LOWES COMPANIES INC
Form 10-Q
December 17, 2001

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

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended November 2, 2001
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	56-0578072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1605 CURTIS BRIDGE ROAD, WILKESBORO, N.C. 28697
(Address of principal executive offices)
(Zip Code)

(336) 658-4000
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

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 X No .

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

Class	Outstanding at November 30, 2001
Common Stock, $.50 par value	774,317,177

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TOTAL PAGES

LOWE'S COMPANIES, INC.

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Lowe's Companies, Inc.
Consolidated Balance Sheets
In Thousands

	(Unaudited) November 2, 2001	(Unaudited) October 27, 2000	February 2, 2001
Assets			
Current assets:			
Cash and cash equivalents	$610,543	$128,746	$455,658
Short-term investments	24,767	10,706	12,871
Accounts receivable - net	197,771	173,784	160,985
Merchandise inventory	3,905,859	3,500,202	3,285,370
Deferred income taxes	93,210	69,000	81,044
Other assets	229,578	173,955	161,498
Total current assets	5,061,728	4,056,393	4,157,426
Property, less accumulated depreciation	8,279,838	6,439,167	7,034,960

Long-term investments	25,876	37,213	34,690
Other assets	164,531	130,794	131,091
Total assets	$13,531,973	$10,663,567	$11,358,167
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	$ -	$248,402	$249,829
Current maturities of long-term debt	50,333	42,160	42,341
Accounts payable	1,895,822	1,786,577	1,714,370
Employee retirement plans	92,795	89,015	75,656
Accrued salaries and wages	170,090	179,406	166,392
Other current liabilities	823,098	529,633	662,410
Total current liabilities	3,032,138	2,875,193	2,910,998
Long-term debt, excluding current maturities	3,787,138	2,209,806	2,697,669
Deferred income taxes	290,129	228,456	251,450
Other long-term liabilities	3,248	3,882	3,165
Total liabilities	7,112,653	5,317,337	5,863,282
Shareholders' equity			
Preferred stock - $5 par value, none issued	-	-	-
Common stock - $.50 par value; Issued and Outstanding November 2, 2001 773,752 October 27, 2000 765,724 February 2, 2001 766,484	386,876	382,862	383,242
Capital in excess of par	1,753,283	1,577,419	1,595,148
Retained earnings	4,278,839	3,390,914	3,518,356
Unearned compensation- restricted stock awards	(485)	(4,876)	(2,312)
Accumulated other comprehensive income (loss)	807	(89)	451
Total shareholders' equity	6,419,320	5,346,230	5,494,885
Total liabilities and shareholders' equity	$13,531,973	$10,663,567	$11,358,167

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended				Nine Mont		
	November 2, 2001		October 27, 2000		November 2, 2001		
Current Earnings	Amount	Percent	Amount	Percent	Amount	Percent	
Net sales	$5,454,534	100.00	$4,504,141	100.00	$16,857,625	100.00	$

Cost of sales	3,863,645	70.83	3,204,769	71.15	12,055,499	71.51
Gross margin	1,590,889	29.17	1,299,372	28.85	4,802,126	28.49
Expenses:						
Selling, general and administrative	973,036	17.84	809,427	17.97	2,912,487	17.28
Store opening costs	42,766	0.78	37,161	0.83	107,028	0.63
Depreciation	134,054	2.46	104,681	2.32	377,703	2.24
Interest	43,419	0.80	28,021	0.62	127,359	0.76
Total expenses	1,193,275	21.88	979,290	21.74	3,524,577	20.91
Pre-tax earnings	397,614	7.29	320,082	7.11	1,277,549	7.58
Income tax provision	147,117	2.70	117,789	2.62	472,689	2.81
Net earnings	$250,497	4.59	$202,293	4.49	$804,860	4.77
Shares outstanding - Basic	773,351		765,681		771,145	
Basic earnings per share	$0.32		$0.26		$1.04	
Shares outstanding - Diluted	795,639		768,750		792,808	
Diluted earnings per share	$0.32		$0.26		$1.02	
Retained Earnings						
Balance at beginning of period	$4,043,810		$3,201,989		$3,518,356	
Net earnings	250,497		202,293		804,860	
Cash dividends	(15,468)		(13,368)		(44,377)	
Balance at end of period	$4,278,839		$3,390,914		$4,278,839	

See accompanying notes to unaudited consolidated financial statements.

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

	For the Nine Months Ended	
Periods Ended On	November 2, 2001	October 27, 2000
Cash Flows From Operating Activities:		
Net Earnings	$804,860	$669,041
Adjustments to Reconcile		

Net Earnings to Net Cash Provided By Operating Activities:		
Depreciation & Amortization	389,863	297,234
Deferred Income Taxes	26,320	12,642
Loss on Disposition/Writedown of Fixed and Other Assets	28,071	20,281
Tax Effect of Stock Options Exercised	25,852	5,196
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Net	(36,786)	(25,883)
Merchandise Inventory	(620,489)	(687,841)
Other Operating Assets	(68,071)	(68,387)
Accounts Payable	181,452	225,197
Employee Retirement Plans	80,580	(12,998)
Other Operating Liabilities	165,933	150,712
Net Cash Provided by Operating Activities	977,585	585,194
Cash Flows from Investing Activities:		
(Increase) Decrease in Investment Assets:		
Short-Term Investments	(3,382)	75,288
Purchases of Long-Term Investments	(1,030)	(13,957)
Proceeds from Sale/Maturity of Long-Term Investments	1,878	-
Increase in Other Long-Term Assets	(34,743)	(30,964)
Fixed Assets Acquired	(1,674,365)	(1,614,455)
Proceeds from the Sale of Fixed and Other Long-Term Assets	34,675	46,389
Net Cash Used in Investing Activities	(1,676,967)	(1,537,699)
Cash Flows from Financing Activities:		
Net (Decrease) Increase in Short-Term Borrowings	(249,829)	155,927
Long-Term Debt Borrowings	1,111,360	519,402
Repayment of Long-Term Debt	(35,725)	(54,493)
Proceeds from Employee Stock Purchase Plan	16,176	-
Proceeds from Stock Options Exercised	56,662	9,384
Cash Dividend Payments	(44,377)	(40,091)
Net Cash Provided by Financing Activities	854,267	590,129
Net Increase (Decrease)in Cash and Cash Equivalents	154,885	(362,376)
Cash and Cash Equivalents, Beginning of Period	455,658	491,122
Cash and Cash Equivalents, End of Period	$610,543	$128,746

See accompanying notes to unaudited consolidated financial statements.

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Lowe's Companies, Inc.
Notes to Unaudited Consolidated Financial Statements

Note 1: The accompanying Consolidated Financial Statements (unaudited) have been reviewed by independent certified public accountants, and in the opinion of management, they contain all adjustments necessary to present fairly the financial position as of November 2, 2001 and October 27, 2000, and the results of operations and the cash flows for the nine months ended November 2, 2001 and October 27, 2000.

These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Lowe's Companies, Inc. (the Company) Annual Report on Form 10-K for the fiscal year ended February 2, 2001. The financial results for the interim periods may not be indicative of the financial results for the entire fiscal year.

Note 2: On May 25, 2001, the Company's Board of Directors approved a two-for-one split of the Company's common stock. As a result, shareholders received one additional share on June 29, 2001, for each share held as of the record date on June 8, 2001. The par value of the Company's common stock remained $0.50. All financial information presented, including per share data, has been adjusted to reflect the effect of the stock split.

Note 3: Diluted earnings per share are calculated on the weighted average shares of common stock as adjusted for the potential dilutive effect of stock options and applicable convertible notes at the balance sheet date. The effect of the assumed conversion of certain of the Company's convertible notes has been excluded from the calculation of diluted earnings per share for the three and nine months ended November 2, 2001 because none of the conditions that permit conversion had been satisfied during the respective reporting periods. The calculations are detailed below (in thousands, except per share amounts):

	Three Months Ended		Nine Months
	Nov. 2, 2001	Oct. 27, 2000	Nov. 2, 2001
Net Earnings	$ 250,497	$ 202,293	$ 804,860
Weighted average number of common shares outstanding	773,351	765,681	771,145
Basic earnings per share	$ .32	$ .26	$ 1.04
Net earnings	$ 250,497	$ 202,293	$ 804,860
Tax-effected interest expense attributable to 2.5% convertible notes (Note 8)	2,428	-	6,872
Net earnings assuming dilution	$ 252,925	$ 202,293	$ 811,732
Weighted average number of common shares outstanding	773,351	765,681	771,145
Effect of potentially dilutive securities:			
2.5% convertible notes (Note 8)	16,530	-	15,743
Employee stock options	5,758	3,069	5,920
Weighted average number of Common shares assuming dilution	795,639	768,750	792,808
Diluted earnings per share	$ .32	$ .26	$ 1.02

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Note 4: Net interest expense is composed of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	Nov. 2, 2001	Oct. 27, 2000	Nov 2, 2001	Oct. 27, 2000
Long-term debt	$ 45,588	$ 32,698	$ 136,204	$ 83,971
Capitalized leases	9,994	10,261	30,292	30,952
Short-term debt	905	1,848	3,884	5,900
Amortization of loan cost	967	350	2,359	880
Short-term interest income	(4,768)	(6,232)	(20,346)	(19,803
Interest capitalized on construction in progress	(9,267)	(10,904)	(25,034)	(21,642
Net interest expense	$ 43,419	$ 28,021	$ 127,359	$ 80,258

Note 5: Property is shown net of accumulated depreciation of $1.9 billion at November 2, 2001, $1.5 billion at October 27, 2000 and $1.6 billion at February 2, 2001.

Note 6: Supplemental disclosures of cash flow information (in thousands):

	Nine Months Ended	
	Nov. 2, 2001	Oct. 27, 2000
Cash paid for interest (net of capitalized)	$ 169,972	$ 122,964
Cash paid for income taxes	414,021	344,779
Non-cash investing and financing activities:		
Common stock issued to ESOP	63,441	-
Fixed assets acquired under capital lease	9,666	-

Note 7: In January 2001, the Board of Directors authorized the funding of the fiscal 2000 ESOP contribution primarily with the issuance of new shares of the Company's common stock. During the first nine months of fiscal 2001, the Company issued a total of 1,946,884 shares, with a market value of $63.4 million, to fund the fiscal 2000 ESOP contribution.

Note 8: In October 2001, the Company issued $580.7 million aggregate principal of senior convertible notes at an issue price of $861.03 per note. Interest on the notes, at the rate of .8610% per year on the principal amount at maturity, is payable semiannually in arrears until October 19, 2006. After that date, the Company will not pay cash interest on the notes prior to maturity. Instead, on October 19, 2021 when the notes mature, a holder will receive $1,000 per note, representing a yield to maturity of 1%. Holders may convert their notes into 17.212 shares of the Company's common stock, subject to adjustment, only if (1) the sale price of the Company's common stock reaches specified thresholds, (2) the credit rating of the notes is below a specified level, (3) the notes are called for redemption, or (4) specified corporate transactions have occurred. Holders may require

the Company to purchase all or a portion of their notes on October 19, 2003 or October 19, 2006, at a price of $861.03 per note plus accrued cash interest, if any, or on October 19, 2011, at a price of $905.06 per note. The Company may choose to pay the purchase price of the notes in cash or common stock or a combination of cash and common stock. In addition, if a change in control of the Company occurs on or before October 19, 2006, each holder may require the Company to purchase for cash all or a portion of such holder's notes. The Company may redeem for cash all or a portion of the notes at any time on or after October 19, 2006, at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, on the redemption date.

In February 2001, the Company issued $1.005 billion aggregate principal of convertible notes at an issue price of $608.41 per note. Interest will not be paid on the notes prior to maturity on February 16, 2021 at which time the holders will receive $1,000 per note, representing a yield to maturity of

2.5%. Holders may convert their notes at any time on or before the maturity date, unless the notes have been purchased or redeemed previously, into 16.448 shares of the Company's common stock per note. Holders of the notes may require the Company to purchase all or a portion of their notes on February 16, 2004 at a price of $655.49 per note or on February 16, 2011 at a price of $780.01 per note. On either of these dates, the Company may choose to pay the purchase price of the notes in cash or common stock, or a combination of cash and common stock. In addition, if a change in control of the Company occurs on or before February 16, 2004, each holder may require the Company to purchase, for cash, all or a portion of their notes.

Note 9: On August 2, 2001, the Company completed a new $800 million senior credit facility. The facility is split into a $400 million five-year tranche, expiring on August 2, 2006 and a $400 million 364-day tranche, expiring on August 1, 2002. Loans available under each facility include base rate loans, Euro-Dollar loans and money market loans. Each base rate loan bears interest on the outstanding principal amount and is payable quarterly in arrears. The base interest rate is the higher of the prime rate in effect or one-half of one percent above the federal funds rate. Each Euro-Dollar loan will bear an interest rate equal to the applicable margin plus the applicable adjusted London Interbank Offered Rate for such period. Money market loans shall bear interest on the outstanding principal at a rate per annum equal to the money market rate quoted by the bank making the loan. Sixteen banking institutions are participating in the $800 million senior credit facility and, as of November 2, 2001, there were no outstanding loans under the facility.

Note 10: Total comprehensive income, comprised of net earnings and unrealized holding gains (losses) on available-for-sale securities, was $250.7 and $202.4 million, compared to net earnings of $250.5 and $202.3 million for the quarters ended November 2, 2001 and October 27, 2000, respectively. Total comprehensive income was $805.2 and $669.4 million, compared to net earnings of $804.9 and $669.0 for the nine months ended November 2, 2001 and October 27, 2000, respectively.

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Note 11: In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," but retains many of its fundamental provisions. Additionally, this statement expands the scope of discontinued operations to include more disposal transactions. SFAS No. 144 will be effective for the Company for the fiscal year beginning February 2, 2002. In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets". SFAS No. 143 will require the accrual, at fair value, of the estimated retirement obligation for tangible long-lived assets if the company is legally obligated to perform retirement activities at the end of the related asset's life. SFAS No. 143 is effective for the Company for the fiscal year beginning February 1, 2003. Management does not believe that the adoption of these standards will have a material impact on the Company's financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the Company's consolidated operating results and liquidity and capital resources during the quarter and nine months ended November 2, 2001. This discussion should be read in conjunction with the financial statements and financial statement footnotes that are included in the Company's fiscal 2000 Form 10-K.

On May 25, 2001, the Company's Board of Directors approved a two-for-one split of the Company's common stock. As a result, shareholders received one additional share on June 29, 2001 for each share held as of the record date on June 8, 2001. The par value of the Company's common stock remained $0.50. All financial information presented, including per share data, has been adjusted to reflect the effects of the stock split.

OPERATIONS

For the third quarter of fiscal 2001, sales increased 21% to $5.5 billion, comparable store sales for the quarter increased 4.0%, and net earnings rose 24% to $250.5 million compared to last year's third quarter results. Diluted earnings per share were $0.32 compared to $0.26 for the comparable quarter of last year. For the nine months ended November 2, 2001, sales increased 18% to $16.9 billion, comparable store sales increased 0.9%, and net earnings increased 20% to $804.9 million compared to the first nine months of fiscal year 2000. Diluted earnings per share for the first nine months of 2001 were $1.02, a 17% increase over the same period a year ago.

The sales increase during the third quarter was primarily attributable to the addition of 15 million square feet of retail selling space relating to new and relocated stores since last year's third quarter and the increase in comparable store sales. Stabilization in lumber and building material prices as well as improved sales in appliances, paint, building materials, and flooring categories brought about the comparable store sales increase.

Gross margin was 29.17% of sales for the quarter ended November 2, 2001 compared to 28.85% for last year's comparable quarter. Gross margin for the nine months ended November 2, 2001 was 28.49% versus 28.10% during the first nine months of 2000. The increase in gross margin percentage for the third quarter and the first nine months of 2001 is primarily due to higher margin rates, additional foreign sourcing and product mix improvements.

Selling, general and administrative expenses (SG&A) were 17.84% of sales versus 17.97% in last year's third quarter. SG&A increased by 20% compared to the 21% increase in sales for the quarter. The leverage in SG&A was primarily attributable to expense control involving payroll and advertising costs. This was partially offset by an increase in employee benefits costs, primarily health care and incentive compensation, and bankcard expenses. During the first nine months of 2001, SG&A was 17.28% compared to 17.38% for the same period a year ago. SG&A increased 17.8% during the first nine months of 2001 compared to an 18.4% increase in sales for this same period. This leverage was primarily due to carefully controlling expenses, particularly store payroll costs.

Store opening costs were $42.8 million for the quarter ended November 2, 2001 compared to $37.2 million last year. This represents costs associated with the opening of 39 stores during the current year's third quarter (35 new and 4 relocated) compared to 27 stores for the comparable period last year (24 new and 3 relocated). Charges in the current year's third quarter for future and prior openings were $11.5 million compared to $12.9 million in last year's third quarter. Store opening costs for the nine months ended November 2, 2001 were $107.0 million compared to $90.8 million last year. These costs were associated with the opening of 99 stores (88 new and 11 relocated) during the first nine months of 2001 compared to 63 stores (51 new and 12 relocated) in the first nine months of 2000. The Company's 2001 expansion plans are discussed under "Liquidity and Capital Resources" below.

Depreciation was $134.1 million for the quarter ended November 2, 2001, and $377.7 million for the nine months then ended. This represents increases of 28% and 27% over last year's comparable periods, respectively. These increases were primarily due to an increase in the percentage of owned locations and an increase in the number of new store openings relating to the Company's ongoing expansion program.

Interest expense increased from $28.0 and $80.3 million to $43.4 and $127.4 million for the quarter and nine months ended November 2, 2001, respectively. Interest has increased during the third quarter and first nine months of 2001 primarily due to interest expense relating to the issuance of $580.7 million aggregate principal of senior convertible notes in October 2001, $1.005 billion aggregate principal of convertible notes in February of 2001, and $500 million aggregate principal of 7.5% Notes issued in December 2000. A reduction in the return on investments due to declining interest rates also contributed to the increase. The increase in interest expense was partially offset by an increase in interest capitalized on construction projects.

The Company's effective income tax rate was 37.0% for the quarter and nine months ended November 2, 2001, compared to 36.8% for last year's third quarter and first nine months. The higher rate during 2001 is primarily related to expansion into states with higher income tax rates.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity during the first nine months of 2001 were cash flows from operating activities and certain financing activities. Net cash provided by operating activities was $977.6 million for the nine months ended November 2, 2001 compared to $585.2 million for the first nine months of fiscal 2000. The $392.4 million increase in the current year resulted primarily from an increase in net earnings, the funding of the Company's ESOP with the issuance of common stock as compared to cash in the prior year and a decrease in the level of growth in inventories during the current year. The Company's working capital was $2.0 billion at November 2, 2001, compared to $1.2 billion at October 27, 2000 and $1.2 billion at February 2, 2001.

The primary component of net cash used in investing activities continues to be new store facilities in connection with the Company's expansion plan. Cash acquisitions of fixed assets were $1,674.4 million for the nine months ended November 2, 2001, compared to $1,614.5 million for the first nine months of 2000. At November 2, 2001, the Company operated 734 stores in 42 states with 78.9 million square feet of retail selling space, a 23.7% increase over the selling space as of October 27, 2000.

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Cash flows provided by financing activities were $854.3 million for the nine months ended November 2, 2001, compared to $590.1 million for the nine months ended October 27, 2000. The major source of cash from financing activities during the first nine months of 2001 and 2000 involved long-term debt proceeds, partially offset by debt repayments and cash dividend payments.

Property has increased as a result of the Company's plan to continue its expansion of retail sales floor square footage by entering new markets, increasing our market presence and by relocating smaller format stores to larger ones. The Company's 2001 capital budget is $2.7 billion, inclusive of approximately $286 million in operating or capital leases. Approximately 89% of this planned commitment is for store expansion and new distribution centers. Expansion plans for 2001 consist of approximately 115 stores (including the relocation of 14 smaller format stores). This planned expansion is expected to increase sales floor square footage by approximately 19%. Expansion in the third quarter of fiscal 2001 included 35 new stores and 4 relocations representing 4.4 million square feet of new incremental retail space. The Company also operates seven regional distribution centers. A regional distribution center is currently under construction in Cheyenne, Wyoming and construction is scheduled to begin on a distribution center in Northampton County, North Carolina during the fourth quarter of 2001.

In October 2001, the Company issued $580.7 million aggregate principal of senior convertible notes at an issue price of $861.03 per note. Interest on the notes, at the rate of .8610% per year on the principal amount at maturity, is payable semiannually in arrears until October 19, 2006. After that date, the Company will not pay cash interest on the notes prior to maturity. Instead, on October 19, 2021, the maturity date of the notes, a holder will receive $1,000 per note, representing a yield to maturity of 1%. Holders may convert their notes into 17.212 shares of the Company's common stock, subject to adjustment, only if (1) the sale price of the Company's common stock reaches specified thresholds, (2) the credit rating of the notes is below a specified level, (3) the notes are called for redemption, or (4) specified corporate transactions have occurred. Holders may require the Company to purchase all or a portion of their notes on October 19, 2003 or October 19, 2006, at a price of $861.03 per note plus accrued cash interest, if any, or on October 19, 2011, at a price of $905.06 per note. The Company may choose to pay the purchase price of the notes in cash or common stock or a combination of cash and common stock. In addition, if a change in control of the Company occurs on or before October 19, 2006, each holder may require the Company to purchase for cash all or a portion of such holder's notes. The Company may redeem for cash all or a portion of the notes at any time on or after October 19, 2006, at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, on the redemption date.

In February 2001, the Company issued $1.005 billion aggregate principal of convertible notes at an issue price of $608.41 per note. Interest will not be paid on the notes prior to maturity on February 16, 2021 at which time the holders will receive $1,000 per note, representing a yield to maturity of 2.5%. Holders may convert their notes at any time on or before the maturity date, unless the notes have been purchased or redeemed previously, into 16.448 shares of the Company's common stock per note. Holders of the notes may require the Company to purchase all or a portion of their notes on February 16, 2004 at a price of $655.49 per note or on February 16, 2011 at a price of $780.01 per note. On either of these dates, the Company may choose to pay the purchase price of the notes in cash or common stock, or a combination of cash and common stock. In addition, if a change in the control of the Company occurs on or before February 16, 2004, each holder may require the Company to purchase, for cash, all or a portion of their notes.

On August 2, 2001, the Company completed a new $800 million senior credit facility. The facility is split into a $400 million five-year tranche, expiring on August 2, 2006 and a $400 million 364-day tranche, expiring on August 1, 2002. Loans available under each facility include base rate loans, Euro-Dollar loans and money market loans. Each base rate loan bears interest on the outstanding principle amount and is payable quarterly in arrears. The base interest rate is the higher of the prime rate in effect or one-half of one percent above the federal funds rate. Each Euro-Dollar loan will bear an interest rate equal to the applicable margin plus the applicable adjusted London Interbank Offered Rate for such period. Money market loans shall bear interest on the outstanding principal at a rate per annum equal to the money market rate quoted by the bank making the loan. Sixteen banking institutions are participating in the $800 million senior credit facility and, as of November 2, 2001, there were no outstanding loans under the facility.

The Company believes that funds from operations, debt issuances, leases and existing credit agreements will be adequate to finance the 2001 expansion plan and other operating requirements.

MARKET RISK

As discussed in the annual report to shareholders for the year ended February 2, 2001, the Company's major market risk exposure is the potential loss relating to changing interest rates and this impact on long-term debt. The Company's policy is to manage interest rate risks by maintaining a combination of fixed and variable rate financial instruments. The Company's market risk has not changed materially since February 2, 2001 with the exception of new debt issued during 2001.

NEW ACCOUNTING PRONOUNCEMENTS

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes SFAS No. 121, "Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," but retains many of its fundamental provisions. Additionally, this statement expands the scope of discontinued operations to include more disposal transactions. SFAS No. 144 will be effective for the Company for the fiscal year beginning February 2, 2002. In June 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets". SFAS No. 143 will require the accrual, at fair value, of the estimated retirement obligation for tangible long-lived assets if the company is legally obligated to perform retirement activities at the end of the related asset's life. SFAS No. 143 is effective for the Company for the fiscal year beginning February 1, 2003. Management does not believe that the adoption of these standards will have a material impact on the Company's financial statements.

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FORWARD-LOOKING STATEMENTS

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Although the Company believes that comments reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Possible risks and uncertainties regarding these statements include, but are not limited to, the direction of general economic trends, as the Company expands into major metropolitan markets, the availability of real estate for expansion and its successful development may lengthen the timelines for store openings, the availability of sufficient labor to facilitate growth, fluctuations in prices and availability of product, unanticipated increases in competition and weather conditions that affect sales.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries (the "Company") as of November 2, 2001 and October 27, 2000, and the related consolidated statements of current and retained earnings for the three-month and nine-month periods ended November 2, 2001 and October 27, 2000 and consolidated statements of cash flows for the nine-months ended November 2, 2001 and October 27, 2000. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Lowe's Companies, Inc. and subsidiaries as of February 2, 2001, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of February 2, 2001 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
November 14, 2001

Part II - OTHER INFORMATION

Item 6 (b) - Reports on Form 8-K

A report was filed on October 25, 2001 by the registrant. Therein under item 7, the Company filed certain exhibits in connection with the registrant's offering, and sale on October 19, 2001, of $580,700,000 aggregate principal amount at maturity of Senior Convertible Notes due October 19, 2021 pursuant to its Shelf Registration Statement on Form S-3 (File No. 333-55252).

SIGNATURES

Pursuant to the requirements 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.

LOWE'S COMPANIES, INC.

December 14, 2001	/s/ Kenneth W. Black, Jr.
Date	Kenneth W. Black, Jr.
	Senior Vice President and Chief Accounting Officer