

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 28, 2011

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-7898



**LOWE'S COMPANIES, INC.**

(Exact name of registrant as specified in its charter)

**NORTH CAROLINA**

(State or other jurisdiction of incorporation or organization)

**56-0578072**

(I.R.S. Employer Identification No.)

**1000 Lowe's Blvd., Mooresville, NC**  
(Address of principal executive offices)

**28117**  
(Zip Code)

Registrant's telephone number, including area code

**704-758-1000**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<b>Common Stock, \$0.50 Par Value</b>	<b>New York Stock Exchange (NYSE)</b>

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 30, 2010, the last business day of the Company's most recent second quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$29.5 billion based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>CLASS</u>	<u>OUTSTANDING AT MARCH 25, 2011</u>
Common Stock, \$0.50 par value	1,318,320,422

**DOCUMENTS INCORPORATED BY REFERENCE**

<u>Document</u>	<u>Parts Into Which Incorporated</u>
Portions of 2010 Annual Report to Lowe's Shareholders	Parts I, II and IV
Portions of the Proxy Statement for Lowe's 2011 Annual Meeting of Shareholders	Part III

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## Part I

### Item 1 - Business

#### General Information

Lowe's Companies, Inc. and subsidiaries (the Company or Lowe's) is a Fortune® 50 company and the world's second largest home improvement retailer. As of January 28, 2011, we operated 1,749 stores, comprised of 1,723 stores across 50 U.S. states, 24 stores in Canada and two stores in Mexico. Our 1,749 stores represent approximately 197 million square feet of retail selling space.

We opened 42 new stores in fiscal 2010, including eight Canadian stores and our first two stores in Mexico. Our 2010 store openings included three primary prototypes: 117,000-square-foot (117K) and 103,000-square-foot (103K) stores for large markets and a 94,000-square-foot (94K) store to serve smaller markets. We expect to open 25 to 30 new stores in fiscal 2011, approximately one-quarter of which will be in Canada. Our fiscal 2011 store openings will be comprised primarily of 103K and 94K stores. As we strive to maximize our return on investment, we consider market demographics and land availability, among other factors, to determine the appropriate prototype for a particular market.

During 2009, we entered into a joint venture agreement with Australian retailer Woolworths Limited, to develop a chain of home improvement stores in Australia. We are a one-third owner of the joint venture, which expects to open its first stores in the second half of 2011.

Lowe's was incorporated in North Carolina in 1952 and has been publicly held since 1961. The Company's common stock is listed on the New York Stock Exchange - ticker symbol "LOW."

See Item 6, "Selected Financial Data," of this Annual Report on Form 10-K, for historical revenues, profits and identifiable assets. For additional information about the Company's performance and financial condition, see also Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

#### Our Promise

Our vision is to be customers' first choice for home improvement. Customers expect that we will not only sell them the products they need and want, but also deliver a full service experience by being a part of their home improvement projects from start to finish. Our goal is to simplify the complex process of home improvement, provide better project execution than our competitors, and make the process of doing a small or large home improvement project as seamless and simple as possible for homeowners, renters and Commercial Business Customers. At the core of this goal are three principles: possibilities, support and value. Possibilities means helping customers find better ways to activate their dreams through fresh, innovative solutions and giving customers easier ways to maintain and repair their homes. Support means being a trusted partner and resource whenever and wherever customers need us in the home improvement process. Value means offering competitive prices plus helping customers successfully accomplish their projects.

#### Customers, Market and Competition

##### Our Customers

We serve homeowners, renters and Commercial Business Customers. Individual homeowners and renters complete various projects differently and vary along the spectrum of do-it-yourself (DIY) and do-it-for-me (DIFM). Commercial Business Customers include those who work in the construction, repair/remodel, commercial and residential property management, or business maintenance professions.

## Our Market

Using the most recent comprehensive data available, which is from 2009, we estimate the size of the U.S. home improvement market to be approximately \$570 billion annually, comprised of \$430 billion of product demand and \$140 billion of installed labor opportunity. We analyzed data from a variety of primary and secondary sources, including trade associations, government publications, industry participants and other sources as the basis for our estimate. This data captures a wide range of categories relevant to our business, including major appliances and garden supplies. Based on the most recently available data, we believe that the size of the U.S. home improvement market decreased approximately 11% in 2009.

We are among the many businesses, including home centers, paint stores, hardware stores, lumber yards and garden centers, whose revenues are included in the Building Material and Garden Equipment and Supplies Dealers Subsector (444) of the Retail Trade Sector of the North American Industry Classification System (NAICS), the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. The total annual revenue reported for businesses included in NAICS Subsector 444 in 2009 was \$271 billion, which represented a decline of 11.5% from the total amount reported in 2008. This decline is similar to our estimate of the decline in the larger overall U.S. home improvement market. The total annual revenue reported for businesses included in NAICS Subsector 444 in 2010 was \$287 billion, which represented an increase of 6.1% over the amount reported for 2009. We have observed similar trends in the data we are collecting, which we will use to estimate the size of the larger overall U.S. home improvement market for 2010.

There are many variables that impact consumer demand for the home improvement products and services we offer. Key indicators we monitor include employment, home prices, real disposable personal income, housing turnover, and home ownership levels. We also monitor demographic and societal trends that are indicators of home improvement industry growth.

- The forecasted average unemployment rate of 9.0% for 2011 from the March 2011 Blue Chip Economic Indicators™ is lower than the 9.6% average seen in 2010, but suggests nonetheless that Americans will continue to face challenging employment prospects this year.
- Home prices initially stabilized in late 2009 after falling nearly 25% from peak levels in 2005, according to data from the National Association of Realtors® and Moody's Analytics. Home prices improved somewhat in 2010, supported by the federal home-buyer tax credit and voluntary foreclosure moratoria instituted by several large mortgage loan service providers. However, economists generally expect home prices to decline another 5% to 8% during 2011 as foreclosure activity accelerates.
- Although growth in real disposable personal income continues to improve, it is projected to grow at a slower pace for 2011 than the long-term average annual increase of 3.4% during the period from 1960 to 2009. Real disposable personal income growth is forecasted to be 2.6% for calendar 2011, compared with 1.4% for calendar 2010, based on data from the March 2011 Blue Chip Economic Indicators™.
- Housing turnover, which peaked in calendar year 2005, remains significantly below peak levels according to The National Association of Realtors. However, recent data suggests that housing turnover in 2011 will increase over 2010.
- According to the U.S. Census Bureau, while U.S. home ownership levels over the past year have continued their decline, from 67.2% in the fourth quarter of 2009 to 66.5% in the fourth quarter of 2010, they remain above their historical average. Home ownership is important to our business because it provides an established customer base for home maintenance and repair projects.

Currently, these indicators suggest moderately improving consumer demand for the home improvement products and services that we sell. However, in this uncertain economic environment, we continue to balance implementation of our long-term growth plans with our near-term focus on improving performance and maintaining adequate liquidity.

## **Our Competition**

The home improvement retailing business includes many competitors. We compete with other chains of home improvement warehouse stores and lumberyards in most of our trade areas. We also compete with traditional hardware, plumbing, electrical and home supply retailers. In addition, we compete, with respect to some of our products, with general merchandise retailers, mail order firms, warehouse clubs, online and other specialty retailers. The principal competitive factors in our industry include location of stores, customer service, quality and price of merchandise and services, merchandise assortment and presentation, and in-stock levels. See further discussion of competition in Item 1A, "Risk Factors", of this Annual Report on Form 10-K.

## **Products and Services**

### **Our Products**

#### *Product Selection*

To meet customers' varying home improvement needs, we offer a complete line of products for maintenance, repair, remodeling, home decorating and property maintenance. We offer home improvement products in the following categories: appliances, lumber, paint, millwork, building materials, lawn & landscape products, flooring, rough plumbing, seasonal living, tools, hardware, fashion plumbing, lighting, nursery, outdoor power equipment, cabinets & countertops, home organization, rough electrical and home fashion. A typical Lowe's store stocks approximately 40,000 items, with hundreds of thousands of items available through our Special Order Sales system and Lowes.com. Our Special Order Sales product offerings provide customers the opportunity to select a wider assortment of product options beyond the items we carry in our stores through electronic product catalogs and Lowes.com. See Note 15 of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K for historical revenues by product category for each of the last three fiscal years.

We are committed to offering a wide selection of national brand name merchandise, as well as building long-term value for Lowe's through the development of private brands.

#### *National Brand Name Merchandise*

In many product categories, customers look for a brand they know and trust to instill confidence in their purchase. Each Lowe's store carries a wide selection of national brand name merchandise such as Whirlpool® appliances and water heaters, Stainmaster® carpets, Valspar® paints and stains, Pella® windows and doors, Dewalt® power tools, Owens Corning® roofing, Johns Manville® insulation, James Hardie® fiber cement siding and many more. Our merchandise selection provides the DIY, DIFM and Commercial Business Customer a one-stop shop for a wide variety of national brand name merchandise needed to complete home improvement, repair, maintenance or construction projects.

#### *Private Brands*

Private brands exclusive to Lowe's are an important element of our overall portfolio, helping to differentiate us from the competition with unique innovations and designs. Private brands also provide a value alternative to national brands and, in categories where there are no strong national brands, can be used to give the customer a more simplified shopping experience. We sell private brands throughout our stores including tools, seasonal living, home fashion, home organization, paint, fashion plumbing, flooring, millwork, hardware, lighting and lumber. Some of Lowe's most important private brands include Kobalt® tools, allen+roth® home décor products, Portfolio® lighting products, Garden Treasures® lawn and patio products, Utilitech® electrical and utility products, ReliablIt® doors and windows, Aquasource® faucets and sinks, Harbor Breeze® ceiling fans and Top Choice® lumber products.

#### *Supply Chain*

We source our products from over 7,000 merchandise vendors worldwide with no single vendor accounting for more than 8% of total purchases. We believe that alternative and competitive suppliers are available for virtually all of our products. Whenever possible, we purchase directly from manufacturers to provide savings for customers and improve our gross margin.

To efficiently move product from our vendors to our stores and maintain in-stock levels, we own and operate 14 highly-automated regional distribution centers (RDCs) in the United States. On average, each domestic RDC serves approximately 120 stores. In addition, we lease and operate a distribution facility to serve our Canadian stores. We also operate 15 flatbed distribution centers to distribute merchandise that requires special handling due to size or type of packaging such as lumber, boards, panel products, irrigation pipe, vinyl sidings, ladders and building materials. Additionally, we operate three facilities to support our import business, Special Order Sales and internet fulfillment. We also utilize three third-party transload facilities, which do not warehouse inventory, but are the first point of receipt for imported products. The transload facilities sort and allocate products to RDCs based on individual store demand and forecasts.

On average in fiscal 2010, over 75% of the total dollar amount of stock merchandise we purchased was shipped through our distribution network, while the remaining portion was shipped directly to stores from our vendors.

## **Our Service Offerings**

### *Installed Sales*

We offer installation services through independent contractors in many of our product categories, with flooring, millwork and cabinets & countertops accounting for the majority of sales. Our Installed Sales model, which separates selling and project administration tasks, allows our sales associates to maintain their focus on project selling, while project managers ensure that the details related to installing the products sold are efficiently executed. Installed Sales, which includes both product and labor, accounted for approximately 6% of total sales in fiscal 2010.

### *Extended Protection and Repair Services*

We offer extended protection plans on many of our products in key categories such as appliances, tools and outdoor power equipment. These plans provide customers with product protection that enhances or extends the original manufacturer's warranty. Additionally, we offer repair services for all major appliances that we sell and our in-house call center schedules the visits for these products, whether or not covered by an original manufacturer's warranty or by an extended protection plan.

### *Credit Financing*

We offer a proprietary credit card for retail customers under an agreement with GE Money Bank. In addition, we offer a Lowe's Project Card to provide in-store major project financing solutions, as well as a co-branded Lowe's Visa® card.

We also offer proprietary credit programs for Commercial Business Customers. They include a Lowe's Business Account, which is ideal for small- to medium-size businesses and offers minimum monthly payments, and Lowe's Accounts Receivable, which is ideal for medium- to large-size businesses that pay in full each month. We also offer the Lowe's Business Rewards Card from American Express®.

For additional information regarding our credit programs, see the summary of our significant accounting policies in Note 1 of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

## **Selling Channels**

We have multiple channels through which we engage customers and sell our products and service offerings, including our stores, Lowes.com, and job site/in-home selling. Although we sell through all of these channels, our primary channel to fulfill customer orders continues to be our retail home improvement stores.

### *Stores*

Our 1,749 retail home improvement stores are generally open seven days per week and average approximately 113,000 square feet of retail selling space, plus approximately 32,000 square feet of outdoor garden center selling space. Our stores offer similar products and services, with certain variations based on local market factors. We continue to develop and implement tools to make our sales associates more efficient and integrate our order management and fulfillment processes with our other distribution channels.

### *Lowe's.com*

Through Lowe's.com, we seek to empower consumers by providing a 24/7 shopping experience and helping reduce the complexity of product decisions and home improvement projects by providing online product information, customer ratings and reviews, online buying guides and how-to videos and information. These tools help consumers make smarter, more informed purchasing decisions and give them confidence as they undertake simple to more complex home improvement projects. We also enable customers to choose from a variety of multichannel fulfillment options, including buy online and pick-up in-store as well as direct shipment to their homes. As our business evolves, we continue to look for opportunities beyond fulfillment to leverage emerging technologies and online trends to build strong relationships with consumers that will make us the first choice for their home improvement needs. Lowe's.com sales accounted for less than 1% of our total sales in fiscal 2010.

### *Job site/In-home selling*

We have on-site specialists available to consumers and Commercial Business Customers to assist them in selecting products and services to purchase for a project. For Commercial Business Customers, the District Commercial Account Specialist (DCAS) meets with Commercial Business Customers in their place of business or on a job site and leverages stores within the district to ensure we can meet customer needs for products and resources. Our Project Specialist Exteriors (PSE) program is available in over 1,300 Lowe's stores to discuss projects such as roofing, siding, fencing and windows, whose characteristics lend themselves to an in-home consultative sales approach. The PSEs take the measurements and complete Installed Sales transactions in the customer's home.

## **Employees**

As of January 28, 2011, we employed approximately 161,000 full-time and 73,000 part-time employees, none of which in the U.S. or Canada is covered by collective bargaining agreements. Employees in Mexico are covered by collective bargaining agreements. Management considers its relations with its employees to be good.

## **Seasonality and Working Capital**

The retail business in general is subject to seasonal influences, and our business is, to some extent, seasonal. Historically, we have realized the highest volume of sales during our second fiscal quarter (May, June and July) and the lowest volume of sales during our fourth fiscal quarter (November, December and January). Accordingly, our working capital requirements have historically been greater during our fourth fiscal quarter as we build inventory in anticipation of the spring selling season and as we experience lower fourth fiscal quarter sales volumes. We fund our working capital requirements primarily through cash flows generated from operations, but also with short-term borrowings, as needed. For more detailed information, see the Financial Condition, Liquidity and Capital Resources section in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", of this Annual Report on Form 10-K.

## **Intellectual Property**

The name "Lowe's" is a registered service mark of one of our wholly-owned subsidiaries. We consider this mark and the accompanying name recognition to be valuable to our business. This subsidiary has various additional registered trademarks, trade names and service marks, most of which are used in our private brand program.



## Environmental Leadership

We continue to build on a history of environmental leadership by helping consumers reduce their energy and water use and their environmental footprint while saving money through a growing number of product and service solutions. We offer a wide selection of environmentally responsible and energy-efficient products for the home, from ENERGY STAR® appliances to paint with no volatile organic compounds (VOC). Some highlights of our environmental leadership include:

- The U.S. Environmental Protection Agency awarded us two consecutive ENERGY STAR® Sustained Excellence Awards in Retail (2010-2011), which recognizes our long-standing leadership as a retailer of energy-efficient products, as well as nine consecutive ENERGY STAR® awards (2003-2011), including four ENERGY STAR® Partner of the Year awards for educating consumers about the benefits of energy efficiency.
- We participate in the Carbon Disclosure Project, an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world.
- We provide in-store customer recycling for plastic bags, CFLs and rechargeable batteries.
- We were recognized as a Top 10 retailer participating in the U.S. Environmental Protection Agency's Green Power Partnership program.

In addition to operating our stores as efficiently as possible by reducing our energy and water usage, we are striving to get products to our stores in an environmentally responsible manner. Our conservation strategies and continued contributions to the transportation industry have been honored by multiple SmartWay Environmental Excellence Awards, an innovative program launched by the U.S. Environmental Protection Agency in 2004 that represents environmentally cleaner, more fuel efficient transportation options. To earn those awards, we implemented initiatives that resulted in reduced carbon dioxide emissions and less overall highway congestion. These included increasing shipping by rail, increasing efficiency of truckload shipments, allowing more products to be shipped on fewer trailers, and continuing to use a higher percentage of SmartWay carriers.

## Compliance with Environmental Matters

Our operations are subject to numerous federal, state and local laws and regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment. They have in the past and may in the future increase our costs of doing business in a variety of ways, including indirectly through increased energy costs as producers of energy and petroleum, and potentially other major emitters of greenhouse gases, are subjected to increased or new regulation or legislation that results in greater regulation of greenhouse gas emissions. We do not anticipate any material capital expenditures during fiscal 2011 for environmental control facilities or other costs of compliance with such laws or regulations.

## Reaching Out

Lowe's has a long and proud history of supporting local communities through public education and community improvement projects. In 2010, Lowe's and Lowe's Charitable and Educational Foundation (LCEF) contributed more than \$30 million to schools and community organizations in the United States, Canada and Mexico. LCEF was created in 1957 to assist communities through financial contributions while also encouraging employees to become involved through volunteerism. In 2010, LCEF supported more than 3,100 community and education projects. LCEF funds our signature education grant program, Lowe's Toolbox for Education®, and national partnerships. Lowe's Toolbox for Education grants totaling nearly \$25 million have benefited approximately 3 million schoolchildren since 2006. Lowe's has worked with Habitat for Humanity® since 2003 to combat substandard housing. Our commitment through 2013 will bring Lowe's Habitat contributions to nearly \$40 million since the partnership began. We also partner with customers to support the American Red Cross, contributing more than \$20 million since 1999. Lowe's encourages employee volunteerism through the Lowe's Heroes program, a companywide initiative. Lowe's Heroes participated in more than 1,300 projects across North America in 2010. For more information on our community involvement, please see the Lowe's Social Responsibility Report at [Lowe.com/socialresponsibility](http://Lowe.com/socialresponsibility).

## Available Information

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge through our internet website at [www.Lowes.com/investor](http://www.Lowes.com/investor), as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). The public may also read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

## Item 1A – Risk Factors

We have developed a risk management process using periodic surveys, external research, risk mapping, analytics and other tools to identify and evaluate the operational, financial, environmental, reputational, strategic and other risks that could adversely affect our business. For more information about our risk management process, which is administered by our Chief Risk Officer and includes developing risk mitigation controls and procedures for the material risks we identify, see the description included in the proxy statement for our annual meeting of shareholders under “*The Board’s Role in Risk Oversight.*”

We describe below all known material risks that could adversely affect our results of operations, financial condition or business prospects. These risk factors may change from time to time and may be amended, supplemented or superseded by updates to the risk factors contained in our future periodic reports on Form 10-K, Form 10-Q and reports on other forms we file with the Securities and Exchange Commission. All forward-looking statements about our future results of operations or other matters made by us in this Annual Report on Form 10-K, in our Annual Report to Lowe’s Shareholders and in our subsequently filed reports to the Securities and Exchange Commission, as well as in our press releases and other public communications, are qualified by the risks described below.

*Our sales are dependent upon the health and stability of the general economy.*

General economic factors and other conditions, both domestically and internationally, may adversely affect the U.S. economy, the global economy and our financial performance. These include, but are not limited to, periods of slow economic growth or recession, volatility and/or lack of liquidity from time to time in U.S. and world financial markets and the consequent reduced availability and/or higher cost of borrowing to Lowe’s and its customers, slower rates of growth in real disposable personal income, sustained high rates of unemployment, unsupportable consumer debt levels, increasing fuel and energy costs, inflation or deflation of commodity prices, natural disasters, acts of terrorism and developments in the war against terrorism in Asia, the Middle East and other parts of the world.

*Adverse changes in economic factors specific to the home improvement industry may negatively impact the rate of growth of our total sales and comparable store sales.*

Sales of many of our product categories and services are driven by the activity level of home improvement projects. Steep declines over the last four years in home prices, the increasing number of households with little or negative equity, high mortgage delinquency and foreclosure rates, the reduction in the availability of mortgage financing, slower household formation growth rates, and lower housing turnover through existing home sales, which is a major driver of our business, have limited, and may continue to limit, consumers’ discretionary spending, particularly on larger home improvement projects that are important to our business. The large number of borrowers who remain at risk of potentially losing their homes through foreclosures or short sales, coupled with the voluntary and involuntary halts of foreclosure proceedings by lenders due to legal challenges to the adequacy of their documentation and record keeping, could prolong the downturn in the housing and home improvement markets and negatively impact the rate of growth of our total sales and our comparable store sales.

*Changes in existing or new laws and regulations could adversely affect our business.*

Laws and regulations at the state, federal and international levels change frequently and can impose significant costs and other burdens of compliance on our business and our vendors. Any changes in regulations, the imposition of additional regulations, or the enactment of any new legislation that affects employment/labor, trade, product safety, transportation/logistics, energy costs, health care, tax or environmental issues, could have an adverse impact, directly or indirectly, on our financial condition and results of operations.

*We have many competitors, who could take sales and market share from us if we fail to execute our merchandising, marketing and distribution strategies effectively.*

We operate in a highly competitive market for home improvement products and services and have numerous large and small, direct and indirect competitors. The competitive environment in which we operate is particularly challenging during periods of slow economic growth and high unemployment with heavy promotions, particularly of discretionary items. The principal competitive factors in our industry include location of stores, customer service, quality and price of merchandise and services, in-stock levels, and merchandise assortment and presentation. Our failure to respond effectively to competitive pressures and changes in the markets for home improvement products and services could affect our financial performance. Moreover, changes in the promotional pricing and other practices of our competitors, including the effects of competitor liquidation activities, may impact our expected results.

*If our employees or third-party installers and repair technicians are unable to accept and embrace changes in our business model, we may not be able to realize the full benefits of our strategic initiatives.*

We are adapting our business model to meet our customers' changing expectations that we will not only sell them the products they need and want, but also deliver a full service experience by being a part of their home improvement projects from start to finish. Our goal is to simplify the complex process of home improvement, provide better project execution than our competitors and generally make the process of doing a small or large home improvement project as seamless as possible. Reaching that goal on a continual basis requires that we deliver a consistent look and feel as our customers interact with Lowe's through our stores, our web site, our contact center, our project specialists who meet with them in their homes, our third-party installers and repair technicians, and our in-home delivery of products they purchase online or in our stores. This will require new competencies in some positions, and our employees, third-party installers, and repair technicians will not only have to understand non-traditional selling platforms but also commit to changing how they have traditionally interacted with our customers. To the extent they are unable or unwilling to embrace and accept these changes in our business model, our strategic initiatives designed to increase our sales and capture a greater percentage of our customers' expenditures on home improvement projects may not be as successful as we expect them to be.

*Our inability to effectively manage our relationships with selected suppliers of brand name products could negatively impact our ability to differentiate ourselves from competitors.*

Part of our expansion strategy includes continued differentiation from competitors. To better distinguish our product offering, we form strategic relationships with selected suppliers to market and develop products under a variety of recognized and respected national brand names. The inability to effectively and efficiently manage and maintain the relationships with these suppliers could negatively impact our business plan and financial results.

*Expanding internationally presents unique challenges that will require us to adapt our store operations, merchandising, marketing and distribution functions to serve customers in Canada and Mexico and to work effectively with our joint venture partner in Australia.*

About one-third of our anticipated store growth over the next five years will be in Canada and Mexico. We are also in a joint venture with Australia's largest retailer, Woolworths Limited, to develop a network of home improvement stores for consumers in Australia. Expanding internationally presents unique challenges that may increase the anticipated costs and risks, and slow the anticipated rate of such expansion.

*If we are unable to secure or develop and implement sufficiently robust new technologies to deliver business process solutions within the appropriate time frame, cost and functionality, our strategic business initiatives that are dependent upon these technologies may not be successful.*

The success of our strategic business initiatives designed to increase our sales and capture a greater percentage of our customers' expenditures on home improvement projects is dependent in varying degrees on the timely delivery and the functionality of information technology systems to support them. The users and the developers of these technology systems share the responsibility for their timely and cost-effective delivery as well as their functionality, requiring them to collaborate and cooperate closely with one another. Extended delays or cost overruns in securing, developing and otherwise implementing technology solutions to support the new business initiatives we are developing now, and will be developing in the future, would delay and possibly even prevent us from realizing the projected benefits of those initiatives.

*Our financial performance could suffer if we fail to properly maintain our critical information systems or if those systems are seriously disrupted.*

An important part of our efforts to achieve efficiencies, cost reductions, and sales and cash flow growth is the maintenance and ongoing improvements of our existing management information systems that support operations such as inventory replenishment, merchandise ordering, transportation, receipt processing and product delivery. Our financial performance could be adversely affected if our management information systems are seriously disrupted or we are unable to maintain, improve, upgrade, and expand our systems.

*As customer-facing technology systems become an increasingly important part of our multi-channel sales and marketing strategy, the failure of those systems to perform effectively and reliably could keep us from delivering positive customer experiences.*

Access to the internet from computers, smart phones and other mobile communication devices has empowered our customers and changed the way they shop and how we interact with them. Our website, Lowes.com is a sales channel for our products, and is also a method of making product, project and other relevant information available to them that influences a large portion of our in-store sales. In addition to Lowes.com, we have multiple affiliated websites through which we seek to inspire, inform, cross-sell, establish online communities among and otherwise interact with our customers. Performance issues with these customer-facing technology systems or a complete failure of one or more of them without a disaster recovery plan that can be quickly implemented could quickly destroy the positive benefits they provide to our home improvement business and negatively affect our customers' perceptions of Lowe's as a reliable source of information about home improvement products and services.

*Our business and our reputation could be adversely affected by the failure to protect sensitive customer, employee or vendor data or to comply with evolving regulations relating to our obligation to protect such data.*

While we have invested heavily in the protection of our information technology and maintain what we believe are adequate security controls over individually identifiable customer, employee and vendor data provided to us, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material adverse effect on our reputation, operating results and financial condition. Such a breakdown or breach could also materially increase the costs we incur to protect against such risks. Also, the regulatory environment relating to our obligation to protect such sensitive data is becoming stricter. A material failure on our part to comply with these evolving regulations could subject us to fines or other regulatory sanctions and potentially to lawsuits.

*If we fail to hire, train, manage and retain qualified sales associates and specialists, or contract with qualified installers and repair technicians, with expanded skill sets who can work effectively and collaboratively in an increasingly culturally diverse environment, we could lose sales to our competitors.*

Our customers, whether they are homeowners or commercial businesses, expect our sales associates and specialists to be well trained and knowledgeable about the products we sell and the home improvement services we provide. Our customers also expect the independent contractors who install products they purchase from us to perform the installation in a timely and capable manner. Increasingly, our sales associates and specialists must have expanded skill sets, including in some instances the ability to do in-home or telephone sales. In addition, in many of our stores our employees and third-party contractors must be able to serve customers whose primary language and cultural traditions are different from their own. Also, as our employees as a group become increasingly culturally diverse, our managers and sales associates must be able to manage and work collaboratively with employees whose primary language and cultural traditions are different from their own.

*Failure of a key vendor or service provider that we cannot quickly replace could disrupt our operations and negatively impact our business .*

No single vendor of the products we sell accounts for more than 8% of our total purchases, but we rely upon a number of vendors as the sole or primary source of some of the products we sell. We also rely upon many independent service providers for technology solutions and other services that are important to many aspects of our business. If these vendors or service providers fail or are unable to perform as expected and we are unable to replace them quickly, our business could be adversely affected at least temporarily until we are able to do so and potentially, in some cases, permanently.

*Failure to achieve and maintain a high level of product and service quality could damage our image with customers and negatively impact our sales, profitability, cash flows and financial condition.*

Product and service quality issues could result in negative impact on customer confidence in Lowe's and the Company's brand image. As a result, Lowe's reputation as a retailer of high quality products, including both national and Lowe's private brands, could suffer. Additionally, a decline in product and service quality could result in product recalls, product liability and warranty claims.

*If the domestic or international supply chain for our products is disrupted, our sales and gross margin would be adversely impacted.*

We source the approximately 40,000 products we stock and sell from over 7,000 domestic and international vendors. We source an increasing number of those products directly from foreign manufacturers. Financial instability among key vendors, political instability, trade restrictions, tariffs, currency exchange rates and transport capacity and costs are beyond our control and could negatively impact our business if they seriously disrupted the movement of products through our supply chain or increased their costs.

#### **Item 1B – Unresolved Staff Comments**

None.

#### **Item 2 - Properties**

At January 28, 2011 our properties consisted of:

- 1,749 stores in the U.S., Canada and Mexico with a total of 197 million square feet of selling space. Of the total stores operating at January 28, 2011, approximately 89% are owned, which includes stores on leased land, with the remainder being leased from unaffiliated third-parties. Approximately 49% of our store leases are capital leases.
- 15 regional distribution centers. We own 14 of these facilities and lease one facility in Canada.
- 15 flatbed distribution centers for lumber and building commodities. One of these facilities is leased.
- Three facilities to support our import business, Special Order Sales and internet fulfillment. One of these facilities is leased.
- Three third-party transload facilities, which do not warehouse inventory but are the first point of receipt for imported products.
- Three millwork facilities, two of which are leased.
- One countertop fabrication facility and two additional leased showrooms.
- Two data centers, which serve as hubs for our computer processing, critical data storage and information technology systems. One of these facilities is leased.
- Our executive offices, which are located in Mooresville, North Carolina. We also own and maintain offices in Wilkesboro, North Carolina, and lease and maintain offices in Toronto, Canada, and Monterrey, Mexico, as well as sourcing offices in Asia and several regional offices in the U.S.

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**Item 3 - Legal Proceedings**

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

**Item 4 – Reserved**

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The following is a list of names and ages of all of the executive officers of the registrant indicating all positions and offices with the registrant held by each such person and each person's principal occupations or employment during the past five years.

<b>Name</b>	<b>Age</b>	<b>Title</b>
Robert A. Niblock	48	Chairman of the Board and Chief Executive Officer since 2005.
Maureen K. Ausura	55	Executive Vice President, Human Resources since 2011; Senior Vice President, Human Resources, 2005 – 2011.
Gregory M. Bridgefurd	56	Executive Vice President, Business Development since 2004.
Michael K. Brown	47	Executive Vice President and Chief Information Officer since 2011; Executive Vice President, Store Operations, 2006 – 2011; Senior Vice President, Store Operations, 2001 – 2006.
Marshall A. Croom	50	Senior Vice President and Chief Risk Officer since 2009; Senior Vice President, Merchandising and Store Support 2006 – 2009; Senior Vice President, Finance 2003 – 2006.
Rick D. Damron	48	Executive Vice President, Store Operations since 2011; Senior Vice President, Logistics, 2009 – 2011; Senior Vice President, Store Operations – North Central Division, 2008 – 2009; Senior Vice President, Store Operations – Northeast Division, 2004 – 2008.
Robert J. Gfeller, Jr.	49	Executive Vice President, Merchandising since 2011; Senior Vice President and General Merchandising Manager, Hardlines and Building Products, 2009 – 2011; Senior Vice President, Marketing, 1999 – 2009.
Matthew V. Hollifield	44	Senior Vice President and Chief Accounting Officer since 2005.
Robert F. Hull, Jr.	46	Executive Vice President and Chief Financial Officer since 2004.
Gaither M. Keener, Jr.	61	Executive Vice President, General Counsel, Secretary and Chief Compliance Officer since 2011; Senior Vice President, General Counsel, Secretary and Chief Compliance Officer, 2006 – 2011; Vice President, Deputy General Counsel, 2005 – 2006.
Joseph M. Mabry, Jr.	48	Executive Vice President, Logistics and Distribution since 2004.

N. Brian Peace	45	Senior Vice President, Corporate Affairs since 2006; Vice President, Corporate Communications, 1999 – 2006.
Janet M. Saura	46	Senior Vice President, Deputy General Counsel and Assistant Secretary since 2010; Vice President, Associate General Counsel and Assistant Secretary, 2006 – 2010.
Larry D. Stone	59	President and Chief Operating Officer since 2006; Senior Executive Vice President Merchandising/Marketing, 2005 – 2006.
Todd I. Woods	43	Senior Vice President, Deputy General Counsel and Assistant Secretary since 2009; Vice President, Associate General Counsel and Assistant Secretary, 2006 – 2009; Assistant General Counsel, 2005 – 2006.



**Part II****Item 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Lowe's common stock is traded on the New York Stock Exchange (NYSE). The ticker symbol for Lowe's is "LOW". As of March 25, 2011, there were 29,962 holders of record of Lowe's common stock. The table, "Quarterly Stock Price Range and Cash Dividend Payment", on page 48 of the 2010 Annual Report to Lowe's Shareholders for the fiscal year ended January 28, 2011 sets forth, for the periods indicated, the high and low sales prices per share of the common stock as reported by the NYSE Composite Tape and the dividends per share declared on the common stock during such periods.

The following table sets forth information with respect to purchases of the Company's common stock made during the fourth quarter of 2010:

**Issuer Purchases of Equity Securities**

(In millions, except average price paid per share)	Total Number of Shares Purchased <sup>1</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>2</sup>	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>2</sup>
October 30, 2010 – November 26, 2010	13.6	\$ 21.98	13.6	\$ 3,100
November 27, 2010 – December 31, 2010	27.8	25.21	27.8	2,400
January 1, 2011 – January 28, 2011	-	-	-	2,400
<b>As of January 28, 2011</b>	<b>41.4</b>	<b>\$ 24.15</b>	<b>41.4</b>	<b>\$ 2,400</b>

<sup>1</sup>During the fourth quarter of fiscal 2010, the Company repurchased an aggregate of 41,415,475 shares of its common stock pursuant to a publicly announced share repurchase program described in note 2 below. The Company also repurchased an insignificant number of shares from employees to satisfy either the exercise price of stock options or the statutory withholding tax liability upon the vesting of restricted stock awards.

<sup>2</sup>Authorization for up to \$5 billion of share repurchases with no expiration was approved on January 29, 2010 by the Company's Board of Directors. Although the repurchase authorization has no expiration, the Company expects to execute the program by the end of fiscal 2011 through purchases made from time to time either in the open market or through private transactions in accordance with SEC regulations.

**Item 6 - Selected Financial Data**

See "Selected Statement of Earnings Data" and "Selected Balance Sheet Data" on page 47 of the 2010 Annual Report to Lowe's Shareholders.

**Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 18 through 25 and "Disclosure Regarding Forward-Looking Statements" on page 26 of the 2010 Annual Report to Lowe's Shareholders.

**Item 7A - Quantitative and Qualitative Disclosures about Market Risk**

See "Quantitative and Qualitative Disclosures About Market Risk" on page 25 of the 2010 Annual Report to Lowe's Shareholders.

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**Item 8 - Financial Statements and Supplementary Data**

See “Report of Independent Registered Public Accounting Firm” of Deloitte & Touche LLP on pages 28 through 29, the financial statements and notes thereto on pages 30 through 46, and the “Selected Quarterly Data” on page 47 of the 2010 Annual Report to Lowe’s Shareholders.

**Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A - Controls and Procedures**

The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s “disclosure controls and procedures”, (as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the Exchange Act)). Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the SEC) (1) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (2) is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management’s report on internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) and the report of Deloitte & Touche LLP, the Company’s independent registered public accounting firm, are included in the 2010 Annual Report to Lowe’s Shareholders on pages 27 and 29 under the headings, “Management’s Report on Internal Control Over Financial Reporting” and “Report of Independent Registered Public Accounting Firm,” respectively, and are incorporated herein by reference.

In addition, no change in the Company’s internal control over financial reporting occurred during the fiscal fourth quarter ended January 28, 2011 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Item 9B - Other Information**

None.

## Part III

### Item 10 - Directors, Executive Officers and Corporate Governance

Information required by this item is furnished by incorporation by reference to all information under the captions entitled, "Election of Directors," "Information Concerning Experience, Qualifications, Attributes and Skills of the Nominees," "Information about the Board of Directors and Committees of the Board," and "Section 16(a) Beneficial Ownership Reporting Compliance" included in the definitive Proxy Statement which will be filed pursuant to regulation 14A, with the SEC within 120 days after the fiscal year ended January 28, 2011 (the Proxy Statement). The information required by this item with respect to our executive officers appears in Part I of this Annual Report on Form 10-K under the caption, "Executive Officers of the Registrant."

All employees of the Company, including its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer are required to abide by the Lowe's Companies, Inc. and Subsidiaries Code of Business Conduct and Ethics (the Code). The Code is designed to ensure that the Company's business is conducted in a legal and ethical manner. The Code covers all areas of professional conduct including compliance with laws and regulations, conflicts of interest, fair dealing among customers and suppliers, corporate opportunity, confidential information, insider trading, employee relations and accounting complaints. A full text of the Code can be found at [www.Lowe's.com](http://www.Lowe's.com), under the "About Lowe's," "Investors" and "Code of Ethics" captions. You can also obtain a copy of the complete Code by contacting Shareholder Services at 1-888-345-6937.

We will disclose information pertaining to amendments or waivers to provisions of our Code that apply to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and that relate to the elements of our Code enumerated in the SEC rules and regulations by posting this information on our website at [www.Lowe's.com](http://www.Lowe's.com). The information on our website is not a part of this Annual Report and is not incorporated by reference in this report or any of our other filings with the SEC.

### Item 11 - Executive Compensation

Information required by this item is furnished by incorporation by reference to all information under the captions entitled, "Executive Officer Compensation" and "Information about the Board of Directors and Committees of the Board – Compensation of Directors" included in the Proxy Statement.

### Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is furnished by incorporation by reference to all information under the captions entitled, "Beneficial Ownership of Common Stock" and "Equity Compensation Plan Information" included in the Proxy Statement.

### Item 13 - Certain Relationships and Related Transactions, and Director Independence

Information required by this item is furnished by incorporation by reference to all information under the captions entitled, "Related-Party Transactions" and "Information about the Board of Directors and Committees of the Board - Director Independence" included in the Proxy Statement.

### Item 14 - Principal Accounting Fees and Services

Information required by this item is furnished by incorporation by reference to all information under the caption entitled, "Audit Matters - Fees Paid to the Independent Registered Public Accounting Firm" included in the Proxy Statement.

**Part IV**

**Item 15 - Exhibits, Financial Statement Schedules**

**a) 1. Financial Statements**

See the following items and page numbers appearing in the 2010 Annual Report to Lowe's Shareholders:

	<b>Page(s)</b>
Reports of Independent Registered Public Accounting Firm	27
Consolidated Statements of Earnings for each of the three fiscal years in the period ended January 28, 2011	28
Consolidated Balance Sheets at January 28, 2011 and January 29, 2010	29
Consolidated Statements of Shareholders' Equity for each of the three fiscal years in the period ended January 28, 2011	30
Consolidated Statements of Cash Flows for each of the three fiscal years in the period ended January 28, 2011	31
Notes to Consolidated Financial Statements for each of the three fiscal years in the period ended January 28, 2011	32-44

**2. Financial Statement Schedule**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Lowe's Companies, Inc.  
 Mooresville, North Carolina

We have audited the accompanying consolidated financial statements of Lowe's Companies, Inc. and subsidiaries (the "Company") as of January 28, 2011 and January 29, 2010, and for each of the three fiscal years in the period ended January 28, 2011, and the Company's internal control over financial reporting as of January 28, 2011, and have issued our reports thereon dated March 28, 2011; such consolidated financial statements and reports are included in the Company's 2010 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
March 28, 2011

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

(In Millions)	Balance at beginning of period	Charges to costs and expenses	Deductions	Balance at end of period
<b>January 28, 2011:</b>				
Reserve for loss on obsolete inventory	\$ 49	\$ -	\$ (10) (a)	\$ 39
Reserve for inventory shrinkage	138	292	(303) (b)	127
Reserve for sales returns	51	1 (c)	-	52
Deferred tax valuation allowance	65	34 (d)	-	99
<b>January 29, 2010:</b>				
Reserve for loss on obsolete inventory	\$ 58	\$ -	\$ (9) (a)	\$ 49
Reserve for inventory shrinkage	129	291	(282) (b)	138
Reserve for sales returns	49	2 (c)	-	51
Deferred tax valuation allowance	42	23 (d)	-	65
<b>January 30, 2009:</b>				
Reserve for loss on obsolete inventory	\$ 67	\$ -	\$ (9) (a)	\$ 58
Reserve for inventory shrinkage	137	374	(382) (b)	129
Reserve for sales returns	51	-	(2) (c)	49
Deferred tax valuation allowance	22	20 (d)	-	42

(a): Represents the net increase/(decrease) in the required reserve based on the Company's evaluation of obsolete inventory.

(b): Represents the actual inventory shrinkage experienced at the time of physical inventories.

(c): Represents the net increase/(decrease) in the required reserve based on the Company's evaluation of anticipated merchandise returns.

(d): Represents an increase in the required reserve based on the Company's evaluation of deferred tax assets.

### 3. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>
3.1	Restated and Amended Charter of Lowe's Companies, Inc.	10-Q	001-07898	3.1	September 1, 2009
3.2	Bylaws of Lowe's Companies, Inc., as amended and restated.	8-K	001-07898	3.1	November 12, 2010
4.1	Indenture, dated as of April 15, 1992, between the Company and The Bank of New York, as successor trustee.	S-3	033-47269	4.1	April 16, 1992
4.2	Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York, as successor trustee.	8-K	001-07898	4.1	December 15, 1995
4.3	Form of the Company's 6 7/8% Debenture due February 15, 2028.	8-K	001-07898	4.2	February 20, 1998
4.4	First Supplemental Indenture, dated as of February 23, 1999, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York, as successor trustee.	10-K	001-07898	10.13	April 19, 1999
4.5	Form of the Company's 6 1/2% Debenture due March 15, 2029.	10-K	001-07898	10.19	April 19, 1999
4.6	Third Supplemental Indenture, dated as of October 6, 2005, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York, as trustee, including as an exhibit thereto a form of the Company's 5.0% Notes maturing in October 2015 and the Company's 5.5% Notes maturing in October 2035.	10-K	001-07898	4.5	April 3, 2007

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.7	Fourth Supplemental Indenture, dated as of October 10, 2006, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York Trust Company, N.A., as trustee, including as an exhibit thereto a form of the Company's 5.4% Notes maturing in October 2016 and the Company's 5.8% Notes maturing in October 2036.	S-3 (POSASR)	333-137750	4.5	October 10, 2006
4.8	Fifth Supplemental Indenture, dated as of September 11, 2007, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York Trust Company, N.A., as trustee, including as an exhibit thereto a form of the Company's 5.6% Notes maturing in September 2012, the Company's 6.1% Notes maturing in September 2017, and the Company's 6.65% Notes maturing in September 2037.	8-K	001-07898	4.1	September 11, 2007
4.9	Sixth Supplemental Indenture, dated as of April 15, 2010, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, including as an exhibit thereto a form of the Company's 4.625% Notes maturing in April 2020 and the Company's 5.8% Notes maturing in April 2040.	8-K	001-07898	4.1	April 15, 2010
4.10	Seventh Supplemental Indenture, dated as of November 22, 2010, to the Amended and Restated Indenture, dated as of December 1, 1995, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee, including as an exhibit thereto a form of the Company's 2.125% Notes maturing in April 2016 and the Company's 3.75% Notes maturing in April 2021.	8-K	001-07898	4.1	November 22, 2010
4.11	Amended and Restated Credit Agreement dated as of June 15, 2007.	10-Q	001-07898	4.1	August 31, 2010

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1	Lowe's Companies, Inc. Directors' Deferred Compensation Plan, effective July 1, 1994.*	10-Q	001-07898	10.1	December 2, 2008
10.2	Amendment No. 1 to the Lowe's Companies, Inc. Directors' Deferred Compensation Plan, effective July 1, 1994.*	10-K	001-07898	10.21	March 30, 2010
10.3	Lowe's Companies Employee Stock Purchase Plan - Stock Options for Everyone, as amended and restated effective December 1, 2008.*	10-K	001-07898	10.10	March 31, 2009
10.4	Amendment No. 1 to the Lowe's Companies Employee Stock Purchase Plan - Stock Options for Everyone, as amended and restated effective December 1, 2008.*	10-Q	001-07898	10.1	June 2, 2010
10.5	Amendment No. 2 to the Lowe's Companies Employee Stock Purchase Plan - Stock Options for Everyone, as amended and restated effective December 1, 2008.*	10-Q	001-07898	10.3	December 1, 2010
10.6	Lowe's Companies, Inc. 1997 Incentive Plan.*	S-8	333-34631	4.2	August 29, 1997
10.7	Amendments to the Lowe's Companies, Inc. 1997 Incentive Plan dated January 25, 1998.*	10-K	001-07898	10.16	April 19, 1999
10.8	Amendments to the Lowe's Companies, Inc. 1997 Incentive Plan dated September 17, 1998 (also encompassing as Exhibit I thereto the Lowe's Companies, Inc. Deferred Compensation Program).*	10-K	001-07898	10.17	April 19, 1999
10.9	Lowe's Companies Benefit Restoration Plan, as amended and restated as of January 1, 2008.*	10-Q	001-07898	10.2	December 12, 2007
10.10	Amendment No. 1 to the Lowe's Companies Benefit Restoration Plan, as amended and restated as of January 1, 2008.*‡				
10.11	Amendment No. 2 to the Lowe's Companies Benefit Restoration Plan, as amended and restated as of January 1, 2008.*‡				



Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.12	Lowe's Companies, Inc. 2001 Incentive Plan.*	S-8	333-73408	4.4	November 15, 2001
10.13	Form of the Company's Management Continuity Agreement for Tier I Senior Officers.*	10-Q	001-07898	10.1	September 3, 2008
10.14	Form of the Company's Management Continuity Agreement for Tier II Senior Officers.*	10-Q	001-07898	10.2	September 3, 2008
10.15	Lowe's Companies Cash Deferral Plan.*	10-Q	001-07898	10.1	June 4, 2004
10.16	Amendment No. 1 to the Lowe's Companies Cash Deferral Plan.*	10-Q	001-07898	10.1	December 12, 2007
10.17	Amendment No. 2 to the Lowe's Companies Cash Deferral Plan.*	10-Q	001-07898	10.2	December 1, 2010
10.18	Lowe's Companies, Inc. Amended and Restated Directors' Stock Option and Deferred Stock Unit Plan.*	8-K	001-07898	10.1	June 3, 2005
10.19	Form of Lowe's Companies, Inc. Deferred Stock Unit Agreement for Directors.*	8-K	001-07898	10.2	June 3, 2005
10.20	Form of Lowe's Companies, Inc. Restricted Stock Award Agreement.*	10-Q	001-07898	10.1	September 1, 2005
10.21	Lowe's Companies, Inc. 2006 Annual Incentive Plan.*	10-Q	001-07898	10.1	September 7, 2006
10.22	Lowe's Companies, Inc. 2006 Long Term Incentive Plan.*	DEF 14A	001-07898	Appendix B	April 10, 2009
10.23	Amendment No. 1 to the Lowe's Companies, Inc. 2006 Long Term Incentive Plan.*	10-K	001-07898	10.23	March 31, 2009
10.24	Form of Lowe's Companies, Inc. 2006 Long Term Incentive Plan Non-Qualified Stock Option Agreement.* †				
10.25	Amendment No. 1 to the Lowe's Companies, Inc. Deferred Compensation Program.* †				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.26	Amendment No. 2 to the Lowe's Companies, Inc. Deferred Compensation Program.*	10-K	001-07898	10.22	March 31, 2009
12.1	Statement Re Computation of Ratio of Earnings to Fixed Charges. ‡				
13	Portions of the 2010 Lowe's Annual Report to Shareholders for the fiscal year ended January 28, 2011. ‡				
21	List of Subsidiaries. ‡				
23	Consent of Deloitte & Touche LLP. ‡				
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ‡				
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. ‡				
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †				
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †				
99.1	Amendment No. 7 to the Lowe's 401(k) Plan, as amended and restated effective as of February 3, 2007 (filed to include this amendment as an exhibit to registration statement on Form S-8, Registration No. 033-29772). ‡				
101.INS	XBRL Instance Document.§				
101.SCH	XBRL Taxonomy Extension Schema Document.§				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.§				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.§				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.§				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.§				

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\* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form.

‡ Filed herewith.

† Furnished herewith.

§ Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<u>March 28, 2011</u> Date	<u>LOWE'S COMPANIES, INC.</u> (Registrant)
<u>March 28, 2011</u> Date	By: /s/ Robert A. Niblock Robert A. Niblock Chairman of the Board and Chief Executive Officer
<u>March 28, 2011</u> Date	By: /s/ Robert F. Hull, Jr. Robert F. Hull, Jr. Executive Vice President and Chief Financial Officer
<u>March 28, 2011</u> Date	By: /s/ Matthew V. Hollifield Matthew V. Hollifield Senior Vice President and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each of the directors of the Registrant whose signature appears below hereby appoints Robert F. Hull, Jr., Matthew V. Hollifield and Gaither M. Keener, Jr., and each of them severally, as his or her attorney-in-fact to sign in his or her name and behalf, in any and all capacities stated below, and to file with the Securities and Exchange Commission any and all amendments to this report on Form 10-K, making such changes in this report on Form 10-K as appropriate, and generally to do all such things in their behalf in their capacities as directors and/or officers to enable the Registrant to comply with the provisions of the Securities Exchange Act of 1934, and all requirements of the Securities and Exchange Commission.

<u>/s/ Robert A. Niblock</u> Robert A. Niblock	Chairman of the Board of Directors, Chief Executive Officer and Director	<u>March 28, 2011</u> Date
<u>/s/ Raul Alvarez</u> Raul Alvarez	Director	<u>March 28, 2011</u> Date
<u>/s/ David W. Bernauer</u> David W. Bernauer	Director	<u>March 28, 2011</u> Date
<u>/s/ Leonard L. Berry</u> Leonard L. Berry	Director	<u>March 28, 2011</u> Date
<u>/s/ Peter C. Browning</u> Peter C. Browning	Director	<u>March 28, 2011</u> Date
<u>/s/ Dawn E. Hudson</u> Dawn E. Hudson	Director	<u>March 28, 2011</u> Date
<u>/s/ Robert A. Ingram</u> Robert A. Ingram	Director	<u>March 28, 2011</u> Date
<u>/s/ Robert L. Johnson</u> Robert L. Johnson	Director	<u>March 28, 2011</u> Date
<u>/s/ Marshall O. Larsen</u> Marshall O. Larsen	Director	<u>March 28, 2011</u> Date
<u>/s/ Richard K. Lochridge</u> Richard K. Lochridge	Director	<u>March 28, 2011</u> Date
<u>/s/ Stephen F. Page</u> Stephen F. Page	Director	<u>March 28, 2011</u> Date
<u>/s/ O. Temple Sloan, Jr.</u> O. Temple Sloan, Jr.	Director	<u>March 28, 2011</u> Date



**AMENDMENT NUMBER ONE TO THE  
LOWE'S COMPANIES  
BENEFIT RESTORATION PLAN**

THIS AMENDMENT NUMBER ONE to the Lowe's Companies Benefit Restoration Plan, as amended and restated effective January 1, 2008 (the "Plan"), is hereby adopted by Lowe's Companies, Inc. (the "Company").

**W I T N E S S E T H:**

**WHEREAS**, in accordance with Code Section 409A, participant elections to defer compensation under the Plan must be made prior to the beginning of the plan year in which the compensation is earned unless the compensation is performance-based compensation earned for a performance period of at least twelve months in duration in which case deferral elections must be made at least six months prior to the end of such performance period; and

**WHEREAS**, the administrative practice under the Plan is to solicit deferral elections from participants for fiscal year bonuses in the month of June prior to the end of the fiscal year such that deferral elections for bonuses earned during the fiscal year ending January 30, 2009 ("FY2008") would ordinarily be made in June 2008; and

**WHEREAS**, at its meeting on February 21, 2008, the Committee adopted a bonus plan for FY2008 that consists of two performance periods of six months each, with separate performance goals and awards after the end of each six month performance period; and

**WHEREAS**, because the performance period under the bonus plan for FY 2008 are less than twelve months in duration, any bonuses paid under the plan will not constitute performance-based compensation within the meaning of Code Section 409A, and participants may not elect during 2008 to defer any portion of their FY2008 bonuses under the Plan; and

**WHEREAS**, the Company believes that it is in the best interest of participants and the Company to provide a Company contribution to the Plan for FY2008 that is equal to the matching contribution participants would have received if they had been permitted to defer FY2008 bonuses under the Plan;

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NOW, THEREFORE, the Plan is hereby amended as follows:

1.

Effective as of January 1, 2008, a new Section 6(c) shall be added to the Plan, to read as follows:

(c) Company Contribution for Fiscal Year 2008 Bonuses.

- (1) First Half Bonus. The Company shall credit to the Account of each employee eligible to participate in the Plan for the Plan Year beginning January 1, 2008, a Company contribution in an amount equal to the Company Matching Contribution that would have been credited to such employee's Account if the employee had deferred under the Plan, in accordance with Section 5, an amount equal to (A) 6% of any bonus earned by the employee during the first half of the fiscal year beginning February 2, 2008, minus (B) the amount of such bonus credited to the employee's account under the 401(k) Plan as a Salary Deferral Contribution.
- (2) Second Half Bonus. The Company shall credit to the Account of each employee eligible to participate in the Plan for the Plan Year beginning January 1, 2009, a Company contribution in an amount equal to (A) the Company Matching Contribution that would have been credited to such employee's Account if the employee had deferred under the Plan, in accordance with Section 5, an amount equal to 6% of any bonus earned by the employee during the second half of the fiscal year beginning February 2, 2008, minus (B) the amount of such bonus credited to the employee's account under the 401(k) Plan as a Salary Deferral Contribution.
- (3) Timing of Company Contribution. Any Company contribution credited to a Participant's Account in accordance with this Section 6(c) shall be credited on the date that the corresponding Company Match Contribution under the 401(k) Plan is (or would have been) allocated to the Participant's account under the 401(k) Plan.

IN WITNESS WHEREOF, this Amendment Number One has been executed on the date shown below, but effective as of the dates specified herein.

LOWE'S COMPANIES, INC.

/s/ Maureen Ausura

By: Maureen Ausura  
Title: Senior Vice President, Human Resources  
Date: April 7, 2008

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**AMENDMENT NUMBER TWO TO THE  
LOWE'S COMPANIES  
BENEFIT RESTORATION PLAN**

THIS AMENDMENT NUMBER TWO to the Lowe's Companies Benefit Restoration Plan, as amended and restated effective January 1, 2008 (the "Plan"), is hereby adopted by Lowe's Companies, Inc. (the "Company").

**W I T N E S S E T H:**

**WHEREAS**, the Company desires to simplify the Plan's administrative processes and amend certain Plan provisions to reflect clearly the Plan's operations,

**NOW, THEREFORE**, the Plan is hereby amended effective as of January 1, 2010 unless otherwise indicated as follows:

1. The following shall be added to the end of the definition of "Compensation" in Section 2:

"Compensation does not include Compensation paid for the pay period during which a Participant separates from service unless the Participant was in service for ten business days during such pay period."

2. Effective as of January 1, 2011, Section 5(a)(1)(B) shall be amended to remove the parenthetical which currently reads, "without regard to any 'catch up' deferrals elected to be made to the 401(k) Plan."

3. The following shall be added to the end of Section 5(a):

"For purposes of this Section, Compensation paid for a payroll period that begins in one Plan Year and ends in a later Plan Year shall be deemed to be Compensation for the Plan Year in which such payroll period starts."

4. The following shall be added to the end of Section 6(a):

"Notwithstanding the foregoing, for any payroll period in which an Employee Deferral is allocated to a Participant's Account in accordance with Section 5(a) of the Plan and the Participant also makes a Salary Deferral Contribution under the 401(k) Plan, the Company Matching Contribution for such payroll period shall be determined for both plans in the aggregate in accordance with Section 4(c) of the 401(k) Plan based on the total Salary Deferral Contributions made to the 401(k) Plan plus the Employee Deferrals made to the Plan. The Company Matching Contribution so determined for such payroll period shall be allocated to the Participant's accounts in the Plan and in the BRP pro rata based on the portion of the total Salary Deferral Contributions and Employee Deferrals made to each plan."

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IN WITNESS WHEREOF, this Amendment Number Two has been executed on the date shown below, but effective as of the dates specified herein.

LOWE'S COMPANIES, INC.

/s/ Maureen K. Ausura  
By: Maureen K. Ausura  
Title: Senior Vice President, Human Resources  
Date: January 27, 2011

**LOWE'S COMPANIES, INC.**  
**2006 Long Term Incentive Plan**  
**Non-Qualified Stock Option Agreement**

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (revision date March 2011) (this "Agreement"), between LOWE'S COMPANIES, INC., a North Carolina corporation (the "Company"), and the individual ("Participant") identified in the accompanying Notice of Grant of Stock Options and Non-Qualified Stock Option Agreement (the "Notice"), is made pursuant and subject to the Notice and the provisions of the Company's 2006 Long Term Incentive Plan (the "Plan"), a copy of which has been made available to Participant. All terms used herein that are defined in the Plan have the same meaning given them in the Plan.

1. **Terms and Conditions.** This Option is subject to the terms and conditions of the Notice and the following terms and conditions:

(a) Date of Grant and Expiration Date. The Date of Grant of this Option and the Expiration Date of the Option are as specified in the Notice.

(b) Exercise of Option. Except as provided in paragraphs 2, 3, 4 and 5 of this Agreement, this Option shall be exercisable as prescribed in the Notice. Except to the extent otherwise provided in paragraph 2 and 3, once this Option has become exercisable in accordance with the preceding sentence, it shall continue to be exercisable until the earlier of the termination of Participant's rights hereunder pursuant to paragraph 4 or 5, or until the Expiration Date. A partial exercise of this Option shall not affect Participant's right to exercise this Option with respect to the remaining shares, subject to the conditions of the Notice, the Plan and this Agreement.

(c) Method of Exercise and Payment for Shares. Unless the exercise is executed through the Company's designated brokerage firm for on-line options processing (currently E\*Trade), this Option shall be exercised by written notice substantially in the form of Exhibit "A" hereto delivered to the Company or its designee by mail or overnight delivery service, in person, or via other means authorized by the Company. Any notice delivered to the Company shall be addressed to the attention of the Stock Plan and Compliance Coordinator at the Company's principal office in Mooresville, North Carolina. Such notice shall be accompanied by payment in full of the Option exercise price, and applicable withholding taxes, in cash or cash equivalent acceptable to the Administrator, or by the surrender of shares of Common Stock (by attestation of ownership or actual delivery of one or more share certificates) with an aggregate Fair Market Value (determined as of the business day preceding the exercise date) which, together with any cash or cash equivalent paid by Participant, is not less than the Option exercise price, and applicable withholding taxes, for the number of shares of Common Stock for which the Option is being exercised. To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and the Company's adoption of such program in connection with the Plan, if Participant is subject to the reporting and other provisions of Section 16 of the Securities Exchange Act of 1934, as amended, the Option may be exercised through a broker in a so-called "cashless exercise" whereby the broker sells the Option shares and delivers cash sales proceeds to the Company in payment of the Option exercise price, and applicable withholding taxes. In such case, the written notice of exercise will be accompanied by such documents as required by the Company in accordance with its cashless exercise procedure. Participant's right to exercise the Option shall be conditioned upon and subject to satisfaction, in a manner acceptable to the Company, of any withholding tax liability under any state or federal law arising in connection with exercise of the Option.

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(d) Transferability. This Option shall not be assignable or transferable by a Participant other than by will or the laws of descent and distribution.

2. **Vesting and Exercise Period in the Event of Death or Disability.** In the event (a) Participant dies while employed by the Company or an Affiliate or (b) Participant's employment with the Company or an Affiliate is terminated due to Participant's Disability, this Option shall become vested and exercisable for all of the number of shares of Common Stock subject to the Option, reduced by the number of shares for which the Option was previously exercised. In such case, Participant's vested Options may be exercised by Participant, or, in the case of Participant's death, by Participant's estate, or the person or persons to whom Participant's rights under this Option shall pass by will or the laws of descent and distribution, during the remainder of the period preceding the Expiration Date.

3. **Vesting and Exercise Period in the Event of Retirement.** In the event Participant's employment with the Company and its Affiliates is terminated for any reason other than death, Disability or Cause, following eligibility for Retirement, this Option shall continue to vest following Participant's Retirement pursuant to the vesting schedule set forth in the Notice, reduced by the number of shares for which the Option was previously exercised. In such event, Participant's vested Options may be exercised by Participant during the remainder of the period preceding the Expiration Date.

4. **Vesting and Exercise Period in the Event of Other Termination of Employment.** In the event Participant's employment with the Company and its Affiliates is terminated for any reason other than death, Disability or Cause and prior to Retirement, this Option shall be vested and exercisable only to the extent vested at the time of termination pursuant to the vesting schedule set forth in the Notice, reduced by the number of shares for which the Option was previously exercised. In such event, Participant's vested Options may be exercised by Participant until the date that is three months after the date of such termination of employment or during the remainder of the period preceding the Expiration Date, whichever is shorter.

5. **Termination for Cause; Competing Activity.** Notwithstanding anything to the contrary herein:

(a) Termination for Cause. This Option shall expire on the date that Participant's employment with the Company or any of its Affiliates is terminated for Cause, and this Option shall not be exercisable thereafter.

(b) Competing Activity. If Participant engages in any Competing Activity during his employment with the Company or an Affiliate or within one year after the cessation of his employment with the Company and its Affiliates for any reason, then Participant shall remit, upon demand by the Company, the "Repayment Amount" (as defined in the following sentence), with respect to any shares of Common Stock for which this Option was exercised during the period beginning on the date that is six months before such cessation of employment and ending on the date that is six months after such cessation of employment. The "Repayment Amount" is, with respect to each such exercise of this Option, the excess of (i) the aggregate Fair Market Value, on the date of exercise, of the shares of Common Stock for which this Option was exercised, over (ii) the aggregate option price for such number of shares. The Repayment Amount shall be payable in cash (which shall include a certified check or bank check), by the tender of shares of Common Stock or by a combination of cash and Common Stock; provided that, regardless of the Fair Market Value of such shares at the time of tender, the tender of shares of Common Stock shall satisfy the obligation to pay the Repayment Amount with respect to the exercise of this Option for the same number of shares of Common Stock delivered to the Company. For purposes of this Agreement, Participant will be deemed to be engaged in a Competing Activity if Participant, directly or indirectly, owns, manages, operates, controls, is employed by, or participates in as a 5% or greater shareholder, partner, member or joint venturer, any company which engages in the business activities of the Company or its Affiliates (the "Business Activities"), or engages in, as an independent contractor or otherwise, the Business Activities for himself or on behalf of another person or entity.

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(c) **No Waiver.** Nothing contained in this paragraph 5 shall be interpreted as or deemed to constitute a waiver of, or diminish or be in lieu of, any other rights that the Company or an Affiliate may possess as a result of Participant's misconduct or direct or indirect involvement with a business competing with the business of the Company or an Affiliate.

6. **Minimum Exercise.** This Option may not be exercised for less than fifty shares of Common Stock unless it is exercised for the full number of shares that remain subject to the Option.

7. **Fractional Shares.** Fractional shares shall not be issuable hereunder, and when any provision hereof otherwise would entitle Participant to a fractional share, the Committee shall determine, in its discretion, whether such fractional share shall be disregarded, whether cash shall be given in lieu of a fractional share, or whether such fractional share shall be eliminated by rounding up.

8. **No Right to Continued Employment.** This Option does not confer upon Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate his employment at any time.

9. **Change in Capital Structure.** In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the terms of this Option shall be adjusted as provided in the Plan.

10. **Governing Law.** This Agreement shall be governed by the laws of the State of North Carolina other than its choice of laws provisions to the extent that such provisions would require or permit the application of the laws of a state other than North Carolina.

11. **Conflicts.** In the event of any conflict between the provisions of the Plan as in effect on the date hereof and the provisions of this Agreement, the provisions of the Plan shall govern; provided, however, that the use of different definitions for certain terms in this Agreement from the definitions of such terms in the Plan shall not be deemed to be a conflict with the Plan. All references herein to the Plan shall mean the Plan, as it may be amended from time to time.

12. **Participant Bound by Plan.** Participant hereby acknowledges that a copy of the Plan has been made available to Participant and agrees to be bound by all the terms and provisions thereof.

13. **Binding Effect.** Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of Participant and the successors of the Company.

14. **Incorporation of Notice.** The Notice is incorporated by reference and made a part of this Agreement.

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**Exhibit A**

Lowe's Companies, Inc.  
1000 Lowe's Boulevard  
Dept. 1ETR  
Mooresville, NC 28117  
Fax: (704) 757-0640

Attention: Sandy Felton

**RE: Exercise of Stock Option**

Pursuant to the terms of the Stock Option Agreement between Lowe's Companies, Inc. and myself, I hereby give notice that I elect to exercise such Option as indicated below. Therefore, enclosed is cash or cash equivalent acceptable to the Administrator, or Common Stock and/or combination thereof in full payment of such option shares in accordance with said Agreement.

Type of exercise (check one): Hold All Shares \_\_\_\_ . Sell-to-Cover \_\_\_\_ . Sell All Shares \_\_\_\_

This request to exercise stock options relates to the following grant:

Date of Grant: \_\_\_\_\_  
Type of Option (ISO or NQ): \_\_\_\_\_  
Number of Options to exercise: \_\_\_\_\_

At this time I am paying for the cost of the options and any applicable taxes due:

Amount of check: \$ \_\_\_\_\_  
# Shares of Lowe's Companies, Inc. Common Stock (if a SWAP): \_\_\_\_\_

\_\_\_\_\_  
Signature                                  Date                                  Social Security Number

Residence Mailing Address **or** Brokerage Account Information for Electronic Delivery:

\_\_\_\_\_  
DTC # \_\_\_\_\_  
\_\_\_\_\_  
Account # \_\_\_\_\_

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## **Exhibit B**

### Certain Defined Terms

The following term, as used in this Agreement, shall have the following meaning for purposes of this Agreement, notwithstanding any different definition for any such term as set forth in the Plan. Embedded defined terms have the definitions prescribed in the Plan.

“Retirement” of Participant means the voluntary termination of employment with approval of the Board at least six months after the Date of Grant of this Option and on or after the date Participant has attained age fifty-five and Participant’s age plus years of service equal or exceed seventy; provided that Participant has given the Board at least ten days advance notice of such Retirement.

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**AMENDMENT NUMBER ONE TO THE  
LOWE'S COMPANIES, INC. DEFERRED COMPENSATION PROGRAM**

This Amendment Number One to the Lowe's Companies, Inc. Deferred Compensation Program (the "Program") is adopted by Lowe's Companies, Inc. (the "Company") effective as of the date set forth below.

**W I T N E S S E T H:**

**WHEREAS**, the Company currently maintains the Program as Exhibit 1 to the Lowe's Companies, Inc. 1997 and 2001 Incentive Plans (collectively, the "Plans"); and

**WHEREAS**, under Section 13 of the Program, the Company may amend the Program at any time; and

**WHEREAS**, under Section 409A of the Internal Revenue Code ("Code"), the Program may no longer permit the deferral of nonqualified stock option gain in the manner currently provided under the Program and defer taxation on such gain following exercise of a stock option granted under the Plans; and

**WHEREAS**, in order to bring the Program into compliance with the provisions of Code Section 409A, the Company wishes to amend the Program to eliminate the ability to defer the receipt of nonqualified stock option gain; and

**WHEREAS**, it is the Company's intent that this amendment not be considered a "material modification" of the Program under Code Section 885(d)(2)(B) and that amounts deferred under the Program in taxable years beginning before January 1, 2005 not be subject to the provisions of Code Section 409A, Notice 2005-1 or any other guidance or regulations issued under Code Section 409A;

**NOW, THEREFORE**, effective as of January 1, 2005, the Company hereby amends the second sentence of Section 4(b) of the Program (Exhibit 1 of each of the Plans) to read as follows:

"Under the Deferral Election Form or Forms for a single Deferral Year, an Eligible Employee may elect on or before the Election Date to defer the receipt of all or part of his (i) Stock Awards that may vest during or after the Deferral Year (specifying 100 or more whole shares subject to the election); (ii) Performance Share awards that may be earned during or after the Deferral Year (specifying 100 or more whole shares subject to the election); or (iii) Nonqualified Option Gain (specifying the Option, and 100 or more whole shares of Common Stock subject to the election); provided however, effective for Deferral Years beginning on and after January 1, 2006, an Eligible Employee may not elect on a Deferral Election Form or otherwise to defer the receipt of all or part of any such Stock Awards, Performance Share awards or Nonqualified Stock Option Gain."

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**IN WITNESS HEREOF**, the Company has adopted this Amendment Number One to the Program effective as of January 1, 2005.

LOWE'S COMPANIES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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**Lowe's Companies, Inc.**  
**Statement Re Computation of Ratio of Earnings to Fixed Charges**  
 In Millions, Except Ratio Data

	Fiscal Years Ended On				
	February 2, 2007	February 1, 2008	January 30, 2009	January 29, 2010	January 28, 2011
<b>Earnings:</b>					
Earnings Before Income Taxes	\$ 4,998	\$ 4,511	\$ 3,506	\$ 2,825	\$ 3,228
Add: Fixed Charges	344	424	479	468	486
Less: Capitalized Interest	(32)	(65)	(36)	(19)	(4)
Adjusted Earnings	<u>\$ 5,310</u>	<u>\$ 4,870</u>	<u>\$ 3,949</u>	<u>\$ 3,274</u>	<u>\$ 3,710</u>
<b>Fixed Charges:</b>					
Interest Expense <sup>1</sup>	238	301	346	331	352
Rental Expense <sup>2</sup>	106	123	133	137	134
Total Fixed Charges	<u>\$ 344</u>	<u>\$ 424</u>	<u>\$ 479</u>	<u>\$ 468</u>	<u>\$ 486</u>
Ratio of Earnings to Fixed Charges	15.4	11.5	8.2	7.0	7.6

<sup>1</sup> Interest accrued on uncertain tax positions is excluded from Interest Expense in the computation of Fixed Charges.

<sup>2</sup> The portion of rental expense that is representative of the interest factor in these rentals.



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and capital resources during the three-year period ended January 28, 2011 (our fiscal years 2010, 2009 and 2008). Each of the fiscal years presented contains 52 weeks of operating results. Unless otherwise noted, all references herein for the years 2010, 2009 and 2008 represent the fiscal years ended January 28, 2011, January 29, 2010 and January 30, 2009, respectively. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. This discussion should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in this annual report that have been prepared in accordance with accounting principles generally accepted in the United States of America. This discussion and analysis is presented in seven sections:

- Executive Overview
- Operations
- Lowe's Business Outlook
- Financial Condition, Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Contractual Obligations and Commercial Commitments
- Critical Accounting Policies and Estimates

### **EXECUTIVE OVERVIEW**

#### **External Factors Impacting Our Business**

During 2010, the economy showed signs of recovery, but the home improvement industry continued to be challenged by high unemployment, declining home values, tighter consumer credit, modest growth in personal disposable income and low housing turnover. Since 2008, households in the U.S. have been borrowing less and saving more as they have struggled to cope with the effects of the worst national recession in decades. Household spending increased modestly in 2010 over the prior year, but consumers continued to rationalize the scope of their housing projects, focusing on mini projects and small enhancements versus major renovations. We saw evidence of this constrained growth, as our comparable store sales increased by 1.3% versus the prior year, which was our first comparable store sales increase for the year since 2005.

Although quantitative measures of consumer sentiment and confidence are up from their low points during the depths of the recession, they remain below their historical means. According to our fourth quarter consumer survey, fewer homeowners feel the economy will get worse before it gets better. However, the number of homeowners who indicated they feel the recession is not over remains high and approximately 45% of those homeowners told us that they do not anticipate changing their spending plans in 2011. Consumers are increasingly concerned about inflation as the prices of raw materials, oil and foreign manufacturing wages continue to increase.

Despite the economic uncertainty, we are prepared to operate effectively in this slow growth environment. We are committed to growing market share 1% – 2% faster than the overall home improvement market by adapting to changes in customer expectations and through increased penetration of our existing customer base. By providing customers with alternative methods to engage with us and through enhancements in product assortments and pricing, our plan is to deliver customers a better experience and better solutions to meet their needs to drive profitable sales. Although at a slower pace, we also continue to see growth opportunities through future store expansion in under-penetrated urban markets in the U.S. and in western Canada. In addition, we have implemented changes that set the foundation for longer-term improvements in efficiency and cost control.



## **Business Strategies**

### ***Driving profitable sales***

In our research, customers have said they expect more from a home improvement company and want home improvement companies to be more relevant to their lifestyles. They desire a simplified approach to home improvement and expect us to provide them with products and services that meet their desire for ease, intuitiveness and convenience all in one solution. By engaging customers whenever, wherever and however they wish to engage, our goal is to increase profitable sales by doing a better job of closing every transaction. This means meeting our customers' expectations in our stores through better customer service, at the customer's home or job site through the Project Specialist Exterior (PSE) or District Commercial Account Specialist (DCAS) programs, and online through a more personalized Lowes.com experience.

During 2010, we experienced positive results from the addition of the PSE and DCAS programs, which are designed to better meet the needs of our customers by simplifying the process and allowing them to complete transactions where it is most convenient. Initially launched in 2009, the PSE program helped to increase our 2010 comparable store installed sales by over 10%. Likewise, the DCAS program also helped to drive our Commercial Business Customer comparable store sales above the company average for the year.

Customer service continues to be a primary focus for driving profitable sales and market share gains. In an effort to enhance the customer experience and drive greater ticket profitability, we are focused on increasing customer-facing hours in our stores. Late in 2010, we announced plans to implement weekend teams to the existing store structure to put more sales employees on the floor during peak days. These weekend teams are in addition to our normal seasonal hires and are an addition to our base staffing model. To further enhance the customer experience, we also revamped our store employee training to focus on consultative skills, which will help them to identify the customers' needs in order to help them find the right solutions.

As our business evolves, we continue to look for opportunities to leverage emerging technologies and online trends to build stronger relationships with consumers. At the end of 2010, we introduced the mobile version of Lowes.com to give customers the ability to continue their shopping experience regardless of their location. During the first month of the launch we experienced over one million visits to the site. Scheduled for the first half of 2011, we will also launch our first mobile application as well as MyLowe's, an innovative online tool that aims to simplify the home improvement process by helping customers manage their homes and home improvement projects more effectively. By providing customers with cross-channel access to new content, online communities, project planning and product subscriptions, we expect to increase our involvement in their home improvement experiences, which will lead to increased sales.

To further meet our customers' desire for a simplified and seamless experience, we launched our repair services program in the second half of 2010 to provide after-sale service on major appliances. By having greater control over this service, we expect more positive customer experiences, which will help drive incremental repeat business and additional purchases across the store. We also expect to realize cost savings through lower appliance return rates and identification of quality concerns that we can work with our vendors to resolve.

### ***Improving efficiency and controlling costs***

During 2010, we implemented additional programs in our operations, supply chain and customer support centers to increase operational efficiency and control costs. Late in 2010, we modified a portion of our mid-level store management structure from a tiered structure into a single-level Assistant Store Manager position. On average, this change resulted in a reduction of one management position per store. Although the primary purpose of this change was to make our store management structure more effective by fully empowering our Assistant Store Managers to drive the business, the net savings from these changes will also largely offset the cost of 2011 wage increases.

To further drive operational efficiency and profitable sales, we are focused on providing the right products in the right markets at the right price. During 2010, we implemented two important changes to our pricing strategy. First, we increased our number of competitive pricing zones, from under 90 to more than 210, allowing us to price products more competitively in each market. Second, we implemented Base Price Optimization, which determines the best price, by item and competitive pricing zone, to improve price perception and profitability. These initiatives helped to drive margin increases of approximately 25 basis points for the third and fourth fiscal quarters of 2010 as compared to the same quarters in 2009.

In 2011, we will also begin implementing Integrated Planning and Execution (IP&E), which will help us more specifically determine what products and quantities to offer in each store based on market demographics, customer requirements, customer shopping preferences and local store employee knowledge. We expect this initiative to enable us to better align with customer demand while managing our inventory levels.

Over the past six years, we have also refined our supply chain, which resulted in increased trailer utilization, an elimination of over 550 million road miles on a comparable volume basis and a high number of mode conversions from truckload to intermodal routings. These combined changes resulted in a savings of over 100 million gallons of diesel fuel and overall savings of approximately \$490 million over the six-year period.

To better leverage our existing resources and capabilities at our customer support centers, during 2010 we significantly reduced the use of third-party information technology (IT) service technicians to make onsite repairs in our stores by leveraging existing IT support teams to manage the process. By shipping replacement parts to stores and repairing returned defective units in our technology service center we expect ongoing savings of approximately \$14 million per year.

We are focused on making the promise of a better, simpler customer experience a reality. We know there are opportunities to grow our business through deeper customer relationships. We will continue to focus on driving profitable sales, market share growth and controlling costs while recommitting to our vision to deliver customer-valued solutions that make Lowe's the first choice in home improvement.

## OPERATIONS

The following tables set forth the percentage relationship to net sales of each line item of the consolidated statements of earnings, as well as the percentage change in dollar amounts from the prior year. This table should be read in conjunction with the following discussion and analysis and the consolidated financial statements, including the related notes to the consolidated financial statements.

			<b>Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Year</b>	<b>Percentage Increase / (Decrease) in Dollar Amounts from Prior Year</b>
	<b>2010</b>	<b>2009</b>	<b>2010 vs. 2009</b>	<b>2010 vs. 2009</b>
<b>Net sales</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>N/A</b>	<b>3.4 %</b>
<b>Gross margin</b>	<b>35.14</b>	<b>34.86</b>	<b>28</b>	<b>4.2</b>
Expenses:				
Selling, general and administrative	24.60	24.85	(25)	2.3
Depreciation	3.25	3.42	(17)	(1.7)
Interest - net	0.68	0.61	7	15.7
<b>Total expenses</b>	<b>28.53</b>	<b>28.88</b>	<b>(35)</b>	<b>2.1</b>
<b>Pre-tax earnings</b>	<b>6.61</b>	<b>5.98</b>	<b>63</b>	<b>14.2</b>
Income tax provision	2.49	2.20	29	16.9
<b>Net earnings</b>	<b>4.12 %</b>	<b>3.78 %</b>	<b>34</b>	<b>12.7 %</b>
<b>EBIT margin <sup>1</sup></b>	<b>7.29 %</b>	<b>6.59 %</b>	<b>70</b>	<b>14.4 %</b>

			<b>Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Year</b>	<b>Percentage Increase / (Decrease) in Dollar Amounts from Prior Year</b>
	<b>2009</b>	<b>2008</b>	<b>2009 vs. 2008</b>	<b>2009 vs. 2008</b>
<b>Net sales</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>N/A</b>	<b>(2.1)%</b>
<b>Gross margin</b>	<b>34.86</b>	<b>34.21</b>	<b>65</b>	<b>(0.2)</b>
Expenses:				
Selling, general and administrative	24.85	23.17	168	5.0
Depreciation	3.42	3.19	23	4.9
Interest - net	0.61	0.58	3	2.4
<b>Total expenses</b>	<b>28.88</b>	<b>26.94</b>	<b>194</b>	<b>4.9</b>
<b>Pre-tax earnings</b>	<b>5.98</b>	<b>7.27</b>	<b>(129)</b>	<b>(19.4)</b>
Income tax provision	2.20	2.72	(52)	(20.5)
<b>Net earnings</b>	<b>3.78 %</b>	<b>4.55 %</b>	<b>(77)</b>	<b>(18.8)%</b>
<b>EBIT margin <sup>1</sup></b>	<b>6.59 %</b>	<b>7.85 %</b>	<b>(126)</b>	<b>(17.8)%</b>

<b>Other Metrics</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Comparable store sales increase (decrease) <sup>2</sup>	1.3%	(6.7)%	(7.2)%
Total customer transactions (in millions)	786	766	740
Average ticket <sup>3</sup>	\$ 62.07	\$ 61.66	\$ 65.15
<b>At end of year:</b>			
Number of stores	1,749	1,710	1,649
Sales floor square feet (in millions)	197	193	187
Average store size selling square feet (in thousands) <sup>4</sup>	113	113	113
Return on average assets <sup>5</sup>	5.8%	5.3%	6.8%
Return on average shareholders' equity <sup>6</sup>	10.7%	9.5%	12.7%

<sup>1</sup> EBIT margin, also referred to as operating margin, is defined as earnings before interest and taxes as a percentage of sales.

<sup>2</sup> A comparable store is defined as a store that has been open longer than 13 months. A store that is identified for relocation is no longer considered comparable one month prior to its relocation. The relocated store must then remain open longer than 13 months to be considered comparable.

<sup>3</sup> Average ticket is defined as net sales divided by the total number of customer transactions.

<sup>4</sup> Average store size selling square feet is defined as sales floor square feet divided by the number of stores open at the end of the period.

<sup>5</sup> Return on average assets is defined as net earnings divided by average total assets for the last five quarters.

<sup>6</sup> Return on average shareholders' equity is defined as net earnings divided by average shareholders' equity for the last five quarters.

### **Fiscal 2010 Compared to Fiscal 2009**

*Net sales* – Net sales increased 3.4% to \$48.8 billion in 2010. Comparable store sales increased 1.3% in 2010 compared to a decline of 6.7% in 2009. We experienced comparable store sales increases over 2009 for each quarter and saw evidence of economic stabilization, as comparable store sales performance was more balanced across geographic markets in 2010. Comparable store customer transactions increased 0.9%, and comparable store average ticket increased 0.5% versus 2009, as larger project sales remained slow for the year.

Overall, while growth in household spending moderately accelerated late in the year, it remained constrained by high unemployment, modest income growth, lower housing wealth and tight credit. As a result, customers continued to focus on non-discretionary and smaller discretionary projects during 2010. This focus was reflected by strength in categories that support smaller projects such as tools and lawn & landscape products, both of which outperformed the company average. Meanwhile, categories that are more discretionary in nature such as fashion plumbing, cabinets & countertops and home fashion were negatively impacted by the remaining market uncertainty and performed below the company average.

We seized opportunities during the year to drive additional sales by quickly executing programs that helped customers benefit from government incentives. The Cash for Appliances rebate program, as well as our continued focus on market-specific assortments to ensure that we have the right products in the right markets, helped drive comparable store sales increases above the company average for our appliances category. In addition, our PSE program, along with focused Special Order Sales promotions, helped customers take advantage of the higher tax credits for energy-efficient improvements that expired at the end of the year. The PSE program also helped us to increase our 2010 comparable store installed sales over 10%, with the greatest growth occurring in millwork, lumber and building materials.

Comparable store sales for our seasonal living category also outperformed the company average for 2010. The increase was driven by improved sell-through of grills and grill accessories, patio furniture and holiday assortments, as well as increased sales of room air conditioners as a result of prolonged extreme heat across the U.S. in the middle of the year.

*Gross margin* – Gross margin of 35.14% for 2010 represented a 28 basis point increase over 2009. The increase was driven by improvements in margin rates, primarily in seasonal living, lumber and hardware, which resulted in 38 basis points of improvement. The rate increase is primarily attributable to better sell-through of seasonal inventory this year relative to 2009, our increased number of competitive pricing zones, and our Base Price Optimization strategy. The rate improvement was partially offset by a 17 basis point unfavorable impact from the mix of products sold across categories, driven by increased sales in appliances.

*SG&A* - The decrease in SG&A as a percentage of sales from 2009 to 2010 was primarily driven by leverage of 23 basis points in bonus expense, due to lower attainment levels relative to plan. Impairment and discontinued project expense leveraged 13 basis points due to lower charges associated with existing stores as well as fewer construction projects discontinued in the current year. We also experienced nine basis points of leverage associated with our proprietary credit programs due to decreased program costs for the year. This was partially offset by de-leverage in store payroll due to the impact of the new Facilities Service Associate (FSA) position and wage growth, fleet expense due to increased deliveries related to free delivery promotions and increased average fuel costs, and bank card expense due to increased bank card transaction volume and higher transaction fees.

*Depreciation* – Depreciation expense decreased slightly for 2010 compared to 2009 due to a lower asset base resulting from decreased capital spending and assets becoming fully depreciated in 2010. Property, less accumulated depreciation, decreased to \$22.1 billion at January 28, 2011 compared to \$22.5 billion at January 29, 2010. At January 28, 2011 and January 29, 2010, we owned 89% and 88% of our stores, respectively, which included stores on leased land.

*Interest* – Net interest expense is comprised of the following:

(In millions)	2010	2009
Interest expense, net of amount capitalized	\$ 340	\$ 300
Amortization of original issue discount and loan costs	4	4
Interest income	(12)	(17)
<b>Interest - net</b>	<b>\$ 332</b>	<b>\$ 287</b>

Net interest expense increased primarily as a result of the issuance of \$2.0 billion of notes during 2010 and the comparison to the impact of tax settlements that favorably impacted our tax-related interest accruals in 2009, offset by the repayment of \$500 million of notes during the year.

*Income tax provision* - Our effective income tax rate was 37.7% in 2010 versus 36.9% in 2009. The lower effective tax rate in 2009 was primarily due to certain prior year favorable state tax settlements, which decreased the effective tax rate by approximately 70 basis points.

#### **Fiscal 2009 Compared to Fiscal 2008**

*Net sales* – Reflective of the continued challenging sales environment, net sales decreased 2.1% to \$47.2 billion in 2009. Comparable store sales declined 6.7% in 2009 compared to a decline of 7.2% in 2008. Total customer transactions increased 3.4% compared to 2008, driven by our store expansion program. However, average ticket decreased 5.4% to \$61.66, primarily as a result of fewer project sales. Comparable store customer transactions declined 1.0%, and comparable store average ticket declined 5.7% compared to 2008.

Customers continued to focus on routine maintenance and repairs instead of larger discretionary projects during fiscal 2009. We experienced solid sales performance in paint and nursery as a result of the continued willingness of homeowners to take on smaller do-it-yourself projects to maintain their homes and improve their outdoor space. The paint category had positive comparable store sales performance for each quarter during 2009. Appliances also performed better than our average comparable store sales change, driven by attractive value and customers' willingness to invest in products that increase energy efficiency. However, certain of our other categories, including home fashion, cabinets & countertops and millwork, which are more discretionary in nature, experienced double-digit declines in comparable store sales for the year. We also experienced continued weakness in other categories, including rough electrical, lumber and outdoor power equipment, which also experienced double-digit declines in comparable store sales driven by comparisons to hurricane-related spending in 2008.

Due to consumers' continued hesitancy to take on larger discretionary projects, we experienced higher than average declines within all specialty sales categories during 2009. Special Order Sales had a 15.8% decline in comparable store sales, due to weakness in cabinets & countertops, home fashion, lighting and millwork. Comparable store Installed Sales declined 11.4% for 2009. However, both Special Order Sales and Installed Sales experienced sequential improvement in the third quarter of 2009, and positive comparable store sales in the fourth quarter of 2009, as the economic pressures lessened. Sales to Commercial Business Customers declined 9.1% in 2009, driven by continued project delays within the remodel and repair businesses.

From a geographic market perspective, we experienced continued pressure from the declining housing market, with the most pronounced declines in the Mid-Atlantic and Florida markets for the year. Many areas were impacted by several years of housing pressure as well as the financial markets. However, we saw evidence of broad-based stabilization, as we experienced sequential improvement in comparable store sales for all 50 states from the third to the fourth quarter, and 26 states had positive comparable results in the fourth quarter. For 2009, the northeast and north-central markets performed above the Company average, and for the fourth quarter of 2009 these areas delivered positive comparable store sales results. As a result, we experienced a comparable store sales decline of 1.6% for the fourth quarter, compared to a decline of 6.7% for the year.

*Gross margin* - For 2009, gross margin of 34.86% represented a 65 basis point increase from 2008. Margin rate improvement contributed approximately 52 basis points of this increase, primarily driven by a moderating promotional environment and decreased seasonal markdowns. The seasonal living category experienced strong margin increases compared to the prior year, driven by reduced markdowns as a result of rationalizing purchase levels earlier in the year. The flooring and lighting product categories also experienced strong improvement compared to the prior year, driven by the more rational promotional environment and our decision to not repeat certain prior year promotions. In addition, margin was positively impacted by lower inventory shrink, which provided 12 basis points of leverage.

*SG&A* - The increase in SG&A as a percentage of sales from 2008 to 2009 was primarily driven by de-leverage of 61 basis points in store payroll. As sales per store declined, an increased number of stores met the base staffing hours threshold, which increased the proportion of fixed-to-total payroll. We also experienced de-leverage of approximately 40 basis points in bonus expense attributable to higher achievement against performance targets in 2009. As a result of 2009 performance and continued expansion rationalization, we experienced 20 basis points of de-leverage associated with the write-off of new store projects that we are no longer pursuing and long-lived asset impairment charges. Employee insurance costs also de-leveraged 18 basis points as a result of rising health care expenses, higher enrollment and higher administrative costs. In 2009, credit programs de-leveraged 16 basis points due to increases in aged losses and bankruptcies as a result of higher unemployment and credit market tightening. Additionally, we experienced de-leverage of approximately 16 basis points in fixed expenses such as property taxes, utilities and rent during 2009 as a result of sales declines. These changes were offset slightly by leverage of 11 basis points related to store opening costs associated with the opening of fewer stores in 2009 than in 2008.

*Depreciation* - Depreciation de-leveraged 23 basis points as a percentage of sales in 2009. This de-leverage was driven by the comparable store sales declines and the addition of 62 new stores in 2009. Property, less accumulated depreciation, decreased to \$22.5 billion at January 29, 2010, compared to \$22.7 billion at January 30, 2009. At January 29, 2010, and January 30, 2009, we owned 88% of our stores, which included stores on leased land.

*Interest* - Net interest expense is comprised of the following:

(In millions)		2009		2008
Interest expense, net of amount capitalized	\$	300	\$	314
Amortization of original issue discount and loan costs		4		6
Interest income		(17)		(40)
<b>Interest - net</b>	<b>\$</b>	<b>287</b>	<b>\$</b>	<b>280</b>

Net interest expense increased primarily as a result of lower interest income due to lower interest rates and lower capitalized interest associated with fewer stores under construction, partially offset by lower interest associated with favorable tax settlements during 2009.

*Income tax provision* – Our effective income tax rate was 36.9% in 2009 versus 37.4% in 2008. The decrease in the effective tax rate was primarily due to favorable state tax settlements.

## **LOWE'S BUSINESS OUTLOOK**

As of February 23, 2011, the date of our fourth quarter 2010 earnings release, we expected total sales in 2011 to increase approximately 5%, which includes the 53<sup>rd</sup> week. The 53<sup>rd</sup> week was expected to increase total sales by approximately 1.6%. We expected comparable store sales to increase 1% to 2% in 2011. We expected to open 25 to 30 stores during 2011, resulting in total square footage growth of approximately 1.5%. Earnings before interest and taxes as a percentage of sales (operating margin) was expected to increase approximately 30 basis points. In addition, depreciation expense was expected to be approximately \$1.48 billion. Diluted earnings per share of \$1.60 to \$1.72 were expected for the fiscal year ending February 3, 2012. Our guidance assumed approximately \$2.4 billion in share repurchases during 2011 spread evenly across the four quarters.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

Cash flows from operating activities continued to provide the primary source of our liquidity. The decrease in net cash provided by operating activities for 2010 versus 2009 was driven by changes in working capital, primarily related to accounts payable and income tax payments. The increase in net cash used in investing activities for 2010 versus 2009 was driven by increased purchases of investments, partially offset by a decline in property acquired due to a reduction in our store expansion program. The decrease in net cash used in financing activities for 2010 versus 2009 was attributable to an increase in cash from the issuances of long-term debt in 2010 and lower debt repayments, offset by share repurchases.

### **Sources of Liquidity**

In addition to our cash flows from operations, liquidity is provided by our short-term borrowing facilities and through the issuance of long-term debt. We have a \$1.75 billion senior credit facility that expires in June 2012. The senior credit facility supports our commercial paper program. The senior credit facility has a \$500 million letter of credit sublimit. Letters of credit issued pursuant to the senior credit facility reduce the amount available for borrowing under the senior credit facility. Borrowings made are unsecured and are priced at fixed rates based upon market conditions at the time of funding in accordance with the terms of the senior credit facility. The senior credit facility contains certain restrictive covenants, which include maintenance of a debt leverage ratio, as defined by the senior credit facility. We were in compliance with those covenants at January 28, 2011. Seventeen banking institutions are participating in the senior credit facility. There were no outstanding borrowings or letters of credit under the senior credit facility and no outstanding borrowings under the commercial paper program at January 28, 2011 or during 2010.

We also have a Canadian dollar (C\$) denominated credit facility in the amount of C\$50 million that provides revolving credit support for our Canadian operations. This uncommitted credit facility provides us with the ability to make unsecured borrowings, which are priced at fixed rates based upon market conditions at the time of funding in accordance with the terms of the credit facility. As of January 28, 2011, there were no borrowings outstanding under this credit facility.

We expect to continue to have access to the capital markets on both short- and long-term bases when needed for liquidity purposes by issuing commercial paper or new long-term debt. The availability and the borrowing costs of these funds could be adversely affected, however, by a downgrade of our debt ratings or a deterioration of certain financial ratios. The table below reflects our debt ratings by Standard & Poor's (S&P) and Moody's as of March 28, 2011, which we are disclosing to enhance understanding of our sources of liquidity and the effect of our ratings on our cost of funds. Although we currently do not expect a downgrade in our debt ratings, our commercial paper and senior debt ratings may be subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

<b>Debt Ratings</b>	<b>S&amp;P</b>	<b>Moody's</b>
Commercial Paper	A1	P1
Senior Debt	A	A1
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>

We believe that net cash provided by operating and financing activities will be adequate for our expansion plans and our other operating requirements over the next 12 months. There are no provisions in any agreements that would require early cash settlement of existing debt or leases as a result of a downgrade in our debt rating or a decrease in our stock price. In addition, we do not have a significant amount of cash held in foreign affiliates.

## **Cash Requirements**

### *Capital expenditures*

Our fiscal 2011 capital budget is approximately \$1.8 billion, inclusive of approximately \$100 million of lease commitments, resulting in a planned net cash outflow of \$1.7 billion. Approximately 45% of the planned net cash outflow is for store expansion. Our expansion plans for 2011 consist of 25 to 30 new stores and are expected to increase sales floor square footage by approximately 1.5%. All of the 2011 projects are expected to be owned, which includes approximately 20% of the stores on leased land. In addition, approximately 30% of the planned net cash outflow is for investment in our existing stores. Other planned capital expenditures include investing in our distribution and corporate infrastructure, including enhancements in information technology.

During 2009, we entered into a joint venture agreement with Australian retailer Woolworths Limited, to develop a chain of home improvement stores in Australia. We expected to contribute approximately \$400 million over four years to the joint venture, of which we are a one-third owner. As of January 28, 2011, we had contributed approximately \$140 million. The joint venture expects to open its first stores in 2011.

### *Debt and capital*

In April 2010, we issued \$1.0 billion of unsecured notes in two tranches: \$500 million of 4.625% notes maturing in April 2020 and \$500 million of 5.8% notes maturing in April 2040. Net proceeds from the 4.625% and 5.8% notes, excluding issuance costs, were \$497 million and \$495 million, respectively. During the second quarter of 2010, we used a portion of the net proceeds from these notes to repay our \$500 million 8.25% notes due June 1, 2010. In November 2010, we issued \$1.0 billion of unsecured notes, in two tranches: \$475 million of 2.125% notes maturing in April 2016 and \$525 million of 3.75% notes maturing in April 2021. Net proceeds from the 2.125% and 3.75% notes, excluding issuance costs, were \$473 million and \$522 million, respectively. Interest on the 2010 notes is payable semiannually in arrears in April and October of each year until maturity. Net proceeds were available for general corporate purposes, including capital expenditures and working capital needs, and to fund repurchases of our common stock.

Dividends declared during fiscal 2010 totaled \$588 million. In the fourth quarter of 2009 the dividend payment dates were shifted such that dividends are paid in the subsequent quarter to their declaration. Dividends declared in the fourth quarter of 2010 were paid in fiscal 2011 and totaled \$148 million.



We have a share repurchase program that is executed through purchases made from time to time in the open market or through private transactions. Shares purchased under the share repurchase program are retired and returned to authorized and unissued status. As of January 28, 2011, we had a remaining repurchase authorization of \$2.4 billion with no expiration date. We expect to utilize the remaining authorization by the end of fiscal 2011.

The ratio of debt to equity plus debt was 26.6% and 21.0% as of January 28, 2011, and January 29, 2010, respectively.

#### OFF-BALANCE SHEET ARRANGEMENTS

Other than in connection with executing operating leases, we do not have any off-balance sheet financing that has, or is reasonably likely to have, a material, current or future effect on our financial condition, cash flows, results of operations, liquidity, capital expenditures or capital resources.

#### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table summarizes our significant contractual obligations and commercial commitments:

January 28, 2011 Contractual Obligations (In millions)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt (principal and interest amounts, excluding discount)	\$ 11,517	\$ 332	\$ 1,190	\$ 1,115	\$ 8,880
Capitalized lease obligations <sup>1</sup>	626	68	138	118	302
Operating leases <sup>1</sup>	6,008	418	826	791	3,973
Purchase obligations <sup>2</sup>	633	386	236	10	1
Total contractual obligations	\$ 18,784	\$ 1,204	\$ 2,390	\$ 2,034	\$ 13,156

Commercial Commitments (In millions)	Amount of Commitment Expiration by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Letters of credit <sup>3</sup>	\$ 19	\$ 18	\$ 1	\$ -	\$ -

<sup>1</sup> Amounts do not include taxes, common area maintenance, insurance or contingent rent because these amounts have historically been insignificant.

<sup>2</sup> Represents commitments related to certain marketing and information technology programs, and purchases of merchandise inventory.

<sup>3</sup> Letters of credit are issued primarily for real estate and construction contracts.

At January 28, 2011, our reserve for uncertain tax positions (including penalties and interest), net of amounts held on deposit by taxing authorities, was \$123 million, of which \$80 million was classified as a current liability and \$43 million was classified as a non-current liability. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months due to uncertainties in the timing of the effective settlement of tax positions.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the consolidated financial statements and notes to consolidated financial statements presented in this annual report requires us to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Our significant accounting policies are described in Note 1 to the consolidated financial statements. We believe that the following accounting policies affect the most significant estimates and management judgments used in preparing the consolidated financial statements.

### Merchandise Inventory

#### *Description*

We record an obsolete inventory reserve for the anticipated loss associated with selling inventories below cost. This reserve is based on our current knowledge with respect to inventory levels, sales trends and historical experience. During 2010, our reserve decreased approximately \$10 million to \$39 million as of January 28, 2011.

We also record an inventory reserve for the estimated shrinkage between physical inventories. This reserve is based primarily on actual shrinkage results from previous physical inventories. During 2010, the inventory shrinkage reserve decreased approximately \$11 million to \$127 million as of January 28, 2011.

In addition, we receive funds from vendors in the normal course of business, principally as a result of purchase volumes, sales, early payments or promotions of vendors' products, which generally do not represent the reimbursement of specific, incremental and identifiable costs that we incurred to sell the vendor's product. We treat these funds as a reduction in the cost of inventory as the amounts are accrued, and recognize these funds as a reduction of cost of sales when the inventory is sold.

#### *Judgments and uncertainties involved in the estimate*

We do not believe that our merchandise inventories are subject to significant risk of obsolescence in the near term, and we have the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in consumer purchasing patterns or a deterioration in product quality could result in the need for additional reserves. Likewise, changes in the estimated shrink reserve may be necessary, based on the timing and results of physical inventories. We also apply judgment in the determination of levels of non-productive inventory and assumptions about net realizable value.

For vendor funds, we develop accrual rates based on the provisions of the agreements in place. Due to the complexity and diversity of the individual vendor agreements, we perform analyses and review historical purchase trends and volumes throughout the year, adjust accrual rates as appropriate and confirm actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

#### *Effect if actual results differ from assumptions*

We have not made any material changes in the methodology used to establish our inventory valuation or the related reserves for obsolete inventory or inventory shrinkage during the past three fiscal years. We believe that we have sufficient current and historical knowledge to record reasonable estimates for both of these inventory reserves. However, it is possible that actual results could differ from recorded reserves. A 10% change in the amount of products considered obsolete and therefore included in the calculation of our obsolete inventory reserve would have affected net earnings by approximately \$2 million for 2010. A 10% change in the estimated shrinkage rate included in the calculation of our inventory shrinkage reserve would have affected net earnings by approximately \$8 million for 2010.

We have not made any material changes in the methodology used to recognize vendor funds during the past three fiscal years. If actual results are not consistent with the assumptions and estimates used, we could be exposed to additional adjustments that could positively or negatively impact gross margin and inventory. However, substantially all receivables associated with these activities do not require subjective long-term estimates because they are collected within the following fiscal year. Adjustments to gross margin and inventory in the following fiscal year have historically not been material.

### **Long-Lived Asset Impairment - Operating Stores**

#### *Description*

At January 28, 2011, \$19.0 billion of our long-lived assets were associated with stores currently in operation. We review the carrying amounts of operating stores whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. When evaluating operating stores for impairment, our asset group is at an individual store level, as that is the lowest level for which cash flows are identifiable. Cash flows for individual operating stores do not include an allocation of corporate overhead.

We evaluate operating stores for triggering events relating to long-lived asset impairment on a quarterly basis to determine when store assets may not be recoverable. Our primary indicator that operating store assets may not be recoverable is consistently negative cash flow for a 12-month period for those stores that have been open in the same location for a sufficient period of time to allow for meaningful analysis of ongoing operating results. Management also monitors other factors when evaluating operating stores for impairment, including individual stores' execution of their operating plans and local market conditions, including incursion, which is the opening of either other Lowe's stores or direct competitors' stores within the same market.

For operating stores, a potential impairment has occurred if projected future undiscounted cash flows expected to result from the use and eventual disposition of the store assets are less than the carrying amount of the assets. When determining the stream of projected future cash flows associated with an individual operating store, management makes assumptions, incorporating local market conditions, about key store variables including sales growth rates, gross margin and controllable expenses, such as store payroll and occupancy expense.

An impairment loss is recognized when the carrying amount of the operating store is not recoverable and exceeds its fair value. We generally use an income approach to determine the fair value of our individual operating stores, which requires discounting projected future cash flows. This involves making assumptions regarding both a store's future cash flows, as described above, and an appropriate discount rate to determine the present value of those future cash flows. We discount our cash flow estimates at a rate commensurate with the risk that selected market participants would assign to the cash flows. The selected market participants represent a group of other retailers with a store footprint similar in size to ours.

During 2010, 15 stores experienced a triggering event and were evaluated for recoverability. Four of these stores were determined to be impaired. We recorded operating store impairment losses of \$36 million during 2010 compared to \$53 million during 2009.

#### *Judgments and uncertainties involved in the estimate*

Our impairment loss calculations require us to apply judgment in estimating expected future cash flows, including estimated sales, margin and controllable expenses, and assumptions about market performance. We also apply judgment in estimating asset fair values, including the selection of an appropriate discount rate.

#### *Effect if actual results differ from assumptions*

We have not made any material changes in the methodology used to estimate the future cash flows of operating stores during the past three fiscal years. If the actual results of our operating stores are not consistent with the assumptions and judgments we have made in estimating future cash flows and determining asset fair values, our actual impairment losses could vary positively or negatively from our estimated impairment losses.

Eleven of the stores that experienced a triggering event during 2010 were determined to be recoverable and therefore were not impaired. For ten of these stores the expected undiscounted cash flows substantially exceeded the net book value of the store assets. For these ten stores, a 10% reduction in projected sales used to estimate future cash flows at the latest date that the operating stores were evaluated for impairment would have resulted in the impairment of certain of these stores and increased recognized impairment losses by \$39 million.

One of the stores with a net book value of \$21 million had expected undiscounted cash flows that exceeded the net book value of its assets by less than a substantial amount. A 10% reduction in projected sales used to estimate future cash flows at the date this store was evaluated for impairment would have increased recognized impairment losses by \$15 million.

We analyzed other assumptions made in estimating the future cash flows of the operating stores evaluated for impairment, but the sensitivity of those assumptions was not significant to the estimates.

## **Self-Insurance**

### *Description*

We are self-insured for certain losses relating to workers' compensation; automobile; property; general and product liability ; extended protection plan; and certain medical and dental claims. Self-insurance claims filed and claims incurred but not reported are accrued based upon our estimates of the discounted ultimate cost for self-insured claims incurred using actuarial assumptions followed in the insurance industry and historical experience. During 2010, our self-insurance liability increased approximately \$43 million to \$835 million as of January 28, 2011.

### *Judgments and uncertainties involved in the estimate*

These estimates are subject to changes in the regulatory environment; utilized discount rate; projected exposures including payroll, sales and vehicle units; as well as the frequency, lag and severity of claims.

### *Effect if actual results differ from assumptions*

We have not made any material changes in the methodology used to establish our self-insurance liability during the past three fiscal years. Although we believe that we have the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities. A 10% change in our self-insurance liability would have affected net earnings by approximately \$52 million for 2010. A 100 basis point change in our discount rate would have affected net earnings by approximately \$17 million for 2010.

## **Revenue Recognition**

### *Description*

See Note 1 to the consolidated financial statements for a discussion of our revenue recognition policies. The following accounting estimates relating to revenue recognition require management to make assumptions and apply judgment regarding the effects of future events that cannot be determined with certainty.

We sell separately-priced extended protection plan contracts under a Lowe's-branded program for which the Company is ultimately self-insured. The Company recognizes revenues from extended protection plan sales on a straight-line basis over the respective contract term. Extended protection plan contract terms primarily range from one to four years from the date of purchase or the end of the manufacturer's warranty, as applicable. The Company consistently groups and evaluates extended protection plan contracts based on the characteristics of the underlying products and the coverage provided in order to monitor for expected losses. A loss on the overall contract would be recognized if the expected costs of performing services under the contracts exceeded the amount of unamortized acquisition costs and related deferred revenue associated with the contracts. Deferred revenues associated with the extended protection plan contracts increased \$82 million to \$631 million as of January 28, 2011.

We defer revenue and cost of sales associated with transactions for which customers have not yet taken possession of merchandise or for which installation has not yet been completed. Revenue is deferred based on the actual amounts received. We use historical gross margin rates to estimate the adjustment to cost of sales for these transactions. During 2010, deferred revenues associated with these transactions increased \$17 million to \$371 million as of January 28, 2011.

### *Judgments and uncertainties involved in the estimate*

For extended protection plans, there is judgment inherent in our evaluation of expected losses as a result of our methodology for grouping and evaluating extended protection plan contracts and from the actuarial determination of the estimated cost of the contracts. There is also judgment inherent in our determination of the recognition pattern of costs of performing services under these contracts.

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For the deferral of revenue and cost of sales associated with transactions for which customers have not yet taken possession of merchandise or for which installation has not yet been completed, there is judgment inherent in our estimates of gross margin rates.

*Effect if actual results differ from assumptions*

We have not made any material changes in the methodology used to recognize revenue on our extended protection plan contracts during the past three fiscal years. We currently do not anticipate incurring any overall contract losses on our extended protection plan contracts. Although we believe that we have the ability to adequately monitor and estimate expected losses under the extended protection plan contracts, it is possible that actual results could differ from our estimates. In addition, if future evidence indicates that the costs of performing services under these contracts are incurred on other than a straight-line basis, the timing of revenue recognition under these contracts could change. A 10% change in the amount of revenue recognized in 2010 under these contracts would have affected net earnings by approximately \$11 million.

We have not made any material changes in the methodology used to reverse net sales and cost of sales related to amounts received for which customers have not yet taken possession of merchandise or for which installation has not yet been completed. We believe we have sufficient current and historical knowledge to record reasonable estimates related to the impact to cost of sales for these transactions. However, if actual results are not consistent with our estimates or assumptions, we may incur additional income or expense. A 10% change in the estimate of the gross margin rates applied to these transactions would have affected net earnings by approximately \$6 million in 2010.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In addition to the risks inherent in our operations, we are exposed to certain market risks, including changes in interest rates, commodity prices and foreign currency exchange rates.

**Interest Rate Risk**

Fluctuations in interest rates do not have a material impact on our financial condition and results of operations because our long-term debt is carried at amortized cost and primarily consists of fixed-rate instruments. Therefore, providing quantitative information about interest rate risk is not meaningful for financial instruments.

**Commodity Price Risk**

We purchase certain commodity products that are subject to price volatility caused by factors beyond our control. We believe that the price volatility of these products is mitigated by our selling prices and through fixed-price supply agreements with vendors. The selling prices of these commodity products are influenced, in part, by the market price we pay, which is determined by industry supply and demand.

**Foreign Currency Exchange Rate Risk**

Although we have international operating entities, our exposure to foreign currency exchange rate fluctuations is not material to our financial condition and results of operations.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We speak throughout this Annual Report to Lowe's Shareholders in forward-looking statements about our future, particularly in the "Letter to Shareholders" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The words "believe," "expect," "will," "should," and other similar expressions are intended to identify those forward-looking statements. While we believe our expectations are reasonable, they are not guarantees of future performance. Our actual results could differ substantially from our expectations because, for example:

- Our sales are dependent upon the health and stability of the general economy, which is still recovering slowly from a prolonged period of recession that was made worse by a severe accompanying financial/credit crisis. Sustained high rates of unemployment, the psychological effect of falling home prices, consumer deleveraging and reduced access to credit, through mortgage financing and otherwise, and reduced consumer confidence are continuing to constrain consumer spending, particularly on many of the discretionary, bigger-ticket products we sell.
- Sales in many of our product categories are driven by the activity level of home improvement projects. Adverse changes in economic factors specific to the home improvement industry may negatively affect the rate of growth of our total sales and comparable store sales.
- Our sales, particularly of seasonal merchandise, may be impacted by unseasonable weather.
- Changes in existing or new laws and regulations that affect employment/labor, trade, product safety, transportation/logistics, energy costs, health care, tax or environmental issues could have an adverse impact, directly or indirectly, on our financial condition and results of operations.
- Our business is highly competitive, and our many competitors could take sales and market share from us if we fail to effectively execute our merchandising, marketing and distribution strategies.
- The success of our strategic business initiatives designed to increase our sales and capture a greater percentage of our customers' expenditures on home improvement projects is dependent in varying degrees on the timely delivery and functionality of information technology systems to support them.
- We may not be able to realize the full benefits of some of our strategic business initiatives if our employees or third-party installers and repair technicians are unable to accept and embrace changes in our business model.
- The failure to effectively manage our relationships with suppliers of brand name products that are popular with our customers could negatively impact our business plan and financial results.
- Expanding internationally presents unique challenges that will require us to continue to adapt our store operations, merchandising and distribution functions and to work effectively with our joint venture partner in Australia.
- The failure to properly maintain our critical information systems or a serious disruption of those systems could negatively impact our financial performance. Performance issues with new customer-facing technology systems could negatively affect our strategic business initiatives that are dependent on those systems.
- Our sales are impacted by our ability to secure and retain a highly qualified and adaptable workforce with expanded skill sets who can work effectively and collaboratively in an increasingly culturally diverse environment, which is an important element of our future growth strategy.
- The failure of a key vendor or service provider that we cannot quickly replace could disrupt our operations and negatively impact our business.
- The ability to continue our everyday low pricing strategy and provide the products that customers want depends on our vendors providing a reliable supply of products at competitive prices and our ability to effectively manage our inventory. If the domestic or international supply chain for our products is disrupted, our sales and gross margin would be adversely impacted.

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- Product and service quality issues could negatively affect customer confidence in Lowe’s and the Company’s brand image and, in some instances, also result in product recalls and potential product liability and product warranty claims.

For more information about these and other risks and uncertainties that we are exposed to, you should read the “Risk Factors” included in our Annual Report on Form 10-K to the United States Securities and Exchange Commission. All forward-looking statements in this Annual Report to Lowe’s shareholders speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section and in the “Risk Factors” included in our Annual Report on Form 10-K. We do not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

## **MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management of Lowe’s Companies, Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (Internal Control) as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our Internal Control was designed to provide reasonable assurance to our management and the Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the reliability of financial reporting and financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness may vary over time.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our Internal Control as of January 28, 2011. In evaluating our Internal Control, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on our management’s assessment, we have concluded that, as of January 28, 2011, our Internal Control is effective.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the financial statements contained in this report, was engaged to audit our Internal Control. Their report appears on page 29.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Lowe's Companies, Inc.  
 Mooresville, North Carolina

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries (the "Company") as of January 28, 2011 and January 29, 2010, 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, 2011. 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.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 28, 2011 and January 29, 2010, and the results of its operations and its cash flows for each of the three fiscal years in the period ended January 28, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 28, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
 March 28, 2011



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Lowe's Companies, Inc.  
 Mooresville, North Carolina

We have audited the internal control over financial reporting of Lowe's Companies, Inc. and subsidiaries (the "Company") as of January 28, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the fiscal year ended January 28, 2011 of the Company and our report dated March 28, 2011 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
 March 28, 2011

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**Lowe's Companies, Inc.**  
**Consolidated Statements of Earnings**

(In millions, except per share and percentage data)	January 28, 2011		January 29, 2010		January 30, 2009	
Fiscal years ended on		% Sales		% Sales		% Sales
<b>Net sales</b>	<b>\$ 48,815</b>	<b>100.00 %</b>	<b>\$ 47,220</b>	<b>100.00 %</b>	<b>\$ 48,230</b>	<b>100.00 %</b>
Cost of sales	31,663	64.86	30,757	65.14	31,729	65.79
<b>Gross margin</b>	<b>17,152</b>	<b>35.14</b>	<b>16,463</b>	<b>34.86</b>	<b>16,501</b>	<b>34.21</b>
Expenses:						
Selling, general and administrative	12,006	24.60	11,737	24.85	11,176	23.17
Depreciation	1,586	3.25	1,614	3.42	1,539	3.19
Interest - net	332	0.68	287	0.61	280	0.58
<b>Total expenses</b>	<b>13,924</b>	<b>28.53</b>	<b>13,638</b>	<b>28.88</b>	<b>12,995</b>	<b>26.94</b>
<b>Pre-tax earnings</b>	<b>3,228</b>	<b>6.61</b>	<b>2,825</b>	<b>5.98</b>	<b>3,506</b>	<b>7.27</b>
Income tax provision	1,218	2.49	1,042	2.20	1,311	2.72
<b>Net earnings</b>	<b>\$ 2,010</b>	<b>4.12 %</b>	<b>\$ 1,783</b>	<b>3.78 %</b>	<b>\$ 2,195</b>	<b>4.55 %</b>
<b>Basic earnings per common share</b>	<b>\$ 1.42</b>		<b>\$ 1.21</b>		<b>\$ 1.50</b>	
<b>Diluted earnings per common share</b>	<b>\$ 1.42</b>		<b>\$ 1.21</b>		<b>\$ 1.49</b>	
<b>Cash dividends per share</b>	<b>\$ 0.420</b>		<b>\$ 0.355</b>		<b>\$ 0.335</b>	

*See accompanying notes to consolidated financial statements.*

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**Lowe's Companies, Inc.**  
**Consolidated Balance Sheets**

(In millions, except par value and percentage data)	January 28, 2011	%	January 29, 2010	%
		Total		Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 652	1.9 %	\$ 632	1.9 %
Short-term investments	471	1.4	425	1.3
Merchandise inventory - net	8,321	24.7	8,249	25.0
Deferred income taxes - net	193	0.6	208	0.6
Other current assets	330	1.0	218	0.7
<b>Total current assets</b>	<b>9,967</b>	<b>29.6</b>	<b>9,732</b>	<b>29.5</b>
Property, less accumulated depreciation	22,089	65.5	22,499	68.2
Long-term investments	1,008	3.0	277	0.8
Other assets	635	1.9	497	1.5
<b>Total assets</b>	<b>\$ 33,699</b>	<b>100.0 %</b>	<b>\$ 33,005</b>	<b>100.0 %</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities:</b>				
Current maturities of long-term debt	\$ 36	0.1 %	\$ 552	1.7 %
Accounts payable	4,351	12.9	4,287	13.0
Accrued compensation and employee benefits	667	2.0	577	1.7
Deferred revenue	707	2.1	683	2.1
Other current liabilities	1,358	4.0	1,256	3.8
<b>Total current liabilities</b>	<b>7,119</b>	<b>21.1</b>	<b>7,355</b>	<b>22.3</b>
Long-term debt, excluding current maturities	6,537	19.4	4,528	13.7
Deferred income taxes - net	467	1.4	598	1.8
Deferred revenue - extended protection plans	631	1.9	549	1.7
Other liabilities	833	2.5	906	2.7
<b>Total liabilities</b>	<b>15,587</b>	<b>46.3</b>	<b>13,936</b>	<b>42.2</b>
Commitments and contingencies				
<b>Shareholders' equity:</b>				
Preferred stock - \$5 par value, none issued	-	-	-	-
Common stock - \$.50 par value;				
Shares issued and outstanding				
January 28, 2011	1,354			
January 29, 2010	1,459	677	2.0	729
Capital in excess of par value	11	-	6	-
Retained earnings	17,371	51.5	18,307	55.5
Accumulated other comprehensive income	53	0.2	27	0.1
<b>Total shareholders' equity</b>	<b>18,112</b>	<b>53.7</b>	<b>19,069</b>	<b>57.8</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 33,699</b>	<b>100.0 %</b>	<b>\$ 33,005</b>	<b>100.0 %</b>

See accompanying notes to consolidated financial statements.

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

(In millions)	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount				
<b>Balance February 1, 2008</b>	<b>1,458</b>	<b>\$ 729</b>	<b>\$ 16</b>	<b>\$ 15,345</b>	<b>\$ 8</b>	<b>\$ 16,098</b>
Comprehensive income:						
Net earnings				2,195		
Foreign currency translation					(13)	
Net unrealized investment losses					(1)	
<b>Total comprehensive income</b>						<b>2,181</b>
Tax effect of non-qualified stock options exercised and restricted stock vested			5			5
Cash dividends declared				(491)		(491)
Share-based payment expense			95			95
Repurchase of common stock	-	-	(8)			(8)
Conversion of debt to common stock	-	-	1			1
Issuance of common stock under share-based payment plans	12	6	168			174
<b>Balance January 30, 2009</b>	<b>1,470</b>	<b>\$ 735</b>	<b>\$ 277</b>	<b>\$ 17,049</b>	<b>\$ (6)</b>	<b>\$ 18,055</b>
Comprehensive income:						
Net earnings				1,783		
Foreign currency translation					32	
Net unrealized investment gains					1	
<b>Total comprehensive income</b>						<b>1,816</b>
Tax effect of non-qualified stock options exercised and restricted stock vested			(6)			(6)
Cash dividends declared				(522)		(522)
Share-based payment expense			102			102
Repurchase of common stock	(22)	(11)	(490)	(3)		(504)
Issuance of common stock under share-based payment plans	11	5	123			128
<b>Balance January 29, 2010</b>	<b>1,459</b>	<b>\$ 729</b>	<b>\$ 6</b>	<b>\$ 18,307</b>	<b>\$ 27</b>	<b>\$ 19,069</b>
Comprehensive income:						
Net earnings				2,010		
Foreign currency translation					28	
Net unrealized investment losses					(2)	
<b>Total comprehensive income</b>						<b>2,036</b>
Tax effect of non-qualified stock options exercised and restricted stock vested			(6)			(6)
Cash dividends declared				(588)		(588)
Share-based payment expense			115			115
Repurchase of common stock	(113)	(56)	(204)	(2,358)		(2,618)
Issuance of common stock under share-based payment plans	8	4	100			104
<b>Balance January 28, 2011</b>	<b>1,354</b>	<b>\$ 677</b>	<b>\$ 11</b>	<b>\$ 17,371</b>	<b>\$ 53</b>	<b>\$ 18,112</b>

See accompanying notes to consolidated financial statements.

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

(In millions) Fiscal years ended on	January 28, 2011	January 29, 2010	January 30, 2009
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 2,010	\$ 1,783	\$ 2,195
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,684	1,733	1,667
Deferred income taxes	(133)	(123)	69
Loss on property and other assets - net	103	193	89
Loss on redemption of long-term debt	-	-	8
Share-based payment expense	115	102	95
Changes in operating assets and liabilities:			
Merchandise inventory - net	(64)	(28)	(611)
Other operating assets	(142)	7	31
Accounts payable	60	175	402
Other operating liabilities	219	212	177
<b>Net cash provided by operating activities</b>	<b>3,852</b>	<b>4,054</b>	<b>4,122</b>
<b>Cash flows from investing activities:</b>			
Purchases of investments	(2,605)	(1,827)	(1,358)
Proceeds from sale/maturity of investments	1,822	1,784	1,425
Increase in other long-term assets	(97)	(62)	(56)
Property acquired	(1,329)	(1,799)	(3,266)
Proceeds from sale of property and other long-term assets	25	18	29
<b>Net cash used in investing activities</b>	<b>(2,184)</b>	<b>(1,886)</b>	<b>(3,226)</b>
<b>Cash flows from financing activities:</b>			
Net decrease in short-term borrowings	-	(1,007)	(57)
Net proceeds from issuance of long-term debt	1,985	10	15
Repayment of long-term debt	(552)	(37)	(573)
Proceeds from issuance of common stock under share-based payment plans	104	128	174
Cash dividend payments	(571)	(391)	(491)
Repurchase of common stock	(2,618)	(504)	(8)
Excess tax benefits of share-based payments	1	-	1
<b>Net cash used in financing activities</b>	<b>(1,651)</b>	<b>(1,801)</b>	<b>(939)</b>
<b>Effect of exchange rate changes on cash</b>	<b>3</b>	<b>20</b>	<b>7</b>
Net increase (decrease) in cash and cash equivalents	20	387	(36)
Cash and cash equivalents, beginning of year	632	245	281
<b>Cash and cash equivalents, end of year</b>	<b>\$ 652</b>	<b>\$ 632</b>	<b>\$ 245</b>

See accompanying notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JANUARY 28, 2011, JANUARY 29, 2010 AND JANUARY 30, 2009**

**NOTE 1: Summary of Significant Accounting Policies**

Lowe's Companies, Inc. and subsidiaries (the Company) is the world's second-largest home improvement retailer and operated 1,749 stores in the United States, Canada and Mexico at January 28, 2011. Below are those accounting policies considered by the Company to be significant.

**Fiscal Year** - The Company's fiscal year ends on the Friday nearest the end of January. Each of the fiscal years presented contained 52 weeks. All references herein for the years 2010, 2009 and 2008 represent the fiscal years ended January 28, 2011, January 29, 2010, and January 30, 2009, respectively.

**Principles of Consolidation** - The consolidated financial statements include the accounts of the Company and its wholly-owned or controlled operating subsidiaries. All intercompany accounts and transactions have been eliminated.

**Foreign Currency** - The functional currencies of the Company's international subsidiaries are the local currencies of the countries in which the subsidiaries are located. Foreign currency denominated assets and liabilities are translated into U.S. dollars using the exchange rates in effect at the consolidated balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions, which are included in selling, general and administrative (SG&A) expense, have not been significant.

**Use of Estimates** - The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. The Company bases these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these 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. Cash and cash equivalents are carried at amortized cost on the consolidated balance sheets. The majority of payments due from financial institutions for the settlement of credit card and debit card transactions process within two business days and are, therefore, classified as cash and cash equivalents.

**Investments** - As of January 28, 2011, investments consisted primarily of municipal obligations, floating rate municipal obligations, money market funds and mutual funds. The Company classifies as investments restricted balances pledged as collateral for the Company's extended protection plan program and for a portion of the Company's casualty insurance and Installed Sales program liabilities. Investments, exclusive of cash equivalents, with a stated maturity date of one year or less from the balance sheet date or that are expected to be used in current operations, are classified as short-term investments. The Company's trading securities are also classified as short-term investments. All other investments are classified as long-term.

The Company maintains investment securities in conjunction with certain employee benefit plans that are classified as trading securities. These securities are carried at fair value with unrealized gains and losses included in SG&A expense. All other investment securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income (loss) in shareholders' equity.

**Merchandise Inventory** - Inventory is stated at the lower of cost or market using the first-in, first-out method of inventory accounting. The cost of inventory also includes certain costs associated with the preparation of inventory for resale, including distribution center costs, and is net of vendor funds.

The Company records an inventory reserve for the anticipated loss associated with selling inventories below cost. This reserve is based on management's current knowledge with respect to inventory levels, sales trends and historical experience. Management does not believe the Company's merchandise inventories are subject to significant risk of obsolescence in the near term, and management has the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in consumer purchasing patterns could result in the need for additional reserves. The Company also records an inventory reserve for the estimated shrinkage between physical inventories. This reserve is based primarily on actual shrink results from previous physical inventories. Changes in the estimated shrink reserve may be necessary based on the timing and results of physical inventories.

The Company receives funds from vendors in the normal course of business, principally as a result of purchase volumes, sales, early payments or promotions of vendors' products, which generally do not represent the reimbursement of specific, incremental and identifiable costs incurred by the Company to sell the vendor's product. These funds are treated as a reduction in the cost of inventory as the amounts are accrued, and are recognized as a reduction of cost of sales when the inventory is sold. The Company develops accrual rates for vendor funds based on the provisions of the agreements in place. Due to the complexity and diversity of the individual vendor agreements, the Company performs analyses and reviews historical trends throughout the year and confirms actual amounts with select vendors to ensure the amounts earned are appropriately recorded. Amounts accrued throughout the year could be impacted if actual purchase volumes differ from projected annual purchase volumes, especially in the case of programs that provide for increased funding when graduated purchase volumes are met.

**Derivative Financial Instruments** - The Company occasionally utilizes derivative financial instruments to manage certain business risks. However, the amounts were not material to the Company's consolidated financial statements in any of the years presented. The Company does not use derivative financial instruments for trading purposes.

**Credit Programs** - The majority of the Company's accounts receivable arises from sales of goods and services to Commercial Business Customers. The Company has an agreement with GE Money Bank (GE) under which GE purchases at face value commercial business accounts receivable originated by the Company and services these accounts. This agreement expires in December 2016, unless terminated sooner by the parties. The Company accounts for these transfers as sales of the accounts receivable. When the Company sells its commercial business accounts receivable, it retains certain interests in those receivables, including the funding of a loss reserve and its obligation related to GE's ongoing servicing of the receivables sold. Any gain or loss on the sale is determined based on the previous carrying amounts of the transferred assets allocated at fair value between the receivables sold and the interests retained. Fair value is based on the present value of expected future cash flows, taking into account the key assumptions of anticipated credit losses, payment rates, late fee rates, GE's servicing costs and the discount rate commensurate with the uncertainty involved. Due to the short-term nature of the receivables sold, changes to the key assumptions would not materially impact the recorded gain or loss on the sales of receivables or the fair value of the retained interests in the receivables.

Total commercial business accounts receivable sold to GE were \$1.7 billion in 2010, \$1.6 billion in 2009 and \$1.7 billion in 2008. The Company recognized losses of \$31 million in both 2010 and 2009, and \$38 million in 2008 on these receivable sales as SG&A expense, which primarily relates to the fair value of the obligations incurred related to servicing costs that are remitted to GE monthly. At January 28, 2011 and January 29, 2010, the fair value of the retained interests was determined based on the present value of expected future cash flows and was insignificant.

Sales generated through the Company's proprietary credit cards are not reflected in receivables. Under an agreement with GE, credit is extended directly to customers by GE. All credit program-related services are performed and controlled directly by GE. The Company has the option, but no obligation, to purchase the receivables at the end of the agreement in December 2016. Tender costs, including amounts associated with accepting the Company's proprietary credit cards, are recorded in SG&A expense in the consolidated statements of earnings.

The total portfolio of receivables held by GE, including both receivables originated by GE from the Company's proprietary credit cards and commercial business accounts receivable originated by the Company and sold to GE, approximated \$5.8 billion at January 28, 2011, and \$6.5 billion at January 29, 2010.

**Property and Depreciation** - Property is recorded at cost. Costs associated with major additions are capitalized and depreciated. Capital assets are expected to yield future benefits and have useful lives which exceed one year. The total cost of a capital asset generally includes all applicable sales taxes, delivery costs, installation costs and other appropriate costs incurred by the Company, including interest in the case of self-constructed assets. Upon disposal, the cost of properties and related accumulated depreciation is removed from the accounts, with gains and losses reflected in SG&A expense on the consolidated statements of earnings.

Depreciation is provided over the estimated useful lives of the depreciable assets. Assets are depreciated using the straight-line method. Leasehold improvements and assets under capital lease are depreciated over the shorter of their estimated useful lives or the term of the related lease, which may include one or more option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. During the term of a lease, if leasehold improvements are placed in service significantly after the inception of the lease, the Company depreciates these leasehold improvements over the shorter of the useful life of the leasehold assets or a term that includes lease renewal periods deemed to be reasonably assured at the time the leasehold improvements are placed into service. The amortization of these assets is included in depreciation expense on the consolidated financial statements.

**Long-Lived Asset Impairment/Exit Activities** - The carrying amounts of long-lived assets are reviewed whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Long-lived assets held-for-use includes operating stores as well as excess properties, such as relocated stores, closed stores and other properties that do not meet the held-for-sale criteria. A potential impairment has occurred for long-lived assets held-for-use if projected future undiscounted cash flows expected to result from the use and eventual disposition of the assets are less than the carrying amounts of the assets. An impairment loss is recorded for long-lived assets held-for-use when the carrying amount of the asset is not recoverable and exceeds its fair value.

Excess properties that are expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria are classified as long-lived assets held-for-sale. An impairment loss is recorded for long-lived assets held-for-sale when the carrying amount of the asset exceeds its fair value less cost to sell. A long-lived asset is not depreciated while it is classified as held-for-sale.

For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. Until it ceases to be used, the Company continues to classify the asset as held-for-use and tests for potential impairment accordingly. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, its depreciable life is re-evaluated.

Impairment losses are included in SG&A expense. The Company recorded long-lived asset impairment losses of \$71 million during 2010, including \$36 million for operating stores, \$26 million for excess properties classified as held-for-use and \$9 million, including costs to sell, for excess properties classified as held-for-sale. The Company recorded long-lived asset impairment losses of \$114 million during 2009, including \$53 million for operating stores, \$40 million for excess properties classified as held-for-use and \$21 million, including costs to sell, for excess properties classified as held-for-sale. The Company recorded long-lived asset impairment losses of \$21 million during 2008, including \$16 million for operating stores and \$5 million for excess properties classified as held-for-use.

The net carrying amount of excess properties that do not meet the held-for-sale criteria is included in other assets (non-current) on the consolidated balance sheets and totaled \$239 million and \$205 million at January 28, 2011 and January 29, 2010, respectively.

When locations under operating leases are closed, a liability is recognized for the fair value of future contractual obligations, including future minimum lease payments, property taxes, utilities and common area maintenance, net of estimated sublease income. Amounts accrued were not material for any of the periods presented.



**Leases** - For lease agreements that provide for escalating rent payments or free-rent occupancy periods, the Company recognizes rent expense on a straight-line basis over the non-cancelable lease term and option renewal periods where failure to exercise such options would result in an economic penalty in such amount that renewal appears, at the inception of the lease, to be reasonably assured. The lease term commences on the date that the Company takes possession of or controls the physical use of the property. Deferred rent is included in other liabilities (non-current) on the consolidated balance sheets.

**Accounts Payable** - The Company has an agreement with a third party to provide an accounts payable tracking system which facilitates participating suppliers' ability to finance payment obligations from the Company with designated third-party financial institutions. Participating suppliers may, at their sole discretion, make offers to finance one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. The Company's goal in entering into this arrangement is to capture overall supply chain savings, in the form of pricing, payment terms or vendor funding, created by facilitating suppliers' ability to finance payment obligations at more favorable discount rates, while providing them with greater working capital flexibility.

The Company's obligations to its suppliers, including amounts due and scheduled payment dates, are not impacted by suppliers' decisions to finance amounts under this arrangement. However, the Company's right to offset balances due from suppliers against payment obligations is restricted by this arrangement for those payment obligations that have been financed by suppliers. As of January 28, 2011 and January 29, 2010, \$645 million and \$602 million, respectively, of the Company's outstanding payment obligations had been placed on the accounts payable tracking system, and participating suppliers had financed \$476 million and \$253 million, respectively, of those payment obligations to participating financial institutions.

**Other Current Liabilities** - Other current liabilities on the consolidated balance sheets consist of:

(In millions)	January 28, 2011	January 29, 2010
Self-insurance liabilities	\$ 311	\$ 300
Accrued dividends	148	131
Accrued interest	115	102
Accrued property taxes	113	103
Sales tax liabilities	112	131
Other	559	489
<b>Total</b>	<b>\$ 1,358</b>	<b>\$ 1,256</b>

**Self-Insurance** - The Company is self-insured for certain losses relating to workers' compensation, automobile, property, and general and product liability claims. The Company has stop-loss coverage to limit the exposure arising from these claims. The Company is also self-insured for certain losses relating to extended protection plan and medical and dental claims. Self-insurance claims filed and claims incurred but not reported are accrued based upon management's estimates of the discounted ultimate cost for self-insured claims incurred using actuarial assumptions followed in the insurance industry and historical experience. Although management believes it has the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities.

The Company provides surety bonds issued by insurance companies to secure payment of workers' compensation liabilities as required in certain states where the Company is self-insured. Outstanding surety bonds relating to self-insurance totaled \$235 million at January 28, 2011.

**Income Taxes** - The Company establishes deferred income tax assets and liabilities for temporary differences between the tax and financial accounting bases of assets and liabilities. The tax effects of such differences are reflected in the consolidated balance sheets at the enacted tax rates expected to be in effect when the differences reverse. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is more likely than not that all or a portion of the asset will not be realized. The tax balances and income tax expense recognized by the Company are based on management's interpretation of the tax statutes of multiple jurisdictions.

The Company establishes a liability for tax positions for which there is uncertainty as to whether or not the position will be ultimately sustained. The Company includes interest related to tax issues as part of net interest on the consolidated financial statements. The Company records any applicable penalties related to tax issues within the income tax provision.

**Revenue Recognition** - The Company recognizes revenues, net of sales tax, when sales transactions occur and customers take possession of the merchandise. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of sales in the period that the related sales are recorded. Revenues from product installation services are recognized when the installation is completed. Deferred revenues associated with amounts received for which customers have not yet taken possession of merchandise or for which installation has not yet been completed were \$371 million and \$354 million at January 28, 2011, and January 29, 2010, respectively.

Revenues from stored-value cards, which include gift cards and returned merchandise credits, are deferred and recognized when the cards are redeemed. The liability associated with outstanding stored-value cards was \$336 million and \$329 million at January 28, 2011, and January 29, 2010, respectively, and these amounts are included in deferred revenue on the consolidated balance sheets. The Company recognizes income from unredeemed stored-value cards at the point at which redemption becomes remote. The Company's stored-value cards have no expiration date or dormancy fees. Therefore, to determine when redemption is remote, the Company analyzes an aging of the unredeemed cards based on the date of last stored-value card use.

**Extended Protection Plans** - The Company sells separately-priced extended protection plan contracts under a Lowe's-branded program for which the Company is ultimately self-insured. The Company recognizes revenue from extended protection plan sales on a straight-line basis over the respective contract term. Extended protection plan contract terms primarily range from one to four years from the date of purchase or the end of the manufacturer's warranty, as applicable. Changes in deferred revenue for extended protection plan contracts are summarized as follows:

(In millions)	2010	2009
Deferred revenue - extended protection plans, beginning of year	\$ 549	\$ 479
Additions to deferred revenue	253	220
Deferred revenue recognized	(171)	(150)
Deferred revenue - extended protection plans, end of year	\$ 631	\$ 549

Incremental direct acquisition costs associated with the sale of extended protection plans are also deferred and recognized as expense on a straight-line basis over the respective contract term. Deferred costs associated with extended protection plan contracts were \$166 million and \$150 million at January 28, 2011 and January 29, 2010, respectively. The Company's extended protection plan deferred costs are included in other assets (non-current) on the consolidated balance sheets. All other costs, such as costs of services performed under the contract, general and administrative expenses and advertising expenses are expensed as incurred.

The liability for extended protection plan claims incurred is included in other current liabilities on the consolidated balance sheets. Changes in the liability for extended protection plan claims are summarized as follows:

(In millions)	2010	2009
Liability for extended protection plan claims, beginning of year	\$ 23	\$ 17
Accrual for claims incurred	80	67
Claim payments	(83)	(61)
Liability for extended protection plan claims, end of year	\$ 20	\$ 23

**Cost of Sales and Selling, General and Administrative Expenses** - The following lists the primary costs classified in each major expense category:

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**Cost of Sales**

- Total cost of products sold, including:
  - Purchase costs, net of vendor funds;
  - Freight expenses associated with moving merchandise inventories from vendors to retail stores;
  - Costs associated with operating the Company's distribution network, including payroll and benefit costs and occupancy costs;
- Costs of installation services provided;
- Costs associated with delivery of products directly from vendors to customers by third parties;
- Costs associated with inventory shrinkage and obsolescence.

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**Selling, General and Administrative**

- Payroll and benefit costs for retail and corporate employees;
- Occupancy costs of retail and corporate facilities;
- Advertising;
- Costs associated with delivery of products from stores to customers;
- Third-party, in-store service costs;
- Tender costs, including bank charges, costs associated with credit card interchange fees and amounts associated with accepting the Company's proprietary credit cards;
- Costs associated with self-insured plans, and premium costs for stop-loss coverage and fully insured plans;
- Long-lived asset impairment losses and gains/losses on disposal of assets;
- Other administrative costs, such as supplies, and travel and entertainment.

**Advertising** - Costs associated with advertising are charged to expense as incurred. Advertising expenses were \$790 million, \$750 million and \$789 million in 2010, 2009 and 2008, respectively.

**Shipping and Handling Costs** - The Company includes shipping and handling costs relating to the delivery of products directly from vendors to customers by third parties in cost of sales. Shipping and handling costs, which include third-party delivery costs, salaries, and vehicle operations expenses relating to the delivery of products from stores to customers, are classified as SG&A expense. Shipping and handling costs included in SG&A expense were \$431 million, \$371 million and \$378 million in 2010, 2009 and 2008, respectively.

**Store Opening Costs** - Costs of opening new or relocated retail stores, which include payroll and supply costs incurred prior to store opening and grand opening advertising costs, are charged to expense as incurred.

**Comprehensive Income** - The Company reports comprehensive income on its consolidated statements of shareholders' equity. Comprehensive income represents changes in shareholders' equity from non-owner sources and is comprised primarily of net earnings plus or minus unrealized gains or losses on available-for-sale securities, as well as foreign currency translation adjustments. Net unrealized gains, net of tax, on available-for-sale securities classified in accumulated other comprehensive income on the consolidated balance sheets were insignificant at January 28, 2011 and \$2 million at January 29, 2010. Foreign currency translation gains, net of tax, classified in accumulated other comprehensive income were \$53 million and \$25 million at January 28, 2011 and January 29, 2010, respectively. The reclassification adjustments for gains/losses included in net earnings were not significant for any of the periods presented.

**Segment Information** - The Company's home improvement retail stores represent a single operating segment based on the way the Company manages its business. Operating decisions are made at the Company level in order to maintain a consistent retail store presentation. The Company's home improvement retail stores sell similar products and services, use similar processes to sell those products and services, and sell their products and services to similar classes of customers. The amounts of long-lived assets and net sales outside of the U.S. were not significant for any of the periods presented.

**Reclassifications** - Certain prior period amounts have been reclassified to conform to current classifications. Store opening costs, which were previously reported as a separate line item on the consolidated statements of earnings, have been combined with SG&A expense. In addition, activity that was previously separately presented for short-term and long-term investments on the consolidated statements of cash flows was combined into single line items for purchases of investments and proceeds from the sale/maturity of investments. Proceeds from the issuance of common stock under the employee stock purchase plan and from stock options exercised, which were previously reported as separate line items on the consolidated statements of cash flows, were also combined into a single line item. In addition, deferred revenue - extended protection plans, which was previously included in other liabilities (noncurrent), is now a separate line item on the consolidated balance sheets.

## NOTE 2: Fair Value Measurements and Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-level hierarchy, which encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the hierarchy are defined as follows:

- Level 1 - inputs to the valuation techniques that are quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs to the valuation techniques that are other than quoted prices but are observable for the assets or liabilities, either directly or indirectly
- Level 3 - inputs to the valuation techniques that are unobservable for the assets or liabilities

### *Assets and Liabilities that are Measured at Fair Value on a Recurring Basis*

The following tables present the Company's financial assets measured at fair value on a recurring basis as of January 28, 2011 and January 29, 2010, classified by fair value hierarchy:

(In millions)	January 28, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Available-for-sale securities:</b>				
Municipal obligations	\$ 190	\$ -	\$ 190	\$ -
Municipal floating rate obligations	163	-	163	-
Money market funds	66	66	-	-
Other	2	2	-	-
<b>Trading securities:</b>				
Mutual funds	50	50	-	-
<b>Total short-term investments</b>	<b>\$ 471</b>	<b>\$ 118</b>	<b>\$ 353</b>	<b>\$ -</b>
<b>Available-for-sale securities:</b>				
Municipal floating rate obligations	\$ 765	\$ -	\$ 765	\$ -
Municipal obligations	208	-	208	-
Other	35	-	35	-
<b>Total long-term investments</b>	<b>\$ 1,008</b>	<b>\$ -</b>	<b>\$ 1,008</b>	<b>\$ -</b>

	Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(In millions)	January 29, 2010	(Level 1)	(Level 2)	(Level 3)
<b>Available-for-sale securities:</b>				
Municipal obligations	\$ 296	\$ -	\$ 296	-
Municipal floating rate obligations	7	-	7	-
Money market funds	68	68	-	-
Other	12	2	10	-
<b>Trading securities:</b>				
Mutual funds	42	42	-	-
<b>Total short-term investments</b>	<b>\$ 425</b>	<b>\$ 112</b>	<b>\$ 313</b>	<b>-</b>
<b>Available-for-sale securities:</b>				
Municipal floating rate obligations	\$ 141	\$ -	\$ 141	-
Municipal obligations	136	-	136	-
<b>Total long-term investments</b>	<b>\$ 277</b>	<b>\$ -</b>	<b>\$ 277</b>	<b>-</b>

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models, and the inputs to those pricing models are based on observable market inputs. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

*Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis*

For the years ended January 28, 2011 and January 29, 2010, the Company's only significant assets or liabilities measured at fair value on a non-recurring basis subsequent to their initial recognition were certain assets subject to long-lived asset impairment.

The Company reviews the carrying amounts of long-lived assets whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The Company estimated the fair values of long-lived assets based on the Company's own judgments about the assumptions that market participants would use in pricing the asset and on observable market data, when available. The Company classified these fair value measurements as Level 3.

In the determination of impairment for operating stores, the Company determined the fair values of individual operating stores using an income approach, which required discounting projected future cash flows. When determining the stream of projected future cash flows associated with an individual operating store, management made assumptions, incorporating local market conditions, about key store variables, including sales growth rates, gross margin and controllable expenses such as store payroll and occupancy expense. In order to calculate the present value of those future cash flows, the Company discounted cash flow estimates at a rate commensurate with the risk that selected market participants would assign to the cash flows. The selected market participants represent a group of other retailers with a store footprint similar in size to the Company's.

In the determination of impairment for excess properties held-for-use and held-for-sale, which consist of retail outparcels and property associated with relocated or closed stores, the fair values were determined using a market approach based on estimated selling prices. The Company determined the estimated selling prices by obtaining information from brokers in the specific markets being evaluated. The information included comparable sales of similar assets and assumptions about demand in the market for these assets.

The following tables present such assets measured at fair value on a non-recurring basis and any resulting realized losses included in earnings. Because long-lived assets are not measured at fair value on a recurring basis, certain carrying amounts and fair value measurements presented in the table may reflect values at earlier measurement dates and may no longer represent the fair values at January 28, 2011 and January 29, 2010.

#### Fair Value Measurements - Non-Recurring Basis

(In millions)	January 28, 2011		
	Fair Value Measurements	Previous Carrying Amounts	Impairment Losses
<b>Operating stores:</b>			
Long-lived assets held-for-use	\$ 15	\$ 51	\$ (36)
<b>Excess properties:</b>			
Long-lived assets held-for-use	\$ 45	\$ 71	\$ (26)
Long-lived assets held-for-sale	\$ 36	\$ 44	\$ (8)

(In millions)	January 29, 2010		
	Fair Value Measurements	Previous Carrying Amounts	Impairment Losses
<b>Operating stores:</b>			
Long-lived assets held-for-use	\$ 6	\$ 59	\$ (53)
<b>Excess properties:</b>			
Long-lived assets held-for-use	\$ 74	\$ 114	\$ (40)
Long-lived assets held-for-sale	\$ 25	\$ 46	\$ (21)

#### Fair Value of Financial Instruments

The Company's financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable, accrued liabilities and long-term debt and are reflected in the financial statements at cost. With the exception of long-term debt, cost approximates fair value for these items due to their short-term nature. Estimated fair values for long-term debt have been determined using available market information, including reported trades, benchmark yields and broker-dealer quotes.

Carrying amounts and the related estimated fair value of the Company's long-term debt, excluding capitalized lease obligations, are as follows:

(In millions)	January 28, 2011		January 29, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (excluding capitalized lease obligations)	\$ 6,209	\$ 6,715	\$ 4,737	\$ 5,127

**NOTE 3: Investments**

The amortized costs, gross unrealized holding gains and losses, and fair values of the Company's investment securities classified as available-for-sale at January 28, 2011, and January 29, 2010, are as follows:

Type (In millions)	January 28, 2011			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Municipal obligations	\$ 189	\$ 1	\$ -	\$ 190
Municipal floating rate obligations	163	-	-	163
Money market funds	66	-	-	66
Other	2	-	-	2
<b>Classified as short-term</b>	<b>420</b>	<b>1</b>	<b>-</b>	<b>421</b>
Municipal floating rate obligations	765	-	-	765
Municipal obligations	209	-	(1)	208
Other	35	-	-	35
<b>Classified as long-term</b>	<b>1,009</b>	<b>-</b>	<b>(1)</b>	<b>1,008</b>
<b>Total</b>	<b>\$ 1,429</b>	<b>\$ 1</b>	<b>(1)</b>	<b>\$ 1,429</b>

Type (In millions)	January 29, 2010			
	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Fair Values
Municipal obligations	\$ 294	\$ 2	\$ -	\$ 296
Municipal floating rate obligations	7	-	-	7
Money market funds	68	-	-	68
Other	12	-	-	12
<b>Classified as short-term</b>	<b>381</b>	<b>2</b>	<b>-</b>	<b>383</b>
Municipal floating rate obligations	141	-	-	141
Municipal obligations	134	2	-	136
<b>Classified as long-term</b>	<b>275</b>	<b>2</b>	<b>-</b>	<b>277</b>
<b>Total</b>	<b>\$ 656</b>	<b>\$ 4</b>	<b>-</b>	<b>\$ 660</b>

The proceeds from sales of available-for-sale securities were \$814 million, \$1.2 billion and \$1.0 billion for 2010, 2009 and 2008, respectively. Gross realized gains and losses on the sale of available-for-sale securities were not significant for any of the periods presented. The investments classified as long-term at January 28, 2011, will mature in one to 41 years, based on stated maturity dates.

The Company has elected the fair value option for certain investments maintained in conjunction with certain employee benefit plans. These investments are reported as trading securities, which are included in short-term investments, and were \$50 million and \$42 million at January 28, 2011 and January 29, 2010, respectively. For the years ended January 28, 2011, January 29, 2010, and January 30, 2009, net unrealized gains for trading securities totaled \$6 million, \$7 million, and \$14 million, respectively. Unrealized gains and losses on trading securities were included in SG&A expense. Cash flows from purchases, sales and maturities of trading securities are included in cash flows from investing activities in the consolidated statements of cash flows based on the nature and purpose for which the securities were acquired.

Short-term and long-term investments include restricted balances pledged as collateral for the Company's extended protection plan program and for a portion of the Company's casualty insurance and Installed Sales program liabilities. Restricted balances included in short-term investments were \$102 million at January 28, 2011 and \$186 million at January 29, 2010. Restricted balances included in long-term investments were \$260 million at January 28, 2011, and \$202 million at January 29, 2010.

**NOTE 4: Property and Accumulated Depreciation**

Property is summarized by major class in the following table:

(In millions)	Estimated Depreciable Lives, In Years	January 28, 2011	January 29, 2010
<b>Cost:</b>			
Land	N/A	\$ 6,742	\$ 6,519
Buildings and building improvements	5-40	16,531	15,887
Equipment	3-15	9,142	8,826
Construction in progress	N/A	930	1,036
<b>Total cost</b>		<b>33,345</b>	<b>32,268</b>
Accumulated depreciation		(11,256)	(9,769)
<b>Property, less accumulated depreciation</b>		<b>\$ 22,089</b>	<b>\$ 22,499</b>

Included in net property are assets under capital lease of \$567 million, less accumulated depreciation of \$353 million, at January 28, 2011, and \$519 million, less accumulated depreciation of \$333 million, at January 29, 2010.

**NOTE 5: Short-Term Borrowings and Lines of Credit**

The Company has a \$1.75 billion senior credit facility that expires in June 2012. The senior credit facility also supports the Company's commercial paper program. The senior credit facility has a \$500 million letter of credit sublimit. Letters of credit issued pursuant to the senior credit facility reduce the amount available for borrowing under the senior credit facility. Borrowings made are unsecured and are priced at fixed rates based upon market conditions at the time of funding in accordance with the terms of the senior credit facility. The senior credit facility contains certain restrictive covenants, which include maintenance of a debt leverage ratio as defined by the senior credit facility. The Company was in compliance with those covenants at January 28, 2011. Seventeen banking institutions are participating in the senior credit facility. As of January 28, 2011 and January 29, 2010, there were no outstanding borrowings or letters of credit under the senior credit facility and no outstanding borrowings under the commercial paper program.

The Company also has a Canadian dollar (C\$) denominated credit facility in the amount of C\$50 million that provides revolving credit support for our Canadian operations. This uncommitted credit facility provides the Company with the ability to make unsecured borrowings which are priced at fixed rates based upon market conditions at the time of funding in accordance with the terms of the credit facility. As of January 28, 2011 and January 29, 2010, there were no outstanding borrowings under the C\$ credit facility.



**NOTE 6: Long-Term Debt**

Debt Category (In millions)	Weighted- Average Interest Rate at January 28, 2011	January 28, 2011	January 29, 2010
<b>Secured debt:<sup>1</sup></b>			
Mortgage notes due fiscal 2010-2018	6.11%	\$ 17	\$ 35
<b>Unsecured debt:</b>			
Notes due fiscal 2010-2015	5.31%	1,047	1,546
Notes due fiscal 2016-2020	4.40%	1,767	796
Notes due fiscal 2021-2025	3.87%	537	15
Notes due fiscal 2026-2030	6.76%	812	812
Notes due fiscal 2031-2035	5.50%	493	493
Notes due fiscal 2036-2040 <sup>2</sup>	6.16%	1,536	1,040
Capitalized lease obligations due fiscal 2011 to 2035		364	343
<b>Total long-term debt</b>		<b>6,573</b>	<b>5,080</b>
Less current maturities		(36)	(552)
<b>Long-term debt, excluding current maturities</b>		<b>\$ 6,537</b>	<b>\$ 4,528</b>

<sup>1</sup> Real properties with an aggregate book value of \$52 million were pledged as collateral at January 28, 2011, for secured debt.

<sup>2</sup> Amount includes \$100 million of notes issued in 1997 that may be put at the option of the holder on the 20<sup>th</sup> anniversary of the issue at par value. None of these notes are currently puttable.

Debt maturities, exclusive of unamortized original issue discounts and capitalized lease obligations, for the next five years and thereafter are as follows: 2011, \$1 million; 2012, \$551 million; 2013, \$1 million; 2014, \$1 million; 2015, \$508 million; thereafter, \$5.2 billion.

The Company's unsecured notes are issued under indentures that have generally similar terms and therefore have been grouped by maturity date for presentation purposes in the table above. The notes contain certain restrictive covenants, none of which is expected to impact the Company's capital resources or liquidity. The Company was in compliance with all covenants of these agreements at January 28, 2011.

In April 2010, the Company issued \$1.0 billion of unsecured notes in two tranches: \$500 million of 4.625% notes maturing in April 2020 (the 2020 notes) and \$500 million of 5.8% notes maturing in April 2040 (the 2040 notes). The 2020 and 2040 notes were issued at discounts of approximately \$3 million and \$5 million, respectively. Interest on the notes is payable semiannually in arrears in April and October of each year until maturity.

In November 2010, the Company issued \$1.0 billion of unsecured notes in two tranches: \$475 million of 2.125% notes maturing in April 2016 (the 2016 notes) and \$525 million of 3.75% notes maturing in April 2021 (the 2021 notes). The 2016 and 2021 notes were issued at discounts of approximately \$2 million and \$3 million, respectively. Interest on these notes is payable semiannually in arrears in April and October of each year until maturity, beginning in April 2011.

The discount associated with these issuances is included in long-term debt and is being amortized over the respective terms of the notes.

The indenture governing the notes issued in 2010 contains a provision that allows the Company to redeem the notes at any time, in whole or in part, at specified redemption prices plus accrued interest to the date of redemption. The indenture also contains a provision that allows the holders of the notes to require the Company to repurchase all or any part of their notes if a change of control triggering event occurs. If elected under the change of control provisions, the repurchase of the notes will occur at a purchase price of 101% of the principal amount, plus accrued and unpaid interest, if any, on such notes to the date of purchase. The indenture governing the notes does not limit the aggregate principal amount of debt securities that the Company may issue, nor is the Company required to maintain financial ratios or specified levels of net worth or liquidity. However, the indenture contains various restrictive covenants, none of which is expected to impact the Company's liquidity or capital resources.

#### **NOTE 7: Shareholders' Equity**

Authorized shares of preferred stock were 5.0 million (\$5 par value) at January 28, 2011 and January 29, 2010, none of which have been issued. The Board of Directors may issue the preferred stock (without action by shareholders) in one or more series, having such voting rights, dividend and liquidation preferences, and such conversion and other rights as may be designated by the Board of Directors at the time of issuance.

Authorized shares of common stock were 5.6 billion (\$.50 par value) at January 28, 2011 and January 29, 2010.

The Company has a share repurchase program that is executed through purchases made from time to time either in the open market or through private transactions. Shares purchased under the share repurchase program are retired and returned to authorized and unissued status. The Company's Board of Directors authorized up to \$5.0 billion of share repurchases on January 29, 2010 with no expiration, after the prior authorization expired on that date. As of January 28, 2011 the Company had \$2.4 billion of authorization remaining under the share repurchase program.

The Company repurchased 111.7 million shares and 21.9 million shares under the share repurchase program at a total cost of \$2.6 billion and \$500 million for the years ended January 28, 2011 and January 29, 2010, respectively. A reduction of \$2.4 billion and \$3 million was recorded to retained earnings, after capital in excess of par value was depleted, for the years ended January 28, 2011 and January 29, 2010, respectively. The Company also repurchased 0.7 million and 0.2 million shares from employees at a total cost of \$18 million and \$4 million, for the years ended January 28, 2011 and January 29, 2010, respectively, to satisfy either the exercise price of stock options exercised or the statutory withholding tax liability resulting from the vesting of restricted stock awards.

#### **NOTE 8: Accounting for Share-Based Payment**

##### *Overview of Share-Based Payment Plans*

The Company has equity incentive plans (the Incentive Plans) under which the Company may grant share-based awards to key employees and non-employee directors. The Company also has an employee stock purchase plan (the ESPP) that allows employees to purchase Company shares at a discount through payroll deductions. These plans contain a nondiscretionary anti-dilution provision that is designed to equalize the value of an award as a result of an equity restructuring.

Share-based awards were authorized under the Incentive Plans for grant to key employees and non-employee directors for up to 169.0 million shares of common stock. In addition, up to 45.0 million shares were authorized under the ESPP.

At January 28, 2011, there were 24.0 million shares remaining available for grant under the Incentive Plans and 10.7 million shares available under the ESPP.

The Company recognized share-based payment expense in SG&A expense on the consolidated statements of earnings totaling \$115 million, \$102 million and \$95 million in 2010, 2009 and 2008, respectively. The total associated income tax benefit recognized was \$38 million, \$27 million and \$31 million in 2010, 2009 and 2008, respectively.

Total unrecognized share-based payment expense for all share-based payment plans was \$106 million at January 28, 2011, of which \$69 million will be recognized in 2011, \$34 million in 2012 and \$3 million thereafter. This results in these amounts being recognized over a weighted-average period of 1.6 years.

For all share-based payment awards, the expense recognized has been adjusted for estimated forfeitures where the requisite service is not expected to be provided. Estimated forfeiture rates are developed based on the Company's analysis of historical forfeiture data for homogeneous employee groups.

General terms and methods of valuation for the Company's share-based awards are as follows:

*Stock Options*

Stock options generally have terms of seven years, with one-third of each grant vesting each year for three years, and are assigned an exercise price equal to the closing market price of a share of the Company's common stock on the date of grant. These options are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. When determining expected volatility, the Company considers the historical performance of the Company's stock, as well as implied volatility. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant, based on the options' expected term. The expected term of the options is based on the Company's evaluation of option holders' exercise patterns and represents the period of time that options are expected to remain unexercised. The Company uses historical data to estimate the timing and amount of forfeitures. The assumptions used in the Black-Scholes option-pricing model for options granted in 2010, 2009 and 2008 are as follows:

	2010	2009	2008
<b>Assumptions used:</b>			
Expected volatility	37.7%-41.4%	36.4%-38.6%	25.0%-32.2%
Weighted-average expected volatility	39.4%	36.4%	25.1%
Expected dividend yield	0.96%-1.30%	0.82%-0.97%	0.56%-0.74%
Weighted-average dividend yield	1.07%	0.82%	0.56%
Risk-free interest rate	1.22%-2.30%	1.70%-2.08%	2.19%-3.09%
Weighted-average risk-free interest rate	2.02%	1.71%	2.19%
Expected term, in years	4-5	4	4
Weighted-average expected term, in years	4.42	4	4

The weighted-average grant-date fair value per share of options granted was \$7.68, \$4.58 and \$5.25 in 2010, 2009 and 2008, respectively. The total intrinsic value of options exercised, representing the difference between the exercise price and the market price on the date of exercise, was approximately \$6 million, \$8 million and \$17 million in 2010, 2009 and 2008, respectively.

Transactions related to stock options issued for the year ended January 28, 2011 are summarized as follows:

	Shares (In thousands)	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Term (In years)	Aggregate Intrinsic Value (In thousands) <sup>1</sup>
Outstanding at January 29, 2010	23,170	\$ 26.42		
Granted	3,208	23.96		
Canceled, forfeited or expired	(883)	26.74		
Exercised	(1,386)	19.31		
Outstanding at January 28, 2011	24,109	\$ 26.48	3.06	\$ 49,035
Vested and expected to vest at January 28, 2011 <sup>2</sup>	23,473	\$ 26.56	2.98	\$ 48,083
Exercisable at January 28, 2011	16,750	\$ 29.13	2.04	\$ 13,851

<sup>1</sup> Options for which the exercise price exceeded the closing market price of a share of the Company's common stock at January 28, 2011 are excluded from the calculation of aggregate intrinsic value.

<sup>2</sup> Includes outstanding vested options as well as outstanding, nonvested options after a forfeiture rate is applied.

*Performance Accelerated Restricted Stock Awards (PARS)*

PARS are valued at the market price of a share of the Company's common stock on the date of grant. In general, these awards vest at the end of a five-year service period from the date of grant, unless performance acceleration goals are achieved, in which case, awards vest 50% at the end of three years or 100% at the end of four years. The performance acceleration goals are based on targeted Company average return on beginning non-cash assets, as defined in the PARS agreement. PARS are expensed on a straight-line basis over the shorter of the explicit service period related to the service condition or the implicit service period related to the performance conditions, based on the probability of meeting the conditions. The Company uses historical data to estimate the timing and amount of forfeitures. No PARS were granted in 2010, 2009 or 2008. The total fair value of PARS vested was approximately \$7 million in 2010 and \$6 million in 2008. No PARS vested in 2009.

Transactions related to PARS issued for the year ended January 28, 2011 are summarized as follows:

	Shares (In thousands)	Weighted- Average Grant- Date Fair Value Per Share
Nonvested at January 29, 2010	1,073	\$ 32.91
Vested	(311)	30.00
Canceled or forfeited	(29)	33.59
Nonvested at January 28, 2011	733	\$ 34.11

### Performance-Based Restricted Stock Awards

Performance-based restricted stock awards are valued at the market price of a share of the Company's common stock on the date of grant. In general, 25% to 100% of the awards vest at the end of a three-year service period from the date of grant based upon the achievement of a threshold and target performance goal specified in the performance-based restricted stock agreement. The performance goal is based on targeted Company average return on non-cash assets, as defined in the performance-based restricted stock agreement. These awards are expensed on a straight-line basis over the requisite service period, based on the probability of achieving the performance goal. If the performance goal is not met, no compensation cost is recognized and any previously recognized compensation cost is reversed. The Company uses historical data to estimate the timing and amount of forfeitures. The weighted-average grant-date fair value per share of performance-based restricted stock awards granted was \$23.97 in 2008. No performance-based restricted stock awards were granted in 2010 or 2009. The total fair value of performance-based restricted stock awards vested was approximately \$4 million in 2010. No performance-based restricted stock awards vested in 2009 or 2008. During 2008, the Company amended all 2007 performance-based restricted stock agreements, modifying the performance goal to a prorated scale, which caused the probability of vesting to go from improbable to probable.

Transactions related to performance-based restricted stock awards issued for the year ended January 28, 2011 are summarized as follows:

	Shares (In thousands)	Weighted- Average Grant- Date Fair Value Per Share
Nonvested at January 29, 2010	1,484	\$ 27.30
Vested	(151)	32.18
Canceled or forfeited	(475)	31.77
Nonvested at January 28, 2011	858	\$ 23.97

### Restricted Stock Awards

Restricted stock awards are valued at the market price of a share of the Company's common stock on the date of grant. In general, these awards vest at the end of a three- to five-year period from the date of grant and are expensed on a straight-line basis over that period, which is considered to be the requisite service period. The Company uses historical data to estimate the timing and amount of forfeitures. The weighted-average grant-date fair value per share of restricted stock awards granted was \$23.88, \$16.03 and \$23.75 in 2010, 2009, and 2008, respectively. The total fair value of restricted stock awards vested was approximately \$37 million, \$12 million and \$18 million in 2010, 2009 and 2008, respectively.

Transactions related to restricted stock awards issued for the year ended January 28, 2011 are summarized as follows:

	Shares (In thousands)	Weighted- Average Grant- Date Fair Value Per Share
Nonvested at January 29, 2010	8,457	\$ 20.86
Granted	3,458	23.88
Vested	(1,554)	30.23
Canceled or forfeited	(506)	20.45
Nonvested at January 28, 2011	9,855	\$ 20.46

### Deferred Stock Units

Deferred stock units are valued at the market price of a share of the Company's common stock on the date of grant. For non-employee Directors, these awards vest immediately and are expensed on the grant date. During 2010, 2009 and 2008 each non-employee Director was awarded a number of deferred stock units determined by dividing the annual award amount by the fair market value of a share of the Company's common stock on the award date and rounding up to the next 100 units. The annual award amount used to determine the number of deferred stock units granted to each Director was \$115,000 in 2010, 2009 and 2008. During 2010, 47,000 deferred stock units were granted and immediately vested for non-employee Directors. The weighted-average grant-date fair value per share of deferred stock units granted was \$24.75, \$19.01 and \$24.00 in 2010, 2009 and 2008, respectively. The total fair value of deferred stock units vested was approximately \$1 million in both 2010 and 2009 and \$10 million in 2008. At January 28, 2011, there were 0.7 million deferred stock units outstanding, all of which were vested.

### Restricted Stock Units

Restricted stock units do not have dividend rights and are valued at the market price of a share of the Company's common stock on the date of grant less the present value of dividends expected during the requisite service period. In general, these awards vest at the end of a three-year period from the date of grant and are expensed on a straight-line basis over that period, which is considered to be the requisite service period. The Company uses historical data to estimate the timing and amount of forfeitures. The weighted-average grant-date fair value per share of restricted stock units granted was \$22.84, \$15.63 and \$22.80 in 2010, 2009 and 2008, respectively. An insignificant number of restricted stock units vested in 2010, 2009 and 2008.

Transactions related to restricted stock units issued for the year ended January 28, 2011 are summarized as follows:

	Shares (In thousands)	Weighted- Average Grant- Date Fair Value Per Share
Nonvested at January 29, 2010	92	\$ 18.35
Granted	99	22.84
Vested	(11)	22.72
Canceled or forfeited	(12)	20.16
Nonvested at January 28, 2011	168	\$ 20.58

### ESPP

The purchase price of the shares under the ESPP equals 85% of the closing price on the date of purchase. The Company's share-based payment expense is equal to 15% of the closing price on the date of purchase. The ESPP is considered a liability award and is measured at fair value at each reporting date, and the share-based payment expense is recognized over the six-month offering period. The Company issued 3,846,086 shares of common stock pursuant to this plan during the year ended January 28, 2011.

### NOTE 9: Employee Retirement Plans

The Company maintains a defined contribution retirement plan for its eligible employees (the 401(k) Plan). Employees are eligible to participate in the 401(k) Plan six months (180 days prior to January 1, 2011) after their original date of service. Eligible employees are automatically enrolled in the 401(k) Plan at a 1% deferral rate, unless the employee elects otherwise. The Company makes contributions to the 401(k) Plan each payroll period, based upon a matching formula applied to employee deferrals (the Company match). Plan participants are eligible to receive the Company match after completing six months (180 days prior to January 1, 2011) of continuous service. The Company match varies based on how much the employee elects to defer up to a maximum of 4.25% of eligible compensation. The Company match is invested identically to employee contributions and vests immediately in the participant accounts.

The Company maintains a Benefit Restoration Plan to supplement benefits provided under the 401(k) Plan to plan participants whose benefits are restricted as a result of certain provisions of the Internal Revenue Code of 1986. This plan provides for employee salary deferrals and employer contributions in the form of a company match.

The Company maintains a non-qualified deferred compensation program called the Lowe's Cash Deferral Plan. This plan is designed to permit certain employees to defer receipt of portions of their compensation, thereby delaying taxation on the deferral amount and on subsequent earnings until the balance is distributed. This plan does not provide for employer contributions.

The Company recognized expense associated with employee retirement plans of \$154 million in both 2010 and 2009 and \$112 million in 2008.

#### NOTE 10: Income Taxes

The following is a reconciliation of the effective tax rate to the federal statutory tax rate:

	2010	2009	2008
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	3.0	2.2	2.9
Other, net	(0.3)	(0.3)	(0.5)
<b>Effective tax rate</b>	<b>37.7%</b>	<b>36.9%</b>	<b>37.4%</b>

The components of the income tax provision are as follows:

(In millions)	2010	2009	2008
<b>Current:</b>			
Federal	\$ 1,171	\$ 1,046	\$ 1,070
State	188	123	166
<b>Total current</b>	<b>1,359</b>	<b>1,169</b>	<b>1,236</b>
<b>Deferred:</b>			
Federal	(117)	(108)	82
State	(24)	(19)	(7)
<b>Total deferred</b>	<b>(141)</b>	<b>(127)</b>	<b>75</b>
<b>Total income tax provision</b>	<b>\$ 1,218</b>	<b>\$ 1,042</b>	<b>\$ 1,311</b>

The tax effects of cumulative temporary differences that gave rise to the deferred tax assets and liabilities were as follows:

(In millions)	January 28, 2011	January 29, 2010
<b>Deferred tax assets:</b>		
Self-insurance	\$ 303	\$ 251
Share-based payment expense	128	115
Deferred rent	89	75
Other, net	249	223
<b>Total deferred tax assets</b>	<b>769</b>	<b>664</b>
Valuation allowance	(99)	(65)
<b>Net deferred tax assets</b>	<b>670</b>	<b>599</b>
<b>Deferred tax liabilities:</b>		
Property	(870)	(934)
Other, net	(74)	(55)
<b>Total deferred tax liabilities</b>	<b>(944)</b>	<b>(989)</b>
<b>Net deferred tax liability</b>	<b>\$ (274)</b>	<b>\$ (390)</b>

The Company operates as a branch in various foreign jurisdictions and cumulatively has incurred net operating losses of \$310 million and \$209 million as of January 28, 2011, and January 29, 2010, respectively. The net operating losses are subject to expiration in 2017 through 2030. Deferred tax assets have been established for these net operating losses in the accompanying consolidated balance sheets. Given the uncertainty regarding the realization of the foreign net deferred tax assets, the Company recorded cumulative valuation allowances for the full amount of the net deferred tax assets, \$99 million and \$65 million at January 28, 2011, and January 29, 2010, respectively.

A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows:

(In millions)	2010	2009	2008
Unrecognized tax benefits, beginning of year	\$ 154	\$ 200	\$ 138
Additions for tax positions of prior years	22	31	82
Reductions for tax positions of prior years	(19)	(45)	(16)
Net additions based on tax positions related to the current year	9	5	16
Settlements	(1)	(37)	(19)
Reductions due to a lapse in applicable statute of limitations	-	-	(1)
Unrecognized tax benefits, end of year	\$ 165	\$ 154	\$ 200

The amounts of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate were \$8 million and \$7 million as of January 28, 2011, and January 29, 2010, respectively.

During 2010, the Company recognized \$7 million of interest expense and a \$0.2 million increase in penalties related to uncertain tax positions. As of January 28, 2011, the Company had \$21 million of accrued interest and \$0.7 million of accrued penalties. During 2009, the Company recognized \$9 million of interest income and a \$9 million reduction in penalties related to uncertain tax positions. As of January 29, 2010, the Company had \$14 million of accrued interest and \$1 million of accrued penalties. During 2008, the Company recognized \$10 million of interest expense and \$3 million of penalties related to uncertain tax positions.

The Company is subject to examination by various foreign and domestic taxing authorities. The Company is appealing an IRS examination for fiscal years 2004 and 2005 related to insurance deductions. It is reasonably possible this issue will be settled within the next twelve months resulting in a reduction in its unrecognized tax benefit of approximately \$70 million. The Company's U.S. federal income tax returns for fiscal years 2006 and 2007 are currently under audit. There are also ongoing U.S. state audits covering tax years 2002 to 2009. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

#### Note 11: Earnings Per Share

The Company calculates basic and diluted earnings per common share using the two-class method. Under the two-class method, net earnings are allocated to each class of common stock and participating security as if all of the net earnings for the period had been distributed. The Company's participating securities consist of unvested share-based payment awards that contain a nonforfeitable right to receive dividends and therefore are considered to participate in undistributed earnings with common shareholders.

Basic earnings per common share excludes dilution and is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares outstanding for the period. Diluted earnings per common share is calculated by dividing net earnings allocable to common shares by the weighted-average number of common shares as of the balance sheet date, as adjusted for the potential dilutive effect of non-participating share-based awards. The following table reconciles earnings per common share for 2010, 2009 and 2008:



(In millions, except per share data)	2010	2009	2008
<b>Basic earnings per common share:</b>			
Net earnings	\$ 2,010	\$ 1,783	\$ 2,195
Less: Net earnings allocable to participating securities	(17)	(13)	(11)
<b>Net earnings allocable to common shares</b>	<b>\$ 1,993</b>	<b>\$ 1,770</b>	<b>\$ 2,184</b>
<b>Weighted-average common shares outstanding</b>	<b>1,401</b>	<b>1,462</b>	<b>1,457</b>
<b>Basic earnings per common share</b>	<b>\$ 1.42</b>	<b>\$ 1.21</b>	<b>\$ 1.50</b>
<b>Diluted earnings per common share:</b>			
Net earnings	\$ 2,010	\$ 1,783	\$ 2,195
Less: Net earnings adjustment for interest on convertible notes, net of tax	-	-	2
Net earnings, as adjusted	2,010	1,783	2,197
Less: Net earnings allocable to participating securities	(17)	(13)	(11)
<b>Net earnings allocable to common shares</b>	<b>\$ 1,993</b>	<b>\$ 1,770</b>	<b>\$ 2,186</b>
Weighted-average common shares outstanding	1,401	1,462	1,457
Dilutive effect of non-participating share-based awards	2	2	3
Dilutive effect of convertible notes	-	-	8
<b>Weighted-average common shares, as adjusted</b>	<b>1,403</b>	<b>1,464</b>	<b>1,468</b>
<b>Diluted earnings per common share</b>	<b>\$ 1.42</b>	<b>\$ 1.21</b>	<b>\$ 1.49</b>

Stock options to purchase 19.8 million, 21.4 million and 19.1 million shares of common stock for 2010, 2009 and 2008, respectively, were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive.

#### NOTE 12: Leases

The Company leases facilities and land for certain facilities under agreements with original terms generally of 20 years. The leases generally contain provisions for four to six renewal options of five years each. Some lease agreements also provide for contingent rentals based on sales performance in excess of specified minimums or changes in the consumer price index. Contingent rentals were not significant for any of the periods presented. The Company subleases certain properties that are not used in its operations. Sublease income was not significant for any of the periods presented.

The future minimum rental payments required under operating leases and capitalized lease obligations having initial or remaining non-cancelable lease terms in excess of one year are summarized as follows:

(In millions)	Operating	Capitalized	
Fiscal Year	Leases	Lease Obligations	Total
2011	\$ 418	\$ 68	\$ 486
2012	416	69	485
2013	410	69	479
2014	399	64	463
2015	392	54	446
Later years	3,973	302	4,275
<b>Total minimum lease payments</b>	<b>\$ 6,008</b>	<b>\$ 626</b>	<b>\$ 6,634</b>
Less amount representing interest		(273)	
<b>Present value of minimum lease payments</b>		<b>353</b>	
Less current maturities		(35)	
<b>Present value of minimum lease payments, less current maturities</b>	<b>\$</b>	<b>318</b>	

Rental expenses under operating leases were \$402 million, \$410 million and \$399 million in 2010, 2009 and 2008, respectively, and were recognized in SG&A expense.

**NOTE 13: Commitments and Contingencies**

The Company is a defendant in legal proceedings considered to be in the normal course of business, none of which, individually or collectively, are expected to be material to the Company's financial statements. In evaluating liabilities associated with its various legal proceedings, the Company has accrued for probable liabilities associated with these matters. The amounts accrued were not material to the Company's consolidated financial statements in any of the years presented. Reasonably possible losses for any of the individual legal proceedings which have not been accrued were not material to the Company's consolidated financial statements.

As of January 28, 2011, the Company had non-cancelable commitments of \$633 million related to certain marketing and information technology programs, and purchases of merchandise inventory. Payments under these commitments are scheduled to be made as follows: 2011, \$386 million; 2012, \$175 million; 2013, \$61 million; 2014, \$9 million; 2015, \$1 million; thereafter, \$1 million.

The Company held standby and documentary letters of credit issued under banking arrangements which totaled \$19 million as of January 28, 2011. The majority of the Company's letters of credit were issued for real estate and construction contracts. Payments under these arrangements are scheduled to be made as follows: 2011, \$18 million; 2012, \$1 million. Commitment fees ranging from .225% to 1.000% per annum are paid on the letters of credit amounts outstanding.

During 2009, the Company entered into a joint venture agreement with Australian retailer Woolworths Limited, to develop a chain of home improvement stores in Australia. Under the agreement, the Company committed to contribute \$400 million to the joint venture, of which it is a one-third owner. The contributions are expected to be relatively consistent over a four-year period. As of January 28, 2011 the Company has contributed approximately \$140 million.

**NOTE 14: Related Parties**

A brother-in-law of the Company's Executive Vice President of Business Development is a senior officer and shareholder of a vendor that provides millwork and other building products to the Company. The Company purchased products from this vendor in the amount of \$82 million, \$86 million and \$92 million for 2010, 2009 and 2008, respectively. Amounts payable to this vendor were insignificant at January 28, 2011 and January 29, 2010.

**NOTE 15: Other Information**

Net interest expense is comprised of the following:

(In millions)	2010	2009	2008
Long-term debt	\$ 312	\$ 293	\$ 292
Short-term borrowings	-	2	11
Capitalized lease obligations	35	32	31
Interest income	(12)	(17)	(40)
Interest capitalized	(14)	(19)	(36)
Interest on tax uncertainties	7	(9)	10
Other	4	5	12
<b>Interest - net</b>	<b>\$ 332</b>	<b>\$ 287</b>	<b>\$ 280</b>

Supplemental disclosures of cash flow information:

(In millions)	2010		2009		2008	
Cash paid for interest, net of amount capitalized	\$	319	\$	314	\$	309
Cash paid for income taxes, net	\$	1,590	\$	1,157	\$	1,138
Non-cash investing and financing activities:						
Non-cash property acquisitions, including assets acquired under capital lease	\$	56	\$	69	\$	124
Change in equity method investments	\$	(4)	\$	(4)	\$	(15)
Conversions of long-term debt to equity	\$	-	\$	-	\$	1
Cash dividends declared but not paid	\$	148	\$	131	\$	-

Sales by Product Category:

(Dollars in millions)	2010		2009		2008	
	Total Sales	%	Total Sales	%	Total Sales	%
Product Category						
Appliances	\$ 5,365	11%	\$ 4,904	10%	\$ 4,752	10%
Lumber	3,402	7	3,242	7	3,506	7
Paint	3,003	6	2,913	6	2,791	6
Millwork	2,884	6	2,786	6	2,965	6
Building materials	2,879	6	2,924	6	2,966	6
Lawn & landscape products	2,812	6	2,690	6	2,585	5
Flooring	2,779	6	2,765	6	2,879	6
Rough plumbing	2,709	6	2,659	6	2,618	6
Seasonal living	2,654	5	2,413	5	2,449	5
Tools	2,604	5	2,439	5	2,563	5
Hardware	2,526	5	2,497	5	2,516	5
Fashion plumbing	2,433	5	2,475	5	2,573	5
Lighting	2,396	5	2,407	5	2,508	5
Nursery	1,962	4	1,942	4	1,850	4
Outdoor power equipment	1,932	4	1,834	4	1,963	4
Cabinets & countertops	1,700	3	1,715	4	1,935	4
Home organization	1,695	3	1,662	3	1,662	4
Rough electrical	1,409	3	1,316	3	1,446	3
Home fashion	1,337	3	1,309	3	1,408	3
Other	334	1	328	1	295	1
Totals	\$ 48,815	100%	\$ 47,220	100%	\$ 48,230	100%

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

**Selected Statement of Earnings Data**

(In millions, except per share data)	2010	2009	2008	2007	2006
Net sales	\$ 48,815	\$ 47,220	\$ 48,230	\$ 48,283	\$ 46,927
Gross margin	17,152	16,463	16,501	16,727	16,198
Net earnings	2,010	1,783	2,195	2,809	3,105
Basic earnings per common share	1.42	1.21	1.50	1.89	2.02
Diluted earnings per common share	1.42	1.21	1.49	1.86	1.98
Dividends per share	\$ 0.420	\$ 0.355	\$ 0.335	\$ 0.290	\$ 0.180

**Selected Balance Sheet Data**

Total assets	\$ 33,699	\$ 33,005	\$ 32,625	\$ 30,816	\$ 27,726
Long-term debt, excluding current maturities	\$ 6,537	\$ 4,528	\$ 5,039	\$ 5,576	\$ 4,325

**Selected Quarterly Data**

(In millions, except per share data)	First	Second	Third	Fourth
<b>2010</b>				
Net sales	\$ 12,388	\$ 14,361	\$ 11,587	\$ 10,480
Gross margin	4,358	5,006	4,061	3,726
Net earnings	489	832	404	285
Basic earnings per common share	0.34	0.58	0.29	0.21
Diluted earnings per common share	\$ 0.34	\$ 0.58	\$ 0.29	\$ 0.21
<b>2009</b>				
Net sales	\$ 11,832	\$ 13,844	\$ 11,375	\$ 10,168
Gross margin	4,196	4,823	3,890	3,554
Net earnings	476	759	344	205
Basic earnings per common share	0.32	0.51	0.23	0.14
Diluted earnings per common share	\$ 0.32	\$ 0.51	\$ 0.23	\$ 0.14

**Quarterly Stock Price Range and Cash Dividend Payment**

	Fiscal 2010			Fiscal 2009			Fiscal 2008		
	High	Low	Dividend*	High	Low	Dividend*	High	Low	Dividend
1st Quarter	\$ 28.54	\$ 21.29	\$ 0.090	\$ 22.09	\$ 13.00	\$ 0.085	\$ 27.18	\$ 20.25	\$ 0.080
2nd Quarter	27.93	19.64	0.110	22.68	18.02	0.090	26.18	18.00	0.085
3rd Quarter	22.91	19.35	0.110	24.09	19.46	0.090	28.49	15.76	0.085
4th Quarter	\$ 26.29	\$ 21.09	\$ 0.110	\$ 24.50	\$ 19.15	\$ 0.090	\$ 23.73	\$ 15.85	\$ 0.085

*As of March 25, 2011, there were 29,962 registered shareholders of Lowe's common stock.*

*\* Effective the fourth quarter of 2009 the dividend will be paid in the fiscal month following the record date.*



**LOWE'S COMPANIES, INC. AND SUBSIDIARY COMPANIES**

NAME AND DOING BUSINESS AS:

STATE OF INCORPORATION

Lowe's Home Centers, Inc.  
Lowe's HIW, Inc.

North Carolina  
Washington

All other subsidiaries were omitted pursuant to Item 601 (21)(ii) of Regulation S-K under the Securities and Exchange Act of 1934, as amended.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in:

<b>Description</b>	<b>Registration Statement Number</b>
<b>Form S-3</b>	
Lowe's Stock Advantage Direct Stock Purchase Plan	333-155748
Debt Securities, Preferred Stock, Common Stock	333-161697
<b>Form S-8</b>	
Lowe's 401(k) Plan	33-29772
Lowe's Companies, Inc. 1994 Incentive Plan	33-54499
Lowe's Companies, Inc. 1997 Incentive Plan	333-34631
Lowe's Companies, Inc. Directors' Stock Option Plan	333-89471
Lowe's Companies, Inc. 2001 Incentive Plan	333-73408
Lowe's Companies Benefit Restoration Plan	333-97811
Lowe's Companies Cash Deferral Plan	333-114435
Lowe's Companies, Inc. 2006 Long-Term Incentive Plan	333-138031
Lowe's Companies Employee Stock Purchase Plan – Stock Options for Everyone	333-143266

of our reports dated March 28, 2011, relating to the consolidated financial statements and financial statement schedule of Lowe's Companies, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in and incorporated by reference in this Annual Report on Form 10-K of the Company for the fiscal year ended January 28, 2011.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
March 28, 2011





## CERTIFICATION

I, Robert A. Niblock, certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the fiscal year ended January 28, 2011 of Lowe's Companies, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 28, 2011

Date

/s/ Robert A. Niblock

Robert A. Niblock

Chairman of the Board and Chief Executive Officer



## CERTIFICATION

I, Robert F. Hull, Jr., certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the fiscal year ended January 28, 2011 of Lowe's Companies, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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March 28, 2011

Date

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/s/ Robert F. Hull, Jr.

Robert F. Hull, Jr.,  
Executive Vice President and Chief Financial Officer

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Lowe's Companies, Inc. (the "Company") for the fiscal year ended January 28, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Niblock, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert A. Niblock

Name: Robert A. Niblock

Title: Chairman of the Board and Chief Executive Officer

Date: March 28, 2011

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**Certification Pursuant to 18 U.S.C. Section 1350,  
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Lowe's Companies, Inc. (the "Company") for the fiscal year ended January 28, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert F. Hull, Jr., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert F. Hull, Jr.

Name: Robert F. Hull, Jr.

Title: Executive Vice President and Chief Financial Officer

Date: March 28, 2011

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**AMENDMENT NUMBER SEVEN TO THE  
LOWE'S 401(k) PLAN**

This Amendment Number Seven to the Lowe's 401(k) Plan, as amended and restated effective February 3, 2007 (the "Plan"), is adopted by Lowe's Companies, Inc. (the "Company").

**WITNESSETH:**

**WHEREAS**, the Company currently maintains the Plan; and

**WHEREAS**, the Company desires to amend the Plan to reflect changes in Plan administration and to meet other current needs; and

**WHEREAS**, under Section 15 of the Plan, the Company may amend the Plan in whole or in part at any time;

**NOW, THEREFORE**, the Company hereby amends the Plan effective as of January 1, 2010, as follows:

1. The first sentence of Section 3(a)(3) shall be amended to read as follows:

"Each Employee who commences Service on or after January 1, 2008 shall be eligible to participate in the Plan and make Salary Deferral Contributions as of the first day of the payroll period coinciding with or next following the date which is six months (180 days for Plan Years prior to January 1, 2011), after such Employee's initial date of Service (the date he is first credited with an Hour of Service as defined in Section 3(e)), if he is an Employee on such date."

2. The second sentence of Section 4(b) shall be deleted and replaced with the following:

"Effective for Plan Years beginning on and after January 1, 2011, a Participant who makes an election, or is deemed to have made an election, to reduce his Deferral Compensation under Section 4(a), and who is eligible to make Catch-Up Contributions in accordance with this Section 4(b,) shall be deemed to have elected to make Catch-Up Contributions to the extent the Participant's Salary Deferral Contributions made in accordance with the Participant's compensation reduction election, or deemed election, under Section 4(a) would exceed the limitation of Code Section 402(g) or 415. Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Sections 402(g) and 415 of the Code and for Plan Years beginning on and after January 1, 2008 but prior to January 1, 2011, shall not be eligible for Company Match Contributions under the Plan except to the extent required to satisfy the "safe harbor matching contribution requirement" of Treasury Regulation Section 1.401(k)-(3)(c)."

3. The following sentence and new paragraph shall be added to the end of Section 4(c):

"Effective for Plan Years beginning on and after January 1, 2011, Lowe's will make Company Match Contributions based on Participant Catch-Up Contributions to the same extent Company Match Contributions are made based on Salary Deferral Contributions as described in this Section.

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Notwithstanding the foregoing, for any payroll period in which a Participant's compensation reduction election, or deemed election, under Section 4(a) is reduced so as not to exceed the limitations described in Section 4(a), 4(e) or 4(g), and the Participant makes an Employee Deferral for such payroll period under the Lowe's Companies Benefit Restoration Plan (the "BRP"), the Company Match Contribution for such payroll period shall be determined for both plans in the aggregate in accordance with this Section 4(c) based on the total Salary Deferral Contributions made to the Plan plus the Employee Deferrals made to the BRP. The Company Match Contribution so determined for such payroll period shall be allocated to the Participant's accounts in the Plan and in the BRP pro rata based on the portion of the total Salary Deferral Contributions and Employee Deferrals made to each plan."

4. Section 10(a) shall be revised to change the reference in subparagraph (7) from "Section 1.401(k)-1(d)(2) of the regulations" to "Section 1.401(k)-1(d)(3) of the regulations."

5. Except as expressly or by necessary implication amended hereby, the Plan shall continue in full force and effect.

IN WITNESS HEREOF, the Company has adopted this Amendment Number Seven to the Plan effective as of the effective date set forth above.

LOWE'S COMPANIES, INC.

/s/ Marshall A. Croom

Marshall A. Croom, Senior Vice  
President & Chief Risk Officer

Chairman, Administrative Committee of  
Lowe's Companies, Inc.

December 14, 2010

Date

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