

LOWES COMPANIES INC
Form 10-Q
August 30, 2011

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 29, 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 1-7898
number

LOWE'S COMPANIES, INC.
(Exact name of registrant as specified in its charter)

NORTH CAROLINA 56-0578072
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

1000 Lowe's Blvd., Mooresville, NC 28117
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area (704) 758-1000
code

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).

Edgar Filing: LOWES COMPANIES INC - Form 10-Q

☒ Yes ☐ No

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.

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

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 AUGUST 26, 2011
Common Stock, \$.50 par value	1,260,527,156

LOWE'S COMPANIES, INC.

- INDEX -

PART I - Financial Information		Page No.
Item 1.	Financial Statements	
	<u>Consolidated Balance Sheets - July 29, 2011 (Unaudited), July 30, 2010 (Unaudited) and January 28, 2011</u>	3
	<u>Consolidated Statements of Current and Retained Earnings (Unaudited) - Three and six months ended July 29, 2011 and July 30, 2010</u>	4
	<u>Consolidated Statements of Cash Flows (Unaudited) - Six months ended July 29, 2011 and July 30, 2010</u>	5
	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	6 - 13
	<u>Report of Independent Registered Public Accounting Firm</u>	14
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15 - 21
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	21
Item 4.	<u>Controls and Procedures</u>	21
PART II- Other Information		
Item 1A.	<u>Risk Factors</u>	22
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
Item 6.	<u>Exhibits</u>	23 - 24
	<u>Signature</u>	25

Table of ContentsPart I - FINANCIAL
INFORMATION

Item 1. Financial Statements

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

	(Unaudited) July 29, 2011	(Unaudited) July 30, 2010	January 28, 2011
Assets			
Current assets:			
Cash and cash equivalents	\$ 568	\$ 1,191	\$ 652
Short-term investments	340	816	471
Merchandise inventory - net	8,825	8,653	8,321
Deferred income taxes - net	222	205	193
Other current assets	213	256	330
Total current assets	10,168	11,121	9,967
Property, less accumulated depreciation	22,195	22,274	22,089
Long-term investments	857	730	1,008
Other assets	825	508	635
Total assets	\$ 34,045	\$ 34,633	\$ 33,699
Liabilities and Shareholders' Equity			
Current liabilities:			
Current maturities of long-term debt	\$ 39	\$ 37	\$ 36
Accounts payable	5,378	4,888	4,351
Accrued compensation and employee benefits	495	537	667
Deferred revenue	831	770	707
Other current liabilities	1,934	1,761	1,358
Total current liabilities	8,677	7,993	7,119
Long-term debt, excluding current maturities	6,581	5,533	6,537
Deferred income taxes - net	479	459	467
Deferred revenue - extended protection plans	673	605	631
Other liabilities	856	830	833
Total liabilities	17,266	15,420	15,587

Shareholders' equity:

Preferred stock - \$5 par value, none issued

- - -

Common stock - \$.50 par value;

Shares issued and outstanding

July 29, 2011 1,260

July 30, 2010 1,423

January 28, 2011 1,354 630 711 677

Capital in excess of par value 7 9 11

Retained earnings 16,060 18,454 17,371

Accumulated other comprehensive income 82 39 53

Total shareholders' equity 16,779 19,213 18,112

Total liabilities and shareholders' equity

\$ 34,045 \$ 34,633 \$ 33,699

See accompanying notes to the consolidated financial statements (unaudited).

Table of Contents

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

	Three Months Ended				Six Months Ended			
	July 29, 2011		July 30, 2010		July 29, 2011		July 30, 2010	
Current Earnings	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Net sales	\$ 14,543	100.00	\$ 14,361	100.00	\$ 26,728	100.00	\$ 26,749	100.00
Cost of sales	9,527	65.51	9,355	65.14	17,393	65.07	17,384	64.99
Gross margin	5,016	34.49	5,006	34.86	9,335	34.93	9,365	35.01
Expenses:								
Selling, general and administrative	3,232	22.22	3,189	22.21	6,351	23.76	6,283	23.49
Depreciation	365	2.51	398	2.77	737	2.76	795	2.97
Interest - net	90	0.62	84	0.59	178	0.67	166	0.62
Total expenses	3,687	25.35	3,671	25.57	7,266	27.19	7,244	27.08
Pre-tax earnings	1,329	9.14	1,335	9.29	2,069	7.74	2,121	7.93
Income tax provision	499	3.43	503	3.50	777	2.91	800	2.99
Net earnings	\$ 830	5.71	\$ 832	5.79	\$ 1,292	4.83	\$ 1,321	4.94
Weighted average common shares outstanding - basic	1,275		1,417		1,300		1,427	
Basic earnings per common share	\$ 0.65		\$ 0.58		\$ 0.99		\$ 0.92	
Weighted average common shares outstanding - diluted	1,278		1,419		1,303		1,430	
	\$ 0.64		\$ 0.58		\$ 0.98		\$ 0.92	

Diluted earnings
per common share

Cash dividends per share	\$ 0.14	\$ 0.11	\$ 0.25	\$ 0.20
--------------------------	---------	---------	---------	---------

Retained Earnings

Balance at beginning of period	\$ 16,715	\$ 18,246	\$ 17,371	\$ 18,307
Net earnings	830	832	1,292	1,321
Cash dividends	(176)	(157)	(322)	(287)
Share repurchases	(1,309)	(467)	(2,281)	(887)
Balance at end of period	\$ 16,060	\$ 18,454	\$ 16,060	\$ 18,454

See accompanying notes to the consolidated financial statements (unaudited).

Table of Contents

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

	Six Months Ended	
	July 29, 2011	July 30, 2010
Cash flows from operating activities:		
Net earnings	\$ 1,292	\$ 1,321
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	786	848
Deferred income taxes	(50)	(143)
Loss on property and other assets - net	100	16
Share-based payment expense	59	55
Net changes in operating assets and liabilities:		
Merchandise inventory - net	(495)	(400)
Other operating assets	125	(41)
Accounts payable	1,026	600
Other operating liabilities	450	526
Net cash provided by operating activities	3,293	2,782
Cash flows from investing activities:		
Purchases of investments	(948)	(1,458)
Proceeds from sale/maturity of investments	1,232	609
Increase in other long-term assets	(218)	(16)
Property acquired	(780)	(612)
Proceeds from sale of property and other long-term assets	20	9
Net cash used in investing activities	(694)	(1,468)
Cash flows from financing activities:		
Net proceeds from issuance of long-term debt	-	991
Repayment of long-term debt	(18)	(534)
Proceeds from issuance of common stock under share-based payment plans	55	62
Cash dividend payments	(294)	(261)
Repurchase of common stock	(2,433)	(1,015)
Excess tax benefits of share-based payments	3	1
Net cash used in financing activities	(2,687)	(756)
Effect of exchange rate changes on cash	4	1
Net (decrease)/increase in cash and cash equivalents	(84)	559
Cash and cash equivalents, beginning of period	652	632
Cash and cash equivalents, end of period	\$ 568	\$ 1,191

See accompanying notes to the consolidated financial statements (unaudited).

Table of Contents

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

Note 1: Basis of Presentation - The accompanying consolidated financial statements (unaudited) and notes to the consolidated financial statements (unaudited) are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not include all the disclosures normally required in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements (unaudited), in the opinion of management, contain all adjustments necessary to present fairly the financial position as of July 29, 2011, and July 30, 2010, and the results of operations for the three and six months ended July 29, 2011, and July 30, 2010, and cash flows for the six months ended July 29, 2011 and July 30, 2010.

These interim consolidated financial statements (unaudited) should be read in conjunction with the audited consolidated 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 January 28, 2011 (the Annual Report). The financial results for the interim periods may not be indicative of the financial results for the entire fiscal year.

Certain prior period amounts have been reclassified to conform to current classifications. 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

The following tables present the Company's financial assets measured at fair value on a recurring basis as of July 29, 2011, July 30, 2010, and January 28, 2011, classified by fair value hierarchy:

Fair Value Measurements at Reporting Date Using				
Quoted Prices in Active Markets for Identical Assets				
Significant Other Observable Inputs				
Significant Unobservable Inputs				
(In millions)	July 29, 2011	(Level 1)	(Level 2)	(Level 3)
Available-for-sale securities:				
Municipal obligations	\$ 142	\$ -	\$ 142	\$ -
Money market funds	95	95	-	-
Municipal floating rate obligations	48	-	48	-
Other	2	2	-	-
Trading securities:				
Mutual funds	53	53	-	-
Total short-term investments	\$ 340	\$ 150	\$ 190	\$ -
Available-for-sale securities:				
Municipal floating rate obligations	\$ 641	\$ -	\$ 641	\$ -
Municipal obligations	196	-	196	-
Other	20	-	20	-
Total long-term investments	\$ 857	\$ -	\$ 857	\$ -

Fair Value Measurements at Reporting Date Using				
Quoted Prices in Active Markets for Identical Assets				
Significant Other Observable Inputs				
Significant Unobservable Inputs				
(In millions)	July 30, 2010	(Level 1)	(Level 2)	(Level 3)
Available-for-sale securities:				
Municipal obligations	\$ 251	\$ -	\$ 251	\$ -
Money market funds	143	143	-	-
Municipal floating rate obligations	372	-	372	-
Other	5	2	3	-
Trading securities:				
Mutual funds	45	45	-	-
Total short-term investments	\$ 816	\$ 190	\$ 626	\$ -
Available-for-sale securities:				
Municipal floating rate obligations	\$ 698	\$ -	\$ 698	\$ -
Municipal obligations	32	-	32	-
Total long-term investments	\$ 730	\$ -	\$ 730	\$ -

		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 28, 2011	(Level 1)	(Level 2)	(Level 3)
Available-for-sale securities:				
Municipal obligations	\$ 190	\$ -	\$ 190	\$ -
Money market funds	66	66	-	-
Municipal floating rate obligations	163	-	163	-
Other	2	2	-	-
Trading securities:				
Mutual funds	50	50	-	-
Total short-term investments	\$ 471	\$ 118	\$ 353	\$ -
Available-for-sale securities:				
Municipal floating rate obligations	\$ 765	\$ -	\$ 765	\$ -
Municipal obligations	208	-	208	-
Other	35	-	35	-
Total long-term investments	\$ 1,008	\$ -	\$ 1,008	\$ -

When available, quoted prices were used to determine fair value. When quoted prices in active markets were available, investments were classified within Level 1 of the fair value hierarchy. When quoted prices in active markets were not available, fair values were determined using pricing models and the inputs to those pricing models are based on observable market inputs. The inputs to the pricing models were 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

During the six months ended July 29, 2011 and July 30, 2010, the Company's only significant assets or liabilities measured at fair value on a nonrecurring 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 asset (disposal) group is not recoverable and exceeds its fair value. The Company estimated the fair values of assets subject to long-lived asset impairment based on the Company's own judgments about the assumptions that market participants would use in pricing the assets and on observable market data, when available. The Company classified these fair value measurements as Level 3.

In the determination of impairment for operating locations, the Company determined the fair values of individual operating locations 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 location, management made assumptions, incorporating local market conditions, about key variables including sales growth rates, gross

margin and controllable expenses such as 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. In general, the selected market participants represent a group of other retailers with a location footprint similar in size to the Company's.

In the determination of impairment for locations identified for closure and for excess properties held-for-use and held-for-sale, which consist of retail outparcels and property associated with relocated or closed locations, 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 property brokers or appraisers 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 the Company's non-financial assets measured at estimated fair value on a nonrecurring basis and the resulting long-lived asset impairment losses included in earnings. Because assets subject to long-lived asset impairment are not measured at fair value on a recurring basis, certain fair value measurements presented in the table may reflect values at earlier measurement dates and may no longer represent the fair values at July 29, 2011 and July 30, 2010.

Fair Value Measurements - Nonrecurring Basis

	Three Months Ended			
	July 29, 2011		July 30, 2010	
(In millions)	Fair Value Measurements	Impairment Losses	Fair Value Measurements	Impairment Losses
Assets held-for-use:				
Operating locations	\$ 9	\$ (18)	\$ 1	\$ (7)
Locations identified for closure	21	(60)	-	-
Excess properties	18	(5)	9	(2)
Assets held-for-sale:				
Excess properties	1	-	21	(1)
Total	\$ 49	\$ (83)	\$ 31	\$ (10)

	Six Months Ended			
	July 29, 2011		July 30, 2010	
(In millions)	Fair Value Measurements	Impairment Losses	Fair Value Measurements	Impairment Losses
Assets held-for-use:				
Operating locations	\$ 9	\$ (18)	\$ 1	\$ (7)
Locations identified for closure	21	(60)	-	-
Excess properties	22	(11)	10	(3)
Assets held-for-sale:				
Excess properties	2	-	21	(1)
Total	\$ 54	\$ (89)	\$ 32	\$ (11)

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, 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)	July 29, 2011		July 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt (excluding capitalized lease obligations)	\$ 6,215	\$ 6,961	\$ 5,213	\$ 5,972

Note 3: Restricted Investment Balances - 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 \$163 million at July 29, 2011, \$246 million at July 30, 2010, and \$102 million at January 28, 2011. Restricted balances included in long-term investments were \$256 million at July 29, 2011, \$144 million at July 30, 2010, and \$260 million at January 28, 2011.

Note 4: Property - Property is shown net of accumulated depreciation of \$11.9 billion at July 29, 2011, \$10.5 billion at July 30, 2010, and \$11.3 billion at January 28, 2011.

Note 5: Exit Activities - When locations under operating leases are closed, the Company recognizes a liability 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 and other recoverable items. Expenses associated with accruals for exit activities are recorded in selling, general and administrative expense on the consolidated statements of current and retained earnings and were \$6 million and \$13 million, respectively, for the three and six months ended July 29, 2011. At July 29, 2011, the liability for exit activities was \$22 million. Expenses associated with accruals for exit activities for the three and six months ended July 30, 2010, and the liability for exit activities at July 30, 2010, were immaterial.

Note 6: 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)	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Deferred revenue - extended protection plans, beginning of period	\$ 650	\$ 576	\$ 631	\$ 549
Additions to deferred revenue	70	70	135	138
Deferred revenue recognized	(47)	(41)	(93)	(82)
Deferred revenue - extended protection plans, end of period	\$ 673	\$ 605	\$ 673	\$ 605

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 \$160 million at July 29, 2011, \$167 million at July 30, 2010, and \$166 million at January 28, 2011. 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)	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Liability for extended protection plan claims, beginning of period	\$ 19	\$ 23	\$ 20	\$ 23
Accrual for claims incurred	26	20	45	37
Claim payments	(21)	(17)	(41)	(34)
Liability for extended protection plan claims, end of period	\$ 24	\$ 26	\$ 24	\$ 26

Note 7: Shareholders' Equity - 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. During the three months ended July 29, 2011, the Company utilized the remaining authorization under the share repurchase program as of that date. On August 19, 2011, the Company's Board of Directors authorized an additional \$5.0 billion of share repurchases with no expiration.

The Company also repurchases shares from employees to satisfy either the exercise price of stock options exercised or the statutory withholding tax liability resulting from the vesting of restricted stock awards.

Shares repurchased for the three and six months ended July 29, 2011 and July 30, 2010 were as follows:

(In millions)	Three Months Ended			
	July 29, 2011		July 30, 2010	
	Shares	Cost 1	Shares	Cost 1
Share repurchase program	59.7	\$ 1,400	22.7	\$ 550
Shares repurchased from employees	0.1	2	-	-
Total share repurchases	59.8	\$ 1,402	22.7	\$ 550

(In millions)	Six Months Ended			
	July 29, 2011		July 30, 2010	
	Shares	Cost 2	Shares	Cost 2
Share repurchase program	97.5	\$ 2,400	41.3	\$ 1,000
Shares repurchased from employees	1.4	35	0.6	15
Total share repurchases	98.9	\$ 2,435	41.9	\$ 1,015

1 Reductions of \$1.3 billion and \$467 million were recorded to retained earnings, after capital in excess of par value was depleted, for the three months ended July 29, 2011 and July 30, 2010, respectively.

2 Reductions of \$2.3 billion and \$887 million were recorded to retained earnings, after capital in excess of par value was depleted, for the six months ended July 29, 2011 and July 30, 2010, respectively.

Note 8: Comprehensive Income - Comprehensive income represents changes in shareholders' equity from non-owner sources and is comprised of net earnings plus or minus unrealized gains or losses on available-for-sale securities and foreign currency translation adjustments. The following table reconciles net earnings to comprehensive income for

the three and six months ended July 29, 2011 and July 30, 2010.

Edgar Filing: LOWES COMPANIES INC - Form 10-Q

(In millions)	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Net earnings	\$ 830	\$ 832	\$ 1,292	\$ 1,321
Foreign currency translation adjustments	(4)	(6)	27	13
Net unrealized investment gains (losses)	1	-	2	(1)
Comprehensive income	\$ 827	\$ 826	\$ 1,321	\$ 1,333

Note 9: Income Taxes - The Company is subject to examination by various foreign and domestic taxing authorities.

At July 29, 2011, the Company had unrecognized tax benefits of \$151 million. The Company is appealing IRS examinations for fiscal years 2004 to 2007 related to insurance deductions. It is reasonably possible this issue as well as various U.S. state issues will be settled within the next twelve months resulting in a reduction in unrecognized tax benefits of \$133 million. There are currently 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 10: 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 outstanding for the period, as adjusted for the potential dilutive effect of non-participating share-based awards. The following table reconciles earnings per common share for the three and six months ended July 29, 2011, and July 30, 2010.

(In millions, except per share data)	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Basic earnings per common share:				
Net earnings	\$ 830	\$ 832	\$ 1,292	\$ 1,321
Less: Net earnings allocable to participating securities	(7)	(7)	(11)	(11)
Net earnings allocable to common shares	\$ 823	\$ 825	\$ 1,281	\$ 1,310
Weighted-average common shares outstanding	1,275	1,417	1,300	1,427
Basic earnings per common share	\$ 0.65	\$ 0.58	\$ 0.99	\$ 0.92
Diluted earnings per common share:				
Net earnings	\$ 830	\$ 832	\$ 1,292	\$ 1,321
Less: Net earnings allocable to participating securities	(7)	(7)	(11)	(11)
	\$ 823	\$ 825	\$ 1,281	\$ 1,310

Net earnings allocable to common
shares

Weighted-average common shares outstanding	1,275	1,417	1,300	1,427
Dilutive effect of non-participating share-based awards	3	2	3	3
Weighted-average common shares, as adjusted	1,278	1,419	1,303	1,430
Diluted earnings per common share \$	0.64	\$ 0.58	\$ 0.98	\$ 0.92

Stock options to purchase 18.3 million and 20.2 million shares of common stock were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive for the three months ended July 29, 2011, and July 30, 2010, respectively. Stock options to purchase 14.6 million and 19.7 million shares of common stock were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive for the six months ended July 29, 2011, and July 30, 2010, respectively.

Note 11: Supplemental Disclosure -

Net interest expense is comprised of the following:

(In millions)	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Long-term debt	\$ 83	\$ 78	\$ 167	\$ 154
Capitalized lease obligations	9	9	18	18
Interest income	(3)	(3)	(7)	(6)
Interest capitalized	(2)	(4)	(4)	(7)
Interest on tax uncertainties	2	2	1	3
Other	1	2	3	4
Interest - net	\$ 90	\$ 84	\$ 178	\$ 166

Supplemental disclosures of cash flow information:

(In millions)	Six Months Ended	
	July 29, 2011	July 30, 2010
Cash paid for interest, net of amount capitalized	\$ 179	\$ 158
Cash paid for income taxes	\$ 540	\$ 818
Non-cash investing and financing activities:		
Non-cash property acquisitions, including assets acquired under capital lease	\$ 188	\$ 34
Loss on equity method investments	\$ (4)	\$ (2)
Cash dividends declared but not paid	\$ 176	\$ 157
Non-cash employee stock option exercises	\$ 2	\$ -

Note 12: Recent Accounting Pronouncements - In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance that amends the existing requirements for fair value measurement and disclosure. The guidance expands the disclosure requirements around fair value measurements categorized in Level 3 of the fair value hierarchy and requires disclosure of the level in the fair value hierarchy of items that are not measured at fair value in the statement of financial position but whose fair value must be disclosed. It also clarifies and expands upon existing requirements for measurement of the fair value of financial assets and liabilities as well as instruments classified in shareholders' equity. The guidance is effective for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of the guidance to have a material impact on its consolidated financial statements.

In June 2011, the FASB issued authoritative guidance that amends the presentation requirements for comprehensive income in financial statements. The guidance requires entities to report components of comprehensive income either as part of a single continuous statement of comprehensive income that would combine the components of net income and other comprehensive income, or in a separate, but consecutive, statement following the statement of income. The guidance is effective for interim and annual periods beginning after December 15, 2011 and is to be applied

retrospectively. The adoption of this guidance will impact the presentation of comprehensive income, but will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries (the "Company") as of July 29, 2011 and July 30, 2010, and the related consolidated statements of current and retained earnings for the fiscal three and six-month periods then ended and of cash flows for the fiscal six-month periods ended July 29, 2011 and July 30, 2010. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), 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 interim 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 the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of January 28, 2011, and the related consolidated statements of current and retained earnings, shareholders' equity, and cash flows for the fiscal year then ended (not presented herein); and in our report dated March 28, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet of the Company as of January 28, 2011 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
August 30, 2011

Table of Contents

Item 2.

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

This discussion and analysis summarizes the significant factors affecting our consolidated operating results, liquidity and capital resources during the three and six months ended July 29, 2011, and July 30, 2010. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that are included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2011 (the Annual Report), as well as the consolidated financial statements (unaudited) and notes to the consolidated financial statements (unaudited) contained in this report. Unless otherwise specified, all comparisons made are to the corresponding period of 2010. This discussion and analysis is presented in seven sections:

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

EXECUTIVE OVERVIEW

Despite some recovery from the first quarter in our seasonal business, comparable store sales declined 0.3% in the second quarter of 2011. Unfavorable weather in certain regions of the U.S. and difficult comparisons to prior year government stimulus programs contributed to softer performance compared to the prior year's second quarter. With regard to home improvement spending, consumers continued to focus on small-ticket repair and maintenance items and projects rather than larger discretionary projects.

Slowing economic growth and the recent downgrade in the U.S. credit rating have underscored continued weakness in the U.S. economy and have had an unsettling impact on equity markets. These issues are having a significant effect on consumer sentiment. Despite these challenges, we remain focused on providing value to the customer every day. We are reinforcing our efforts to improve our price image in the eye of the consumer, which includes the launch of our 5% off every day discount offered to Lowe's credit cardholders. We are differentiating our products and displays by working with our key vendor partners on new product development, new display techniques and technologies. In addition, we are redirecting our focus from a product and vendor-centric view to a customer-centric view by pulling our inventory together for the customer in ways that help them buy all of the various products they need to complete the total project. These near-term initiatives support the multi-year implementation of our broader strategic mission by pulling together the best combination of possibilities, support and value, whenever and wherever customers choose to engage.

OPERATIONS

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

	Three Months Ended				Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Period 2011 vs. 2010	Percentage Increase / (Decrease) in Dollar Amounts from Prior Period 2011 vs. 2010
	July 29, 2011		July 30, 2010			
Net sales	100.00	%	100.00	%	N/A	1.3 %
Gross margin	34.49		34.86		(37)	0.2
Expenses:						
Selling, general and administrative	22.22		22.21		1	1.3
Depreciation	2.51		2.77		(26)	(8.3)
Interest - net	0.62		0.59		3	7.0
Total expenses	25.35		25.57		(22)	0.4
Pre-tax earnings	9.14		9.29		(15)	(0.5)
Income tax provision	3.43		3.50		(7)	(0.9)
Net earnings	5.71	%	5.79	%	(8)	(0.2)%
EBIT margin 1	9.76	%	9.88	%	(12)	- %

	Six Months Ended				Basis Point Increase / (Decrease) in Percentage of Net Sales from Prior Period 2011 vs. 2010	Percentage Increase / (Decrease) in Dollar Amounts from Prior Period 2011 vs. 2010
	July 29, 2011		July 30, 2010			
Net sales	100.00	%	100.00	%	N/A	(0.1)%
Gross margin	34.93		35.01		(8)	(0.3)
Expenses:						
Selling, general and administrative	23.76		23.49		27	1.1
Depreciation	2.76		2.97		(21)	(7.4)
Interest - net	0.67		0.62		5	7.2
Total expenses	27.19		27.08		11	0.3
Pre-tax earnings	7.74		7.93		(19)	(2.4)

Edgar Filing: LOWES COMPANIES INC - Form 10-Q

Income tax provision	2.91		2.99		(8)	(2.8)
Net earnings	4.83	%	4.94	%	(11)	(2.2)%
EBIT margin 1	8.41	%	8.55	%	(14)	(1.7)%

Other Metrics	Three Months Ended		Six Months Ended	
	July 29, 2011	July 30, 2010	July 29, 2011	July 30, 2010
Comparable store sales (decrease) increase ²	(0.3) %	1.6 %	(1.7) %	2.0 %
Total customer transactions (in millions)	233	229	428	428
Average ticket ³	\$ 62.44	\$ 62.84	\$ 62.47	\$ 62.55
At end of period:				
Number of stores	1,753	1,724		
Sales floor square feet (in millions)	198	195		
Average store size selling square feet (in thousands) ⁴	113	113		

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

² 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.

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

⁴ 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.

Net Sales – Net sales increased 1.3% to \$14.5 billion in the second quarter of 2011, driven by an increase in total customer count of 2.0% offset by a decrease in average ticket of 0.7%. Comparable store sales decreased 0.3% over the same period, driven by a 0.9% decrease in comparable store average ticket resulting from lower sales in big-ticket categories, such as cabinets & countertops, millwork and appliances, offset by a 0.6% increase in comparable store customer count. The increase in customer count was driven primarily by sales of seasonal products combined with strong customer response to our 5% off discount offered to Lowe’s credit cardholders.

Performance was mixed across the country with results in the northeast and north central areas exceeding the company average as favorable weather helped drive spring projects after a tough winter of snow and ice storms. However, performance in the southern and gulf coast areas was lower than the company average as extreme heat and severe drought negatively impacted outdoor categories. We observed large regional swings in certain product categories, including nursery and lawn & landscape products, but most significantly in outdoor power equipment as unfavorable conditions along the gulf coast region drove lower comparable store sales compared to the northeast, north central and west.

During the quarter, we experienced comparable store sales increases above the company average in the following product categories: building materials, rough electrical, lawn & landscape products, nursery, tools, rough plumbing, paint, hardware, and seasonal living. Strong sales in asphalt roofing and installation services in the aftermath of severe storms that hit many regions of the country contributed to above-average comparable store sales in building materials. Inflation also contributed to the above-average comparable store sales in building materials as well as in rough electrical. Lawn & landscape products and nursery sales benefited as improved weather in the second quarter shifted sales of seasonal products from the first quarter. In addition, tools experienced favorable comparable store sales driven by strong holiday promotions and the launch of our Kobalt® mechanics tools, which were designed with premium specifications to meet the demands of our commercial business customers.

Consumers continued to focus on smaller ticket items and projects during the quarter, which negatively impacted comparable store sales in cabinet & countertops, fashion plumbing and millwork. Cabinets & countertops were also negatively impacted by clearance activities related to refreshing our stock cabinet product selection. Comparisons to prior year government stimulus programs, such as Cash for Appliances and energy tax credits, also led to comparable store sales performance below the company average in appliances and millwork. In addition, sales in lumber were negatively impacted by deflation.

Gross Margin - For the second quarter of 2011, gross margin decreased 37 basis points as a percentage of sales, driven by 36 basis points of de-leverage in margin rate. Margin rate was negatively impacted by promotional activity, the implementation of our 5% off every day discount for Lowe's credit cardholders and clearance activity associated with product resets. In addition, we experienced 15 basis points of de-leverage in distribution costs, driven primarily by increased fuel and ocean freight costs. These were offset by 16 basis points of improvement in gross margin due to the mix of products sold across categories, primarily the result of a decreased proportion of sales in appliances and lumber.

The eight basis point decrease in gross margin as a percentage of sales for the first six months of 2011 compared to 2010 was primarily driven by de-leverage of 15 basis points in distribution expenses and seven basis points in markdowns associated with discontinued inventory offset by changes in product mix.

SG&A - For the second quarter of 2011, SG&A expense was relatively flat as a percentage of sales. SG&A expense leveraged 44 basis points associated with our proprietary credit card program due to reduced program costs associated with anticipated losses and a reduction in tender and other costs as more customers took advantage of our 5% off every day discount. SG&A expense also leveraged 35 basis points associated with bonus expense due to lower projected attainment levels. These were offset by de-leverage of approximately 50 basis points due to charges associated with asset impairments and discontinued projects, which included seven stores that were closed subsequent to the end of the quarter. We also experienced 15 basis points of de-leverage associated with internal and external staffing and technology expenditures related to investments made to improve customer experiences. In addition, we experienced de-leverage in store payroll expense due to a slight increase in hourly rates and new store openings.

The 27 basis point increase in SG&A as a percentage of sales for the first six months of 2011 compared to 2010 was driven by the same factors that impacted SG&A in the second quarter as well as de-leverage of approximately five basis points each in payroll taxes, insurance costs and fleet expense.

Depreciation - Depreciation expense decreased 26 basis points compared to the second quarter of 2010 primarily due to a lower asset base resulting from decreased capital spending. Property, less accumulated depreciation, totaled \$22.2 billion at July 29, 2011 and \$22.3 billion at July 30, 2010. As of July 29, 2011 and July 30, 2010, we owned 89% and 88% of our stores, respectively, which includes stores on leased land.

Income Tax Provision - Our effective income tax rate was 37.5% and 37.6% for the three and six months ended July 29, 2011, respectively and 37.7% for the three and six months ended July 30, 2010. Our effective income tax rate was 37.7% for fiscal 2010.

COMPANY OUTLOOK

Third Quarter

As of August 15, 2011, the date of our second quarter 2011 earnings release, we expected total sales to increase approximately 2% and comparable store sales to be approximately flat. We expected average square footage growth of approximately 1.3%. Earnings before interest and taxes as a percentage of sales (operating margin) were expected to decrease 10 to 20 basis points, which included 20 to 30 basis points impact from additional expenses associated with seven stores that closed August 14, 2011. In addition, depreciation expense was expected to be approximately \$370 million. Diluted earnings per share of \$0.30 to \$0.33 were expected for the third quarter, which included \$0.01 to \$0.02 per share impact from additional expenses associated with the seven stores that closed on August 14, 2011. All comparisons are with the third quarter of fiscal 2010.

Fiscal 2011

As of August 15, 2011, the date of our second quarter 2011 earnings release, we expected total sales to increase approximately 2%, which included the 53rd week. The 53rd week was expected to increase total sales by approximately 1.4%. We expected comparable store sales to decline approximately 1%. We expected to open approximately 25 new stores during 2011, reflecting average square footage growth of approximately 1.3%. Earnings before interest and taxes as a percentage of sales (operating margin) were expected to decrease approximately 30 basis points, which included

approximately 25 basis points impact from impairment and store closing costs. In addition, depreciation expense was expected to be approximately \$1.5 billion. Diluted earnings per share of \$1.48 to \$1.54 were expected for 2011, which included approximately \$0.06 per share impact from impairment and store closing costs. All comparisons are with fiscal 2010, a 52-week year.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash flows from operating activities continued to provide the primary source of our liquidity. The increase in net cash provided by operating activities for the six months ended July 29, 2011 versus the six months ended July 30, 2010 was driven by changes in working capital, primarily related to accounts payable due to the timing of inventory purchases. The decrease in net cash used in investing activities for the six months ended July 29, 2011 versus the six months ended July 30, 2010 was driven by decreased net purchase activity related to investments offset partially by an increase in cash used for property acquired due to corporate systems and store information technology investments. Net cash used in financing activities for the six months ended July 29, 2011 was primarily driven by share repurchases of \$2.4 billion. Net cash used in financing activities for the six months ended July 30, 2010 was primarily attributable to share repurchases of \$1.0 billion, partially offset by the net of \$1.0 billion in proceeds from the issuance of notes in April 2010 and the repayment of \$500 million of notes that matured in June 2010.

Sources of Liquidity

In addition to our cash flows from operations, liquidity is provided by our short-term borrowing facilities. We have a \$1.75 billion senior credit facility that expires in June 2012. We expect to renew the senior credit facility prior to its expiration in June 2012. The senior credit facility supports our commercial paper program and has a \$500 million letter of credit sublimit. Amounts outstanding under letters of credit 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 July 29, 2011. Seventeen banking institutions are participating in the senior credit facility. As of July 29, 2011, there were no outstanding borrowings or letters of credit under the senior credit facility and no outstanding borrowings under the commercial paper program.

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 July 29, 2011, there were no outstanding borrowings under the C\$ 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 August 30, 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.

Debt Ratings	S&P	Moody's
--------------	-----	---------

Commercial Paper	A1	P1
Senior Debt	A	A1
Outlook	Stable	Negative

We believe that net cash provided by operating and financing activities will be adequate for our expansion plans and for 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 expenditures forecast is approximately \$2.1 billion, inclusive of approximately \$100 million of lease commitments, resulting in planned net cash outflow of \$2.0 billion. Approximately 35% of the planned net cash outflow is for store expansion. Our expansion plans for 2011 consist of approximately 25 new stores and are expected to increase average sales floor square footage by approximately 1.3%. Further, approximately 95% 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.

Debt and Capital

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. During the six months ended July 29, 2011, the Company utilized the remaining authorization existing under the share repurchase program. On August 19, 2011, the Company's Board of Directors authorized an additional \$5.0 billion of share repurchases with no expiration. The share repurchase program is further described in Note 7 to the consolidated financial statements (unaudited) and Item 2 of Form 10-Q included herein.

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

There have been no material changes to our contractual obligations and commercial commitments outside the ordinary course of business since the end of 2010. Refer to the Annual Report for additional information regarding our contractual obligations and commercial commitments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1 to the consolidated financial statements presented in the Annual Report. Our critical accounting policies and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report. Our significant and critical accounting policies have not changed significantly since the filing of our Annual Report.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). Statements of the company's expectations for sales growth, comparable store sales, earnings and performance, capital expenditures, store openings, the housing market, the home improvement industry, demand

for services, share repurchases and any statement of an assumption underlying any of the foregoing, constitute "forward-looking statements" under the Act. Such forward-looking statements are found in, among other places, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Statements containing words such as "expects," "plans," "strategy," "projects," "believes," "opportunity," "anticipates," "desires," and similar expressions are intended to highlight or indicate "forward-looking statements." Although the company believes that the expectations, opinions, projections, and

comments reflected in its forward-looking statements are reasonable, it can give no assurance that such statements will prove to be correct. A wide variety of potential risks, uncertainties, and other factors could materially affect our ability to achieve the results expressed or implied by our forward-looking statements including, but not limited to, changes in general economic conditions, such as continued high rates of unemployment, interest rate and currency fluctuations, higher fuel and other energy costs, slower growth in personal income, changes in consumer spending, changes in the rate of housing turnover, the availability and increasing regulation of consumer credit and of mortgage financing, inflation or deflation of commodity prices and other factors which can negatively affect our customers, as well as our ability to: (i) respond to adverse trends in the housing industry, such as the psychological effects of falling home prices, and in the level of repairs, remodeling, and additions to existing homes, as well as a general reduction in commercial building activity; (ii) secure, develop, and otherwise implement new technologies and processes designed to enhance our efficiency and competitiveness; (iii) attract, train, and retain highly-qualified associates; (iv) locate, secure, and successfully develop new sites for store development particularly in major metropolitan markets; (v) respond to fluctuations in the prices and availability of services, supplies, and products; (vi) respond to the growth and impact of competition; (vii) address changes in existing or new laws or regulations that affect consumer credit, employment/labor, trade, product safety, transportation/logistics, energy costs, health care, tax or environmental issues; and (viii) respond to unanticipated weather conditions that could adversely affect sales. In addition, we could experience additional impairment losses 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. For more information about these and other risks and uncertainties that we are exposed to, you should read the "Risk Factors" and "Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K to the United States Securities and Exchange Commission (the "SEC") and the description of material changes, if any, therein included in our Quarterly Reports on Form 10-Q.

The forward-looking statements contained in this Form 10-Q are based upon data available as of the date of this report or other specified date and speak only as of such date. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf about any of the matters covered in this report are qualified by these cautionary statements and in the "Risk Factors" included in our Annual Report on Form 10-K to the SEC and the description of material changes, if any, therein included in our Quarterly Reports on Form 10-Q. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, change in circumstances, future events, or otherwise.

Item 3. - Quantitative and Qualitative Disclosures about Market Risk

The Company's market risk has not changed materially from that disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2011.

Item 4. - 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 July 29, 2011, 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.

In addition, no change in the Company's internal control over financial reporting occurred during the quarter ended July 29, 2011, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

Part II – OTHER INFORMATION

Item 1A. - Risk Factors

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2011.

Item 2. – Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

(In millions, except average price paid per share)	Total Number of Shares Purchased 1	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs 2
April 30, 2011 – May 27, 2011	16.3	\$ 24.51	16.3	\$ 1,000
May 28, 2011 – July 1, 2011	43.5	23.07	43.4	-
July 2, 2011 – July 29, 2011	-	-	-	-
As of July 29, 2011	59.8	\$ 23.46	59.7	\$ -

1 During the second quarter of fiscal 2011, the Company repurchased an aggregate of 59.8 million shares of its common stock. The total number of shares purchased includes 0.1 million shares repurchased from employees to satisfy either the exercise price of stock options or the statutory withholding tax liability upon the vesting of restricted share-based awards.

2 Authorization for up to \$5.0 billion of share repurchases with no expiration was approved on January 29, 2010 by the Company's Board of Directors. During the three months ended July 29, 2011, the Company utilized the remaining authorization under the share repurchase program. On August 19, 2011, the Company's Board of Directors authorized an additional \$5.0 billion of share repurchases with no expiration.

Table of Contents

Item 6 - Exhibits

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		Filing Date
			File No.	Exhibit(s)	
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
10.1	Amendment No. 8 to the Lowe's Companies, Inc. 401(k) Plan.*‡				
12.1	Statement Re Computation of Ratio of Earnings to Fixed Charges.‡				
15.1	Deloitte & Touche LLP Letter Re Unaudited Interim Financial Information.‡				
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.†				
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.†

101.LAB XBRL Taxonomy Extension Label
Linkbase Document.‡

101.PRE XBRL Taxonomy Extension
Presentation Linkbase Document.‡

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

‡Filed herewith.

†Furnished herewith.

Table of Contents

SIGNATURE

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.

August 30, 2011
Date

/s/ Matthew V. Hollifield
Matthew V. Hollifield
Senior Vice President and Chief Accounting
Officer

