

EXPANDING OUR VISION LOWE'S ANNUAL REPORT 2000

COMPANY PROFILE Lowe's Companies, Inc., the world's second largest home improvement retailer, serves more than five million do-it-yourself and commercial business customers weekly through more than 650 stores in 40 states. At the beginning of 2001, our retail square footage totaled approximately 68 million square feet.

Lowe's is in the midst of its most aggressive expansion plan, opening more than two new superstores per week. Lowe's current prototype store has a 121,000-square-foot sales floor with a lawn and garden center averaging over 30,000 additional square feet. Lowe's 2001 expansion plans call for opening 115 to 120 new stores (which includes relocating 12 older, smaller format stores) and will be focused primarily on metropolitan markets including Boston, New York and Los Angeles.

Lowe's gives back to the communities it serves through programs and volunteer involvement. Lowe's contributes regularly to nonprofit organizations in towns and cities throughout Lowe's territory. Through the "Lowe's Heroes" programs and Lowe's Home Safety Council, we provide help to civic groups with public safety projects and share important home safety and fire prevention information with neighborhoods across the country.

Headquartered in Wilkesboro, NC, the 55-year-old company employs over 100,000 people. Approximately 8 percent of Lowe's stock is owned by employees through the company's Employee Stock Ownership Plan (ESOP) and its 401(k) plan. We are committed to understanding different cultures and reflecting them in our staffing, business partnerships and the merchandise we sell. We are committed to making diversity and inclusion a natural part of the way we do business.

Lowe's has been a publicly held company since October 10, 1961. Our stock is listed on the New York Stock Exchange, the Pacific Stock Exchange and the London Stock Exchange with shares trading under the ticker symbol LOW.

Expanding Into New Markets

Pursuing our tack of Carefully Planned Growth, Lowe's opened 100 new stores during 2000.



(INCLUDES PROJECTED	Connecticut 5 Delaware 4 Florida 47	Kentucky23 Louisiana14 Maryland20	Nevada 5 New Jersey 6 New Mexico 2 New York 14 North Carolina 77	Tennessee
Alaska1	Ідано 2		OHIO	
Arkansas 8	Indiana25	Montana1	Pennsylvania 33 Rhode Island 2	

Expanding Our Vision

At Lowe's we're expanding our vision to ensure we continue providing the highest quality home improvement solutions to our customers.



Increasing Market Share

The United States offers a \$400 billion market opportunity of which over 80% is highly fragmented among smaller and regional competitors.

Opportunities exist for Lowe's to further increase our market share as we relentlessly pursue solutions for our customers.

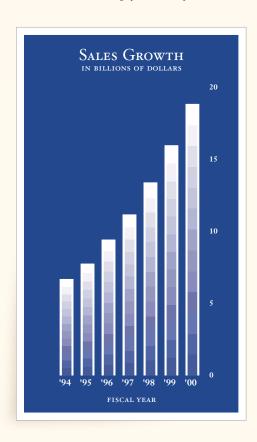
In 2000, Lowe's expanded its reach, introducing our bright, clean stores offering creative merchandising to millions of new customers. As the \$400 billion industry continues to grow, we remain steadfast in our mission of providing customers with home improvement solutions, and constantly look for ways to expand our leadership role within the industry. Despite the enormous size of the home improvement industry, few national competitors exist. In fact, over 80 percent of the industry is served by smaller, or regional competitors. And this represents considerable growth opportunity for Lowe's. Our aggressive real estate expansion positions new Lowe's stores in

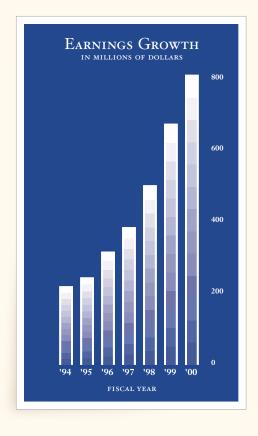
markets where we are enthusiastically welcomed. Expansion plans in 2001 call for 115 to 120 new stores to open, representing a square footage growth of eighteen to twenty percent. Similarly, by constantly reviewing and refining our product offering, we provide a preferred shopping environment to our customers. By focusing on the customer, we continuously find ways to improve, thereby expanding our vision of how to best serve our customers.

Financial Highlights In Thousands, Except Per Share Data

	increase over 1999	FISCAL 2000	fiscal 1999**
SALES	18.1%	\$18,778,559	\$15,905,595
GROSS MARGIN	63 bps*	28.17%	27.54%
PRETAX EARNINGS	20.5 %	\$ 1,281,440	\$ 1,063,117
NET EARNINGS	20.4%	\$ 809,871	\$ 672,795
EARNINGS PER SHARE:			
BASIC	20.5 %	\$ 2.12	\$ 1.76
DILUTED	20.6%	\$ 2.11	\$ 1.75
CASH DIVIDENDS PER SHARE	7.7 %	\$ 0.14	\$ 0.13

^{*} Basis points **Includes the one-time charge of \$24.4 million for costs related to the merger with Eagle Hardware & Garden, Inc. on April 2, 1999.





To Our Shareholders:

When the economic climate changes, the world's best retailers look for opportunity. The marked economic shift that occurred during the latter part of 2000 was one such time, and Lowe's took the opportunity to evaluate our business and sharpen our vision for the future. While obstacles like the slowing economy and severe lumber deflation kept us from meeting all of our objectives for 2000,

Lowe's did report record sales and earnings during these somewhat challenging economic times. Lowe's achieved sales of \$18.8 billion in 2000, an 18 percent increase over 1999; net income exceeded \$800 million, showing a 20 percent improvement over 1999; and earnings per share improved from \$1.75 to \$2.11, a 21% increase.

Pursuing our tack of carefully planned growth, Lowe's opened 100 new stores during 2000. We

increased our presence in the top 25 U.S. Metropolitan Statistical Areas (MSAs), significantly increasing the number of stores in these crucial areas to 18 percent of our total. The top 25 MSAs represent approximately one-half of the nation's Do-It-Yourself (DIY) market potential and therefore represent tremendous opportunity for future growth as Lowe's continues expanding into these areas.

During 2000, we converted all 41 former Eagle locations to Lowe's Home Improvement Warehouses. This enormous endeavor was completed in the third quarter of 2000, thanks in large part to the dedication and assistance of our employees at these locations and throughout Lowesland, and our vendor partners. We are now aggressively marketing the Lowe's story of superior customer service, quality products and exclusive brands backed by Lowe's guaranteed low prices and complete customer satisfaction. We expect to continue experiencing financial

> improvement from these "new" Lowe's stores.

> Looking to the future, we see a fast growing and highly fragmented \$400 billion home improvement industry only getting better. The home improvement market is expected to grow over four percent annually for the next four years, as Baby Boomers trade up, remodel, and generally improve their homes, and X'ers buy and move into their first homes and prepare for the family to follow. Even more promis-

ing, today the home improvement industry is dominated by two industry leaders. Lowe's, and our primary competitor, as the top two players, control less than 20 percent market share. The balance of the industry's sales is highly fragmented, creating continued opportunity for market share gains.

Another important and positive aspect of the home improvement industry is the resiliency it



ROBERT L. TILLMAN CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER

historically and consistently exhibits during difficult economic times. Typically, even when the economy slows, homeowners continue to invest in one of their most important, and enduring assets — their home. Home ownership remains at historically high levels, and as interest rates decline, attractive refinancing encourages home improvement spending.

In 2001, we plan to open an additional 115 to 120 stores, 65 percent of which will open in metropolitan markets with populations greater than 500,000. This aggressive expansion will build on our established base of 650 stores in 40 states reported at the end of 2000.

With Lowe's stores now spanning the United States, advertising is even more important in creating brand awareness. February 2001 was a milestone for Lowe's, marking the launch of our national network television advertising campaign. With Lowe's expansion into California, the Pacific Northwest and the Northeast, national network advertising is now a cost-effective medium for introducing Lowe's to millions of Americans. This step into the national advertising arena parallels Lowe's tremendous growth and foreshadows our successes yet to come.

As Lowe's grows, we must constantly fine-tune our merchandise offering, keeping an eye on the needs and wants of our customers. A major initiative of the past year, and an area of continued opportunity for the future, has been a shift to carrying a larger selection of increasingly popular premium grade products, accentuating a range of price points, and effectively moving the consumer "up the continuum" to better value. Consumers have told us that they want higher-end, better quality and uniquely different products, and our merchants are providing and presenting them in the ideal environment — our attractive, customerfriendly stores. Our cleaner, brighter, better organized and easier-to-shop stores provide an excellent environment in which to showcase better brands and premium products. Innovative, informative and even inspirational displays also add to the interest and enjoyment of shopping at Lowe's.

As the affluent Baby Boomers evolve from a generation of DIYers to Buy-It-Yourselfers (BIYers), our ability to offer complete, solution-based product and installation programs is critical to success. Key sales initiatives in 2000 focused on Commercial Business Customers (CBCs), Special Order Sales (SOS), and Installed Sales. These programs will continue as sales drivers for 2001 and beyond, as we remain focused on meeting our customers' needs and exceeding their expectations.

At Lowe's, we want our customers to shop in a way that best suits their needs. That's why in 2000 we re-launched a new and improved LOWES.COM. Lowe's internet presence allows us to offer more special order products as well as enhance customer relationships, with instructions for more than 300 DIY projects available online.

In an effort to continually improve our processes and provide better value for our customers, we integrated our technology and logistics groups in 2000, bringing together two of Lowe's strongest competitive advantages. This synergy between inventory management, distribution, Management Information Systems and the internet reduces costs in the inventory supply chain. Enhancing our existing logistics network of highly automated distribution facilities, we broke ground last year on two new regional distribution centers in Perris, CA, and Findlay, OH. Opening in 2001, these distribution centers will add to our logistics infrastructure and

enhance our ability to cost-effectively move products from our vendors through Lowe's stores into the hands and homes of our customers.

During 2000, Lowe's provided store managers increased flexibility in managing inventory quantities and selections. While buying and logistics remain centralized, we shifted additional responsibility from our Wilkesboro headquarters to individual stores, empowering our store management teams to adjust inventory quantity and selection based on their respective local needs. This gives associates on the sales floor — those employees closest to the customer — greater opportunity to influence the merchandising of a store, based on regional and local preferences, governmental regulations, or building codes, thereby ensuring customers' needs are met.

Providing the right products at competitive prices in a preferred shopping environment is essential, but it's only part of the equation. Customer service is critical for our success, and service is the element that completes the customer's experience. Quality customer service starts with quality people. We know that well-trained employees lead to superior service, so we strive to attract and retain the best employees in every market. We reward our associates for their dedicated customer service and offer the best and most comprehensive benefits package in retail. Lowe's "Buy, Own, Save" program is a threefold plan that helps our employees plan for the future. Nearly seven percent of Lowe's stock is owned through our Employee Stock Ownership Plan (ESOP). As an ESOP company, all associates with more than one year of service receive a contribution of Lowe's stock. Through this program and other performance-based incentives, Lowe's effectively links personal and corporate success, sending a consistent message to

employees as to the vital role they play in determining the growth and success of Lowe's.

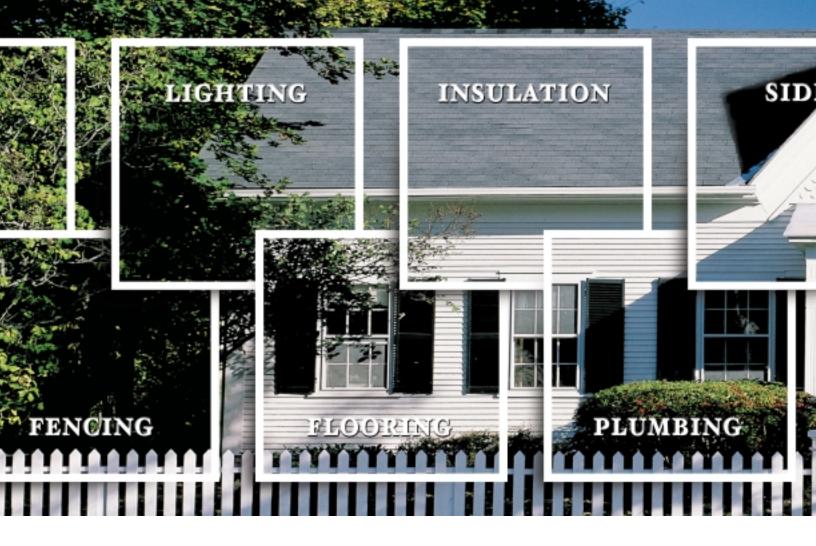
We're confident that our benefits program allows us to attract and retain the best employees available, which in turn enhances our customer service. We continually improve our workforce through aggressive recruiting, strong mentoring and ongoing training.

At Lowe's, expanding our vision is about finding new ways to exceed customer expectations. In an ever-changing marketplace, that translates to constantly fine-tuning all aspects of our business, from customer service and merchandising to logistics and technology. It is with this philosophy that we continue to grow, offering only the best in home improvement to our customers.

As Lowe's enters a new fiscal year, *Improving Home Improvement* is a promise that continues to drive every aspect of our business strategy. No matter how simple or complex a customer's needs, no matter how big or small their project, our mission is to provide an environment where retail and commercial customers can find everything they need to improve their most valuable investments — their homes and businesses.

Best wishes,

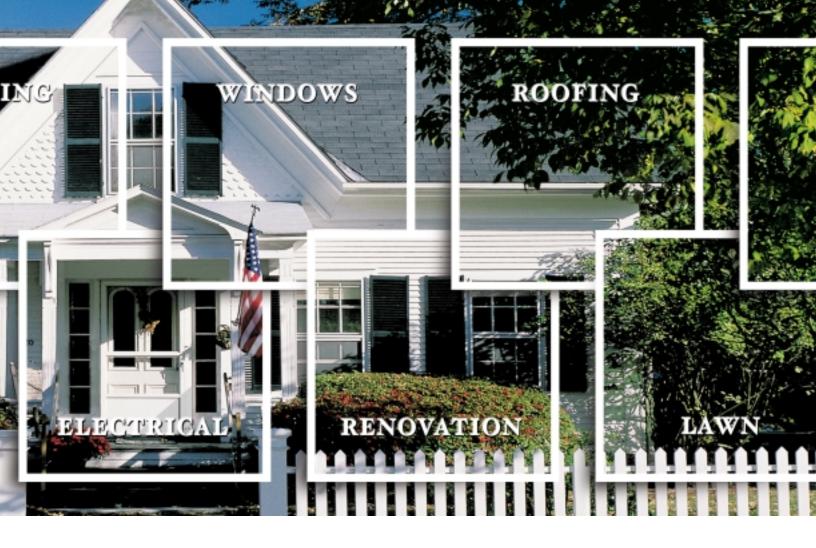
ROBERT L. TILLMAN
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER
April 16, 2001 Wilkesboro, NC





A Work In Progress

At Lowe's, innovative, informative and even inspirational DISPLAYS HELP TO EXPAND THE HOMEOWNER'S VISION IN THE CONTINUOUS EVOLUTION FROM "HOUSE" TO "HOME."



America is focusing on home improvement.

From the oldest ranch house to the newest mansion, every home is a work in progress. Maintenance is essential. Practical upgrades are invaluable. Repair is inevitable. And there's nothing like a well-planned expansion project to accommodate a growing family. As perfect as a house may be, though, homeowners know that there's always a way to make things better.

It's the same with Lowe's.

We celebrate when we enter a new market. We rejoice when customers tell us how Lowe's has helped them successfully complete a project. But most of all, we anticipate the next project, because we know that as long as we remain focused on satisfying our customers' home improvement needs, our opportunity for future growth is assured.

Lowe's has raised the bar for customer satisfaction by providing quality products at competitive prices supported by expert advice for everyone from Do-It-Yourselfers to our fast-growing market of Commercial Business Customers. We serve our customers through multiple channels — in any of our stores nationwide, via telephone, fax, or online at the new and improved Lowes.com site. These multiple points of contact give our retail and commercial customers the flexibility to browse and buy at their convenience, making Lowe's their preferred home improvement source.







We know who our customers are.

We're gaining visibility nationwide.

With the opening of 100 new stores and the conversion of 41 former Eagle locations in 2000, Lowe's is strengthening its presence in U.S. metropolitan markets. We entered nine of these markets in 2000, increasing our position in these large, dynamic markets. Now, 18 percent of our total stores are in the top 25 U.S. markets. In 2001, we'll build on that momentum, expanding our reach to even more of the nation's top markets.

But Lowe's stores aren't just growing in number. They're growing in strength. We're constantly studying the market, anticipating trends, and sharpening our concept to make our stores as consumer-friendly as possible. We've empowered our store employees — those closest to the customer — to fine-tune the product offering to meet market-specific needs. The result is a home improvement chain that grows and changes to meet the needs of its customers.

KEEPING OUR CUSTOMERS IN VIEW.

A full 75 percent of our sales in 2000 came from retail customers, including both the Do-It-Yourself (DIY) and the Buy-It-Yourself (BIY) consumers. With retail sales comprising over 50 percent of the \$400 billion total home improvement market, Lowe's is poised to increase our retail sales even more by providing the superior product and service solutions these customers demand.

The remaining 25 percent of our sales in 2000 came from Commercial Business Customers — a group that represents an estimated \$175 billion of annual home improvement spending.







From the CBC TO THE DIYER TO THE BIYER, Lowe's KNOWS WHAT CUSTOMERS ARE LOOKING FOR. OUR CLEANER, BRIGHTER AND EASIER-TO-SHOP STORES PROVIDE THE IDEAL ENVIRONMENT TO MEET ALL OF OUR CUSTOMERS' NEEDS.

Lowe's Pros

Our friendly and courteous employees are ALWAYS READY TO LEND A HELPING HAND OR KNOWLEDGEABLE ADVICE. SO WHETHER YOU'RE CONTEMPLATING YOUR FIRST HOME IMPROVEMENT PROJECT OR DREAMING OF A SWING SET LIKE NO OTHER, LOWE'S EMPLOYEES ARE THERE TO HELP.

SPECIAL ORDER SALES

Everyone has thoughts on what will make



We know what customers are looking for.

Early on, Lowe's identified the migration from DIYers to BIYers — customers who have the money, but not always the time, to invest in home improvement projects. This trend prompted Lowe's to anticipate the needs of this emerging group of consumers by offering installation services, creating helpful Web tools, and hiring professionals with the knowledge, skills and practical experience to help customers simplify their home improvement projects. The shift to BIY has also fueled our Commercial Business Customer initiative.

Customers of every interest and skill level shop at Lowe's because they know we have the expertise to answer questions ranging from basic to complex. Our knowledgeable sales associates know how to



explain projects and solutions so first-time DIYers feel confident. And our Lowe's Pros know their specialties inside and out, so there's always an expert on hand to recommend products that give our customers the best value and performance for the job.

INSTALLED SALES

WITH HECTIC SCHEDULES AND A DESIRE TO SPEND MORE TIME ENJOYING OTHER ACTIVITIES, MANY DO-IT-YOURSELFERS HAVE EVOLVED INTO BUY-IT-YOURSELFERS. LOWE'S HAS EXPANDED ITS OFFERING OF INSTALLATION SERVICES TO OVER TWENTY PRODUCT CATEGORIES TO MEET THE NEEDS OF THIS GROWING CUSTOMER SEGMENT.





We're constantly refining our concept.

Markets change. Customers change. And Lowe's is adapting to the needs of our growing consumer base. We're constantly improving our concept with customer-friendly environments and exclusive products designed especially to satisfy the needs and wants of Lowe's customers.

Our research tells us customers enjoy shopping our stores due to the bright store environment, informative displays, and practical store layout. We're able to devote more space to highly focused merchandising efforts — providing customers with better product presentations that enhance their shopping experience while boosting Lowe's sales in categories such as home décor and appliances.

Lowe's recognizes our customers may be looking for a low-cost option, a top-of-the-line solution, or something in between. At Lowe's they can find a comprehensive offering with clear, concise information to easily differentiate the features and benefits associated with each product. For customers who want even more selection, our Special Order Sales program brings hundreds of thousands of more products into the picture.

Through our exclusive and proprietary brands, we are working to give our customers products that have unique characteristics making them different and better than the alternatives previously available in the market. Lowe's Top Choice® Lumber, Kobalt TM Tools and Alexander Julian At Home® décor products are only a few examples where Lowe's has used exclusive or proprietary products to provide customers with better value, through enhanced selection and quality at prices competitive with lesser quality brands.

We're perfecting logistics.

At Lowe's we know the retailer who can move products from the manufacturer through the store to the customer — as quickly and efficiently as possible, and at the lowest possible cost — is the retailer who'll reign supreme in the 21st Century. This conviction explains why inventory management and logistics continued to be a top priority for Lowe's in 2000, and why they remain an important focus for 2001 and beyond.

One important component of Lowe's inventory management plan is its network of distribution centers, which stretches from coast to coast. With new regional distribution centers scheduled to open in Ohio and Southern California in 2001, Lowe's is uniquely positioned to keep products in stock at our stores. This equates to better customer service and increased sales potential, while minimizing

Lowe's distribution costs and inventory investment.

Our information systems are integrated with our inventory management processes, our distribution centers, and the internet to produce a strategic inventory management system maximizing efficiency while minimizing supply-chain costs. And that's a crucial foundation for Lowe's as we continue our expansion in the 21st Century.

Customers have told us they want higher-end, better quality, and uniquely different products. Exclusive brands such as Alexander Julian At Home[®], are designed to ensure Lowe's provides products offering quality, value and a unique sense of design to our customers.



We're watching over the community.



LOWE'S PROVIDES FINANCIAL SUPPORT TO NATIONAL ORGANIZATIONS LIKE THE UNITED WAY AND THE AMERICAN RED CROSS AND CONTINUES TO BE VERY ACTIVE IN THE COMMUNITIES IN WHICH WE OPERATE. LOWE'S ENCOURAGES EMPLOYEES TO VOLUNTEER THEIR TIME THOUGH PROGRAMS LIKE LOWE'S HEROES AND BY SPONSORING COMMUNITY-BASED PROJECTS DESIGNED TO MAKE HOMES SAFER FOR ALL.

Lowe's promotes responsible corporate citizenship through its support of such well-known charitable organizations as the United Way and the American Red Cross. In addition, Lowe's provided assistance to victims of natural disasters throughout 2000. Lowe's employees also have opportunities to enrich their own communities with hands-on involvement through initiatives like Lowe's Heroes and the Lowe's Charitable and Educational Foundation.

As the world's second-largest home improvement chain, Lowe's is a major source of lumber and other wood products — and we want to do our part to protect threatened forests around the world. That's why in 2000, we announced an environmental policy with plans to aggressively phase out the purchase of wood products from endangered forests as these areas are identified and mapped. This includes an immediate ban on wood coming from the Great Bear Rainforest of British Columbia. We will continually work with suppliers to encourage the maintenance of natural forests and environmentally responsible forest practices. When wood is grown, harvested, and managed responsibly, a forest can continue to produce this versatile, renewable resource for many generations.

In addition to our pledge to protect these priceless forests, we've

made a commitment as a founding sponsor of the National Garden, a three-acre greenway adjacent to the U.S. Botanic Garden Conservatory. Located in the heart of our nation's capital, the garden will be the country's premier showcase for unusual, ornamental and indigenous plants, highlighting the interrelationships among people, plants and nature. Groundbreaking is set for 2001. This living museum is sure to provide beauty, education and enjoyment to millions of visitors for years to come.

Lowe's Companies, Inc.

Employees have a bright future with Lowe's.

As an employer of over 100,000 team members, Lowe's never underestimates the important role our employees play in providing advice and solutions to customers, and ultimately, in determining our success. We provide comprehensive, on-going training to our employees to sharpen their product knowledge and people skills, and to allow them to become experts at their jobs. Friendly, confident expertise is what sets Lowe's apart from the competition — and it's what keeps our customers coming back.

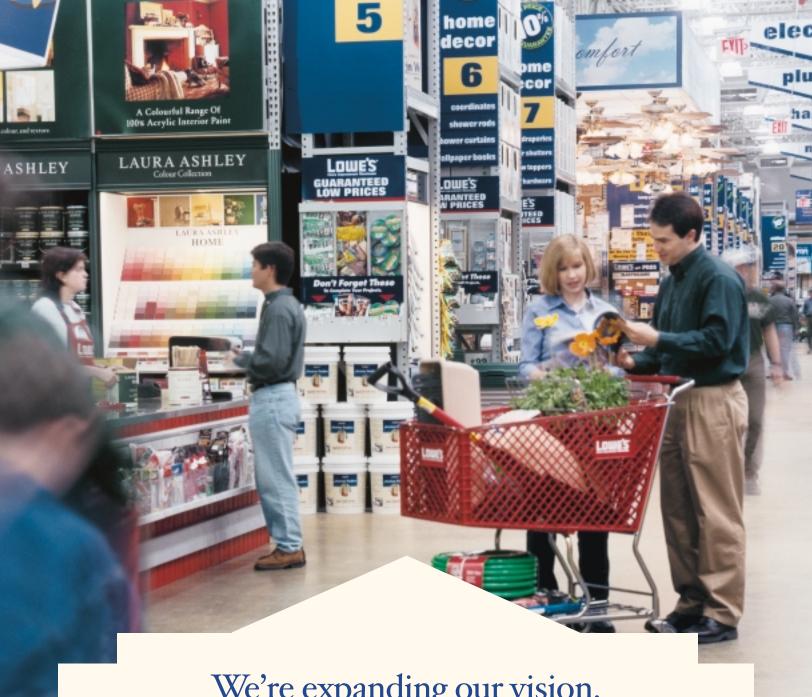
Lowe's actively recruits career-minded individuals to staff our stores, and we provide them with the tools and resources to grow and advance within the company. Company mentorships provide one-on-one guidance to new employees and veteran team members alike, while orientation programs foster company-wide communication and understanding.

Throughout their tenure with the company, employees enjoy competitive pay, benefits, performance incentives, stock options and numerous opportunities for career development. And at the management level, a bonus program, based on store performance, gives outstanding managers a chance to significantly increase their compensation.

Lowe's recognizes the hard work, dedication and performance of all

employees through our "Buy, Own, Save" program for stock accumulation. From day one of their employment, employees are eligible to enroll in Lowe's discounted stock purchase plan which allows them to "Buy" Lowe's stock at a 15 percent discount. After a year of service, qualified employees are automatically enrolled in Lowe's Employee Stock Ownership Plan, and receive annual contributions of Lowe's stock. This allows them to "Own" a stake in Lowe's financial success. Team members are also encouraged to "Save" through Lowe's 401(k) program, our Employee Savings and Investment Plan. All three programs are designed to reward employees for hard work, to create a vehicle for financial security and to link individual success to the success of the company.

AT Lowe's our most valuable asset is our people. Customer service begins with them. We value the role each employee plays in our success, and we reward them with competitive pay, great benefits and the opportunity to grow with Lowe's.



We're expanding our vision.

At Lowe's, we're keeping our promise of Improving Home Improvement. Our innovative new concepts in home improvement retailing are not only attracting new customers from previously untapped markets, they're keeping our present customers coming back, time after time.

Our product knowledge is unmatched. Our superior customer service skills continue to elevate our position among our retail and commercial customers. And most importantly, the tools and processes we continue to perfect will help us serve customers better — and continue to drive our growth. In 2001, our strategy goes far beyond our preferred product selection and everyday low prices. Our 21st century strategy involves identifying and leveraging new opportunities and focusing on geographic expansion. By seizing these crucial opportunities as they present themselves, Lowe's continues to build on our previous successes for the good of our shareholders, employees, customers and the communities in which we operate.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Lowe's Companies, Inc.

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries (the "Company") as of February 2, 2001 and January 28, 2000, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended February 2, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements give retroactive effect to the 1999 merger of the Company and Eagle Hardware and Garden, Inc., which was accounted for as a pooling of interests as described in Note 2 to the consolidated financial statements. We did not audit the statement of earnings, shareholders' equity, and cash flows of Eagle Hardware and Garden, Inc. for the year ended January 29, 1999, which statement of earnings reflects total revenues of \$1,085.7 million. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Eagle Hardware and Garden, Inc. for the fiscal year ended January 29, 1999, is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lowe's Companies, Inc. and subsidiaries at February 2, 2001 and January 28, 2000, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 2, 2001 in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

Charlotte, North Carolina February 20, 2001

Management's Responsibility for Financial Reporting

Lowe's management is responsible for the preparation, integrity and fair presentation of its published financial statements. These statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on management's best estimates and judgements. Lowe's management also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by the independent accounting firm Deloitte & Touche LLP, which was given unrestricted access to all financial records and related data. The Company believes that all representations made to the independent auditors during their audit were valid and appropriate. Deloitte & Touche's audit report presented here provides an independent opinion upon the fairness of the financial statements.

The Company maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance to Lowe's management and Board of Directors regarding the preparation of reliable published financial statements. The system includes appropriate divisions of responsibility, established policies and procedures (including a code of conduct to foster a strong ethical climate) which are communicated throughout the Company, and the careful selection, training and development of its people. Internal auditors monitor the operation of the internal control system and report findings and recommendations to management and the Board of Directors, and corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Board, operating through its audit committee, provides oversight to the financial reporting process.

ROBERT L. TILLMAN

CHAIRMAN OF THE BOARD, PRESIDENT & CHIEF EXECUTIVE OFFICER

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ROBERT A. NIBLOCK SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Our Annual Report talks about our future, particularly in the sections titled "To Our Shareholders" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." While we believe our expectations are reasonable, we can't guarantee them and you should consider this when thinking about statements we make that aren't historical facts. Some of the things that could cause our actual results to differ substantially from our expectations are:

- * Our sales are dependent upon the general economic health of the country, variations in the number of new housing starts, the level of repairs, remodeling and additions to existing homes, commercial building activity, and the availability and cost of financing. An economic downturn can impact sales because much of our inventory is purchased for discretionary projects, which can be delayed.
- * Our expansion strategy may be impacted by environmental regulations, local zoning issues and delays, availability and development of land, and more stringent land use regulations than we have traditionally experienced as well as the availability of sufficient labor to facilitate our growth.
- * Many of our products are commodities whose prices fluctuate erratically within an economic cycle, a condition true of lumber and plywood.
- * Our business is highly competitive, and as we expand to larger markets, and to the internet, we may face new forms of competition which do not exist in some of the markets we have traditionally served.
- * The ability to continue our everyday competitive pricing strategy and provide the products that customers want depends on our vendors providing a reliable supply of inventory at competitive prices.
- * On a short-term basis, weather may impact sales of product groups like lawn and garden, lumber, and building materials.

Management's Discussion and Analysis of FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the Company's consolidated operating results, liquidity and capital resources during the three-year period ended February 2, 2001 (i.e., fiscal years 2000, 1999 and 1998). Fiscal year 2000 includes 53 weeks of sales and expenses while fiscal years 1999 and 1998 include 52 weeks of sales and expenses. This discussion should be read in conjunction with the financial statements and financial statement footnotes included in this annual report.

The Company completed its merger with Eagle Hardware & Garden, Inc. (Eagle) on April 2, 1999. The transaction, which was valued at approximately \$1.3 billion, was structured as a tax-free exchange of the Company's common stock for Eagle's common stock, and was accounted for as a pooling of interests. As a result, all historical financial information is presented on a combined basis.

Operations

Net earnings for 2000 increased 20% to \$809.9 million or 4.3% of sales compared to \$672.8 million or 4.2% of sales for 1999. Net earnings for 1999 increased 34% to \$672.8 million or 4.2% of sales compared to \$500.4 million or 3.8% of sales for 1998. Diluted earnings per share were \$2.11 for 2000 compared to \$1.75 for 1999 and \$1.34 for 1998. Return on beginning assets was 9.0% for 2000 compared to 9.5% for 1999; and return on beginning shareholders' equity was 17.2% for 2000 compared to 18.6% for 1999. Prior year results include a one-time charge of \$.04 per share for costs related to the merger with Eagle on April 2, 1999. Diluted earnings per share increased 18% and net earnings increased 17% over 1999 excluding the one-time charge for the merger.

The Company's sales were \$18.8 billion in 2000, an 18% increase over 1999 sales of \$15.9 billion. Sales for 1999 were 19% higher than 1998 levels. Comparable store sales increased 1.2% in 2000. The increases in sales are attributable to the Company's ongoing store expansion and relocation program. Sales at the Company's comparable stores were impacted by several factors during 2000 including the remerchandising of former Eagle stores and deflation in lumber and building material prices, which produced a negative 170 and 150 basis point impact, respectively. In addition, the Company's 1999 decision to replace highly cyclical, low margin consumer electronics with higher margin, small appliances had a negative 40 basis point impact on comparable store sales but a favorable impact on gross margin dollars. During the year, the Company experienced its strongest sales increases in appliances, flooring, and cabinets. The following table presents sales and store information:

	2000	1999	1998
Sales (in millions)	\$18,779	\$15,906	\$13,331
Sales Increases	18%	19%	20%
Comparable Store Sales Increases	1%	6%	6%
At end of year:			
Stores	650	576	520
Sales Floor Square Feet (in millions)	67.8	57.0	47.8
Average Store Size Square Feet (in thousands)	104	99	92

Gross margin in 2000 was 28.2% of sales compared to 27.5% in 1999. Both of these years showed improvement over the 26.8% rate achieved in 1998. Continued progress in product line reviews and better buying provided margin improvements net of an approximate 10 basis point impact from a company-wide 10% off promotion during December 2000.

Selling, general and administrative expenses (SG&A) were \$3.3 billion or 17.8% of sales in 2000. SG&A in the two previous years were \$2.8 and \$2.3 billion or 17.4% and 17.5% of sales, respectively. During 2000, SG&A increased 21% compared to the 18% increase in sales. The increase in SG&A compared to the sales increase is primarily attributable to an increase in store salaries combined with lower than expected sales levels.

Store opening costs, which were expensed as incurred, were \$131.8 million for 2000 compared to \$98.4 and \$75.6 million in 1999 and 1998, respectively. These costs are associated with the opening of 100 stores in 2000 (80 new and 20 relocated). This compares to 91 stores in 1999 (60 new and 31 relocated) and 81 stores in 1998 (50 new and 31 relocated). As a percentage of sales, store opening costs were 0.7% for 2000 and 0.6% in both 1999 and 1998. Store opening costs averaged approximately \$1.1 million per store in 2000.

Depreciation, reflecting continued fixed asset expansion, increased 21% to \$408.6 million in 2000, compared to increases of 17% and 13% in 1999 and 1998, respectively. Depreciation as a percentage of sales was 2.2% for 2000, a slight increase from 2.1% in 1999 and flat with 1998. Approximately 25% of new stores opened in the last three years have been leased, of which approximately 30% were under capital leases. Property less accumulated depreciation increased to \$7.0 billion at February 2, 2001 compared to \$5.2 billion at January 28, 2000. The increase in property resulted primarily from the Company's store expansion program, including land, building, store equipment, fixtures and displays.

Net interest costs as a percent of sales were 0.7% for 2000, 0.5% for 1999 and 0.6% for 1998. Net interest costs totaled \$120.8 million in 2000, \$84.9 million in 1999 and \$80.9 million in 1998. Interest costs relating to capital leases were \$42.0, \$42.6 and \$39.3 million for 2000, 1999 and 1998, respectively. See the discussion of liquidity and capital resources below.

The Company's effective income tax rates were 36.8%, 36.7% and 36.4% in 2000, 1999 and 1998, respectively. The higher rates in 2000 and 1999 were primarily related to expansion into states with higher state income tax rates. The rate increase in 1999 is also attributable to the impact of non-deductible merger expenses.

Liquidity and Capital Resources

Primary sources of liquidity are cash flows from operating activities and certain financing activities. Net cash provided by operating activities was \$1.1 billion for 2000. This compares to \$1.2 billion and \$746.0 million in 1999 and 1998, respectively. The decrease in net cash provided by operating activities for 2000 is primarily the result of an increase in inventory, net of an increase in accounts payable, from year to year, which was partially offset by increased earnings and a larger increase in other operating liabilities. The increase in net cash provided by operating activities for 1999 and 1998 is primarily related to increased earnings and various operating liabilities which were offset by an increase in inventory, net of an increase in accounts payable, from year to year. Working capital at February 2, 2001 was \$1.2 billion compared to \$1.3 billion at January 28, 2000.

The primary component of net cash used in investing activities continues to be new store facilities in connection with the Company's expansion plan. Cash acquisitions of fixed assets were \$2.3 billion for 2000. This compares to \$1.5 billion and \$1.1 billion for 1999 and 1998, respectively. Retail selling space as of February 2, 2001 increased 19% over the selling space as of January 28, 2000. The January 28, 2000 selling space total of 57.0 million square feet represents a 19% increase over 1998. Investing activities also include noncash transactions of capital leases for new store facilities and equipment, the result of which is to increase long-term debt and property.

Cash flows provided by financing activities were \$1.1 billion in 2000, \$583.5 million in 1999 and \$283.2 million in 1998. The major cash components of financing activities in 2000 included increased cash from the issuance of \$500 million principal amount of 8.25% notes due June 1, 2010 and \$500 million principal amount of 7.50% notes due December 15, 2005. These cash inflows were offset by a decrease in cash due to the payment of \$53.5 million in cash dividends and \$61.3 million in scheduled debt maturities. In 1999, financing activities included the issuance of \$400 million principal amount of 6.5% debentures and \$348.3 million in net proceeds from a common stock offering. These proceeds were offset by a decrease in cash of \$47.6 million in cash dividend payments and \$108.3 million in scheduled debt repayments. Major financing activities during 1998 included cash received from the issuance of \$300 million principal amount of debentures offset by cash dividend payments of \$50.8 million and \$23.3 million of scheduled debt repayments. The ratio of long-term debt to equity plus long-term debt was 33.3%, 27.6% and 28.9% as of fiscal year ends 2000, 1999 and 1998, respectively.

In February 2001, the Company issued \$1.005 billion principal of Liquid Yield Option™ Notes* (LYONs) at an issue price of \$608.41 per LYON. Interest will not be paid on the LYONs prior to maturity. On February 16, 2021, the maturity date, the holders will receive \$1,000 per LYON, representing a yield to maturity of 2.5%. Holders may convert their LYONs at any time on or before the maturity date, unless the LYONs have been purchased or redeemed previously, into 8.224 shares of the Company's common stock per LYON. The Company may redeem for cash all or a portion of the LYONs at any time on or after February 16, 2004 at a price equal to the sum of the issue price and accrued original issue discount on the redemption date. Holders of the LYONs may require the Company to purchase all or a portion of their LYONs on February 16, 2004 at a price of \$655.49 per LYON or on February 16, 2011 at a price of \$780.01 per LYON. The Company may choose to pay the purchase price of the LYONs in cash or common stock, or a combination of cash and common stock. In addition, if a change in the control of the Company occurs on or before February 16, 2004, each holder may require the Company to purchase, for cash, all or a portion of the holder's LYONs.

The Company has a \$300 million revolving credit facility with a syndicate of eleven banks expiring in November 2001. The facility is used to support the Company's commercial paper program and for short-term borrowings. Commercial paper outstanding under this credit facility was \$149.8 million as of February 2, 2001. The Company has available lines of credit aggregating \$218 million for the purpose of issuing documentary letters of credit and standby letters of credit. At February 2, 2001, outstanding letters of credit aggregated \$133.2 million. The Company also has \$100 million available, on an unsecured basis, for the purpose of short-term borrowings on a bid basis from various banks. At February 2, 2001, there were no borrowings outstanding under this line of credit. In addition, the Company has a \$100 million revolving credit and security agreement from a financial institution with \$100 million outstanding at February 2, 2001.

The Company's 2001 capital budget is currently at \$2.7 billion, inclusive of approximately \$286 million of operating or capital leases. Approximately 89% of this planned commitment is for store expansion and new distribution centers. Expansion plans for 2001 consist of approximately 115 to 120 stores (including the relocation of 12 older, smaller format stores). This planned expansion is expected to increase sales floor square footage by approximately 18% to 20%. Approximately 6% of the 2001 projects will be leased and 94% will be owned. At February 2, 2001, the Company operated five regional distribution centers. During 2000, the Company began construction on two additional regional distribution centers. The first is located in Perris, California and is expected to be operational in the first quarter of 2001. The second is located in Findlay, Ohio and is expected to be operational in late 2001. During 2001, it is expected that the Company will begin construction on a 900,000-square-foot regional distribution center located in Cheyenne, Wyoming. The Company believes that funds from operations, funds from debt issuances, leases and existing short-term credit agreements will be adequate to finance the 2001 expansion plan and other operating requirements.

Market Risk

The Company's major market risk exposure is the potential loss arising from the impact of changing interest rates on long-term debt. The Company's policy is to manage interest rate risks by maintaining a combination of fixed and variable rate financial instruments. The following table summarizes the Company's market risks associated with long-term debt. The table presents principal cash outflows and related interest rates by year of maturity, excluding unamortized original issue discount. Fair values included below were determined using quoted market rates or interest rates that are currently available to the Company on debt with similar terms and remaining maturities.

LONG-TERM DEBT MATURITIES BY FISCAL YEAR

		Average		Average
	FIXED	Interest	VARIABLE	Interest
(Dollars in Millions)	Rate	Rate	Rate	Rate
2001	\$ 26.1	7.58%	\$ 0.1	4.60%
2002	43.2	7.63	0.1	4.60
2003	11.9	7.58	0.1	4.60
2004	59.1	7.95	0.1	4.60
2005	612.7	7.32	0.1	4.60
Thereafter	1,534.0	7.30%	2.1	4.27%
Total	\$ 2,287.0		\$ 2.6	
Fair Value	\$ 2,269.1		\$ 2.6	

The Company's market risk has not changed materially since last year with the exception of new debt issued during 2000.

New Accounting Pronouncements

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), was issued in June 1998. SFAS 133, as amended by SFAS 137 and SFAS 138, is effective for the Company as of February 3, 2001 and requires that all derivatives be recognized as either assets or liabilities in the balance sheet at fair value. Management does not believe that the adoption of SFAS 133 will have a material impact on the Company's financial condition and results of operations.

Lowe's Companies, Inc. Consolidated Statements of Earnings

(In Thousands, Except Per Share Data) Years Ended on	I	February 2, 2001	% Sales	_	January 28, 2000	% Sales	J	January 29, 1999	% Sales
Net Sales	\$ 1	8,778,559	100.0%	\$	15,905,595	100.0%	\$ 1	3,330,540	100.0%
Cost of Sales	1	3,487,791	71.8		11,525,013	72.5		9,756,645	73.2
Gross Margin		5,290,768	28.2		4,380,582	27.5		3,573,895	26.8
Expenses:									
Selling, General and Administrative		3,348,060	17.8		2,772,428	17.4		2,341,410	17.5
Store Opening Costs		131,825	0.7		98,448	0.6		75,571	0.6
Depreciation		408,618	2.2		337,359	2.1		288,607	2.2
Interest (Note 14)		120,825	0.7		84,852	0.5		80,941	0.6
Nonrecurring Merger Costs (Note 2)		_	_		24,378	0.2		_	_
Total Expenses		4,009,328	21.4		3,317,465	20.8		2,786,529	20.9
Pre-Tax Earnings		1,281,440	6.8		1,063,117	6.7		787,366	5.9
Income Tax Provision (Note 12)		471,569	2.5		390,322	2.5		286,992	2.1
Net Earnings	\$	809,871	4.3%	\$	672,795	4.2 %	\$	500,374	3.8%
Basic Earnings Per Share (Note 8)	\$	2.12		\$	1.76		\$	1.35	
Diluted Earnings Per Share (Note 8)	\$	2.11		\$	1.75		\$	1.34	
Cash Dividends Per Share	\$	0.14		\$	0.13		\$	0.12	

Lowe's Companies, Inc. Consolidated Balance Sheets

(In Thousands)	February 2, 2001	% Total	January 28, 2000	% Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 455,658	4.0 %	\$ 491,122	5.5 %
Short-Term Investments (Note 3)	12,871	0.1	77,670	0.9
Accounts Receivable — Net (Notes 1 and 5)	160,985	1.4	147,901	1.6
Merchandise Inventory (Note 1)	3,285,370	28.9	2,812,361	31.2
Deferred Income Taxes (Note 12)	81,044	0.7	53,145	0.6
Other Current Assets	179,085	1.6	110,957	1.2
Total Current Assets	4,175,013	36.7	3,693,156	41.0
Property, Less Accumulated Depreciation (Notes 4 and 6)	7,034,960	61.8	5,177,222	57.5
Long-Term Investments (Note 3)	34,690	0.3	31,114	0.3
Other Assets (Note 1)	131,091	1.2	110,831	1.2
Total Assets	\$11,375,754	100.0 %	\$ 9,012,323	100.0 %
Liabilities and Shareholders' Equity				
Current Liabilities:				
Short-Term Borrowings (Note 5)	\$ 249,829	2.2 %	\$ 92,475	1.0%
Current Maturities of Long-Term Debt (Note 6)	42,341	0.4	59,908	0.7
Accounts Payable	1,731,957	15.2	1,566,946	17.4
Employee Retirement Plans (Note 11)	75,656	0.7	101,946	1.1
Accrued Salaries and Wages	166,392	1.4	164,003	1.8
Other Current Liabilities	662,410	5.8	400,676	4.5
Total Current Liabilities	2,928,585	25.7	2,385,954	26.5
Long-Term Debt, Excluding Current Maturities (Notes 6, 7 and 10)	2,697,669	23.8	1,726,579	19.2
Deferred Income Taxes (Note 12)	251,450	2.2	199,824	2.2
Other Long-Term Liabilities	3,165	_	4,495	_
Total Liabilities	5,880,869	51.7	4,316,852	47.9
Shareholders' Equity (Note 9):				
Preferred Stock $-$ \$5 Par Value, none issued	_		_	
Common Stock — \$.50 Par Value;				
Shares Issued and Outstanding				
February 2, 2001 383,242				
January 28, 2000 382,359	191,621	1.7	191,179	2.1
Capital in Excess of Par Value	1,786,769	15.7	1,755,616	19.5
Retained Earnings	3,518,356	30.9	2,761,964	30.6
Unearned Compensation — Restricted Stock Awards	(2,312)	_	(12,868)	(0.1)
Accumulated Other Comprehensive Income (Loss)	451	_	(420)	_
Total Shareholders' Equity	5,494,885	48.3	4,695,471	52.1
Total Liabilities and Shareholders' Equity	\$11,375,754	100.0 %	\$ 9,012,323	100.0 %

Lowe's Companies, Inc. Consolidated Statements of Shareholders' Equity

		on Stock	Capital in Excess of	RETAINED	Unearned Compensation Restricted	Accumulated Other Comprehensive	Total Shareholders'
(In Thousands)	369,238	AMOUNT \$ 184,619	PAR VALUE	EARNINGS	\$ (32,694)	INCOME (LOSS) \$ 188	\$ 2,978,004
Balance January 30, 1998 Comprehensive Income:	309,236	3 104,019	\$1,148,367	\$1,677,524	\$ (32,094)	J 100	\$ 2,976,004
Net Earnings				500,374			
· ·				300,374			
Other comprehensive income, net of income taxes and reclassification							
adjustments: unrealized gain on							
available-for-sale securities (Note 9)						229	
Total Comprehensive Income						229	500,603
Tax Effect of Non-qualified							500,005
Stock Options Exercised			4,371				4,371
Cash Dividends			1,571	(41,171)			(41,171)
Employee Stock Options Exercised (Note 9)	676	338	12,853	(11,171)			13,191
Stock Issued to ESOP (Note 11)	1,666	833	59,691				60,524
Conversion of Convertible Debt to Stock	3,060	1,530	84,862				86,392
Shares Issued to Directors (Note 9)	12	6	469				475
Unearned Compensation — Restricted		Ü	107				.,,
Stock Awards (Note 9)	(264)	(132)	15,203		2,307		17,378
Balance January 29, 1999	374,388	187,194	1,325,816	2,136,727	(30,387)	417	3,619,767
Comprehensive Income:	37 1,300	107,171	1,525,010	2,130,727	(30,307)	117	3,017,707
Net Earnings				672,795			
Other comprehensive income, net							
of income taxes and reclassification							
adjustments: unrealized loss on							
available-for-sale securities (Note 9)						(837)	
Total Comprehensive Income						` ,	671,958
Tax Effect of Non-qualified							,
Stock Options Exercised			9,888				9,888
Cash Dividends				(47,558)			(47,558)
Common Stock Offering	6,207	3,103	345,197				348,300
Employee Stock Options Exercised (Note 9)	832	416	20,620				21,036
Stock Issued to ESOP (Note 11)	1,078	539	58,973				59,512
Shares Issued to Directors (Note 9)	16	8	43				51
Unearned Compensation —							
Restricted Stock Awards (Note 9)	(162)	(81)	(4,921)		17,519		12,517
Balance January 28, 2000	382,359	191,179	1,755,616	2,761,964	(12,868)	(420)	4,695,471
Comprehensive Income:							
Net Earnings				809,871			
Other comprehensive income, net							
of income taxes and reclassification							
adjustments: unrealized gain on							
available-for-sale securities (Note 9)						871	
Total Comprehensive Income							810,742
Tax Effect of Non-qualified							
Stock Options Exercised			7,465				7,465
Cash Dividends				(53,479)			(53,479)
Employee Stock Options Exercised (Note 9)	628	314	11,746				12,060
Directors' Stock Options Exercised	72	36	394				430
Employee Stock Purchase Plan (Note 9)	437	219	14,670				14,889
${\it Unearned Compensation-Restricted}$							
Stock Awards (Note 9)	(254)	(127)	(3,122)		10,556		7,307
Balance February 2, 2001	383,242	\$ 191,621	\$1,786,769	\$3,518,356	\$ (2,312)	\$ 451	\$ 5,494,885

Lowe's Companies, Inc. Consolidated Statements of Cash Flows

(In Thousands) Years Ended On	February 2, 2001	January 28, 2000	January 29, 1999	
Cash Flows From Operating Activities:				
Net Earnings	\$ 809,871	\$ 672,795	\$ 500,374	
Adjustments to Reconcile Net Earnings to Net Cash				
Provided By Operating Activities:				
Depreciation and Amortization	409,511	337,822	289,052	
Deferred Income Taxes	23,284	13,439	8,226	
Loss on Disposition/Writedown of Fixed and Other Assets	22,733	51,520	24,018	
Tax Effect of Stock Options Exercised	7,465	9,888	4,371	
Changes in Operating Assets and Liabilities:				
Accounts Receivable — Net	(13,084)	(3,973)	(25,520)	
Merchandise Inventory	(473,009)	(427,661)	(399,660)	
Other Operating Assets	(66,243)	(61,319)	(7,937)	
Accounts Payable	165,011	346,403	184,660	
Employee Retirement Plans	(26,357)	76,024	75,675	
Other Operating Liabilities	270,527	182,223	92,757	
Net Cash Provided by Operating Activities	1,129,709	1,197,161	746,016	
Cash Flows from Investing Activities:				
(Increase) Decrease in Investment Assets:				
Short-Term Investments	75,738	(50,998)	19,848	
Purchases of Long-Term Investments	(13,951)	(12,413)	(19,866)	
Proceeds from Sale/Maturity of Long-Term Investments	750	2,531	2,644	
Increase in Other Long Term Assets	(51,675)	(53,028)	(21,723)	
Fixed Assets Acquired	(2,331,922)	(1,472,348)	(1,078,107)	
Proceeds from the Sale of Fixed and Other Long-Term Assets	71,399	67,837	38,202	
Net Cash Used in Investing Activities	(2,249,661)	(1,518,419)	(1,059,002)	
Cash Flows from Financing Activities:				
Net Increase (Decrease) in Short-Term Borrowings	157,354	(24,600)	18,971	
Long-Term Debt Borrowings	1,014,878	394,588	328,159	
Repayment of Long-Term Debt	(61,285)	(108,309)	(23,318)	
Proceeds from Stock Offering	_	348,300	_	
Proceeds from Employee Stock Purchase Plan	14,889	_	_	
Proceeds from Stock Options Exercised	12,131	21,085	10,102	
Cash Dividend Payments	(53,479)	(47,558)	(50,757)	
Net Cash Provided by Financing Activities	1,084,488	583,506	283,157	
Net Increase (Decrease) in Cash and Cash Equivalents	(35,464)	262,248	(29,829)	
Cash and Cash Equivalents, Beginning of Year	491,122	228,874	258,703	
Cash and Cash Equivalents, End of Year	\$ 455,658	\$ 491,122	\$ 228,874	

Notes to Consolidated Financial Statements

Years Ended February 2, 2001, January 28, 2000 and January 29, 1999



The Company is the world's second largest home improvement retailer and operated 650 stores in 40 states from coast to coast at February 2, 2001. Below are those accounting policies considered to be significant.

FISCAL YEAR The Company's fiscal year ends on the Friday nearest January 31. The fiscal year ended February 2, 2001 had 53 weeks. The fiscal years ended January 28, 2000 and January 29, 1999 each had 52 weeks. All references herein for the years 2000, 1999 and 1998 represent the fiscal years ended February 2, 2001, January 28, 2000 and January 29, 1999, respectively.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated.

USE OF ESTIMATES The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased.

INVESTMENTS The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to five years. Investments, exclusive of cash equivalents, with a maturity date of one year or less from the balance sheet date or that are expected to be used in current operations are classified as short-term investments. All other investments are classified as long-term. Investments consist primarily of tax-exempt notes and bonds, municipal preferred tax-exempt stock and repurchase agreements.

The Company has classified all investment securities as available-for-sale, and they are carried at fair market value. Unrealized gains and losses on such securities are included in accumulated other comprehensive income in shareholders' equity.

DERIVATIVE FINANCIAL INSTRUMENTS The Company does not use derivative financial instruments for trading purposes. Interest rate swap and cap agreements, which are occasionally used by the Company in the management of interest rate exposure, are accounted for on a settlement basis. Income and expense are recorded in the same category as that arising from the related liability. As of February 2, 2001, the Company was not a party to any significant derivative financial instruments.

ACCOUNTS RECEIVABLE The majority of accounts receivable arise from sales to commercial business customers. The allowance for doubtful accounts is based on historical experience and a review of existing receivables. The allowance for doubtful accounts was \$2.0 million at February 2, 2001 and January 28, 2000.

Sales generated through the Company's private label credit cards are not reflected in receivables. Under an agreement with Monogram Credit Card Bank of Georgia (the Bank), a wholly owned subsidiary of General Electric Capital Corporation, consumer credit is extended directly to customers by the Bank and all credit program related services are performed directly by the Bank.

MERCHANDISE INVENTORY Inventory is stated at the lower of cost or market using the first-in, first-out method of inventory accounting. The cost of inventory also includes certain costs associated with the preparation of inventory for resale.

PROPERTY AND DEPRECIATION Property is recorded at cost. Costs associated with major additions are capitalized and depreciated. Upon disposal, the cost of properties and related accumulated depreciation are removed from the accounts with gains and losses reflected in earnings.

Depreciation is provided over the estimated useful lives of the depreciable assets. Assets are generally depreciated on the straight-line method. Leasehold improvements are depreciated over the shorter of their estimated useful lives or term of the related lease.

Leases Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term, if shorter, and the charge to earnings is included in depreciation expense in the consolidated financial statements.

SELF INSURANCE The Company is self insured for certain losses relating to workers' compensation, automobile, general and product liability claims. The Company has stop loss coverages to limit the exposure arising from these claims. Self-insurance losses

for claims filed and claims incurred but not reported are accrued based upon the Company's estimates of the aggregate liability for uninsured claims incurred using actuarial assumptions followed in the insurance industry and the Company's historical experience.

INCOME TAXES Income taxes are provided for temporary differences between the tax and financial accounting bases of assets and liabilities using the liability method. The tax effects of such differences are reflected in the balance sheet at the enacted tax rates expected to be in effect when the differences reverse.

STORE PRE-OPENING COSTS Costs of opening new retail stores are charged to operations as incurred.

IMPAIRMENT / STORE CLOSING COSTS Losses related to impairment of long-lived assets and for long-lived assets to be disposed of are recognized when expected future cash flows are less than the assets' carrying value. At the time management commits to close or relocate a store location, the Company evaluates the carrying value of the assets in relation to its expected future cash flows. If the carrying value of the assets is greater than the expected future cash flows, a provision is made for the impairment of the assets. When a leased location becomes impaired, a provision is made for the present value of future lease obligations, net of anticipated sublease income. Provisions for impairment and store closing costs are included in selling, general and administrative expenses.

The estimated realizable value of closed store real estate is included in other assets and amounted to \$76.4 and \$56.4 million at February 2, 2001 and January 28, 2000, respectively.

REVENUE RECOGNITION The Company recognizes revenues when sales transactions occur and customers take possession of the merchandise. A provision for merchandise returns is provided in the period that the related sales are recorded.

ADVERTISING Costs associated with advertising are charged to operations as incurred. Advertising expenses were \$114.1, \$69.2 and \$116.5 million for 2000, 1999 and 1998, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), was issued in June 1998. SFAS 133, as amended by SFAS 137 and SFAS 138, is effective for the Company as of February 3, 2001 and requires that all derivatives be recognized as either assets or liabilities in the balance sheet at fair value. Management does not believe that the adoption of SFAS 133 will have a material impact on the Company's financial condition and results of operations.

Merger

The Company completed its merger with Eagle Hardware & Garden, Inc. (Eagle) on April 2, 1999. The transaction was structured as a tax-free exchange of the Company's common stock for Eagle's common stock, and was accounted for as a pooling of interests. The Company incurred \$24.4 million of merger related costs which were charged to operations during the first quarter of fiscal year 1999. These costs consisted of \$15.7 million relating to the write-off of nonusable Eagle properties, \$1.5 million for severance obligations to former Eagle executives, and \$7.2 million in direct merger costs such as accounting, legal, investment banking and other miscellaneous fees. As a result of the merger, all historical financial information is being presented on a combined basis.

Investments

The Company's investment securities are classified as available-for-sale. The amortized cost, gross unrealized holding gains and losses and fair values of the investments at February 2, 2001 and January 28, 2000 are as follows:

FEBRUARY	2,	200)]
GROSS			(

		Gross	Gross	
(In Thousands)	Amortized	Unrealized	Unrealized	Fair
Түре	Cost	Gains	Losses	VALUE
Municipal Obligations	\$ 12,836	\$ 51	\$ 16	\$12,871
Classified as Short-Term	12,836	51	16	12,871
Municipal Obligations	23,800	276	1	24,075
Federal Agency Note	500	10	_	510
Corporate Notes	9,756	349	_	10,105
Classified as Long-Term	34,056	635	1	34,690
Total	\$ 46,892	\$686	\$ 17	\$47,561

JANUARY 28, 2000

		Gross	Gross	
(In Thousands)	Amortized	Unrealized	Unrealized	Fair
Туре	Cost	Gains	Losses	VALUE
Municipal Obligations	\$ 10,668	\$ 12	\$ 10	\$10,670
Money Market Preferred Stock	k 67,000	_	_	67,000
Classified as Short-Term	77,668	12	10	77,670
Municipal Obligations	31,761	8	655	31,114
Classified as Long-Term	31,761	8	655	31,114
Total	\$109,429	\$ 20	\$665	\$108,784

The proceeds from sales of available-for-sale securities were \$8.6, \$17.1 and \$37.5 million for 2000, 1999 and 1998, respectively. Gross realized gains and losses on the sale of available-for-sale securities were not significant for any of the periods presented. Municipal

obligations, corporate notes and the federal agency note classified as long-term at February 2, 2001 will mature in 1 to 5 years.



Property is summarized below by major class:

	February 2,	January 28,
(In Thousands)	2001	2000
Cost:		
Land	\$2,150,206	\$ 1,488,896
Buildings	3,465,163	2,516,951
Store, Distribution and Office Equipment	2,623,822	2,147,532
Leasehold Improvements	389,140	293,945
Total Cost	8,628,331	6,447,324
Accumulated Depreciation and Amortization	(1,593,371)	(1,270,102)
Net Property	\$7,034,960	\$5,177,222

The estimated depreciable lives, in years, of the Company's property are: buildings, 20 to 40; store, distribution and office equipment, 3 to 10; leasehold improvements, generally the life of the related lease.

Net property includes \$454.4 and \$478.6 million in assets under capital leases at February 2, 2001 and January 28, 2000, respectively.



The Company has a \$300 million revolving credit facility expiring in November 2001 with a syndicate of 11 banks. The facility is used to support the Company's commercial paper program and for short-term borrowings. Facility fees ranging from .06% to .075% are paid on the unused amount of these facilities. The revolving credit facility contains certain restrictive covenants including maintenance of specific financial ratios. As of February 2, 2001, the Company had \$149.8 million of commercial paper outstanding under this revolving credit facility. There were no borrowings outstanding under this facility as of January 28, 2000.

A \$100 million revolving credit and security agreement, expiring in November 2001 and renewable annually, is available from a financial institution. Interest rates under this agreement are determined at the time of borrowing. Under the current terms of the agreement, borrowings are based upon commercial paper rates plus 29 basis points. The Company had \$100 million out-

standing at February 2, 2001 and \$92.5 million outstanding at January 28, 2000 under this credit and security agreement. At February 2, 2001 and January 28, 2000, \$145.0 million and \$146.7 million, respectively, of the Company's accounts receivable were pledged as collateral under this agreement.

In addition, \$100 million was available as of February 2, 2001, and \$50 million was available on January 28, 2000, on an unsecured basis, for the purpose of short-term borrowings on a bid basis from various banks. These lines are uncommitted and are reviewed periodically by both the banks and the Company. There were no borrowings outstanding under these lines of credit as of February 2, 2001 or January 28, 2000.

Seven banks have extended lines of credit aggregating \$218.2 million for the purpose of issuing documentary letters of credit and standby letters of credit. These lines do not have termination dates but are reviewed periodically. Commitment fees ranging from .25% to .50% per annum are paid on the amounts of standby letters of credit issued. Outstanding letters of credit totaled \$133.2 million at February 2, 2001.

The weighted average interest rate on short-term borrowings outstanding at February 2, 2001 and January 28, 2000 was 6.40% and 5.91%, respectively.



Long-Term Debt

<i>a a</i>			FISCAL YEAR	ъ з		30
(In Thousands) Debt Category	Interes	ST RATES	OF FINAL MATURITY	February 2 2001		NUARY 28, 2000
Secured Debt:1						
Mortgage Notes	7.00% to	9.25%	2028	\$ 93,395	\$	79,927
Other Notes	3.87% to	8.00%	2020	7,117		9,124
Unsecured Debt:						
Debentures	6.50% to	6.88%	2029	691,481		691,167
Notes	7.50% to	8.25%	2010	992,583		_
Medium Term Notes						
Series A	7.08% to	8.20%	2023	121,000		155,000
Medium Term Notes	2					
Series B	6.70% to	7.61%	2037	266,215		266,067
Senior Notes		6.38%	2005	99,493		99,386
Capital Leases	6.12% to	19.57%	2029	468,726		485,816
Total Long-Term D	ebt			2,740,010	1	,786,487
Less Current Maturit	42,341		59,908			
Long-Term Debt, E	xcluding					
Current Maturities	\$2,697,669	\$1	,726,579			

Debt maturities, exclusive of capital leases, for the next five fiscal years are as follows (in millions): 2001, \$26.3; 2002, \$43.3; 2003, \$12.0; 2004, \$59.2; 2005, \$612.7.

The Company's debentures, senior notes and medium term notes contain certain financial covenants, including the maintenance of specific financial ratios. The Company was in compliance with these covenants at February 2, 2001 and January 28, 2000.

In February 2001, the Company issued \$1.005 billion principal of Liquid Yield OptionTM Notes (LYONs) at an issue price of \$608.41 per LYON. Interest will not be paid on the LYONs prior to maturity. On February 16, 2021, the maturity date, the holders will receive \$1,000 per LYON, representing a yield to maturity of 2.5%. Holders may convert their LYONs at any time on or before the maturity date, unless the LYONs have been purchased or redeemed previously, into 8.224 shares of the Company's common stock per LYON. The Company may redeem for cash all or a portion of the LYONs at any time on or after February 16, 2004 at a price equal to the sum of the issue price and accrued original issue discount on the redemption date. Holders of the LYONs may require the Company to purchase all or a portion of their LYONs on February 16, 2004 at a price of \$655.49 per LYON or on February 16, 2011 at a price of \$780.01 per LYON. The Company may choose to pay the purchase price of the LYONs in cash or common stock, or a combination of cash and common stock. In addition, if a change in control of the Company occurs on or before February 16, 2004, each holder may require the Company to purchase, for cash, all or a portion of the holder's LYONs.

 1 Real properties pledged as collateral for secured debt had net book values at February 2, 2001, as follows: mortgage notes \$164.7 million and other notes \$29.1 million.

²Approximately 37% of these Medium Term Notes may be put at the option of the holder on either the tenth or twentieth anniversary date of the issue. None of these notes are currently putable.

Financial Instruments

Cash and cash equivalents, accounts receivable, short-term borrowings, trade accounts payable, and accrued liabilities are reflected in the financial statements at cost which approximates fair value. Short and long-term investments, classified as available-for-sale securities, are reflected in the financial statements at fair value. Estimated fair values for long-term debt have been determined using available market information and

appropriate valuation methodologies. However, considerable judgement is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The fair value of the Company's long-term debt excluding capital leases is as follows:

	Febru	ARY 2, 2001	January 28, 2000		
	CARRYING	Fair	Carrying	Fair	
(In Thousands)	Amount	VALUE	Amount	VALUE	
Liabilities:					
Long-Term Debt					
(Excluding Capital Leases)	\$2,271,284	\$2,271,729	\$1,300,671	\$1,202,311	

Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues that are not quoted on an exchange.

Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net earnings by the weightedaverage number of common shares outstanding for the period. Diluted EPS includes the dilutive effects of common stock equivalents and convertible debt, as applicable. Following is the reconciliation of EPS for 2000, 1999 and 1998.

(In Thousands, Except Per Share Da	ATA)	2000		1999	1998
Basic Earnings per Share:					
Net Earnings	\$	809,871	\$ 6	72,795	\$ 500,374
Weighted Average Shares					
Outstanding		382,798	38	31,240	370,812
Basic Earnings per Share	\$	2.12	\$	1.76	\$ 1.35
Diluted Earnings per Share:					
Net Earnings	\$	809,871	\$ 67	72,795	\$ 500,374
Net Earnings Adjustment for					
Convertible Debt		-		-	3,589
Net Earnings, as Adjusted	\$	809,871	\$ 67	72,795	\$ 503,963
Weighted Average Shares					
Outstanding		382,798	38	31,240	370,812
Dilutive Effect of Stock Options		1,677		2,614	1,954
Dilutive Effect of Convertible Deb	t	_		-	2,985
Weighted Average Shares,					
as Adjusted		384,475	38	33,854	375,751
Diluted Earnings per Share	\$	2.11	\$	1.75	\$ 1.34

Shareholders' Equity

Authorized shares of common stock were 1.4 billion at February 2, 2001 and January 28, 2000.

The Company has 5 million authorized shares of preferred stock (\$5 par), none of which have been issued. The Board of Directors may issue the preferred stock (without action by shareholders) in one or more series, having such voting rights, dividend and liquidation preferences and such conversion and other rights as may be designated by the Board of Directors at the time of issuance.

The Company has a shareholders rights plan, which provides for the distribution of one preferred share purchase right on each outstanding share of common stock. Purchase rights become distributable and exercisable only if a person or group acquires or commences an offer to acquire 15% or more of Lowe's common stock. Once exercisable, each purchase right will entitle shareholders (other than the acquiring person or group) to buy a unit of a series of preferred stock for \$152.50; the price of the unit to the acquiring person or group in such event would be \$305. Each unit is intended to be the economic equivalent of a share of common stock, and the plan was adopted to act as a deterrent to unsolicited offers to acquire control of the Company. The rights plan will expire in 2008, unless the Company earlier redeems the rights.

The Company has two stock incentive plans, referred to as the "1994" and "1997" Incentive Plans, under which incentive and nonqualified stock options may be granted to key employees. No awards may be granted after January 31, 2004 under the 1994 plan and 2007 under the 1997 plan. Stock options generally have terms ranging from 5 to 10 years, normally vest evenly over 3 years, and are assigned an exercise price of not less than the fair market value on the date of grant. At February 2, 2001, there were 66,283 and 3,494,025 shares available for grants under the 1994 and 1997 plans, respectively.

Stock option information related to the 1994 and 1997 Incentive Plans is summarized as follows:

KEY EMPLOYEE STOCK OPTION PLANS

	Shares (In Thousands)	Weighted-Average Exercise Price Per Share
Outstanding at January 30, 1998	4,747	\$19.03
Granted	1,991	\$41.20
Canceled or Expired	(306)	\$20.04
Exercised	(688)	\$18.83
Outstanding at January 29, 1999	5,744	\$26.69
Granted	1,144	\$49.93
Canceled or Expired	(620)	\$42.76
Exercised	(735)	\$21.46
Outstanding at January 28, 2000	5,533	\$32.36
Granted	3,685	\$46.78
Canceled or Expired	(836)	\$46.65
Exercised	(628)	\$20.06
Outstanding at February 2, 2001	7,754	\$38.86
Exercisable at February 2, 2001	4,711	\$33.87

	O	UTSTANDING		Exercisa	BLE
_		Weighted-	WEIGHTED-	-	Weighted-
RANGE OF		Average	Average		Average
Exercise	OPTIONS	REMAINING	Exercise	Options	Exercise
Prices (In	THOUSANDS)	Term	PRICE	(In Thousands)	PRICE
\$ 2.87 - \$ 4.17	37	0.6	\$ 3.65	37	\$ 3.65
10.36 - 15.04	132	3.7	11.65	132	11.65
17.39 - 25.79	1,936	3.3	21.17	1,936	21.17
26.37 - 39.46	279	6.2	31.75	256	31.49
41.41 - 61.31	5,366	5.6	46.58	2,348	46.29
\$62.31 - \$64.07	4	8.1	63.03	2	63.03
Totals	7,754	5.0	\$ 38.86	4,711	\$ 33.87

Restricted stock awards of 10,000 and 870,700 shares, with per share weighted-average fair values of \$35.13 and \$24.80, were granted to certain executives in 1998 and 1997, respectively. No restricted stock awards were granted in 2000 and 1999. These shares are nontransferable and subject to forfeiture for periods prescribed by the Company. These shares may become transferable and vested earlier based on achievement of certain performance measures. During 2000, a total of 68,450 shares were forfeited and 720,200 shares became vested. At February 2, 2001, grants totaling 372,950 shares are included in shareholders' equity and are being amortized as earned over periods not exceeding four years. Related expense (charged to compensation expense) for 2000, 1999 and 1998 was \$7.3, \$12.5, and \$18.5 million, respectively.

In 1999, the Company's shareholders approved the Lowe's Companies, Inc. Directors' Stock Option Plan. During the term of the Plan, each non-employee Director will be awarded 2,000 options on the date of the first board meeting after each annual

meeting of the Company's shareholders (the award date). The maximum number of shares available for grant under the Plan is 250,000, subject to adjustment. No awards may be granted under the Plan after the award date in 2008. The options vest evenly over three years, expire after seven years and are assigned a price equal to the fair market value of the Company's common stock on the date of grant. During 2000, 16,000 shares were granted at a price of \$45.75 per share; these shares remained exercisable on February 2, 2001. During 1999, 18,000 shares were granted under the Plan at a price of \$51.69 per share. Shares exercisable from this grant are 13,332 at February 2, 2001 as 4,668 shares were forfeited during 2000.

The Directors' Stock Option Plan replaced the Directors' Stock Incentive Plan that expired on May 29, 1998. A maximum of 50,000 shares was available for issuance under this Plan. In 1998, 12,000 shares were issued under the Plan. Prior to its expiration in 1994, 280,000 stock options were granted under a Non-Employee Directors' Stock Option Plan. In 2000, 1999 and 1998, 72,000, 16,000 and 40,000 shares, respectively, were exercised under this Plan. In 2000, 8,000 shares were canceled under the Plan. No shares were canceled in 1999 and 1998. At February 2, 2001, 8,000 shares were outstanding, all of which were exercisable. Of the remaining outstanding options at February 2, 2001, the exercise price per share is \$5.48 per share and the remaining term is one year.

During 2000, the Company established a qualified Employee Stock Purchase Plan that allows qualified employees to participate in the purchase of designated shares of the Company's common stock. Five million shares were authorized for this Plan with 4,562,776 remaining available at February 2, 2001. The purchase price of this stock is equal to 85% of the lower of the closing price at the beginning or the end of each semi-annual stock purchase period. The Company issued 437,224 shares of common stock pursuant to this Plan during 2000. No compensation expense has been recorded in the accompanying consolidated statement of earnings related to this Plan as the Plan qualifies as non-compensatory.

The Company applies the intrinsic value method of accounting for its stock-based compensation plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant, other than for restricted stock grants. Had compensation expense for 2000, 1999 and 1998 stock options granted been determined using the fair value method,

the Company's net earnings and earnings per share (EPS) amounts for 2000, 1999 and 1998 would approximate the following pro forma amounts (in thousands, except per share data):

	2000				1999			1998				
		As		Pro		As		Pro		As		Pro
	REP	ORTED		Forma	Rı	EPORTED		Forma	Rı	EPORTED		Forma
Net Earnings	\$80	9,871	\$7	73,430	\$6	72,795	\$6	552,786	\$5	00,374	\$4	91,151
Basic EPS	\$	2.12	\$	2.02	\$	1.76	\$	1.71	\$	1.35	\$	1.32
Diluted EPS	\$	2.11	\$	2.01	\$	1.75	\$	1.70	\$	1.34	\$	1.32

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions listed below.

	2000	1999	1998
Weighted average fair value per option	\$ 23.13	\$ 26.05	\$ 17.48
Assumptions used:			
Weighted average expected volatility	37.7%	38.1%	34.2%
Weighted average expected dividend yield	0.41%	0.52%	0.31%
Weighted average risk-free interest rate	5.15%	6.24%	4.78%
Weighted average expected life, in years	7.0	7.0	7.3

The Company reports comprehensive income in its consolidated statement of shareholders' equity. Comprehensive income represents changes in shareholders' equity from non-owner sources. For the three years ended February 2, 2001, unrealized holding gains (losses) on available-for-sale securities were the only items of other comprehensive income for the Company. The following schedule summarizes the activity in other comprehensive income for the years ended February 2, 2001 and January 28, 2000:

		2000			1999	
						After
			After	Pre-Tax	Tax	Tax
	Pre-Tax	Tax	Tax	Gain/	(Expense)/	Gain/
(In Thousands)	Gain	Expense	Gain	(Loss)	Benefit	(Loss)
Unrealized net						
holding gains/						
losses arising						
during the year	\$1,319	\$(445)	\$874	\$(1,245)	\$435	\$(810)
Reclassification						
adjustment for						
gains/losses include	ed					
in net earnings	5	(2)	3	42	(15)	27
Unrealized net						
gains/losses on						
available-for-sale						
securities, net of						
reclassification						
adjustment	\$1,314	\$(443)	\$871	\$(1,287)	\$450	\$(837)

Leases

The Company leases certain store facilities under agreements with original terms generally of twenty years. Some agreements provide for contingent rental based on sales performance in excess of specified minimums. In fiscal years 2000, 1999 and 1998, contingent rentals have been nominal. The leases usually contain provisions for four renewal options of five years each. Certain equipment is also leased by the Company under agreements ranging from two to five years. These agreements typically contain renewal options providing for a renegotiation of the lease, at the Company's option, based on the fair market value at that time.

The future minimum rental payments required under capital and operating leases having initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

(In Thousands)	OPERATING LEASES		Сарітаі	CAPITAL LEASES		
FISCAL YEAR	REAL ESTATE	EQUIPMENT	REAL ESTATE	EQUIPMENT	Total	
2001	\$ 160,794	\$ 940	\$ 55,744	\$ 590	\$ 218,068	
2002	165,370	429	55,744	590	222,133	
2003	160,034	41	55,744	537	216,356	
2004	154,454	4	55,927	326	210,711	
2005	150,195	_	55,942	181	206,318	
Later Years	1,640,574	_	594,861	42	2,235,477	
Total Minimu	m					
Lease						
Payments	\$2,431,421	\$1,414	\$873,962	\$2,266	\$3,309,063	
Total Minimu	m					
Capital Leas	e					
Payments			\$ 870	6,228		
Less Amount						
Representing	Interest		40′	7,502		
Present Value	of Minimun	ı				
Lease Paymo	ents		468	8,726		
Less Current N	Laturities		10	5,041		
Present Value	of Minimun	ı				
Lease Paymo	ents,					
Less Curren	t Maturities		\$ 452	2,685		

Rental expenses under operating leases for real estate and equipment were \$161.9, \$144.0 and \$113.3 million in 2000, 1999 and 1998, respectively.

Employee Retirement Plans

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is determined by the Board of Directors. The ESOP generally covers all Lowe's employees after completion of one year of employment and 1,000 hours of service during that year. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. Contributions may be made in cash or shares of the Company's common stock and are usually made in the following year. ESOP expense for 2000, 1999 and 1998 was \$72.1, \$84.7 and \$84.4 million, respectively. At February 2, 2001 the ESOP held approximately 6.9% of the outstanding common stock of the Company.

The Board of Directors determines contributions to the Company's Employee Savings and Investment Plan (ESIP), a qualified 401(k) plan, each year based upon a matching formula applied to employee contributions. All employees are eligible to participate in the ESIP on the first day of the month following completion of one year of employment. Company contributions to the ESIP for 2000, 1999 and 1998 were \$13.6, \$11.5 and \$10.6 million, respectively. The Company's common stock is an investment option for participants in the ESIP. Shares held in the ESIP are voted by the trustee as directed by an administrative committee of the ESIP.



	2000	1999	1998		
	State	UTORY RATE RECO	NCILIATION		
Statutory Federal Income Tax Rate	35.0%	35.0%	35.0%		
State Income Taxes—Net of Federal	1				
Tax Benefit	2.7	2.8	2.2		
Other, Net	(0.9)	(1.1)	(0.8)		
Effective Tax Rate	36.8%	36.7%	36.4%		
(In Thousands)	Components of Income Tax Provision				
Current					
Federal	\$398,335	\$333,257	\$251,848		
State	49,950	43,626	26,918		
Total Current	448,285	376,883	278,766		
Deferred					
Federal	19,298	11,303	7,305		
State	3,986	2,136	921		
Total Deferred	23,284	13,439	8,226		
Total Income Tax Provision	\$471,569	\$390,322	\$286,992		

The tax effect of cumulative temporary differences that gave rise to the deferred tax assets and liabilities at February 2, 2001and January 28,2000 is as follows:

	February 2, 2001						
(In Thousands)	Assets	Liabilities	Total				
Excess Property and							
Store Closing Costs	\$ 20,879	_	\$ 20,879				
Insurance	45,228	_	45,228				
Depreciation	_	\$ (272,170)	(272,170)				
Vacation Accrual	23,220	_	23,220				
Other, Net	25,959	(13,522)	12,437				
Total	\$115,286	\$ (285,692)	\$ (170,406)				

	January 28, 2000					
(In Thousands)	Assets	Liabilities	Total			
Excess Property and						
Store Closing Costs	\$ 28,033	_	\$ 28,033			
Insurance	30,754	_	30,754			
Depreciation	_	\$ (228,707)	(228,707)			
Vacation Accrual	13,088	-	13,088			
Other, Net	19,213	(9,060)	10,153			
Total	\$ 91,088	\$ (237,767)	\$ (146,679)			

Litigation The Company is a defendant in legal proceed-

ings considered to be in the normal course of business, none of which, singularly or collectively, are considered material to the Company.



NET INTEREST EXPENSE IS COMPOSI	ED OF THE FOLLOW	ING:	
(In Thousands)	2000	1999	1998
Long-Term Debt	\$117,024	\$86,675	\$68,800
Mortgage Interest	7,667	6,686	7,044
Capitalized Leases	42,041	42,552	39,255
Short-Term Debt	11,638	5,847	5,578
Amortization of Loan Costs	2,631	801	1,144
Interest Income	(25,049)	(38,373)	(23,300)
Interest Capitalized	(35,127)	(19,336)	(17,580)
Net Interest Expense	\$120,825	\$84,852	\$80,941

SUPPLEMENTAL DISCLOSURES OF CASH	FLO	w Infoi	RMATION:	
(In Thousands)		2000	1999	1998
Cash Paid for Interest				
(Net of Amount Capitalized)	\$ 1	32,457	\$ 128,265	\$ 112,383
Cash Paid for Income Taxes	\$4	28,385	\$ 408,366	\$ 280,230
Noncash Investing and Financing Act	ivities	S:		
Fixed Assets Acquired under				
Capital Leases	\$	1,259	\$ 27,573	\$ 47,303
Termination of Capital Leases		2,223	_	10,401
Common Stock Issued to ESOP (Note 1	1)	_	59,544	60,074
Common Stock Issued to Executives and	i			
Directors, net of Unearned Compensat	tion	7,734	12,488	17,853
Conversion of Debt to Common Stock	\$	_	\$ -	\$ 87,270

SALES BY PRODUCT CATEGORY:

	200	00	19	99	19	98
(Dollars in Millions)	Total		Total		Total	
PRODUCT CATEGORY	Sales	%	Sales	%	Sales	%
Appliances	\$ 1,922	10%	\$ 1,341	8%	\$ 1,037	8%
Lumber/Plywood	1,676	9	1,607	10	1,460	11
Outdoor Fashion	1,323	7	1,102	7	875	7
Nursery	1,247	7	1,006	6	896	7
Millwork	1,197	6	1,021	6	803	6
Building Materials	1,148	6	1,080	7	940	7
Cabinets/Furniture/ Shelving	1,138	6	897	6	662	5
Fashion Electrical	1,135	6	959	6	865	6
Tools	1,124	6	951	6	801	6
Hardware	1,070	6	946	6	770	6
Fashion Plumbing	1,046	6	862	5	762	6
Flooring	1,009	5	726	5	598	4
Paint	996	5	858	5	747	6
Rough Plumbing & Electrical	993	5	854	5	661	5
Outdoor Power Equipment	768	4	676	4	521	4
Walls/Windows	452	2	361	2	320	2
Other	535	4	659	6	613	4
Totals	\$18,779	100%	\$15,906	100%	\$13,331	100%

Lowe's Companies, Inc. Quarterly Review of Performance (Unaudited)

(In Thousands, Except Per Share	Data)					F	ISCAL 2000							F	ISCAL 1999
Quarter Ended	_	2/2/01		10/27/00		7/28/00		4/28/00	_	1/28/00		10/29/99		7/30/99		4/30/99
Net Sales	\$4	,543,052	\$4	1,504,141	\$5	5,264,252	\$4	1,467,114	\$3	3,789,269	\$3	3,909,188	\$4	4,435,219	\$3	3,771,919
Gross Margin	1	,291,253]	,299,372	1	,452,027	1	,248,116	1	,096,657]	1,089,549]	1,187,286	1	,007,090
Expenses:																
S,G & A		874,873		809,427		857,052		806,708		710,862		692,394		704,821		664,351
Store Opening Costs		41,027		37,161		27,852		25,785		39,051		25,722		15,465		18,210
Depreciation		111,954		104,681		98,495		93,488		91,276		86,440		81,723		77,920
Interest		40,567		28,021		26,224		26,013		20,528		18,921		22,096		23,307
Nonrecurring Merger Costs		_		_		_		_		_		_				24,378
Total Expenses	1	,068,421		979,290	1	,009,623		951,994		861,717		823,477		824,105		808,166
Pre-Tax Earnings		222,832		320,082		442,404		296,122		234,940		266,072		363,181		198,924
Income Tax Provision		82,002		117,789		162,805		108,973		86,008		97,384		132,964		73,966
Net Earnings	\$	140,830	\$	202,293	\$	279,599	\$	187,149	\$	148,932	\$	168,688	\$	230,217	\$	124,958
Basic Earnings Per Share	\$	0.37	\$	0.53	\$	0.73	\$	0.49	\$	0.39	\$	0.44	\$	0.60	\$	0.33
Diluted Earnings Per Share	\$	0.37	\$	0.53	\$	0.73	\$	0.49	\$	0.39	\$	0.44	\$	0.60	\$	0.33

EARNINGS STATEMENT CHANGES

Changes from same quarter previous year, to nearest tenth percent

	,			Fiscal 2000				Fiscal 1999
Quarter Ended	2/2/01	10/27/00	7/28/00	4/28/00	1/28/00	10/29/99	7/30/99	4/30/99
Net Sales	19.9%	15.2%	18.7%	18.4%	19.6%	19.2%	18.8%	19.8%
Gross Margin	17.7	19.3	22.3	23.9	25.4	23.5	20.3	21.3
Expenses:								
S,G & A	23.1	16.9	21.6	21.4	20.2	19.7	17.1	16.6
Store Opening Costs	5.1	44.5	80.1	41.6	40.1	26.4	3.4	49.9
Depreciation	22.7	21.1	20.5	20.0	19.4	18.7	16.0	13.2
Interest	97.6	48.1	18.7	11.6	(3.2)	(1.9)	17.5	7.7
Nonrecurring Merger Costs	_	_	_	_	_	_	_	100.0
Total Expenses	24.0	18.9	22.5	17.8	20.2	19.2	16.7	20.2
Pre-Tax Earnings	(5.2)	20.3	21.8	48.9	49.3	39.1	29.4	25.8
Income Tax Provision	(4.7)	21.0	22.4	47.3	47.1	40.3	30.7	29.0
Net Earnings	(5.4)	19.9	21.5	49.8	50.6	38.4	28.7	24.1
Basic Earnings Per Share	(5.1)	20.5	21.7	48.5	44.4	33.3	25.0	22.2
Diluted Earnings Per Share	(5.1)%	20.5%	21.7%	48.5%	50.0%	33.3%	25.0%	22.2%

EARNINGS STATEMENT PERCENTAGES

Percent of sales to nearest hundredth; income tax is % of pre-tax earnings

	,			Fiscal 2000				Fiscal 1999
Quarter Ended	2/2/01	10/27/00	7/28/00	4/28/00	1/28/00	10/29/99	7/30/99	4/30/99
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	28.42	28.85	27.58	27.94	28.94	27.87	26.77	26.70
Expenses:								
S,G & A	19.26	17.97	16.28	18.06	18.76	17.71	15.89	17.61
Store Opening Costs	0.90	0.83	0.53	0.58	1.03	0.66	0.35	0.48
Depreciation	2.47	2.32	1.87	2.09	2.41	2.21	1.84	2.07
Interest	0.89	0.62	0.50	0.58	0.54	0.48	0.50	0.62
Nonrecurring Merger Costs	_	_	_	_	_	_	_	0.65
Total Expenses	23.52	21.74	19.18	21.31	22.74	21.06	18.58	21.43
Pre-Tax Earnings	4.90	7.11	8.40	6.63	6.20	6.81	8.19	5.27
Income Tax Provision	36.80	36.80	36.80	36.80	36.61	36.60	36.61	37.18
Net Earnings	3.10%	4.49%	5.31%	4.19%	3.93%	4.32%	5.19%	3.31%

STOCK PERFORMANCE

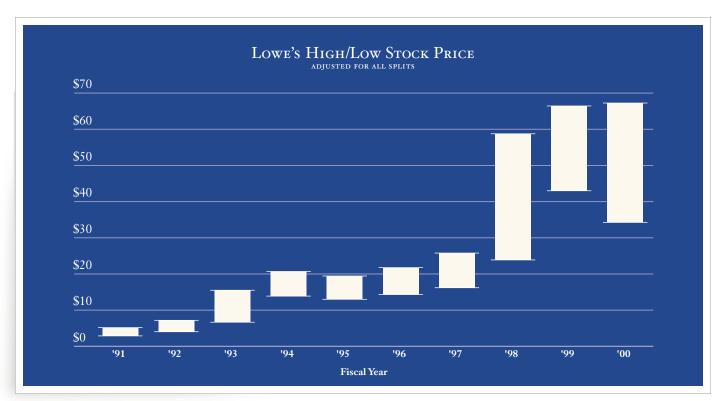
Lowe's Quarterly Stock Price Range and Cash Dividend Payment*

			FISCAL 2000			Fiscal 1999			Fiscal 1998
	Нідн	Low	DIVIDEND	Hig	H Low	DIVIDEND	Нідн	Low	DIVIDEND
1st Quarter	\$ 67.25	\$ 40.75	\$ 0.035	\$ 66.4	4 \$ 51.31	\$ 0.030	\$ 36.22	\$ 25.88	\$ 0.028
2nd Quarter	52.69	40.38	0.035	60.0	0 49.69	0.030	45.13	33.88	0.030
3rd Quarter	54.50	34.25	0.035	55.9	4 43.00	0.030	42.25	24.94	0.030
4th Quarter	\$ 55.50	\$ 37.75	\$ 0.035	\$ 60.0	0 \$ 43.06	\$ 0.035	\$ 58.31	\$ 34.44	\$ 0.030

^{*} Adjusted for 2-for-1 stock split to shareholders of record on June 12, 1998, as applicable.

MONTHLY STOCK PRICE AND TRADING VOLUME

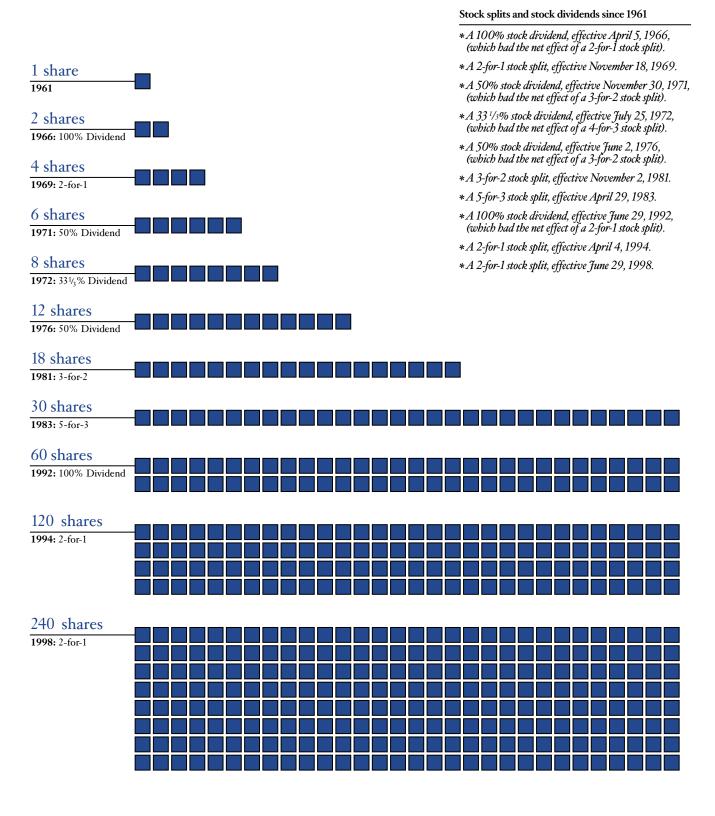
			Fiscal 2000			Fiscal 1999
			Shares			Shares
	Нідн	Low	Traded	Нібн	Low	Traded
February	\$ 48.81	\$ 40.75	39,007,300	\$ 60.06	\$ 51.50	33,832,400
March	59.88	41.06	46,657,900	66.44	58.69	33,955,800
April	67.25	49.50	38,510,270	65.50	51.31	35,475,300
May	52.69	43.94	38,771,000	56.88	50.63	25,997,800
June	51.38	40.38	50,124,600	57.00	49.69	23,311,700
July	48.44	40.50	35,189,400	60.00	52.50	19,669,600
August	49.56	41.63	45,995,900	53.19	43.50	37,872,900
September	54.50	44.75	44,633,300	48.94	43.00	37,995,800
October	45.94	34.25	56,571,500	55.94	47.25	39,012,700
November	46.75	38.31	45,258,400	58.44	49.81	37,069,000
December	45.81	37.75	48,137,400	60.00	47.94	36,764,900
January	\$ 55.50	\$ 43.75	59,148,600	\$ 59.44	\$ 43.06	38,120,000



Source: The Wall Street Journal, Bloomberg

STOCK SPLITS AND STOCK DIVIDENDS

Since 1961



Lowe's Companies, Inc. Selected Financial Data (Unaudited)

(In Thousands, Except Per Share Data)		2000		1999		1998		1997	1996
Selected Statements of Earnings Data:									
Net Sales	\$18,7	778,559	\$ 15	,905,595	\$13,	330,540	\$ 1	1,108,378	\$ 9,361,204
Gross Margin	5,2	290,768	4	,380,582	3,	573,895		2,953,046	2,437,414
Net Earnings	8	809,871		672,795		500,374		383,030	314,730
Basic Earnings Per Share		2.12		1.76		1.35		1.04	.90
Diluted Earnings Per Share		2.11		1.75		1.34		1.04	.88
Dividends Per Share	\$.14	\$.13	\$.12	\$.11	\$.10
Selected Balance Sheet Data:									
Total Assets	\$11,3	375,754	\$ 9	,012,323	\$ 7,0	086,882	\$	5,861,790	\$ 4,999,566
Long-Term Debt, Excluding Current Maturities	\$ 2,0	697,669	\$ 1	,726,579	\$ 1,	364,278	\$	1,191,406	\$ 875,754
Selected Quarterly Data:		First		SECOND		Third		Fourth	
2000									
Net Sales	\$ 4,4	467,114	\$ 5	,264,252	\$ 4,	504,141	\$	4,543,052	
Gross Margin	1,2	248,116	1	,452,027	1,2	299,372		1,291,253	
Net Earnings]	187,149		279,599	2	202,293		140,830	
Basic Earnings Per Share		.49		.73		.53		.37	
Diluted Earnings Per Share	\$.49	\$.73	\$.53	\$.37	
1999									
Net Sales	\$ 3,7	771,919	\$ 4	,435,219	\$ 3,9	909,188	\$	3,789,269	
Gross Margin	1,0	007,090	1	,187,286	1,0	089,549		1,096,657	
Net Earnings]	124,958		230,217		168,688		148,932	
Basic Earnings Per Share		.33		.60		.44		.39	
Diluted Earnings Per Share	\$.33	\$.60	\$.44	\$.39	

FINANCIAL HISTORY

10 Year Financial Information

FISCAL Y	ýears Ended On	5-year CGR	:	FEBRUARY 2, 2001		January 28, 2000	J	anuary 29, 1999	•	January 30, 1998		January 31, 1997
Stores	and People											
1	Number of Stores	10.8		650		576		520		477		429
2	Square Footage	20.4		67,774,611		56,981,547	4	7,795,283		39,860,593		33,729,529
3	Number of Employees	14.3		94,601		86,160		72,715		64,070		58,585
4	Customer Transactions (In Thousands)	16.0		342,173		297,769		268,232		231,000		195,778
5	Average Purchase		\$	54.88	\$	53.42	\$	49.70	\$	48.09	\$	47.82
Compa	arative Income Statements (In Thousands)											
6	Sales	19.5	\$	18,778,559	\$	15,905,595	\$ 1	3,330,540	\$	11,108,378	\$	9,361,204
7	Depreciation	20.7		408,618		337,359		288,607		255,694		209,612
8	Store Restructuring	_		_		_				_		_
9	Operating Income (EBITDA) ¹	25.5		1,810,883		1,485,328		1,156,915		925,940		753,099
10	Pre-Tax Earnings	27.7		1,281,440		1,063,117		787,367		598,631		487,765
11	Income Tax Provision	NM		471,569		390,322		286,992		215,601		173,035
12	Net Earnings	27.3		809,871		672,795		500,374		383,030		314,730
13	Cash Dividends	11.9	d.	53,479	ф	47,558	ф	41,171	ď	38,239	ф	34,709
14	Earnings Retained	NM	\$	756,392	\$	625,237	\$	459,203	\$	344,791	\$	280,021
	s Per Share (Weighted Average Shares, Assuming Dilution)											
15	Sales	17.8	\$	48.84	\$	41.44	\$	35.48	\$	29.97	\$	25.66
16	Earnings	25.4		2.11		1.75		1.34		1.04		0.88
17	Cash Dividends	10.4		0.14		0.13		0.12		0.11		0.10
18	Earnings Retained	NM	d.	1.97	Ф	1.63	d.	1.22	ф	0.93	ф	0.77
19	Shareholders' Equity	22.4	\$	14.29	\$	12.23	\$	9.63	\$	8.03	\$	7.04
Financ	ial Ratios											
20	Asset Turnover ²			2.08		2.24		2.27		2.22		2.36
21	Return on Sales ³			4.31%		4.23%		3.75%		3.45%		3.36%
22	Return on Assets 4			8.99%		9.49%		8.54%		7.66%		7.93%
23	Return on Shareholders' Equity ⁵			17.25%		18.59%		16.80%		14.92%		16.95%
Compa	arative Balance Sheets (In Thousands)											
24	Total Current Assets	18.3	\$	4,175,013	\$	3,693,156	\$	2,864,574	\$	2,426,636	\$	2,134,761
25	Cash and Short-Term Investments	21.4		468,529		568,792		249,217		274,858		122,558
26	Accounts Receivable — Net	7.2		160,985		147,901		143,928		118,408		117,562
27	Merchandise Inventory	17.2		3,285,370		2,812,361		2,384,700		1,985,041		1,854,795
28	Other Current Assets	36.1		179,085		110,957		44,915		38,659		46,824
29	Fixed Assets — Net	27.9		7,034,960		5,177,222		4,085,798		3,321,332		2,771,889
30	Other Assets	16.2		131,091		110,831		107,794		78,661		57,301
31	Total Assets	23.5		11,375,754		9,012,323		7,086,882		5,861,790		4,999,566
32	Total Current Liabilities	22.7		2,928,585		2,385,954		1,924,256		1,554,359		1,443,249
33	Accounts Payable	20.0		1,731,957		1,566,946		1,220,543		1,035,882		978,224
34	Other Current Liabilities	32.4 22.8		662,410 2,697,669		400,676 1,726,579		269,734 1,364,278		241,041 1,191,406		213,062 875,754
35 36	Long-Term Debt (Excluding Current Maturities) Total Liabilities	22.7		5,880,869		4,316,852		3,467,115		2,883,786		2,432,020
37	Shareholders' Equity	24.2	\$	5,494,885	\$	4,695,471		3,619,767	\$	2,978,004	\$	2,567,546
38	Equity/Long-Term Debt (Excluding Current Maturities)	27,2	Ψ	2.04	Ψ	2.72	Ψ	2.65	Ψ	2.50	Ψ	2.93
39	Year-End Leverage Factor: Assets/Equity			2.07		1.92		1.96		1.97		1.95
40	olders, Shares and Book Value Shareholders of Record, Year-End			16,885		15,446		14,508		12,386		12 520
41	Shares Outstanding, Year-End (In Thousands)			383,242		382,359		374,388		369,238		12,530 365,298
42	Weighted Average Shares, Assuming Dilution (In Thousands)			384,475		383,854		375,751		370,632		364,758
43	Book Value Per Share		\$	14.34	\$		\$	9.67	\$	8.07	\$	
			-		4	-2.20	*	,	**		4	
	g Stock Price During Calendar Year ⁶ (Adjusted for Stock Splits)		¢	67.25	¢	66 11	¢	51.60	¢	24.47	¢	21 75
44 45	High Low		\$ \$	34.25	\$ \$	66.44 43.00	\$ \$	51.69 22.00	\$ \$	24.47 15.82	\$ \$	
46	Closing Price December 31		\$	44.50	\$		\$	51.19	\$	23.85	\$	
			Ψ	11.50	Ψ	27.13	Ψ	J1.1/	Ψ	23.03	ψ	17.02
	Earnings Ratio					2.0		**				25
47	High			32		38		39		24		25
48	Low			16		25		17		15		17

	January 31, 1996	January 31, 1995	January 31, 1994	January 31, 1993	January 31, 1992	
1	389	355	324	310	310	1
2	26,806,111	20,852,368	15,694,889	10,828,722	8,505,121	2
3	48,405	40,637	31,243	22,569	18,968	3
4	163,193	136,342	100,963	84,268	65,607	4
5	\$ 47.13	\$ 48.62	\$ 48.15	\$ 47.39	\$ 47.36	5
	Ф 7/.13	φ το.02	ф то.13	ψ T/.37	ÿ 1 7.30	
6	\$7,691,116	\$ 6,629,276	\$4,860,939	\$3,993,699	\$3,107,377	6
7	159,281	116,415	83,877	71,326	58,707	7
8			-	- 1,520	71,288	8
9	582,134	493,432	332,296	228,750	87,363	9
10	377,415	344,492	230,611	141,766	12,039	10
11	135,052	126,952	78,657	47,119	819	11
12						12
	242,363	217,540	151,954	94,647	11,220	
13	30,471	27,433	23,571	21,153	20,020	13
14	\$ 211,892	\$ 190,107	\$ 128,383	\$ 73,494	\$ (8,800)	14
15	\$ 21.52	\$ 19.14	\$ 15.19	\$ 13.21	\$ 10.34	15
16	0.68	0.63	0.47	0.31	0.04	16
17	0.10	0.09	0.07	0.07	0.07	17
18	0.59	0.55	0.40	0.24	(0.02)	18
19	\$ 5.20	\$ 4.63	\$ 3.32	\$ 2.76	\$ 2.38	19
17	3 3.20	Ф 7.03	φ 5.52	Φ 2.70	ψ 2.36	
20	2.22	2.70	2.79	2.66	2.54	20
21	3.15%	3.28%	3.11%	2.37%	0.36%	21
22	6.99%	8.87%	8.72%	6.29%	0.92%	22
23	15.12%	20.48%	18.21%	13.24%	1.60%	23
	13.12 /0	20.1070	10.2170	13.2170	1.0070	
24	\$ 1,804,994	\$1,744,465	\$1,233,872	\$ 827,344	\$ 818,208	24
25	177,888	273,914	110,920	56,128	33,111	25
26	113,483	109,214	48,500	53,288	115,739	26
27	1,483,397	1,332,831	1,017,424	690,859	662,885	27
28	38,329	34,857	68,513	37,863	15,357	28
29	2,059,427	1,559,851	1,120,339	832,679	623,678	29
30	61,857	79,466	58,009	57,929	50,762	30
31	3,967,337	3,467,241	2,452,628	1,741,222	1,503,998	31
32	1,051,466	1,014,775	735,861	529,475	605,139	32
33	696,484	721,149	503,696	349,693	319,859	33
34	162,598	144,554	86,482	75,670	62,639	34
35	967,725	784,991	597,248	313,562	113,650	35
36	2,110,637	1,864,118	1,390,530	906,569	788,971	36
37	\$ 1,856,700	\$ 1,603,123	\$1,062,098	\$ 834,653	\$ 715,027	37
38	1.92	2.04	1.78	2.66	6.29	38
39	2.14	2.16	2.31	2.09	2.10	39
40	12.720	11.270	0.773	0.475	(21)	40
40	12,728	11,360	8,773	8,475	6,216	40
41	336,492	333,672	310,349	303,165	149,293	41
42	357,334	346,440	320,051	302,355	300,430	42
43	\$ 5.52	\$ 4.80	\$ 3.42	\$ 2.75	\$ 4.79	43
44	\$ 19.44	\$ 20.69	\$ 15.50	\$ 7.19	\$ 5.18	44
45	\$ 13.00	\$ 20.09	\$ 6.66	\$ 4.00	\$ 2.88	45
46	\$ 16.75	\$ 17.38	\$ 14.88	\$ 6.04	\$ 4.27	46
	φ 10./ 3	ψ 1/.30	ψ 17.00	ψ 0.0Τ	ψ Τ.Δ /	
47	29	33	33	23	130	4 7
48	19	22	14	13	72	48
70	1/	22	11	13	12	70

Explanatory Notes

NM = not meaningful

 $CGR = compound\ growth\ rate$

¹ Pretax Earnings plus Depreciation and Interest.

² Asset Turnover: Sales divided by Beginning Assets.

 $^{^3}$ Return on Sales: Net Earnings divided by Sales.

⁴Return on Assets: Net Earnings divided by Beginning Assets.

⁵ Return on Shareholders' Equity: Net Earnings divided by Beginning Equity.

⁶ Stock Price Source: The Wall Street Journal

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT



Left to right: Robert Tillman, Dawn Hudson, Richard Lochridge, Kenneth Lewis, Robert Schwartz, Leonard Berry, Claudine Malone, Paul Fulton, Peter Browning, Thomas O'Malley, Robert Ingram.

Board of Directors

Robert L. Tillman	Chairman of the Board, President and Chief Executive Officer, Lowe's Companies, Inc.,	Richard K. Lochridge	President and Chief Executive Officer, Lochridge & Company, Boston, MA 1*,3,4
Leonard L. Berry, Ph.D.	Wilkesboro, NC 3* Distinguished Professor of Marketing and M.B. Zale Chair in Retailing and Marketing Leadership, Texas A&M University, College Station, TX 1,4	Claudine B. Malone	President and Chief Executive Officer, Financial & Management Consulting, Inc., McLean, VA 2,4
		Thomas O'Malley	Chairman of the Board and Chief Executive Officer, Tosco Corporation, Old Greenwich, CT 1,4
Peter C. Browning	Chairman, Nucor Corporation, Charlotte, NC 2,3,4*	Robert G. Schwartz	Former Chairman of the Board, President and Chief Executive Officer, Metropolitan Life Insurance Company, Inc., New York, NY 2,4
Paul Fulton	Chairman of the Board, Bassett Furniture Industries, Bassett, VA 2*,3,4		
Dawn E. Hudson	Senior Vice President, Strategy and Marketing, PCNA, Pepsi-Cola Company, Purchase, NY 1,4		
Robert A. Ingram	Chief Operating Officer and President,	Committee Membership	

1-Audit Committee

2 - Compensation and

Organization Committee

3 – Executive Committee

Southern Division

4 – Governance Committee * 2001 Committee Chairman

Executive Management

Kenneth D. Lewis

Pharmaceutical Operations, GlaxoSmithKline, Research Triangle Park, NC 2,4

Chairman and Chief Executive Officer Elect,

Bank of America, Charlotte, NC 1,4

Robert L. Tillman	Chairman of the Board, President and Chief Executive Officer	Lee Herring	Senior Vice President, Distribution
		Perry G. Jennings	Senior Vice President, Human Resources
Dale C. Pond	Executive Vice President, Merchandising	John L. Kasberger	Senior Vice President / General Merchandise
Larry D. Stone	Executive Vice President, Store Operations	, ,	Manager — Hardlines
William C. Warden, Jr.	Executive Vice President, Administration	Mark A. Kauffman	Senior Vice President, President of Lowe's
Thomas E. Whiddon	Executive Vice President, Logistics and Technology		Global Sourcing
Theresa A. Anderson	Senior Vice President, Operations and Merchandising Support	Michael K. Menser	Senior Vice President / General Merchandise Manager — Home Décor
Kenneth W. Black, Jr.	Senior Vice President and Chief Accounting Officer	Robert A. Niblock	Senior Vice President and Chief Financial Officer
Gregory M. Bridgeford	Senior Vice President, Business Development	William D. Pelon	Senior Vice President, Store Operations — Western Division
Nick Canter	Senior Vice President, Store Operations — Northern Division	David E. Shelton	Senior Vice President, Real Estate/Engineering & Construction
Robert J. Gfeller	Senior Vice President, Marketing	Dave Steed	Senior Vice President / General Merchandise Manager — Building Products
Stephen A. Hellrung	Senior Vice President, General Counsel and Secretary		
		Gregory J. Wessling	Senior Vice President, Store Operations —

INVESTOR INFORMATION

Stock Transfer Agent & Registrar, Dividend Disbursing Agent and Dividend Reinvesting Agent

EquiServe Trust Company N.A. P. O. Box 8218 Boston, MA 02266-8218 877-282-1174

Dividend History

Lowe's has paid a cash dividend each quarter since becoming a public company in 1961.

Dividend Declaration Dates

Usually the middle of April, July, October and January

Dividend Payment Dates

Usually the last of April, July, October and January

Lowe's Telephone Numbers

TELEPHONE: 336-658-4000

FACSIMILE: 336-658-4766

Lowe's Addresses

MAILING:

P.O. Box 1111

North Wilkesboro, NC 28656

STREET:

1605 Curtis Bridge Road Wilkesboro, NC 28697

E-MAIL:

webeditor@lowes.com

WEB:

http://www.lowes.com

Annual Meeting Date

May 25, 2001 at 10:00 a.m.

Park Hotel

Charlotte, NC

Lowe's Common Stock

TICKER SYMBOL: LOW

LISTED:

New York Stock Exchange 20 Broad Street New York, NY 10005

Pacific Stock Exchange 301 Pine Street San Francisco, CA 94104

London Stock Exchange Old Broad Street London, ECN1HP England

General Counsel

Stephen A. Hellrung Senior Vice President, Secretary 336-658-5445

Certified Public Accountants

Deloitte & Touche LLP 1100 Carillon Building 227 West Trade Street Charlotte, NC 28202 704-372-3560

Shareholder Services

Shareholders' and security analysts' inquiries should be directed to:

Marshall Croom Vice President and Treasurer 336-658-4022

Carson Anderson Assistant Treasurer 336-658-4385

Paul Taaffe Manager, Investor Relations 336-658-5239

For copies of financial information: 888-34 LOWES (888-345-6937)



Lowe's Companies, Inc.

1605 Curtis Bridge Road Wilkesboro, North Carolina 28697 www.lowes.com