	(2,967)	(600)
Other operating assets	326	(364)
Accounts payable	3,211	(637)
Deferred revenue	512	(15)
Other operating liabilities	813	(639)
Net cash provided by operating activities	11,049	4,296
Cash flows from investing activities:		
Purchases of investments	(3,094)	(743)
Proceeds from sale/maturity of investments	2,926	695
Capital expenditures	(1,791)	(1,484)
Proceeds from sale of property and other long-term assets	90	163
Other – net	(25)	—
Net cash used in investing activities	(1,894)	(1,369)
Cash flows from financing activities:		
Net change in commercial paper	(941)	220
Net proceeds from issuance of debt	7,929	3,972
Repayment of debt	(5,618)	(1,113)
Proceeds from issuance of common stock under share-based payment plans	152	118
Cash dividend payments	(1,704)	(1,618)
Repurchases of common stock	(4,971)	(4,313)
Other – net	(38)	(1)
Net cash used in financing activities	(5,191)	(2,735)
Effect of exchange rate changes on cash	10	1
Net increase in cash and cash equivalents, including cash classified within current assets held for sale	3,974	193
Less: Net decrease in cash classified within current assets held for sale	—	12
Net increase in cash and cash equivalents	3,974	205
Cash and cash equivalents, beginning of period	716	511
Cash and cash equivalents, end of period	\$ 4,690	\$ 716

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 and fiscal year ended January 29, 2021, with the respective periods ended January 31, 2020. This measure excludes the impact of certain discrete items, as further described below, not contemplated in Lowe's Business Outlook to assist analysts and investors in understanding operational performance for fiscal 2020 and fiscal 2019.

Fiscal 2020 Impacts

During fiscal 2020, the Company recognized financial impacts from the following discrete items, not contemplated in the Company's Business Outlook for the fourth quarter and fiscal year:

- 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 restructuring actions to improve future performance and profitability of its Canadian operations. As a result of these actions, in the fourth quarter of fiscal 2020, the Company recognized \$12 million of pre-tax operating costs related to inventory write-downs and other closing costs. Total pre-tax charges for fiscal 2020 were \$45 million (Canada restructuring), and;
- In the third quarter of fiscal 2020, the Company recognized a \$1.1 billion loss on extinguishment of debt in connection with a \$3.0 billion cash tender offer (Loss on extinguishment of debt).

Fiscal 2019 Impacts

During fiscal 2019, the Company recognized financial impacts from the following discrete items, not contemplated in the Company's Business Outlook for the fourth quarter and fiscal year:

- 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. However, in the first quarter of fiscal 2019, after an extensive market evaluation, the decision was made to instead sell the assets of the business. That decision resulted in a tax benefit in the first quarter. During the fourth quarter, pre-tax operating losses associated with the exit and ongoing wind-down of Mexico retail operations totaled \$9 million. Total pre-tax operating costs and charges for fiscal 2019 were \$35 million, which were offset by \$82 million tax benefit (Mexico adjustments), and;
- During the third quarter of fiscal 2019, the Company began a strategic review of its Canadian operations resulting in pre-tax charges of \$53 million associated with long-lived asset impairment. In the fourth quarter, the Company recognized \$176 million of pre-tax operating costs and charges related to inventory liquidation, accelerated depreciation and amortization, severance and other costs, as well as a net \$26 million impact to income tax expense related to income tax valuation allowance. Total pre-tax operating costs and charges for fiscal 2019 were \$230 million (Canada restructuring).

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)		
	January 29, 2021			January 31, 2020		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			\$ 1.32			\$ 0.66
Non-GAAP adjustments – per share impacts						
Canada restructuring	0.01	—	0.01	0.23	0.03	0.26
Mexico adjustments	—	—	—	0.01	0.01	0.02
Adjusted diluted earnings per share			\$ 1.33			\$ 0.94

(in millions, except per share data)	Year Ended					
	(Unaudited)			(Unaudited)		
	January 29, 2021			January 31, 2020		
	Pre-Tax Earnings	Tax	Net Earnings	Pre-Tax Earnings	Tax	Net Earnings
Diluted earnings per share, as reported			\$ 7.75			\$ 5.49
Non-GAAP adjustments – per share impacts						
Loss on extinguishment of debt	1.41	(0.36)	1.05	—	—	—
Canada restructuring	0.06	—	0.06	0.29	0.02	0.31
Mexico adjustments	—	—	—	0.05	(0.11)	(0.06)
Adjusted diluted earnings per share			\$ 8.86			\$ 5.74