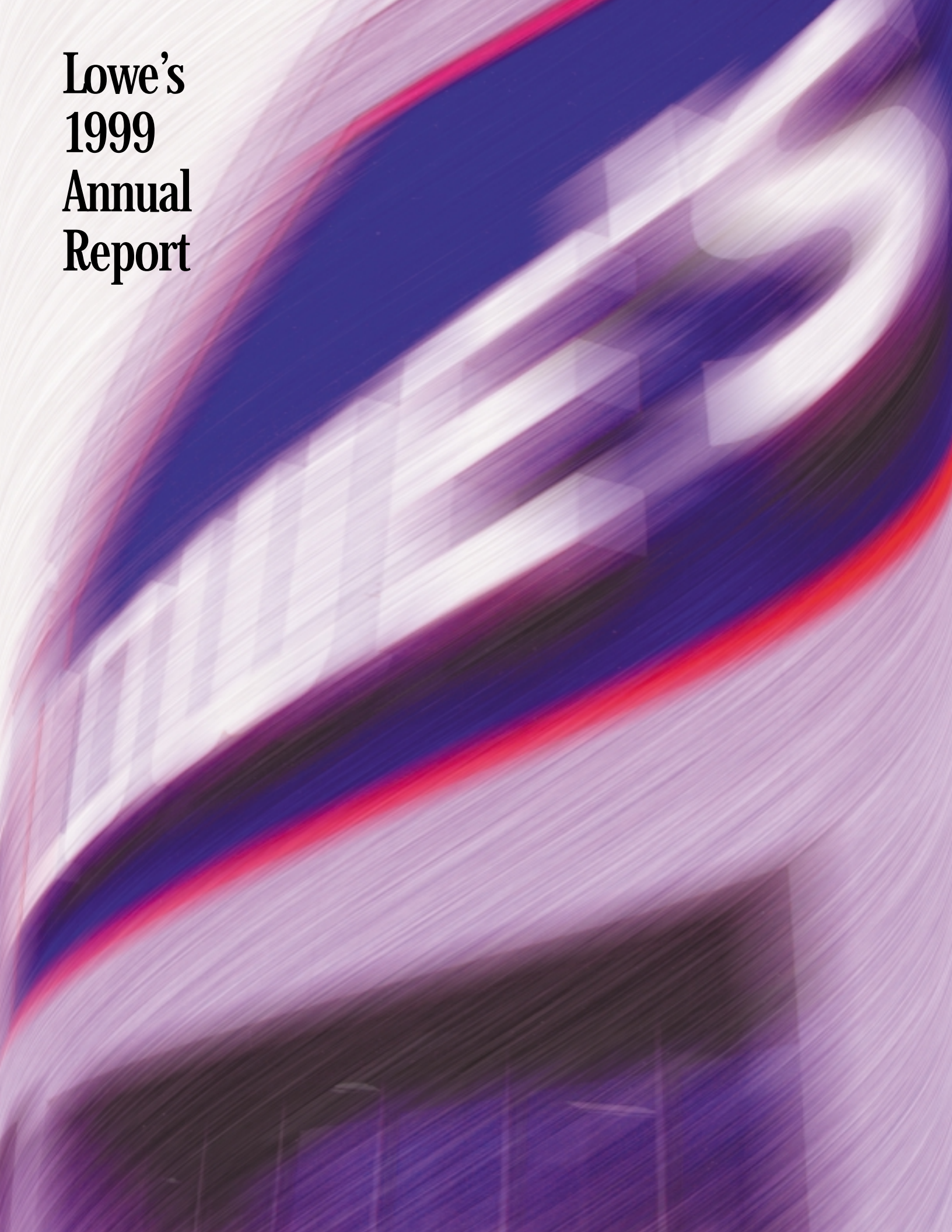


**Lowe's
1999
Annual
Report**



Financial Highlights

In thousands, except per share data

	Change from 1998	Fiscal 1999	Fiscal 1998
Sales	+ 19%	\$15,905,595	\$13,330,540
Gross Margin	+ 73 bps*	27.54%	26.81%
Pretax Earnings	+ 38%	\$1,087,495**	\$787,366
Net Earnings	+ 38%	\$689,795**	\$500,374
Earnings per Share:			
Basic	+ 33%	\$1.80**	\$1.35
Diluted	+ 34%	\$1.79**	\$1.34
Cash Dividends per Share	+ 8%	\$.13	\$.12

* Basis points

** Excludes the one-time charge for costs related to the merger with Eagle Hardware & Garden, Inc.

Company Profile

Lowe's Companies, Inc. is the world's second largest home improvement retailer competing in a highly fragmented \$300 billion industry. We serve more than four million do-it-yourself and commercial business customers weekly through more than 576 stores in 37 states. At the beginning of 2000, our retail square footage totaled approximately 57 million square feet. Headquartered in Wilkesboro, NC, the 54-year-old company employs more than 80,000 people.

Lowe's has been implementing an aggressive store expansion strategy which has transformed Lowe's from a chain of small stores into a chain of destination home improvement warehouses. Having built our first 100,000 square foot store in 1994, Lowe's current prototype has a 121,000 square foot sales floor with a lawn and garden center comprising approximately 35,000 additional square feet. In April 1998, Lowe's announced a major expansion into the western United States, with plans to build in excess of 100 new stores in certain western markets over the next three to four years. The first of the western stores opened in December 1999. In November 1998, Lowe's entered into a merger agreement with Eagle Hardware & Garden, Inc. (Eagle), an operator of 36 home improvement centers in the western United States. The acquisition of Eagle was completed on April 2, 1999. Lowe's 2000 expansion plan calls for opening 95 stores (which includes relocating 17 older, smaller format stores).

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, the Company provides civic groups help with public safety projects and shares important home safety and fire prevention information with neighborhoods across the country.

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.

Contents

Letter to Shareholders	1
Improving Home Improvement	4
Board of Directors	12
Lowe's Executive Management	13
Disclosure Regarding Forward-Looking Statements	13
Independent Auditors' Report	14
Management's Discussion and Analysis	15
Financial Statements	19
Financial History	34
Investor Information	Inside Back Cover

To Our Shareholders

Change at Lowe's is not new. In fact, change is absolutely essential for long-term survival in retail.

What is new is our attitude toward change. We view change as an opportunity for differentiation – not just being different, but being different and better. Differentiation is fundamental to our success as we focus on providing our customers more of what they are asking for. As we enter the new millennium, our 2000 marketing campaign — Improving Home Improvement — encapsulates our commitment to differentiation.

The 1990s served as a pivotal decade for Lowe's as well as the entire home improvement industry. Building from a solid foundation, we entered the decade with the vision of relocating the Company's base of small, contractor-oriented stores into a family of modern home improvement warehouses. We enter the new millennium as a truly transformed company, poised for continued long-term success as we evolve and solidify a leadership position in our industry and break away from the competition.

The decade drew to a close with record sales and earnings in 1999 for Lowe's. Significant "firsts" throughout the year helped us exceed \$15.9 billion in sales, an increase of 19 percent over 1998, with earnings of \$672.8 million, up 34 percent from last year.

In 1999, Lowe's became a true coast-to-coast operator, opening our first stores in California. We also began the transition of the 36 Eagle Hardware & Garden stores we acquired last April to Lowe's format stores.

For the first time, Lowe's now has stores in half of the top 25 most populated cities in the United States. These top 25 markets, in aggregate, represent over 90 million people and, according to the Home Improvement Research Institute, account for 50 percent of the Do-It-Yourself (DIY) industry potential. And Lowe's is just beginning to penetrate these markets. In



Bob Tillman
Chairman and Chief Executive Officer

1999, we entered, for example, Los Angeles and Philadelphia. In 2000, we'll begin expansion in Miami, Phoenix and Detroit with plans for Boston, New York and Chicago in the coming years.

In addition to the top 25 markets, significant expansion opportunity exists in other metropolitan markets – defined as those markets with populations in excess of 500,000 people. Of Lowe's 91 new stores opened in 1999, 38 were built in these large, dynamic markets. Our potential for growth in these areas is exponential, since we have only just begun to introduce customers in these markets to Lowe's renowned service, quality products and competitive prices. Of our 576 stores open at the end of fiscal 1999, only 35 percent are located in markets with populations of 500,000 or greater.

Our aggressive expansion plans call for continued penetration in larger markets. In 2000, 60 percent of our planned 95 store openings will occur in metro markets, with the number

growing to 75 percent of our scheduled 125 new store openings in 2001.

Successful entry into major metropolitan markets is essential to our growth plans. To ensure that these new stores flourish along with existing Lowe's locations, Lowe's management in 1999 implemented a new strategy for long-term success: a system of "centrally developed, de-centrally applied" programs. To properly support and drive these programs, senior management oversight was restructured from two divisions into three: Lowe's northern, southern and western divisions. The first of three divisional offices was opened on the west coast to provide merchandising, marketing and operational support on a more localized basis. Similarly, Lowe's regional management organization was expanded from eight to thirteen regions.

These important changes were necessary to continue providing our customers with the excellent service to which they have become accustomed. Smaller regions and divisions allow Lowe's management to devote more time to the stores for which they are individually responsible. Our revised structure will allow managers to become even more familiar with local shopping and product preferences, enhancing our ability to respond to customers' needs.

An expected by-product from this organizational structure is better execution at the store level in refining and improving our three primary sales initiatives. These programs address the demographic changes taking place in the United States today. There are 70 million Baby Boomers that are aging – shifting from DIYers to Buy-It-Yourself (BIYers) – and a very small population that will take their place ... called X-ers. And behind this group of X-ers is a population that's going to be bigger than the Boomers — Echo-Boomers — and they will number almost 80 million. Introduced in 1998,

Lowe's commercial business customer, installed sales and special order sales initiatives seek to maximize sales performance by capitalizing on the country's evolving demographics.

Throughout 1999, significant achievements in all three programs substantiated the investments that we've made thus far. Our commercial business initiative is poised for rapid growth as the Baby Boomer population moves from DIY to BIY. By offering special services and conveniences to our Commercial Business Customer (CBC), Lowe's is positioning itself to become the CBC's first choice for building and remodeling materials. In 1999, CBC sales represented approximately 20 percent of Lowe's total sales. In 2000, we expect sales to the commercial business customer to increase 35 percent over 1999 as a result of better execution and continued expansion of our store base.

Lowe's Installed Sales program also serves the BIY customer by offering installation services for products such as flooring, cabinets and appliances. Eager to have Lowe's-certified, professional installers tackle their projects, BIYers fueled Installed Sales to \$330 million in 1999, an increase of more than 80 percent above the prior year. Expectations for 2000 are again aggressive, yet attainable – a 50 percent increase.

Lowe's Special Order Sales (SOS) program satisfies the unique tastes of our expansive customer base and broadens the 40,000+ items stocked in our stores to the hundreds of thousands of products offered by our vendors. Regardless of how well a store is merchandised, our customers frequently ask for a different, alternative product selection. SOS grew 34 percent in 1999, exceeding \$930 million. SOS plans in 2000 call for a 50 percent increase over 1999. Web-based technology will showcase special order products in our stores beginning this Spring. The same technology will be used later in

the year as products are introduced on the lowes.com web site.

Understanding what the customer wants and needs is Lowe's top priority. That is why last year we created new avenues through which we can better serve our customers. We developed relationship programs such as Lowe's Garden Club, Lowe's Woodworker's Club and Lowe's Kids Clinics to show customers that we share their enthusiasm for home improvement. Moving forward, these burgeoning programs allow us to effectively interact with these special customers – giving them inspirations and solutions – building loyalty in the Lowe's brand.

We also steadily updated our award-winning web site (lowes.com), so customers can find the home improvement advice they need – no matter when they need it. Our site in 1999 welcomed nearly four million hits each week and generated ten times the online gift card sales of 1998. Other linked sites – such as kobalttools.com and harborbreezefans.com – tested the opportunity to sell Lowe's branded products online, allowing us to gather experience and know-how about this emerging retail channel. In the next several months, Lowe's Internet Business Group will launch the next generation of home improvement e-commerce: a redesigned Lowe's web site that will combine our existing Internet efforts with the convenience of online shopping.

Whether we receive customer feedback in our stores or over the Internet, we respond proactively ... assuring customers that Lowe's is committed to providing solutions to their home improvement needs. We also recognize that properly training our associates – as well as respecting their talents and rewarding their efforts – results in a more productive, more effective workforce. Quality, hardworking Lowe's associates remain part of the Lowe's family for

years, often advancing to leadership positions, further strengthening our ability to serve our customers. Most are shareholders of the company via Lowe's Employee Stock Ownership Plan (ESOP), through which Lowe's associates own approximately eight percent of our stock.

We are sincerely appreciative of our 80,000 associates because Lowe's could not have achieved such substantial growth without them. In the years to come, there will be even more opportunities – almost 200 positions in each new Lowe's store. Our challenge lies in recruiting, training and retaining new associates that are as dedicated as those who currently demonstrate Lowe's commitment to service. On our end, we will continue to seek associates' feedback and enhance our employee benefits to ensure that Lowe's is not only a great place to shop, but also a great place to work.

As we enter the new millennium, the challenge to our associates is to again surpass our achievements, to break new ground, both literally and figuratively, and break away from the competition. Our research provides compelling evidence that our existing store format is preferred by the customer yet we are not willing to rest on our accomplishments. The retail industry in this new millennium will constantly evolve. As Lowe's embarks upon a new era in home improvement retailing, we look forward to improving home improvement.

Best wishes,



Robert L. Tillman
Chairman and Chief Executive Officer
April 21, 2000 Wilkesboro, NC

Improving Home Improvement

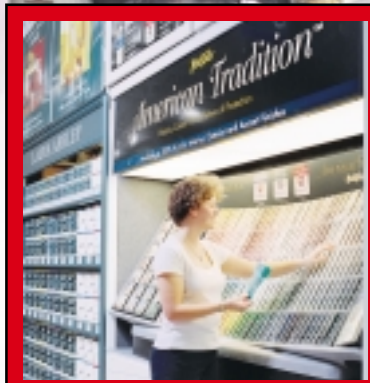
A Commitment From Lowe's

As the new millennium dawns, it is inspiring to reflect upon the enormous transformation Lowe's has undergone during the last decade as we completely repositioned our company for future success. However, that's only the beginning. Our dedication to customer satisfaction mandates that we continually change in order to continue Improving Home Improvement in this new era.

There's a saying at Lowe's: The best way to predict the future is to create it. Rather than reacting to opportunities as they arise, Lowe's is committed to proactively creating new opportunities. We are doing so by analyzing our research to identify patterns and trends that will impact our industry in the coming years. Most trends are related to the rapidly changing demographic picture in the United States.

We have witnessed the emergence of the BIY ("Buy It Yourself") customer in addition to the DIY ("Do It Yourself") customer. Maturing Baby-Boomers typically have more money than time and, rather than tackling projects themselves, are more inclined to have someone else do the work. They do not mind spending a few dollars more for higher-quality products that add convenience to their lives. Lowe's views these factors as prime reasons to expand and improve our Installed Sales, Special Order Sales, and Commercial Business Customer programs in anticipation of greater sales potential. In addition to growing sales, these three sales initiatives focus on higher gross margin categories within the store.

We are challenging and refining our offerings to move our product mix "up the continuum," editing our good product lines to improve our offering of the better and even premium lines that our customers desire. Understanding that time is a precious commodity, we've improved our in-store features and benefits information displays to better differentiate between merchandise price points and to assist customers with their buying decisions. In addition to our extensive line of national brands, we're partnering with our vendors to offer preferred brands — exclusive to Lowe's — such as Laura Ashley, Sta-Green, Troy-Bilt and more. In categories where preferred brands are not available, we've developed and created our own high quality brands, such as



Paint is a major component of home improvement projects and Lowe's compelling presentation allows customers to explore all possibilities.



Product orders, such as electrical cable, can be customized for smaller projects or sold in larger quantities to Lowe's commercial business customers.



Lowe's bright, spacious home décor department, staffed by knowledgeable sales associates, allows customers to coordinate the latest fashions in flooring, window treatments and wall coverings.



Broad product offerings, next-day delivery and installation services position Lowe's as a leading retailer of appliances.



Lowe's lawn and garden department features fashionable patio furniture and beautiful plants year-round in our all seasons room.



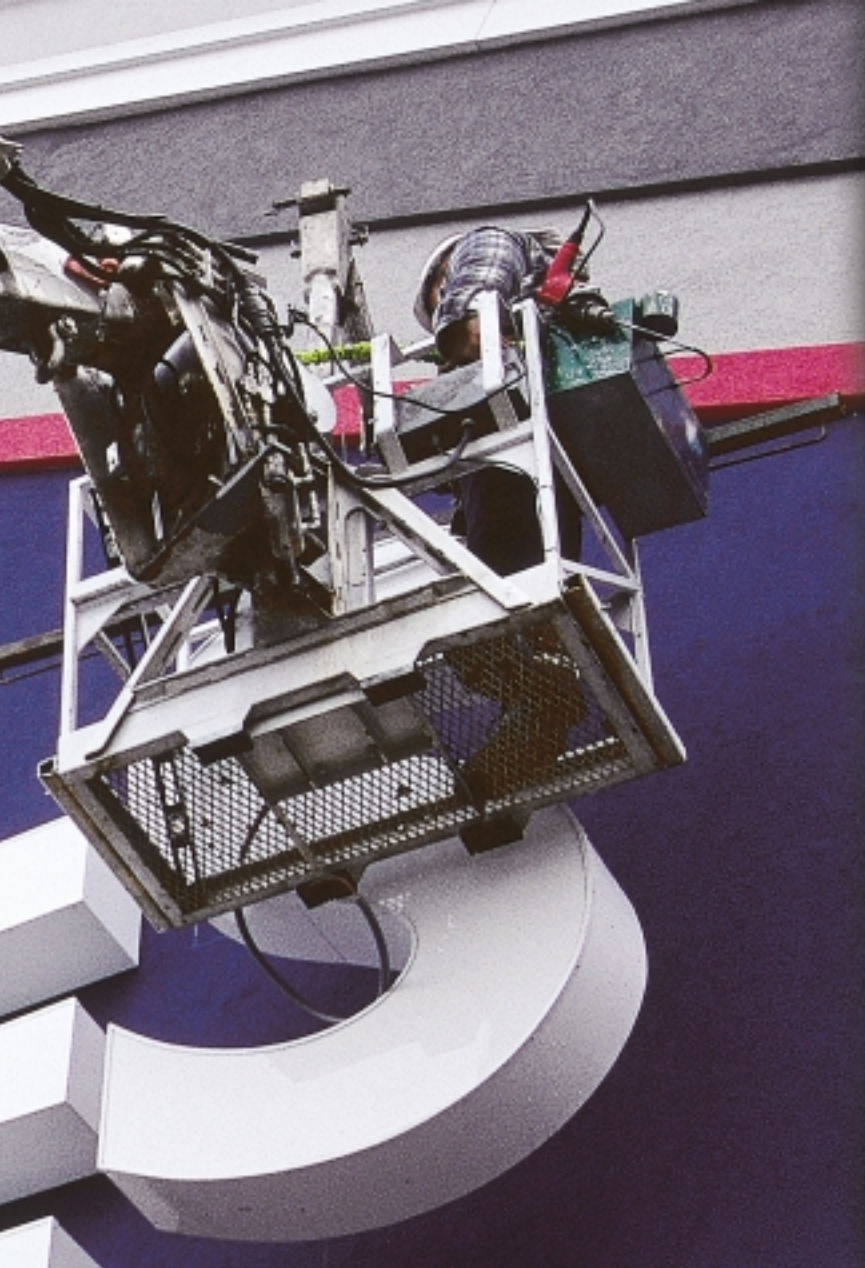
Reliablite doors are one of Lowe's many exclusive brands offering quality and value to our customers.





A graphical representation of Lowe's growth in market coverage from 1990 through the end of fiscal 2000.

The Lowe's sign goes up on one of our newest stores.



Kobalt tools, Reliabil doors and windows, and Top Choice lumber.

Breaking New Ground

Lowe's aggressive square footage growth makes us the third fastest-growing retailer in the country. In 2000, we will open 95 new stores totaling 10.5 million square feet of sales floor – an 18 percent increase over 1999.

Choosing our target markets is no small feat, and Lowe's dedicates considerable resources to placing stores where they are most needed. Our Real Estate Research and Acquisition Groups carefully analyze the benefits and challenges of each potential location before recommending a site to Lowe's Real Estate Committee. This exceptionally thorough process has helped Lowe's to better project and manage our growth, mapping our planned site selection and expansion process farther into the future than ever before. In addition to the 95 new stores slated for opening this fiscal year, the Real Estate Committee has approved 125 new stores to be opened in 2001.

Our greatest expansion opportunities are ahead of us as we bring our proven, superior store concept into exciting, dynamic markets throughout the United States. Over the next several years, our expansion will take place in the western United States, where cities such as Los Angeles, Phoenix and Las Vegas are attracting thousands of newcomers each day ... highly concentrated northeastern cities such as Philadelphia, Pittsburgh and New York ... and Florida, where many mature Boomers are building their vacation homes. Large markets, such as these, have attractive demographic profiles that bode well for the success of our stores.

Even with such far-reaching geographical plans, Lowe's product distribution and delivery will remain at today's highest levels because of Lowe's extensive distribution network. Our five state-of-the-art regional distribution centers (RDCs) are strategically placed throughout "Lowe'sland" and are unmatched in our industry.

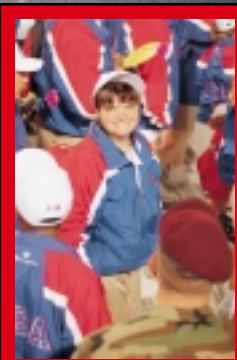
We have always believed in efficiently managing the flow of goods between our vendors and our customer, and historically, logistics has been a fundamental part of retail. However, as the retail landscape continues to evolve and e-commerce intensifies, we foresee that retail will become reliant on highly advanced logistical capabilities that will differentiate great retailers from good retailers. In anticipation of this trend, as well as facilitating our future growth, we will open three new RDCs over the next two years. These extraordinary facilities control

Lowe's Stores

(includes projected store openings in fiscal 2000)

Alabama	20	Alaska	1
Arizona	5	Arkansas	8
California	24	Colorado	7
Connecticut	4	Delaware	4
Florida	39	Georgia	28
Hawaii	2	Idaho	2
Illinois	14	Indiana	22
Iowa	5	Kansas	3
Kentucky	22	Louisiana	12
Maryland	16	Massachusetts	1
Michigan	19	Mississippi	9
Missouri	13	Montana	1
Nevada	5	New Jersey	3
New Mexico	1	New York	11
North Carolina	72	Ohio	48
Oklahoma	9	Oregon	1
Pennsylvania	31	South Carolina	30
Tennessee	32	Texas	53
Utah	5	Virginia	41
Washington	18	West Virginia	12

40 states, 653 stores



Scenes from the 1999 Special Olympics World Games. Lowe's sponsorship contributed to the success of the event.



The Special Olympics World Games was the largest sporting event in the world in 1999. Athletes and fans from 150 countries convened in Raleigh, NC for the Games. Lowe's was a corporate sponsor for the event.



Lowe's Great Safety Adventure...with help from Rover the Safety Dog...travels throughout "Lowe'sland" teaching families about home safety.

more than 60 percent of the inventory flowing to our stores, keeping in-stock levels high, resulting in greater sales volume per store.

Staying True to our Roots

As we expand Lowe's territory, we look forward to welcoming new neighbors and serving them in their own "backyards." In 1999, Lowe's community involvement assisted neighbors across "Lowe'sland" and throughout the world.

In July, when we contributed a combination of building materials, 300+ employee volunteers and more than \$1 million in funds to the 1999 Special Olympics World Games, we celebrated right along with the athletes as their accomplishments surpassed their own dreams.

The Lowe's Home Safety Council, now in its sixth year, continues to impress upon neighbors the need for diligent attention to safety in their homes. In 1999, Lowe's Heroes volunteers in a record 325 stores paired with community nonprofits to provide home safety advice and products to thousands of families in each of our districts.

Lowe's Great Safety Adventure – an interactive safety field trip on wheels – rolled into 100 cities in 1999, educating 100,000 children about how to prevent household injuries. By the end of 2000, a second Great Safety Adventure, a 1,200-square-foot home replica complete with interactive games and sound effects, will have raised the impact to 200,000 children in 200 cities. Also in 2000, Lowe's Home Safety Council is placing in each Lowe's store a Family Safety Center kiosk, a one-stop information center where continuous videos and plentiful take-home brochures will provide life saving tips.

Lowe's continues to assist disaster relief agencies nationwide as needs arise, and we've recently strengthened our national partnership with the American Red Cross. Last year we generated a record customer/company contribution of \$650,000 to help ease the horrific losses resulting from tornadoes in the Midwest and the floods of Hurricane Floyd. This is the largest donation the Red Cross has ever received from a single company's store collection program. In total, the company donated more than \$1.3 million toward disaster relief efforts in 1999.

Enhancing and Expanding Our Reach

To maintain our position as an industry leader, we have recently invested additional resources and personnel in Lowe's New Business Development and Strategic Planning Groups. These new departments are charged with finding – or creating – innovative avenues to attract more customers, more often.

The newly formed Internet Business Group has been diligently researching and refining the latest in technology and e-commerce. In April of 2000, we began testing “web lounges” in our stores where customers can access, view and purchase more than 4,000 special order appliances. Using this same technology we will roll-out, in the second

quarter of 2000, e-commerce capabilities to our web site (www.lowes.com). The initial product offering will be directed toward expanding our relationship with our established Commercial Business Customers. As we move into Summer, product offerings tailored to meet the retail customers' needs and preferences will follow.

Partnering with our major vendors, we plan in the future to offer millions of products through our web site. The easy to search, easy to navigate site will serve as an information portal and virtual shopping area. In this manner, Lowe's will seamlessly integrate our “virtual” stores with our brick and mortar stores, resulting in greater recognition – and greater sales opportunities – for each.

While we surge forward with retailing breakthroughs



The Internet offers an alternate channel through which Lowe's can serve its customers. E-commerce will be available in the second quarter of 2000 at www.lowes.com.

online, we also will proceed with some "home improvement" of our own, creating the next generation of home improvement warehouses. Already we've built the prototype, with stunning results. Wider aisles, clearer signage and brighter display areas have won praise from customers. Product selection has been scrutinized to ensure that Lowe's offers an adequate supply of products at each price point.

Although the average age of our large store base is relatively young, Lowe's—like all successful retailers—thrives on continuously improving product presentation. Therefore, as we constantly test new programs and remerchandise product sets, we'll roll-back to our existing store base those programs that are experiencing wide-spread customer acceptance.

Responding to Our Customers – A Promise

Lowe's has a solid foundation in place, with sound plans for a vibrant and prosperous future. Already we have watched some of these plans become reality, and we are excited by the results.

The focal point of all our plans, however, is our customers. As Lowe's advances into the 21st century, our dedication to the customer remains undeterred. Whether serving customers in the stores of today or with the products of tomorrow ... on-line or in-store ... Lowe's is ready to break away, to lead home improvement into the future it has helped to predict and create.



Lowe's Board of Directors



Left to right: Peter Browning, Robert Strickland, Leonard Berry, Robert Schwartz, Robert Tillman, James Halpin, Richard Lochridge, Claudine Malone, Paul Fulton, Carol Farmer

Robert L. Tillman

Chairman of the Board, President and Chief Executive Officer
Lowe's Companies, Inc. 3*

Leonard L. Berry, Ph.D.

Professor of Marketing and Director of the Center for Retailing Studies,
Texas A&M University, College Station, Tex. 1,4

Peter C. Browning

President and Chief Executive Officer, Sonoco Products Company,
Hartsville, S.C. 2,3,4*

Carol A. Farmer

President, Carol Farmer Associates, Inc., Boca Raton, Fla. 2,4

Paul Fulton

Chairman and Chief Executive Officer, Bassett Furniture Industries,
Bassett, Va. 2*,3,4

James F. Halpin

President and Chief Executive Officer, CompUSA Inc., Dallas, Tex. 1,4

Richard K. Lochridge

President and Chief Executive Officer, Lochridge & Company,
Boston, Mass. 1*,3,4

Claudine B. Malone

President and Chief Executive Officer, Financial & Management
Consulting, Inc., McLean, Va. 1,4

Robert G. Schwartz

Former Chairman of the Board, President and Chief Executive Officer,
Metropolitan Life Insurance Company, New York, N.Y. 2,4

Robert L. Strickland

Former Chairman of the Board, Lowe's Companies, Inc.,
Wilkesboro, N.C. 1,3

Committee Membership

- | | |
|------------------------|---------------------------|
| 1. Audit Committee | 2. Compensation Committee |
| 3. Executive Committee | 4. Governance Committee |

* 1999 Committee Chairman

Lowe's Executive Management

Robert L. Tillman – Chairman of the Board, President and Chief Executive Officer

Dale C. Pond – Executive Vice President, Merchandising and Marketing

Larry D. Stone – Executive Vice President and Chief Operating Officer

William C. Warden, Jr. – Executive Vice President and Chief Administrative Officer

Thomas E. Whiddon – Executive Vice President and Chief Financial Officer

Theresa A. Anderson – Senior Vice President, Operations and Merchandising Support

Kenneth W. Black, Jr. – Senior Vice President and Chief Accounting Officer

Gregory M. Bridgeford – Senior Vice President, Business Development

Charles W. Canter – Senior Vice President, Store Operations – Northern Division

Robert J. Gfeller – Senior Vice President, Marketing, Advertising and Communications

Stephen A. Hellrung – Senior Vice President, General Counsel and Secretary

Lee Herring – Senior Vice President, Logistics

William L. Irons – Senior Vice President, Management Information Services

Perry G. Jennings – Senior Vice President, Human Resources

Mark A. Kauffman – Senior Vice President / General Merchandise Manager - Hardlines

Michael K. Menser – Senior Vice President / General Merchandise Manager - Home Décor

Robert A. Niblock – Senior Vice President, Finance

William D. Pelon – Senior Vice President, Store Operations – Western Division

David E. Shelton – Senior Vice President, Real Estate/Engineering & Construction

Gregory J. Wessling – Senior Vice President, Store Operations – Southern Division

Disclosure Regarding Forward-Looking Statements

Our Annual Report talks about our future, particularly in the "Letter to 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.
- 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.

Independent Auditors' Report

To the Board of Directors and Shareholders

of Lowe's Companies, Inc.

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 28, 2000 and January 29, 1999, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 28, 2000. 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 & Garden, Inc., which has been accounted for as a pooling of interests as described in Note 2 to the consolidated financial statements. We did not audit the balance sheet of Eagle Hardware & Garden, Inc. as of January 29, 1999, or the related statements of earnings, shareholders' equity, and cash flows of Eagle Hardware & Garden, Inc. for each of the fiscal years ended January 29, 1999 and January 30, 1998, which statements reflect total assets of \$719.8 million as of January 29, 1999, and total revenues of \$1,085.7 million and \$971.5 million for each of the fiscal years ended January 29, 1999 and January 30, 1998, respectively. 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 & Garden, Inc. for fiscal years 1998 and 1997, 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 January 28, 2000 and January 29, 1999, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 28, 2000 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective for the year ended January 28, 2000, the Company has given retroactive effect to the change in its method of accounting for a substantial portion of its inventories from the LIFO (last-in, first-out) method to the FIFO (first-in, first-out) method.

Deloitte + Touche LLP

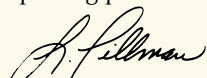
Charlotte, North Carolina
February 17, 2000

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 & Chief Executive Officer



Thomas E. Whiddon
Executive Vice President & Chief Financial Officer

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 and liquidity and capital resources during the three-year period ended January 28, 2000 (i.e., fiscal years 1999, 1998 and 1997). This discussion should be read in conjunction with the Letter to Shareholders, financial statements, and financial statement footnotes included in this annual report.

The Company changed its method of accounting for substantially all of its inventories from the Last-In-First-Out (LIFO) method to the First-In-First-Out (FIFO) method effective for the fiscal year ended January 28, 2000. The Company has been experiencing reduced costs in most product categories resulting from a combination of better buying, increased imports and logistics efficiencies. Therefore, management believes the FIFO method provides a better measurement of operating results. The change will also aid in financial statement comparability within the retail home improvement industry segment.

Prior period consolidated financial statements have been restated for the retroactive effect of the change in accounting method. A LIFO adjustment was not required during 1999 because the calculated effect was minimal; therefore there was no effect on current year earnings. The effect of this change on the Company's net earnings and retained earnings for the years ended January 29, 1999 and January 30, 1998 was a decrease of \$18.4 million (\$.05 per share diluted) and \$4.4 million (\$.01 per share diluted), respectively.

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 current and historical financial information is presented on a combined basis.

OPERATIONS

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 \$1.75 for 1999 compared to \$1.34 for 1998 and \$1.04 for 1997. Return on beginning assets was 9.5% for 1999 compared to 8.5% for 1998; and return on beginning shareholders'

equity was 18.6% for 1999 compared to 16.8% for 1998.

Net earnings for 1999, excluding the one-time charge of \$.04 per share for costs relating to the merger with Eagle, increased 38% to \$689.8 million or 4.3% of sales. Diluted earnings per share, excluding the one-time charge, were \$1.79 for 1999. Excluding the one-time charge, return on beginning assets was 9.7% for 1999; and return on beginning shareholders' equity was 19.1% for 1999.

The Company's sales were \$15.9 billion in 1999, a 19% increase over 1998 sales of \$13.3 billion. Sales for 1998 were 20% higher than 1997 levels. Comparable store sales increased 6.2% in 1999. The increases in sales are attributable to the Company's ongoing store expansion and relocation program along with the growth in comparable store sales. Comparable store sales increases are driven by the Company's focus on commercial business, special order, and installed sales initiatives, which is combined with the continued strategy of employing an expanded inventory assortment, everyday competitive prices and an emphasis on customer service. The following table presents sales and store information:

	1999	1998	1997
Sales (in millions)	\$15,906	\$13,331	\$11,108
Sales Increases	19%	20%	19%
Comparable Store Sales Increases	6%	6%	4%
At end of year:			
Stores	576	520	477
Sales Floor Square Feet (in millions)	57.0	47.8	39.9
Average Store Size Net Selling			
Square Feet (in thousands)	99	92	84

Gross margin in 1999 was 27.5% of sales compared to 26.8% in 1998. Both of these years showed improvement over the 26.6% rate achieved in 1997. Lower product acquisition costs, along with adherence to careful pricing disciplines in the execution of the Company's everyday competitive pricing strategy, and changes in product mix resulting from the expanded merchandise selection available in larger stores continued to provide margin improvements during 1999 and 1998. In addition, an increase in the level of controls relating to inventory shrinkage also contributed to gross margin improvements in 1999.

Selling, general and administrative expenses (SG&A) were \$2.8 billion or 17.4% of sales in 1999. SG&A in the two previous years were \$2.3 and \$2.0 billion or 17.5% and 17.6% of sales, respectively. The 10 basis point decrease in 1999 and 1998 resulted primarily from lower net advertising costs, increased credit card program income and leveraging of expenses.

Store opening costs were \$98.4 million for 1999 compared to \$75.6 and \$72.7 million in 1998 and 1997, respectively, and were expensed as incurred. These costs are associated with the opening of 91 stores in 1999 (60 new and 31 relocated). This compares to 81 stores in 1998 (50 new and 31 relocated) and 72 stores in 1997 (48 new and 24 relocated). As a percentage of sales, store opening costs were 0.6% for both 1999 and 1998 and 0.7% for 1997. Store opening costs averaged approximately \$1.0 million per store in 1999.

Depreciation, reflecting continued fixed asset expansion, increased 17% to \$337.4 million in 1999, compared to increases of 13% and 22% in 1998 and 1997, respectively. Depreciation as a percentage of sales was 2.1% for 1999, a slight decrease from 2.2% in 1998 and 2.3% in 1997. Approximately 29% of new stores opened in the last three years have been leased, of which approximately 47%, 43% and 25% in 1999, 1998 and 1997, respectively, were under capital leases. Property, less accumulated depreciation, increased to \$5.2 billion at January 28, 2000 compared to \$4.1 billion at January 29, 1999. 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 0.5% for 1999 and 0.6% for 1998 and 1997. Net interest costs totaled \$84.9 million in 1999, \$80.9 million in 1998 and \$71.6 million in 1997. Interest costs relating to capital leases were \$42.6, \$39.3 and \$38.4 million for 1999, 1998 and 1997, respectively. See the discussion of liquidity and capital resources below.

The Company's effective income tax rates were 36.7%, 36.4% and 36.0% in 1999, 1998 and 1997, respectively. The higher rates in 1999 and 1998 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 \$1.2 billion for 1999. This compares to \$741.6 and \$691.0 million in 1998 and 1997, respectively. 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 January 28, 2000 was \$1.3 billion compared to \$942.6 million at January 29, 1999.

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 \$1.5 billion for 1999. This compares to \$1.1 billion and \$826.2 million for 1998 and 1997, respectively. Retail selling space as of January 28, 2000 increased 19% over the selling space as of January 29, 1999. The January 29, 1999 selling space total of 47.8 million square feet represents a 20% increase over 1997. Financing and 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. During 1999, 1998 and 1997, the Company acquired fixed assets (primarily new store facilities) under capital leases of \$27.6, \$47.3 and \$32.7 million, respectively.

Cash flows provided by financing activities were \$593.4, \$287.5 and \$265.1 million in 1999, 1998 and 1997, respectively. The major cash components of financing activities in 1999 included increased cash from the issuance of \$400 million principal amount of 6.5% debentures due March 15, 2029 in a private offering, and \$348.3 million in net proceeds from a common stock offering, offset by a decrease in cash from the payment of \$47.6 million in cash dividends and \$108.3 million in scheduled debt maturities. In 1998, financing activities included the issuance of \$300 million principal amount of 6.875% debentures, \$50.8 million in cash dividend payments and \$23.3 million in scheduled debt repayments. Major financing activities during 1997 included cash received from the issuance of \$268 million aggregate principal of Medium Term Notes, offset by cash dividend payments of \$28.7 million and \$36.3 million of scheduled debt repayments. The ratio of long-term debt to equity plus long-term debt was 27.6%, 28.9% and 28.9% as of year end 1999, 1998 and 1997, respectively. The decrease in 1999 was primarily due to proceeds from a common stock offering as previously described.

At January 28, 2000, the Company had a \$300 million revolving credit facility with a syndicate of eleven banks, available lines of credit aggregating \$218 million for the purpose of issuing documentary letters of credit and standby letters of credit and \$50 million available, on an unsecured basis, for the purpose of short-term borrowings. At January 28, 2000, outstanding letters of credit aggregated \$108.8 million. The revolving credit facility has \$100 million expiring in November 2000, with the remaining \$200 million expiring in November 2001. In addition, the Company has a \$100 million revolving credit and security agreement from a financial institution with \$92.5 million outstanding at January 28, 2000.

The Company's 2000 capital budget is currently at \$2.2 billion, inclusive of approximately \$225 million of operating or capital leases. Approximately 85% of this planned commitment is for store expansion and new distribution centers. Expansion plans for 2000 consist of approximately 95 stores (including the relocation of 17 older, smaller format stores). This planned expansion is expected to increase sales floor square footage by approximately 18%. Approximately 10% of the 2000 projects will be leased and 90% will be owned. The Company has begun construction on a regional distribution center located in Perris, California. The 1.2 million square foot facility is expected to be operational in the first quarter of 2001. During 2000, construction will also begin on another distribution center in Findlay, Ohio which is expected to be operational in late 2001. At January 28, 2000, the Company operated six regional distribution centers and nine smaller support facilities. The Company believes that funds from operations, funds from debt issuances, leases and existing short-term credit agreements will be adequate to finance the 2000 expansion plan and other operating requirements.

YEAR 2000

The Company, as well as most other businesses, committed a significant amount of time and resources to ensure that its information technology (IT) systems were year 2000 compliant. The Company also took steps to prevent or lessen any potential adverse effects on overall operations, which included assessing the readiness of merchandise vendors and other entities with which it does business. As a result of these preparations, the Company achieved a smooth transition into the year 2000.

Preparations for the year 2000 required expenditures to convert the Company's existing IT systems. These costs have been estimated to total approximately \$5 million and were expensed as incurred. In addition, approximately \$19 million of computer hardware was purchased to replace existing non-compliant hardware. The cost of the new hardware was capitalized and is being depreciated over useful lives ranging from three to five years. The cost to convert systems was mitigated by substantial investments in new computer equipment over the past six years. The Company continuously makes investments in technology in order to improve customer service and the availability of information to management.

MARKET RISK

During 1999 and 1998, the Company utilized an interest rate swap agreement to manage interest rates on

certain mortgages. Variable rates on mortgages, totaling \$25 million, are being swapped for a fixed rate of 7.94% until the year 2007. The swap agreement limits the Company's exposure to the possibility of rising interest rates.

The Company's major market risk exposure is the potential loss arising from changing interest rates and its impact on long-term investments and long-term debt. The Company's policy is to manage interest rate risks by maintaining a combination of fixed and variable rate financial instruments. At January 28, 2000, long-term investments consisted of \$31.1 million in municipal obligations and preferred stocks, classified as available-for-sale securities. Although the fair value of these securities, like all fixed income securities, would fall if interest rates increase, the Company has the ability to hold its fixed income investments until maturity and not experience an adverse impact on earnings or cash flows. 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. 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 (Dollars in Millions)

	Fixed Rate	Avg. Interest Rate	Variable Rate	Avg. Interest Rate
2000	\$61.1	7.51%	\$0.2	4.25%
2001	43.3	8.27	0.1	4.25
2002	61.5	8.15	0.1	4.25
2003	31.8	8.67	0.1	4.25
2004	80.2	8.32	0.1	4.25
Thereafter	1,560.5	7.61%	2.2	3.63%
Total	\$1,838.4		\$2.8	
Fair Value	\$2,021.4		\$2.8	

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 is effective for the Company in the year beginning February 3, 2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management is currently evaluating the impact of the adoption of SFAS 133 and its effect on the Company's financial statements.

STORE PERFORMANCE PERSPECTIVE

In 1992, Lowe's began a more detailed reporting on the transformation from a chain of small, contractor-oriented stores to a family of modern, home-improvement warehouses. In 1999, the transformation is nearly complete as the large stores contributed, on average, 88% of sales and 86% of operating profits. The following tables are intended to assist in understanding the impact of that transformation.

Store group categories, presented in these two tables, are defined as follows:

1. Yards : Focused Contractor Yards
2. Small : Average of 18,000 square feet
3. Medium : Average of 54,000 square feet
4. Large : Average of more than 100,000 square feet
All stores in excess of 80,000 square feet

Large store sales are reported on both a comparable (same store) basis and new (open less than fourteen months) basis. A relocated store is removed from the comparable store computation until the fourteenth month following its grand opening.

Table 1 Store Group Unit Totals, Annual Average

	1999		1998		1997	
	% of Total	Units	% of Total	Units	% of Total	Units
Yards	6%	32	7%	31	7%	29
Small	4	23	8	41	13	55
Medium	8	45	14	67	19	84
Large Comp	60	304	52	245	43	187
Large New	22	112	19	90	18	77
Total	100%	516	100%	474	100%	432

Table 2 Sales & Operating Profits* by Store Group

	1999		1998		1997	
	Sales	O.P.*	Sales	O.P.*	Sales	O.P.*
Yards	4%	3%	4%	3%	4%	3%
Small	2	2	4	4	7	7
Medium	6	9	12	16	19	26
Large Comp	67	72	60	64	51	54
Large New	21	14	20	13	19	10
Total	100%	100%	100%	100%	100%	100%

*Operating Profits before corporate expense and intercompany charges, interest, and income taxes.

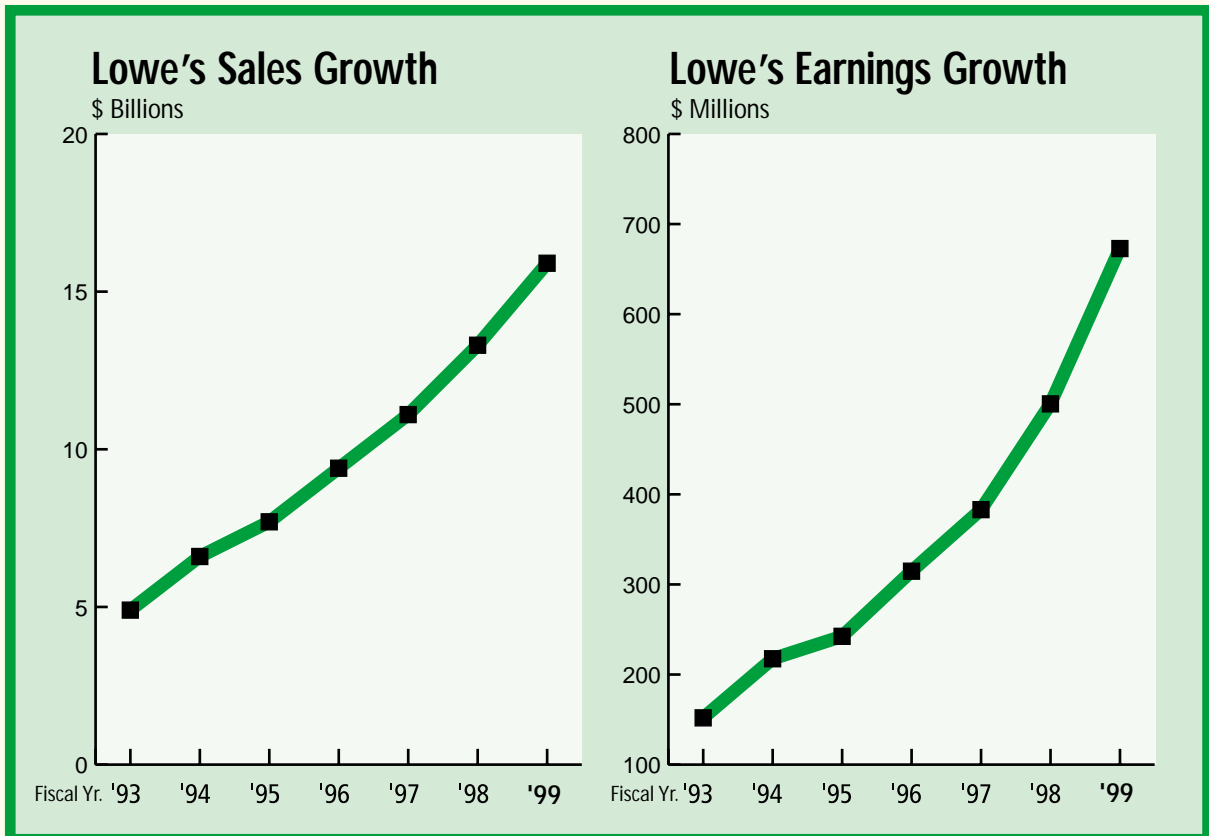


Consolidated Statements of Earnings

In Thousands, Except Per Share Data
Years Ended on

	January 28, 2000	% Sales	January 29, 1999	% Sales	January 30, 1998	% Sales
Net Sales	\$15,905,595	100.0%	\$13,330,540	100.0%	\$11,108,378	100.0%
Cost of Sales	11,525,013	72.5	9,756,645	73.2	8,155,332	73.4
Gross Margin	4,380,582	27.5	3,573,895	26.8	2,953,046	26.6
Expenses:						
Selling, General and Administrative	2,772,428	17.4	2,341,410	17.5	1,954,440	17.6
Store Opening Costs	98,448	0.6	75,571	0.6	72,666	0.7
Depreciation	337,359	2.1	288,607	2.2	255,694	2.3
Interest (Note 14)	84,852	0.5	80,941	0.6	71,615	0.6
Nonrecurring Merger Costs (Note 2)	24,378	0.2	—	—	—	—
Total Expenses	3,317,465	20.8	2,786,529	20.9	2,354,415	21.2
Pre-Tax Earnings	1,063,117	6.7	787,366	5.9	598,631	5.4
Income Tax Provision (Note 12)	390,322	2.5	286,992	2.1	215,601	1.9
Net Earnings	\$ 672,795	4.2%	\$ 500,374	3.8%	\$ 383,030	3.5%
Basic Earnings Per Share (Note 8)	\$ 1.76		\$ 1.35		\$ 1.04	
Diluted Earnings Per Share (Note 8)	\$ 1.75		\$ 1.34		\$ 1.04	
Cash Dividends Per Share	\$ 0.13		\$ 0.12		\$ 0.11	

See accompanying notes to consolidated financial statements.





Consolidated Balance Sheets

In Thousands

	January 28, 2000	% Total	January 29, 1999	% Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 491,122	5.5%	\$ 228,874	3.2%
Short-Term Investments (Note 3)	77,670	0.9	20,343	0.3
Accounts Receivable – Net (Note 5)	147,901	1.6	143,928	2.0
Merchandise Inventory (Note 1)	2,812,361	31.2	2,384,700	33.6
Deferred Income Taxes (Note 12)	53,145	0.6	41,814	0.6
Other Current Assets	127,342	1.4	47,201	0.7
Total Current Assets	3,709,541	41.2	2,866,860	40.4
Property, Less Accumulated Depreciation (Notes 4 and 6)	5,177,222	57.5	4,085,798	57.7
Long-Term Investments (Note 3)	31,114	0.3	28,716	0.4
Other Assets (Note 1)	94,446	1.0	105,508	1.5
Total Assets	\$9,012,323	100.0%	\$7,086,882	100.0%
Liabilities and Shareholders' Equity				
Current Liabilities:				
Short-Term Borrowings (Note 5)	\$ 92,475	1.0%	\$ 117,075	1.7%
Current Maturities of Long-Term Debt (Note 6)	59,908	0.7	107,893	1.5
Accounts Payable	1,566,946	17.4	1,220,543	17.2
Employee Retirement Plans (Note 11)	101,946	1.1	85,466	1.2
Accrued Salaries and Wages	164,003	1.8	123,545	1.7
Other Current Liabilities	400,676	4.5	269,734	3.8
Total Current Liabilities	2,385,954	26.5	1,924,256	27.1
Long-Term Debt, Excluding Current Maturities (Notes 6, 7 and 10)	1,726,579	19.2	1,364,278	19.3
Deferred Income Taxes (Note 12)	199,824	2.2	175,372	2.5
Other Long-Term Liabilities	4,495	—	3,209	—
Total Liabilities	4,316,852	47.9	3,467,115	48.9
Shareholders' Equity (Note 9):				
Preferred Stock – \$5 Par Value, none issued	—		—	
Common Stock – \$.50 Par Value;				
Issued and Outstanding				
January 28, 2000 382,359				
January 29, 1999 374,388	191,179	2.1	187,194	2.6
Capital in Excess of Par Value	1,755,616	19.5	1,325,816	18.7
Retained Earnings	2,761,964	30.6	2,136,727	30.2
Unearned Compensation – Restricted Stock Awards	(12,868)	(0.1)	(30,387)	(0.4)
Accumulated Other Comprehensive Income (Loss)	(420)	—	417	—
Total Shareholders' Equity	4,695,471	52.1	3,619,767	51.1
Total Liabilities and Shareholders' Equity	\$9,012,323	100.0%	\$7,086,882	100.0%

See accompanying notes to consolidated financial statements.



Consolidated Statements of Shareholders' Equity

In Thousands

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Unearned Compensation Restricted Stock Awards	Accumulated Other Comprehensive Income	Total Equity
	Shares	Amount					
Balance January 31, 1997	365,298	\$182,649	\$1,070,940	\$1,287,505	\$(18,434)	\$ (341)	\$2,522,319
Cumulative Adjustment from							
Change in Accounting Method (Note 1)				45,228			45,228
Comprehensive Income:							
Net Earnings				383,030			
Other Comprehensive Income, Net							
of Income Taxes (\$268) and Reclassification							
Adjustments: Unrealized Gain on							
Available-for-Sale Securities						529	
Total Comprehensive Income							383,559
Tax Effect of Non-qualified							
Stock Options Exercised			875				875
Cash Dividends				(38,239)			(38,239)
Stock Options Exercised (Note 9)	144	72	1,155				1,227
Stock Issued to ESOP (Note 11)	2,984	1,492	55,136				56,628
Shares Issued to Directors (Note 9)	8	4	153				157
Unearned Compensation – Restricted							
Stock Awards (Note 9)	804	402	20,108		(14,260)		6,250
Balance January 30, 1998	369,238	184,619	1,148,367	1,677,524	(32,694)	188	2,978,004
Comprehensive Income:							
Net Earnings				500,374			
Other Comprehensive Income, Net							
of Income Taxes and Reclassification							
Adjustments: Unrealized Gain on							
Available-for-Sale Securities (Note 9)						229	
Total Comprehensive Income							500,603
Tax Effect of Non-qualified							
Stock Options Exercised			4,371				4,371
Cash Dividends				(41,171)			(41,171)
Stock Options Exercised (Note 9)	676	338	12,853				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							
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:							
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
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

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows

In Thousands Years Ended on	January 28, 2000	January 29, 1999	January 30, 1998
Cash Flows from Operating Activities:			
Net Earnings	\$ 672,795	\$ 500,374	\$ 383,030
Adjustments to Reconcile Net Earnings to Net Cash Provided By Operating Activities:			
Depreciation	337,359	288,607	255,694
Amortization of Original Issue Discount	463	445	192
Increase in Deferred Income Taxes	13,439	8,226	8,024
Loss on Disposition/Writedown of Fixed and Other Assets	51,520	24,018	14,263
Changes in Operating Assets and Liabilities:			
Accounts Receivable – Net	(3,973)	(25,520)	(846)
Merchandise Inventory	(427,661)	(399,660)	(130,246)
Other Operating Assets	(77,704)	(7,937)	7,346
Accounts Payable	346,403	184,660	57,658
Employee Retirement Plans	76,024	75,675	61,860
Other Operating Liabilities	182,223	92,757	33,999
Net Cash Provided by Operating Activities	1,170,888	741,645	690,974
Cash Flows from Investing Activities:			
(Increase) Decrease in Investment Assets:			
Short-Term Investments	(50,998)	19,848	57,103
Purchases of Long-Term Investments	(12,413)	(19,866)	(15,384)
Proceeds from Sale/Maturity of Long-Term Investments	2,531	2,644	4,811
Increase in Other Long-Term Assets	(36,643)	(21,723)	(9,940)
Fixed Assets Acquired	(1,472,348)	(1,078,107)	(826,246)
Proceeds from the Sale of Fixed and Other Long-Term Assets	67,837	38,202	31,183
Net Cash Used in Investing Activities	(1,502,034)	(1,059,002)	(758,473)
Cash Flows from Financing Activities:			
Net Increase (Decrease) in Short-Term Borrowings	(24,600)	18,971	17,199
Long-Term Debt Borrowings	394,588	328,159	310,795
Repayment of Long-Term Debt	(108,309)	(23,318)	(36,252)
Proceeds from Stock Offering	348,300	—	—
Proceeds from Stock Options Exercised	30,973	14,473	1,988
Cash Dividend Payments	(47,558)	(50,757)	(28,653)
Net Cash Provided by Financing Activities	593,394	287,528	265,077
Net Increase (Decrease) in Cash and Cash Equivalents	262,248	(29,829)	197,578
Cash and Cash Equivalents, Beginning of Year	228,874	258,703	61,125
Cash and Cash Equivalents, End of Year	\$ 491,122	\$ 228,874	\$ 258,703

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended January 28, 2000, January 29, 1999 and January 30, 1998

Note 1 – Summary of Significant Accounting Policies

The Company is the world's second largest home improvement retailer serving more than four million do-it-yourself and commercial business customers weekly. The Company operated 576 stores in 37 states from coast to coast at January 28, 2000. 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 years ended January 28, 2000, January 29, 1999 and January 30, 1998 each had 52 weeks. All references herein for the years 1999, 1998 and 1997 represent the fiscal years ended January 28, 2000, January 29, 1999 and January 30, 1998, 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.

Stock Split – On May 29, 1998, the Board of Directors declared a two-for-one stock split on the Company's common stock. One additional share was issued on June 26, 1998 for each share held by shareholders of record on June 12, 1998. The accompanying consolidated financial statements, including per share data, have been adjusted to reflect the effect of the stock split.

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 are classified as short-term investments. Investments with maturities greater than one year 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.

Derivatives – 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. The Company is currently utilizing an interest rate swap agreement to manage interest rates on certain mortgages. Variable rates on mortgages, totaling \$25 million, are being swapped for a fixed rate of 7.94% until the year 2007. The swap agreement limits the Company's exposure to the possibility of rising interest rates.

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 January 28, 2000 and January 29, 1999.

Sales generated through the Company's private label credit card 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. In an effort to provide a better measure of operating results and to increase comparability with other companies in the retail home improvement industry, cost is determined using the first-in, first-out (FIFO) method. The cost of inventory also includes certain costs associated with the preparation of inventory for resale.

The Company changed its method of accounting for substantially all of its inventories from the Last-In-First-Out (LIFO) method to the First-In-First-Out (FIFO) method effective for the fiscal year ended January 28, 2000. The Company has been experiencing reduced costs in most product categories resulting from a combination of better buying, increased imports and logistics efficiencies. Therefore, management believes the FIFO method provides a better measurement of operating results. The change will also aid in financial statement comparability within the retail home improvement industry segment.

Prior period consolidated financial statements have been restated for the retroactive effect of the change in accounting method. A LIFO adjustment was not required during 1999 because the calculated effect was minimal; therefore there was no effect on current year earnings. The effect of this change on the Company's net earnings and retained earnings for the years ended January 29, 1999 and January 30, 1998 was a decrease of \$18.4 million (\$.05 per share diluted) and \$4.4 million (\$.01 per share diluted), respectively.

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.

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 provided for the impairment of the assets. When a leased location becomes impaired, a provision is provided 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 \$56.4 and \$62.3 million at January 28, 2000 and January 29, 1999, respectively.

Revenue Recognition – The Company recognizes revenues when sales transactions occur and customers take possession of the merchandise.

Advertising – Costs associated with advertising are charged to operations as incurred. Advertising expenses were \$69.2, \$116.5 and \$133.7 million for 1999, 1998 and 1997, 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 is effective for the Company in the year beginning February 3, 2001. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management is currently evaluating the impact of the adoption of SFAS 133 and its effect on the Company’s financial statements.

Note 2 – 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. Lowe’s issued .64 shares of common stock for each share of Eagle outstanding common stock. Approximately 21.8 million shares of the Company’s common stock were issued as a result of the merger, and Eagle’s outstanding

stock options were converted into options to purchase approximately 923,000 common shares. 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 banker and other miscellaneous fees.

As a result of the merger, all current and historical financial information is being presented on a combined basis. No adjustments were necessary to conform the accounting principles of the two Companies.

The following table presents a reconciliation of net sales and net earnings previously reported by the Company to those presented in the accompanying consolidated statements of earnings.

	January 29, 1999	January 30, 1998
(In Thousands)		
Net Sales:		
Lowe’s	\$12,244,882	\$10,136,890
Eagle	1,085,658	971,488
Combined	\$13,330,540	\$11,108,378
Net Earnings:		
Lowe’s	\$ 464,043	\$ 353,114
Eagle	36,332	29,916
Combined	\$ 500,375	\$ 383,030

Note 3 – Investments

The amortized cost, gross unrealized holding gains and losses and fair values of investment securities, all of which are classified as available-for-sale securities, at January 28, 2000 and January 29, 1999 are as follows:

(In Thousands) Type	Amortized Cost	January 28, 2000		Fair Value
		Gross Unrealized Gains	Losses	
Municipal Obligations	\$ 10,668	\$ 12	\$ 10	\$ 10,670
Money Market Preferred Stock	67,000	—	—	67,000
Classified as Short-Term	77,668	12	10	77,670
Municipal Obligations –				
Classified as Long-Term	31,761	8	655	31,114
Total	\$109,429	\$ 20	\$665	\$108,784
January 29, 1999				
(In Thousands) Type	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
Municipal Obligations	\$ 20,211	\$132	—	\$ 20,343
Money Market Preferred Stock	—	—	—	—
Classified as Short-Term	20,211	132	—	20,343
Municipal Obligations –				
Classified as Long-Term	28,207	554	\$ 45	28,716
Total	\$ 48,418	\$686	\$ 45	\$ 49,059

The proceeds from sales of available-for-sale securities were \$17.1, \$37.5 and \$14.3 million for 1999, 1998 and 1997,

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 classified as long-term at January 28, 2000 will mature in 1 to 5 years.

Note 4 – Property and Accumulated Depreciation

Property is summarized below by major class:

	January 28, 2000	January 29, 1999
(In Thousands)		
Cost:		
Land	\$1,488,896	\$1,051,458
Buildings	2,516,951	2,049,533
Store, Distribution and Office Equipment	2,147,532	1,777,621
Leasehold Improvements	293,945	234,681
Total Cost	6,447,324	5,113,293
Accumulated Depreciation and Amortization	(1,270,102)	(1,027,495)
Net Property	\$5,177,222	\$4,085,798

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 \$478.6 and \$466.5 million in assets under capital leases at January 28, 2000 and January 29, 1999, respectively.

Note 5 – Short-Term Borrowings and Lines of Credit

The Company has a \$300 million revolving credit facility with a syndicate of 11 banks. The facility has \$100 million expiring November 2000, with the remaining \$200 million expiring November 2001. 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. There were no borrowings outstanding under this revolving credit facility as of January 28, 2000 or January 29, 1999.

The Company had short-term borrowings of \$24.6 million outstanding as of January 29, 1999 under a \$75 million revolving credit facility. This credit facility expired June 30, 1999.

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. At January 28, 2000, outstanding letters of credit totaled \$108.8 million.

A \$100 million revolving credit and security agreement, expiring in November 2000 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. At January 28, 2000 and January 29, 1999, there were \$92.5 million outstanding under this credit and security agreement and \$146.7 and \$132.1 million, respectively, of the Company's accounts receivable were pledged as collateral.

In addition, \$50 and \$80 million was available, on an unsecured basis, for the purpose of short-term borrowings on a bid basis from various banks as of January 28, 2000 and January 29, 1999. 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 January 28, 2000 or January 29, 1999.

The weighted average interest rate on short-term borrowings outstanding at January 28, 2000 and January 29, 1999 was 5.91% and 5.64%, respectively.

Note 6 – Long-Term Debt

Debt Category Interest Rates	Fiscal Year		
	of Final Maturity	January 28, 2000	January 29, 1999
(In Thousands)			
Secured Debt¹:			
Industrial Revenue Bonds 3.35%*	2020	\$ 2,353	\$ 2,536
Industrial Revenue Bonds ² 4.39%*	2005	700	900
Mortgage Notes 7.35% to 9.25%	2008	79,927	88,223
Other Notes 3.87% to 9.50%	2006	6,071	7,826
Unsecured Debt:			
Debentures 6.50% to 6.88%	2029	691,167	296,284
Medium Term Notes – Series A 6.50% to 8.20%	2022	155,000	238,999
Medium Term Notes ³ – Series B 6.70% to 7.61%	2037	266,067	266,004
Senior Notes 6.38%	2005	99,386	99,282
Capital Leases 6.12% to 19.57%	2029	485,816	472,117
Total Long-Term Debt		1,786,487	1,472,171
Less Current Maturities		59,908	107,893
Long-Term Debt, Excluding Current Maturities		\$1,726,579	\$1,364,278

*Interest rate varies as a percentage of prime rate or other interest index. Interest rates shown are as of January 28, 2000. Prime rate was 8.50% at January 28, 2000.

Debt maturities, exclusive of capital leases, for the next five fiscal years are as follows (in millions): 2000, \$45.3; 2001, \$26.1; 2002, \$42.7; 2003, \$11.3; 2004, \$58.5.

The Company's debentures, senior notes and medium term notes contain certain financial covenants, including the maintenance of specific financial ratios.

Notes:

¹ Real properties pledged as collateral for secured debt had net book values at January 28, 2000, as follows: industrial revenue bonds – \$9.6 million, mortgage notes – \$147.9 million and other notes – \$7.3 million.

² With certain restrictions, the floating rate demand industrial revenue bonds can be converted to a fixed interest rate based on a fixed interest index at the Company's option.

³ Approximately 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 puttable.

Note 7 – 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. The following are financial instruments whose estimated fair value amounts are different from their carrying amounts. Estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily 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 interest rate swap is insignificant. The fair value of the Company's long-term debt is as follows:

	January 28, 2000		January 29, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In Thousands)				
Liabilities:				
Long-Term Debt	\$1,786,487	\$2,024,274	\$1,472,171	\$1,618,008

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.

Note 8 – Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net earnings by the weighted-average

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 1999, 1998, and 1997.

(In Thousands, Except Per Share Data)

	1999	1998	1997
Basic Earnings per Share:			
Net Earnings	\$672,795	\$500,374	\$383,030
Weighted Average Shares Outstanding	381,240	370,812	367,111
Basic Earnings per Share	\$1.76	\$1.35	\$1.04
Diluted Earnings per Share:			
Net Earnings	\$672,795	\$500,374	\$383,030
Net Earnings Adjustment for Convertible Debt	—	3,589	3,675
Net Earnings, as Adjusted	\$672,795	\$503,963	\$386,705
Weighted Average Shares Outstanding	381,240	370,812	367,111
Dilutive Effect of Stock Options	2,614	1,954	459
Dilutive Effect of Convertible Debt	—	2,985	3,062
Weighted Average Shares, as Adjusted	383,854	375,751	370,632
Diluted Earnings per Share	\$1.75	\$1.34	\$1.04

Note 9 – Shareholders' Equity

Authorized shares of common stock were 1.4 billion at January 28, 2000 and January 29, 1999.

The Company has 5 million authorized shares of preferred stock (\$5 par), none of which have been issued. The preferred stock may be issued by the Board of Directors (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 of the preferred shares.

The Company has a shareholder rights plan, which provides for a dividend distribution of one preferred share purchase right on each outstanding share of common stock. Each purchase right will entitle shareholders to buy one unit of a newly authorized series of preferred stock for \$152.50. Each unit is intended to be the equivalent of one share of common stock. The purchase rights will be exercisable only if a person or group acquires or commences a tender offer for 15% or more of Lowe's common stock. The purchase rights are not exercisable or transferable by the person or group acquiring the stock or commencing the tender offer. The rights will expire in 2008, unless the Company redeems or exchanges them earlier.

The Company has two stock incentive plans, referred to as

the “1994” and “1997” Incentive Plans, under which incentive and non-qualified stock options, stock appreciation rights, restricted stock awards and incentive awards 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 January 28, 2000, there were 104,703 and 6,462,742 shares available for grants under the 1994 and 1997 plans, respectively.

Option information is summarized as follows:

Key Employee Stock Option Plans	Shares	Weighted-Average Exercise Price Per Share
	(In Thousands)	
Outstanding January 31, 1997	3,288	\$16.97
Granted	1,612	\$22.25
Canceled or Expired	(33)	\$17.48
Exercised	(120)	\$ 5.96
Outstanding January 30, 1998	4,747	\$19.03
Granted	1,991	\$41.20
Canceled or Expired	(306)	\$20.04
Exercised	(688)	\$18.83
Outstanding 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
Exercisable at January 28, 2000	3,270	\$25.61

Outstanding			
Range of Exercise Prices	Options (In Thousands)	Weighted-Average Remaining Term	Weighted-Average Exercise Price
\$ 2.87 – \$ 4.31	133	1.5	\$ 3.09
10.36 – 15.54	170	4.8	11.77
17.39 – 26.09	2,379	2.4	21.07
26.37 – 39.56	373	7.0	30.76
41.41 – 62.12	2,474	6.0	46.55
\$62.31 – \$64.07	4	9.2	63.03
Totals	5,533	4.3	\$32.36

Exercisable			
Range of Exercise Prices	Options (In Thousands)	Weighted-Average Exercise Price	
\$ 2.87 – \$ 4.31	133	\$ 3.09	
10.36 – 15.54	170	11.77	
17.39 – 26.09	1,952	20.69	
26.37 – 39.56	319	30.08	
41.41 – 62.12	695	45.02	
\$62.31 – \$64.07	1	63.03	
Totals	3,270	\$25.61	

Stock appreciation rights were denominated in units, which were comparable to a share of common stock for purposes of determining the amount payable under an award. An award entitled the participant to receive the excess of the final value of the unit over the fair market value of a share of common stock on the first day of the performance period, generally three years. The final value was the average closing price of a share of common stock during the last month of the performance period. Limits were established with respect to the amount payable on each unit. No stock appreciation rights were awarded in the last two years. A total of 253,700 stock appreciation rights were paid out at the maximum level of \$1.9 million during 1998 with no remaining awards outstanding at January 29, 1999 and January 28, 2000. The costs of these rights were expensed over the performance periods and reduced pre-tax earnings by \$0.3 and \$0.9 million in 1998 and 1997, respectively.

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 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 1999, a total of 31,100 shares were forfeited and 525,150 shares became vested. At January 28, 2000, grants totaling 1,517,650 shares are included in shareholders' equity and are being amortized as earned over periods not exceeding seven years. Related expense (charged to compensation expense) for 1999, 1998 and 1997 was \$12.5, \$18.5, and \$6.2 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 member of the Company's Board of Directors 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 1999, 18,000 shares were granted under the Plan at a price of \$51.69 per share. The Directors' Stock Option Plan is intended to replace the Directors' Stock Incentive Plan which expired on May 29, 1998. This Plan provided that, at the first Board meeting following each annual meeting of shareholders, the Company would issue each non-employee Director 500 shares of common stock. Up to 50,000 shares were available for issuance under this Plan. In 1998 and 1997, 12,000, and 8,000 shares, respectively, 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 1999, 1998 and 1997, 16,000, 40,000 and 24,000 shares, respectively, were exercised under this Plan. No shares were canceled under the Plan in 1999, 1998, and 1997. At January 28, 2000, 88,000 shares were exercisable. Of the remaining outstanding options at January 28, 2000, the exercise price per share ranges from \$4.31 to \$9.44 and their weighted-average remaining term is 2.0 years.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option 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 and stock appreciation rights. Had compensation for 1999, 1998 and 1997 stock options granted been determined consistent with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings and earnings per share (EPS) amounts for 1999, 1998 and 1997 would approximate the following pro forma amounts (in thousands, except per share data):

	<u>As Reported</u>	<u>Pro Forma</u>
1999		
Net Earnings	\$672,795	\$652,786
Basic EPS	\$ 1.76	\$ 1.71
Diluted EPS	\$ 1.75	\$ 1.70
1998		
Net Earnings	\$500,374	\$491,151
Basic EPS	\$ 1.35	\$ 1.32
Diluted EPS	\$ 1.34	\$ 1.32
1997		
Net Earnings	\$383,030	\$376,609
Basic EPS	\$ 1.04	\$ 1.03
Diluted EPS	\$ 1.04	\$ 1.03

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.

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Weighted average fair value per option	\$26.05	\$17.48	\$9.42
Assumptions used:			
Weighted average expected volatility	38.10%	34.20%	36.10%
Weighted average expected dividend yield	0.52%	0.31%	0.55%
Weighted average risk-free interest rate	6.24%	4.78%	6.06%
Weighted average expected life, in years	7.0	7.3	5.4

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 January 28, 2000, unrealized holding gains (losses) on available-for-sale securities is the only comprehensive income component for the Company. The following schedule summarizes the activity in other comprehensive income for the years ended January 28, 2000 and January 29, 1999:

(In Thousands)	<u>Pre-Tax Gain/(Loss)</u>	<u>Tax (Expense)/ Benefit</u>	<u>After Tax Gain/(Loss)</u>
1999			
Unrealized net holding gains/losses arising during the year	\$(1,245)	\$435	\$(810)
Less: Reclassification adjustment for gains/losses included in net earnings	42	(15)	27
Unrealized net gains/losses on available-for-sale securities, net of reclassification adjustment	\$(1,287)	\$450	\$(837)
1998			
Unrealized net holding gains/losses arising during the year	\$417	\$(177)	\$ 240
Less: Reclassification adjustment for gains/losses included in net earnings	17	(6)	11
Unrealized net gains/ losses on available-for-sale securities, net of reclassification adjustment	\$400	\$(171)	\$229

Note 10 – 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 1999, 1998, and 1997, 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:

Fiscal Year	Operating Leases		Capital Leases		Total
	Real Estate	Equipment	Real Estate	Equipment	
(In Thousands)					
2000	\$ 150,268	\$2,799	\$ 56,036	\$1,177	\$ 210,280
2001	148,211	2,312	56,115	797	207,435
2002	143,669	1,346	56,115	342	201,472
2003	142,426	18	56,115	257	198,816
2004	142,038	—	56,298	46	198,382
Later Years	1,808,808	—	653,410	—	2,462,218
Total Minimum Lease Payments	\$2,535,420	\$6,475	\$934,089	\$2,619	\$3,478,603
Total Minimum Capital Lease Payments			\$936,708		
Less Amount Representing Interest			450,892		
Present Value of Minimum Lease Payments			485,816		
Less Current Maturities			15,312		
Present Value of Minimum Lease Payments, Less Current Maturities			\$470,504		

Rental expenses under operating leases for real estate and equipment were \$144.0, \$113.3 and \$87.5 million in 1999, 1998 and 1997, respectively.

Note 11 – Employee Retirement Plans

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is determined annually 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 1999, 1998 and 1997 was \$84.7, \$84.4 and \$67.4 million, respectively. At January 28, 2000, the ESOP held approximately 7.4% of the outstanding common stock of the Company.

The Board of Directors determines contributions to the Company's Employee Savings and Investment Plan (ESIP) 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 1999, 1998 and 1997 were \$11.5, \$10.6 and \$8.7 million, respectively. The Company's common stock is an investment option for partici-

pants in the ESIP. Shares held in the ESIP are voted by the trustee as directed by an administrative committee of the ESIP.

Note 12 – Income Taxes

	1999	1998	1997
Statutory Rate Reconciliation			
Statutory Federal Income Tax Rate	35.0%	35.0%	35.0%
State Income Taxes – Net of Federal Tax Benefit	2.8	2.3	2.2
Other, Net	(1.1)	(0.8)	(1.2)
Effective Tax Rate	36.7%	36.5%	36.0%
Components of Income Tax Provision			
(In Thousands)			
Current			
Federal	\$334,239	\$251,848	\$188,899
State	43,626	26,918	18,679
Total Current	377,865	278,766	207,578
Deferred			
Federal	10,321	7,305	6,975
State	2,136	921	1,048
Total Deferred	12,457	8,226	8,023
Total Income Tax Provision	\$390,322	\$286,992	\$215,601

The tax effect of cumulative temporary differences and carryforwards that gave rise to the deferred tax assets and liabilities and the related valuation allowance at January 28, 2000 and January 29, 1999 is as follows (in thousands):

	January 28, 2000		
	Assets	Liabilities	Total
Excess Property and Store Closing Costs	\$28,033	—	\$ 28,033
Insurance	15,839	—	15,839
Depreciation	—	\$(228,707)	(228,707)
Other, Net	47,216	(9,060)	38,156
Less Valuation Allowance	—	—	—
Total	\$91,088	\$(237,767)	\$(146,679)
	January 29, 1999		
	Assets	Liabilities	Total
Excess Property and Store Closing Costs	\$20,046	—	\$ 20,046
Insurance	17,036	—	17,036
Depreciation	—	\$(195,241)	(195,241)
Other, Net	37,579	(8,239)	29,340
Less Valuation Allowance	(4,739)	—	(4,739)
Total	\$69,922	\$(203,480)	\$(133,558)

The valuation allowance decreased \$4,739,000 in 1999, increased \$66,000 in 1998, and decreased \$316,000 in 1997.

Note 13 – Litigation

The Company is a defendant in legal proceedings considered to be in the normal course of business, none of which, singularly or collectively, are considered material to the Company.

Note 14 – Other Information

Net interest expense is composed of the following:

	1999	1998	1997
(In Thousands)			
Long-Term Debt	\$86,675	\$68,800	\$40,139
Mortgage Interest	6,686	7,044	3,441
Capitalized Leases	42,552	39,255	38,447
Short-Term Debt	5,847	5,578	7,917
Amortization of Loan Costs	801	1,144	931
Interest Income	(38,373)	(23,300)	(10,293)
Interest Capitalized	(19,336)	(17,580)	(8,967)
Net Interest Expense	\$84,852	\$80,941	\$71,615

Supplemental Disclosures of Cash Flow Information:

	1999	1998	1997
(In Thousands)			
Cash Paid for Interest			
(Net of Amount Capitalized)	\$128,265	\$112,383	\$ 83,209
Cash Paid for Income Taxes	\$408,366	\$280,230	\$209,620
Noncash Investing and Financing Activities:			
Fixed Assets Acquired			
Under Capital Leases	\$ 27,573	\$ 47,303	\$ 32,738
Termination of Capital Leases	—	10,401	—
Common Stock Issued to			
ESOP (Note 11)	59,544	60,074	56,630
Common Stock Issued to Executives and Directors, net of Unearned Compensation	12,488	17,853	6,407
Conversion of Debt to Common Stock	—	87,270	—
Notes Received in Exchange for Assets	1,980	—	600
Notes Issued in Exchange for Assets	\$ —	\$ 6,014	\$ 2,200

Sales by Product Category:

(Dollars in Millions) Product Category	1999		1998		1997	
	Total Sales	%	Total Sales	%	Total Sales	%
Fashion Plumbing						
& Electrical	\$ 1,803	11%	\$ 1,630	12%	\$ 1,372	12%
Tools	1,626	10	1,321	10	1,082	10
Building Materials	1,333	8	1,139	9	995	9
Hardware	1,251	8	983	7	804	7
Outdoor Hardlines	1,188	8	957	7	812	7
Appliances	1,169	7	921	7	676	6
Lumber	1,152	7	1,091	8	1,035	9
Nursery & Gardening Products	1,133	7	989	7	786	7
Floors, Windows & Walls	1,086	7	914	7	711	7
Millwork	1,020	6	803	6	664	6
Paint & Sundries	960	6	830	6	691	6
Rough Plumbing						
& Electrical	910	6	681	5	562	5
Cabinets & Furniture	613	4	467	4	382	3
Other	662	5	605	5	536	6
Totals	\$15,906	100%	\$13,331	100%	\$11,108	100%



Quarterly Review of Performance

(Unaudited)

Earnings Statement

In Thousands, Except Per Share Data

Quarter Ended	Fiscal 1999				Fiscal 1998			
	1/28/00	10/29/99	7/30/99	4/30/99	1/29/99	10/30/98	7/31/98	5/1/98
Net Sales	\$3,789,269	\$3,909,188	\$4,435,219	\$3,771,919	\$3,168,821	\$3,278,298	\$3,733,642	\$3,149,779
Gross Margin	1,096,657	1,089,549	1,187,286	1,007,090	874,380	882,135	986,877	830,503
Expenses:								
S,G & A	710,862	692,394	704,821	664,351	591,438	578,362	602,055	569,555
Store Opening Costs	39,051	25,722	15,465	18,210	27,878	20,345	14,952	12,395
Depreciation	91,276	86,440	81,723	77,920	76,456	72,848	70,455	68,848
Interest	20,528	18,921	22,096	23,307	21,209	19,282	18,810	21,639
Nonrecurring Merger Costs	—	—	—	24,378	—	—	—	—
Total Expenses	861,717	823,477	824,105	808,166	716,981	690,837	706,272	672,437
Pre-Tax Earnings	234,940	266,072	363,181	198,924	157,399	191,298	280,605	158,066
Income Tax Provision	86,008	97,384	132,964	73,966	58,479	69,406	101,768	57,339
Net Earnings	\$ 148,932	\$ 168,688	\$ 230,217	\$ 124,958	\$ 98,920	\$ 121,892	\$ 178,837	\$ 100,727
Basic Earnings								
Per Share	\$.39	\$.44	\$.60	\$.33	\$.27	\$.33	\$.48	\$.27
Diluted Earnings								
Per Share	\$.39	\$.44	\$.60	\$.33	\$.26	\$.33	\$.48	\$.27

Earnings Statement Changes

Changes from Same Quarter Previous Year, to Nearest Tenth Percent

Quarter Ended	Fiscal 1999				Fiscal 1998			
	1/28/00	10/29/99	7/30/99	4/30/99	1/29/99	10/30/98	7/31/98	5/1/98
Net Sales	19.6%	19.2%	18.8%	19.8%	20.9%	17.9%	21.0%	20.1%
Gross Margin	25.4	23.5	20.3	21.3	22.7	19.1	21.6	20.7
Expenses:								
S,G & A	20.2	19.7	17.1	16.6	20.7	18.9	20.6	18.9
Store Opening Costs	40.1	26.4	3.4	49.9	1.9	(10.3)	21.7	19.9
Depreciation	19.4	18.7	16.0	13.2	10.9	13.2	13.2	14.5
Interest	(3.2)	(1.9)	17.5	7.7	12.6	16.6	7.3	15.7
Nonrecurring Merger Costs	—	—	—	100.0	—	—	—	—
Total Expenses	20.2	19.2	16.7	20.2	18.5	17.1	19.5	18.4
Pre-Tax Earnings	49.3	39.1	29.4	25.8	46.0	27.0	27.3	32.0
Income Tax Provision	47.1	40.3	30.7	29.0	47.4	29.0	28.9	32.9
Net Earnings	50.6	38.4	28.7	24.1	45.3	25.8	26.4	31.5
Basic Earnings								
Per Share	44.4	33.3	25.0	22.2	50.0	26.9	23.1	30.0
Diluted Earnings								
Per Share	50.0%	33.3%	25.0%	22.2%	36.8%	26.9%	26.3%	29.6%

Earnings Statement Percentages

Percent of Sales to Nearest Hundredth; Income Tax is % of Pre-Tax Earnings

Quarter Ended	Fiscal 1999				Fiscal 1998			
	1/28/00	10/29/99	7/30/99	4/30/99	1/29/99	10/30/98	7/31/98	5/1/98
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	28.94	27.87	26.77	26.70	27.59	26.91	26.43	26.37
Expenses:								
S,G & A	18.76	17.71	15.89	17.61	18.66	17.64	16.13	18.08
Store Opening Costs	1.03	.66	.35	.48	.88	.62	.40	.39
Depreciation	2.41	2.21	1.84	2.07	2.41	2.22	1.89	2.19
Interest	.54	.48	.50	.62	.67	.59	.50	.69
Nonrecurring Merger Costs	—	—	—	.65	—	—	—	—
Total Expenses	22.74	21.06	18.58	21.43	22.62	21.07	18.92	21.35
Pre-Tax Earnings	6.20	6.81	8.19	5.27	4.97	5.84	7.52	5.02
Income Tax Provision	36.61	36.60	36.61	37.18	37.15	36.28	36.27	36.28
Net Earnings	3.93%	4.32%	5.19%	3.31%	3.12%	3.72%	4.79%	3.20%

Stock Performance

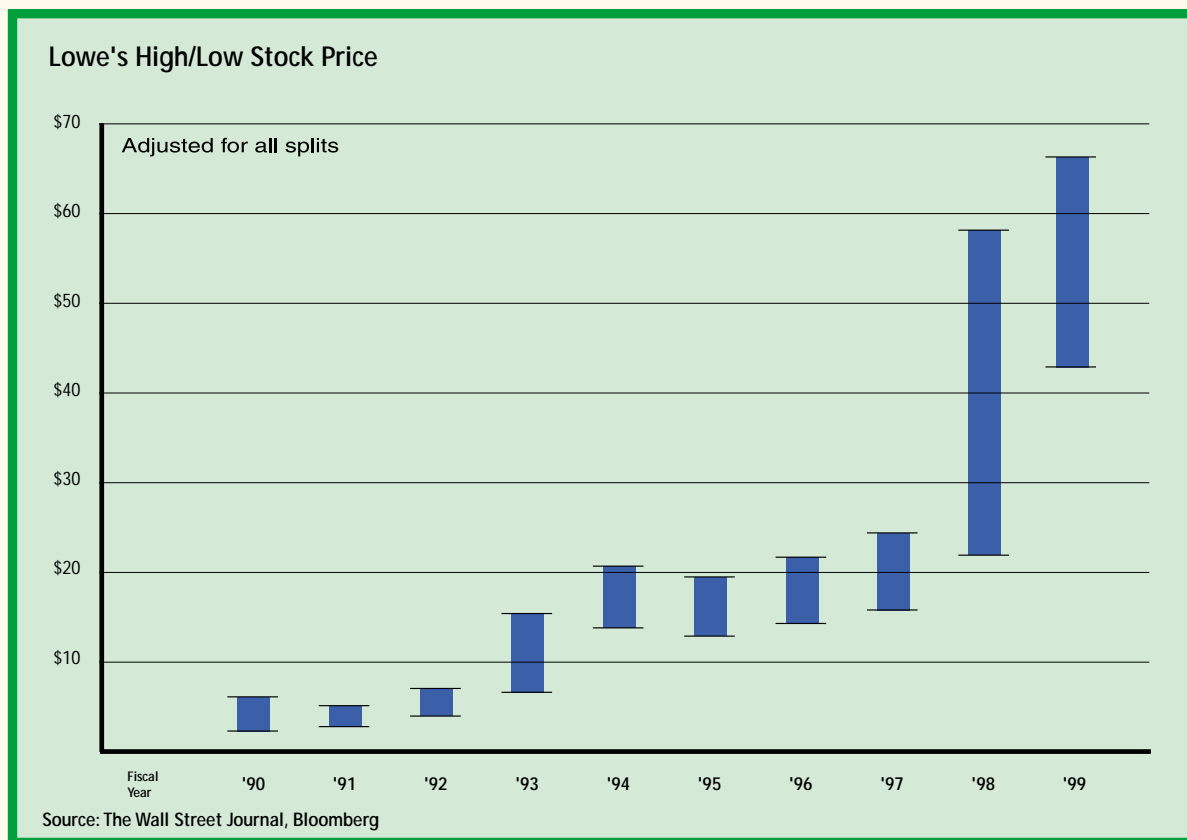
Lowe's Quarterly Stock Price Range and Cash Dividend Payment*

	Fiscal 1999			Fiscal 1998			Fiscal 1997		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$66 7/16	\$51 5/16	\$.030	\$36 7/32	\$25 7/8	\$.028	\$20 1/8	\$16 3/16	\$.028
2nd Quarter	60	49 11/16	.030	45 1/8	33 7/8	.030	19 15/16	16 27/32	.028
3rd Quarter	55 15/16	43	.030	42 1/4	24 15/16	.030	22 5/32	16 31/32	.028
4th Quarter	\$60	\$43 1/16	\$.035	\$58 5/16	\$34 7/16	\$.030	\$25 25/32	\$20 25/32	\$.028

Monthly Stock Price and Trading Volume*

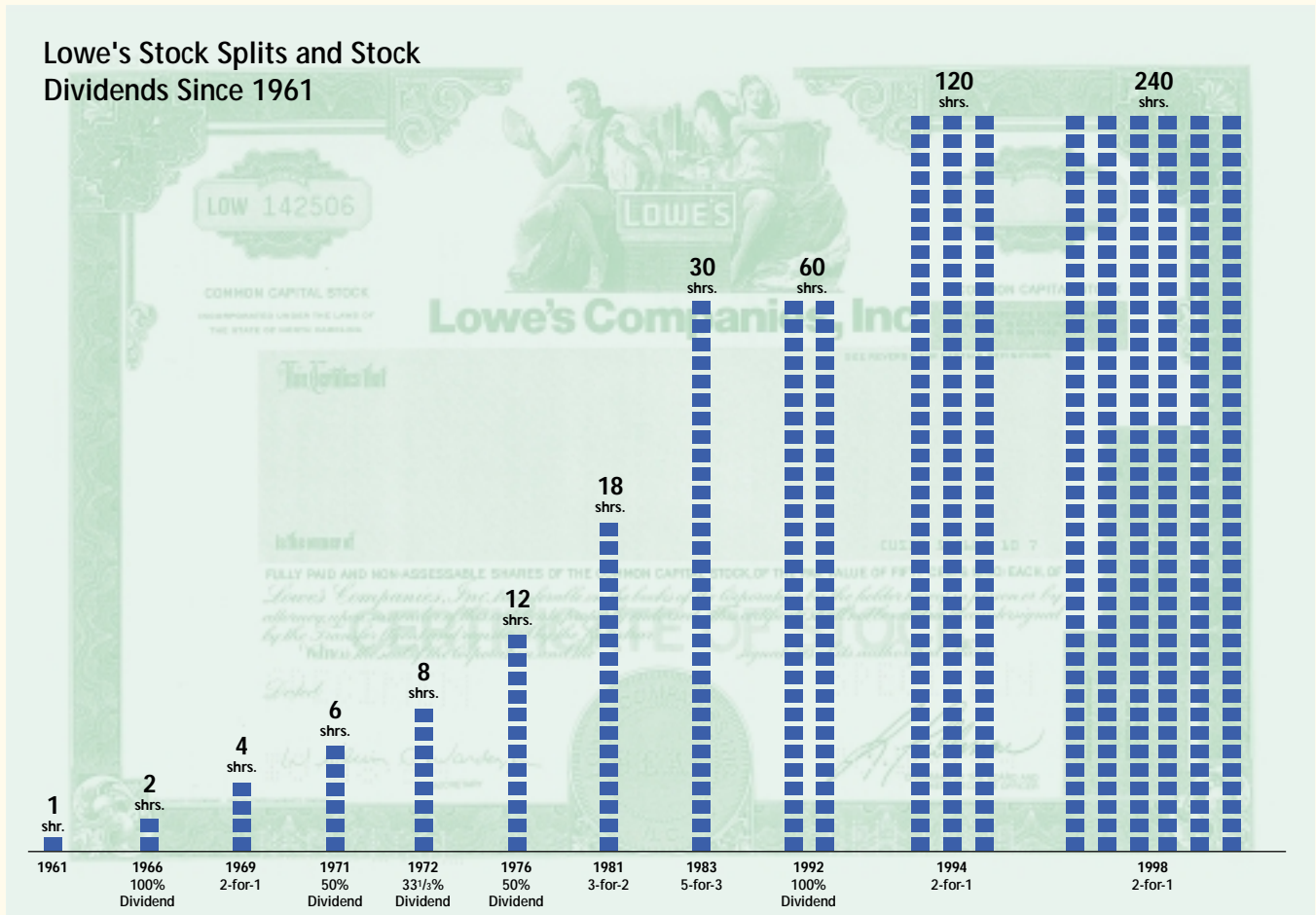
	Fiscal 1999			Fiscal 1998		
	High	Low	Shares Traded	High	Low	Shares Traded
February	\$60 1/6	\$51 1/2	33,832,400	\$30 1/8	\$25 7/8	24,347,800
March	66 7/16	58 11/16	33,955,800	36 7/32	30 1/2	36,818,800
April	65 1/2	51 5/16	35,475,300	35 1/2	32 9/16	35,141,200
May	56 7/8	50 5/8	25,997,800	39 19/32	33 7/8	34,402,600
June	57	49 11/16	23,311,700	42 5/8	38 31/32	32,207,700
July	60	52 1/2	19,669,600	45 1/8	36 9/16	37,209,900
August	53 3/16	43 1/2	37,872,900	42 1/4	35	28,258,800
September	48 15/16	43	37,995,800	38 1/8	29 7/8	37,658,800
October	55 15/16	47 1/4	39,012,700	34 7/8	24 15/16	40,442,900
November	58 7/16	49 13/16	37,069,000	43 9/16	34 7/16	28,081,900
December	60	47 15/16	36,764,900	51 11/16	42 3/8	29,097,100
January	\$59 7/16	\$43 1/16	38,120,000	\$58 5/16	\$50 5/8	32,430,300

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



Stock splits and stock dividends since 1961

- A 100% stock dividend, effective April 5, 1966, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective November 18, 1969.
- A 50% stock dividend, effective November 30, 1971, (which had the net effect of a 3-for-2 stock split).
- A 33 $\frac{1}{3}$ % stock dividend, effective July 25, 1972, (which had the net effect of a 4-for-3 stock split).
- A 50% stock dividend, effective June 2, 1976, (which had the net effect of a 3-for-2 stock split).
- A 3-for-2 stock split, effective November 2, 1981.
- A 5-for-3 stock split, effective April 29, 1983.
- A 100% stock dividend, effective June 29, 1992, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective April 4, 1994.
- A 2-for-1 stock split, effective June 29, 1998.





Financial History

Fiscal Years Ended on	5-Year CGR	January 28, 2000	January 29, 1999	January 30, 1998	January 31, 1997	January 31, 1996
Stores and People						
1 Number of Stores	10.2%	576	520	477	429	389
2 Square Footage	22.3	56,981,547	47,795,283	39,860,593	33,729,529	26,806,111
3 Number of Employees	16.2	86,160	72,715	64,070	58,585	48,405
4 Customer Transactions (In Thousands)	16.9%	297,769	268,232	231,000	195,778	163,193
5 Average Purchase		\$53.42	\$49.70	\$48.09	\$47.82	\$47.13
Comparative Income Statements (In Thousands)						
6 Sales	19.1%	\$15,905,595	\$13,330,540	\$11,108,378	\$9,361,204	\$7,691,116
7 Depreciation	23.7	337,359	288,607	255,694	209,612	159,281
8 Store Restructuring	—	—	—	—	—	—
9 Operating Income ¹	25.1	1,509,706	1,156,915	925,940	753,099	582,134
10 Pre-Tax Earnings	25.3	1,063,117	787,367	598,631	487,765	377,415
11 Income Tax Provision	NM	390,322	286,992	215,601	173,035	135,052
12 Net Earnings	25.3	672,795	500,374	383,030	314,730	242,363
13 Cash Dividends	11.6	47,558	41,171	38,239	34,709	30,471
14 Earnings Retained	NM	\$ 625,237	\$ 459,203	\$ 344,791	\$ 280,021	\$ 211,892
Dollars Per Share (Weighted Average Shares, Assuming Dilution)						
15 Sales	16.7%	\$41.44	\$35.48	\$29.97	\$25.66	\$21.52
16 Earnings	22.7	1.75	1.33	1.03	.86	.68
17 Cash Dividends	10.2	.13	.12	.11	.10	.10
18 Earnings Retained	NM	1.63	1.22	.93	.77	.59
19 Shareholders' Equity	21.4%	\$12.23	\$ 9.63	\$ 8.03	\$ 7.04	\$ 5.20
Financial Ratios						
20 Asset Turnover ²		2.24	2.27	2.22	2.36	2.22
21 Return on Sales ³		4.23%	3.75%	3.45%	3.36%	3.15%
22 Return on Assets ⁴		9.49%	8.54%	7.66%	7.93%	6.99%
23 Return on Shareholders' Equity ⁵		18.59%	16.80%	14.92%	16.95%	15.12%
Comparative Balance Sheets (In Thousands)						
24 Total Current Assets	16.3%	\$3,709,541	\$2,866,860	\$2,428,104	\$2,134,762	\$1,804,994
25 Cash and Short-Term Investments	15.7	568,792	249,217	274,858	122,558	177,888
26 Accounts Receivable – Net	6.3	147,901	143,928	118,408	117,562	113,483
27 Merchandise Inventory	16.1	2,812,361	2,384,700	1,985,041	1,854,795	1,483,397
28 Other Current Assets	29.6	127,342	47,201	40,127	46,825	38,329
29 Fixed Assets – Net	27.1	5,177,222	4,085,798	3,321,332	2,771,889	2,059,427
30 Other Assets	3.5	94,446	105,508	77,193	57,300	61,857
31 Total Assets	21.1	9,012,323	7,086,882	5,861,790	4,999,566	3,967,337
32 Total Current Liabilities	18.6	2,385,954	1,924,256	1,554,359	1,443,249	1,051,466
33 Accounts Payable	16.8	1,566,946	1,220,543	1,035,882	978,224	696,484
34 Other Current Liabilities	22.6	400,676	269,734	241,041	213,062	162,598
35 Long-Term Debt (Excluding Current Maturities)	17.1	1,726,579	1,364,278	1,191,406	875,754	967,725
36 Total Liabilities	18.3	4,316,852	3,467,115	2,883,786	2,432,020	2,110,637
37 Shareholders' Equity	24.0%	\$4,695,471	\$3,619,767	\$2,978,004	\$2,567,546	\$1,856,700
38 Equity/Long-Term Debt (Excluding Current Maturities)		2.72	2.65	2.50	2.93	1.92
39 Year-End Leverage Factor: Assets/Equity		1.92	1.96	1.97	1.95	2.14
Shareholders, Shares and Book Value						
40 Shareholders of Record, Year-End		15,446	14,508	12,386	12,530	12,728
41 Shares Outstanding, Year-End (In Thousands)		382,359	374,388	369,238	365,298	336,492
42 Weighted Average Shares, Assuming Dilution (In Thousands)		383,854	375,751	370,632	364,758	357,334
43 Book Value Per Share		\$12.28	\$ 9.67	\$ 8.07	\$ 7.03	\$ 5.52
Closing Stock Price During Calendar Year⁶ (Adjusted for Stock Splits)						
44 High		\$66.44	\$51.69	\$24.47	\$21.75	\$19.44
45 Low		\$43.00	\$22.00	\$15.82	\$14.32	\$13.00
46 Closing Price December 31		\$59.75	\$51.19	\$23.85	\$17.82	\$16.75
Price/Earnings Ratio						
47 High		38	39	24	25	29
48 Low		25	17	15	17	19

	January 31, 1995	January 31, 1994	January 31, 1993	January 31, 1992	January 31, 1991	
1	355	324	310	310	309	1
2	20,852,368	15,694,889	10,828,722	8,505,121	7,061,925	2
3	40,637	31,243	22,569	18,968	15,556	3
4	136,342	100,963	84,268	65,607	54,142	4
5	\$48.62	\$48.15	\$47.39	\$47.36	\$52.33	5
6	\$ 6,629,276	\$4,860,939	\$3,993,699	\$3,107,377	\$2,833,108	6
7	116,415	83,877	71,326	58,707	51,431	7
8	—	—	—	71,288	—	8
9	493,432	332,296	228,750	87,363	168,413	9
10	344,492	230,611	141,766	12,039	99,563	10
11	126,952	78,657	47,119	819	28,893	11
12	217,540	151,954	94,647	11,220	69,471	12
13	27,433	23,571	21,153	20,020	19,334	13
14	\$ 190,107	\$ 128,383	\$ 73,494	\$ (8,800)	\$ 55,496	14
15	\$19.14	\$15.19	\$13.21	\$10.34	\$9.26	15
16	.63	.47	.31	.04	.23	16
17	.09	.07	.07	.07	.06	17
18	.55	.40	.24	(.02)	.18	18
19	\$ 4.63	\$ 3.32	\$ 2.76	\$ 2.38	\$2.30	19
20	2.70	2.79	2.66	2.54	—	20
21	3.28%	3.11%	2.37%	.36%	2.45%	21
22	8.87%	8.72%	6.29%	.92%	—	22
23	20.48%	18.21%	13.24%	1.60%	—	23
24	\$1,744,465	\$1,233,872	\$ 827,344	\$ 818,208	\$ 636,781	24
25	273,914	110,920	56,128	33,111	50,144	25
26	109,214	48,500	53,288	115,739	96,354	26
27	1,332,831	1,017,424	690,859	662,885	494,328	27
28	34,857	68,513	37,863	15,357	9,159	28
29	1,559,851	1,120,339	832,679	623,678	541,464	29
30	79,466	58,009	57,929	50,762	45,127	30
31	3,467,241	2,452,628	1,741,222	1,503,998	1,223,372	31
32	1,014,775	735,861	529,475	605,139	337,676	32
33	721,149	503,696	349,693	319,859	186,860	33
34	144,554	86,482	75,670	62,639	44,578	34
35	784,991	597,248	313,562	113,650	159,204	35
36	1,864,118	1,390,530	906,569	788,971	520,380	36
37	\$1,603,123	\$1,062,098	\$ 834,653	\$ 715,027	\$ 702,992	37
38	2.04	1.78	2.66	6.29	4.42	38
39	2.16	2.31	2.09	2.10	1.74	39
40	11,360	8,773	8,475	6,216	6,261	40
41	333,672	310,349	303,165	149,293	291,676	41
42	346,440	320,051	302,355	300,430	306,038	42
43	\$ 4.80	\$ 3.42	\$ 2.75	\$ 4.79	\$ 2.41	43
44	\$20.69	\$15.50	\$ 7.19	\$ 5.18	\$ 6.21	44
45	\$13.88	\$ 6.66	\$ 4.00	\$ 2.88	\$ 2.30	45
46	\$17.38	\$14.88	\$ 6.04	\$ 4.27	\$ 3.07	46
47	33	33	23	130	27	47
48	22	14	13	72	10	48

Explanatory notes

¹ Pretax Earnings plus Depreciation and Interest.

² Asset Turnover – Sales divided by Beginning Assets.

³ Return on Sales – Net Earnings divided by Sales.

⁴ Return 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*

NM = not meaningful

CGR = compound growth rate

Credits:

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Karen Doyle, Just Write!, Charlotte, NC

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Phelan Annual Reports, Inc., Atlanta, GA



Selected Financial Data

(Unaudited)

(In Thousands, Except Per Share Data)

	1999	1998	1997	1996	1995
Selected Statement of Earnings Data:					
Net Sales	\$15,905,595	\$13,330,540	\$11,108,378	\$9,361,204	\$7,691,116
Gross Margin	4,380,582	3,573,895	2,953,046	2,437,414	1,937,901
Net Earnings	672,795	500,374	383,030	314,730	242,363
Basic Earnings Per Share	1.76	1.35	1.04	.90	.72
Diluted Earnings Per Share	1.75	1.34	1.04	.88	.70
Dividends Per Share	\$.13	\$.12	\$.11	\$.10	\$.10
Selected Balance Sheet Data:					
Total Assets	\$9,012,323	\$7,086,882	\$5,861,790	\$4,999,566	\$3,967,337
Long-Term Debt, Excluding Current Maturities	\$1,726,579	\$1,364,278	\$1,191,406	\$ 875,754	\$ 967,725

Selected Quarterly Data

	First	Second	Third	Fourth
1999				
Net Sales	\$3,771,919	\$4,435,219	\$3,909,188	\$3,789,269
Gross Margin	1,007,090	1,187,286	1,089,549	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
1998				
Net Sales	\$3,149,779	\$3,733,642	\$3,278,298	\$3,168,821
Gross Margin	830,503	986,877	882,135	874,380
Net Earnings	100,727	178,837	121,892	98,918
Basic Earnings Per Share	.27	.48	.33	.27
Diluted Earnings Per Share	\$.27	\$.48	\$.33	\$.26

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
800-633-4236

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

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Annual Meeting Date

May 26, 2000 at 10:00 AM
Lowe's Corporate Offices
Wilkesboro, 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
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Shareholder Services

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