RadioShack®

Where America gets Connected

Tandy Corporation 1999 Annual Report

"You've got questions. We've got answers."

of our brand positioning. For over 78 years, RadioShack has *demystified* technology and helped *accelerate* the adoption of new technologies…from the early days of crystal radio to hi-fi to CBs to PCs to wireless phones.

Today, communications, computers, entertainment and the Internet are all rapidly converging at RadioShack's 7,186 stores and dealers nationwide. We are uniquely positioned to not only connect *things* and *people*, but *places* as well. And as always, we proudly hold the distinction of having the right products, people, partners, services *and* the right answers that America trusts for one-stop shopping conv

RadioShack: Where America Gets Connected.

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Statements made in this annual report which are forward-looking statements involve risks and uncertainties and are indicated by words such as "anticipated," "could," "growth," "expect," "will," "positioned," "goals" and other similar words or phrases. These uncertainties include, but are not limited to, economic conditions, product demand, competitive products and pricing, availability of products, the regulatory environment, inability to implement and execute strategic alliances and collect the anticipated level of residuals and other risks indicated in filings with the Securities and Exchange Commission such as Tandy's most recent Form 10-K and 10-Q.

Financial Highlights

(In millions, except per share amounts and ratios)	**1999**	1998	1997
Net sales and operating revenues			
As reported	**$ 4,126.2**	$ 4,787.9	$ 5,372.2
For ongoing operations[1]	**$ 4,126.2**[2]	$ 3,591.2[3]	$ 3,303.9[4]
Net income			
As reported	**$ 297.9**	$ 61.3	$ 186.9
For ongoing operations[1]	**$ 303.8**[2]	$ 245.2[3]	$ 214.7[4]
Net income available per common share:			
Basic:			
As reported	**$ 1.51**	$ 0.28	$ 0.84
For ongoing operations[1]	**$ 1.54**[2]	$ 1.19[3]	$ 0.97[4]
Diluted:			
As reported	**$ 1.43**	$ 0.27	$ 0.82
For ongoing operations[1]	**$ 1.46**[2]	$ 1.14[3]	$ 0.94[4]
Cash flow from operations	**$ 561.6**	$ 414.8	$ 320.3
Total assets	**$ 2,142.0**	$ 1,993.6	$ 2,317.5
Total debt	**$ 508.3**	$ 468.3	$ 535.6
Stockholders' equity	**$ 830.7**	$ 848.2	$ 1,058.6
Common shares outstanding at year end	**190.7**	194.9	204.6
Total debt as a percentage of total capitalization	**38.0%**	35.6%	33.6%
Return on average stockholders' equity for ongoing operations[1]	**33.1%**[2]	23.6%[3]	16.1%[4]

Share amounts are adjusted to reflect the two-for-one stock split, payable on June 21, 1999.

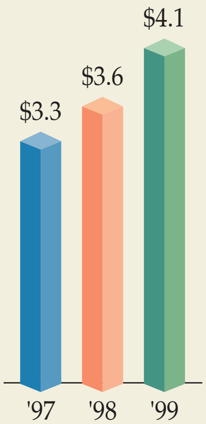
[1] Ongoing operations consists of the RadioShack division, including RadioShack.com, the retail division's support operations and corporate administrative units.

[2] 1999 ongoing operations excludes provisions related to restricted stock awards.

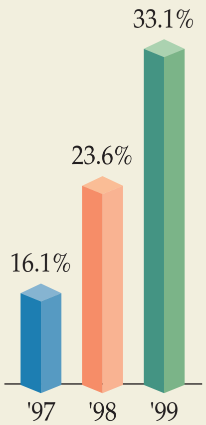
[3] 1998 ongoing operations excludes provisions related to restricted stock awards and loss on sale of Computer City, as well as Computer City operating losses and other divested business writedowns.

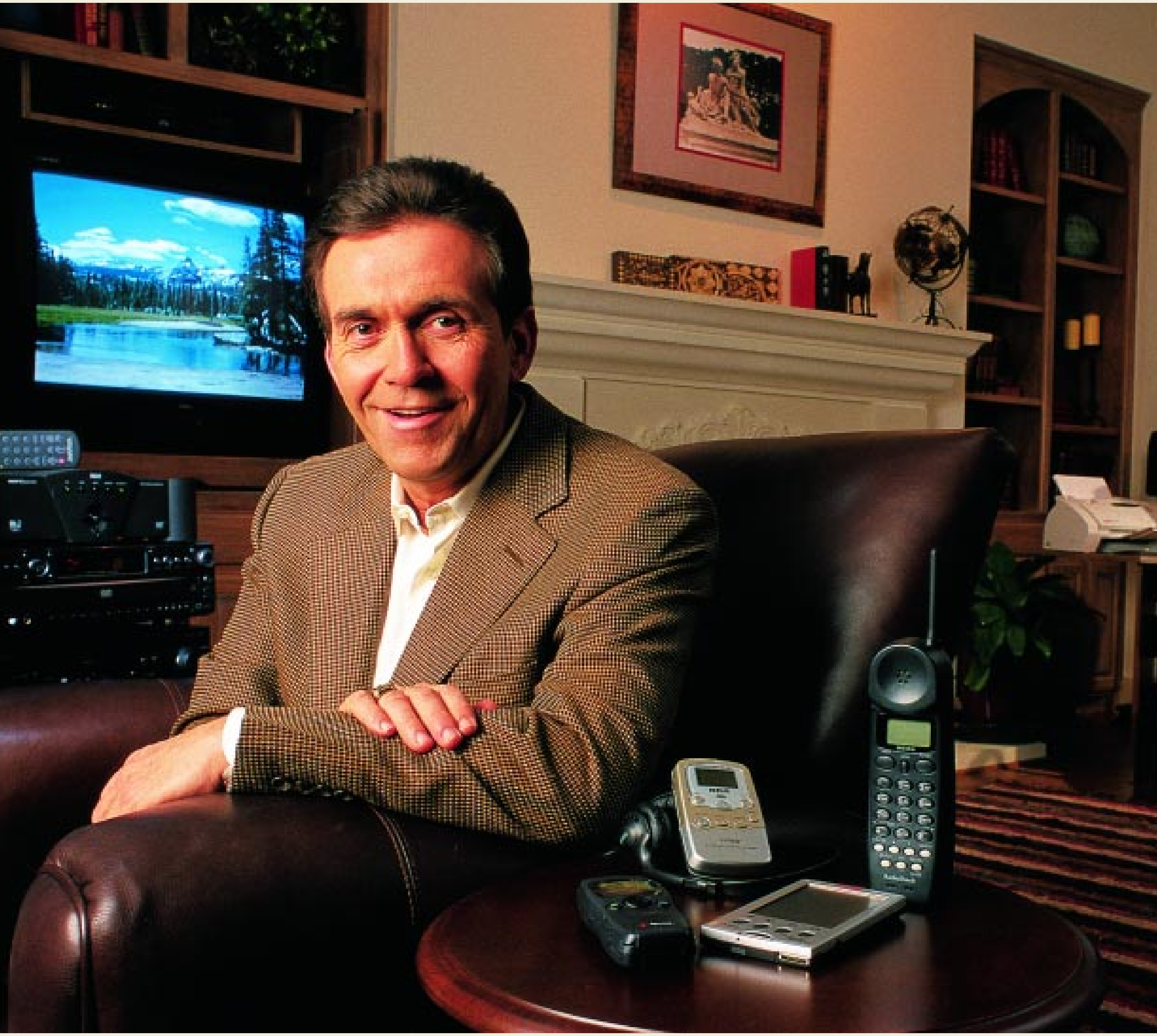
[4] 1997 ongoing operations excludes operating losses associated with Computer City and other charges for operations divested after 1997.

Net Sales and Operating Revenues
For Ongoing Operations
(In billions)



Return on Equity
For Ongoing Operations





Leonard H. Roberts *Chairman, President and Chief Executive Officer Tandy Corporation/RadioShack*

Dear Fellow Shareholders

Last year we achieved not only $4.1 billion in sales, RadioShack's strongest year in history, we also made extraordinary progress in the development of our home connectivity strategy. This strategy is based upon what we believe to be the greatest technological revolution since the microchip, one that is already bringing exciting products and services like digital television, WebTV, personal video recorders and DVD into the home.

Our future strategies will be built on top of our truly outstanding performance this past year. In 1999, we posted 11 out of 12 months of double-digit all-store sales gains. And we achieved four consecutive quarters of double-digit gains, resulting in a complete year of double-digit growth.

These results are consistent with our repositioning of RadioShack into a powerful growth vehicle with three core business anchors: parts and accessories, telecommunications and our newest, home connectivity.

Our original plans called for growing sales by mid to upper single digits and earnings per share (EPS) by 18-22%. In 1998, RadioShack increased its all-store sales by 9% and EPS for ongoing operations increased by 21%. Last year, we grew sales by 15% and EPS for ongoing operations by 28%.

In 1999, we also delivered an increased operating margin from ongoing operations of 12.3%. And our return on equity of 33% marked the third consecutive year of increases for ongoing operations. We're confident that our business strategy will continue delivering industry-leading performance in the years to come.

Our store and retail-support teams continue to perform at an industry-leading pace. In direct-to-home satellite, unit sales increased 75% over the prior year. We believe recent legislation permitting satellite reception of local stations as well as added technological enhancements will only further the desirability of this product.

We also continue to lead the market in wireless phones, with 3.3 million units sold in 1999, an increase of 50% over 1998. Looking forward, demand is still strong, especially for new web-enabled phones that offer portable and wireless Internet access.

Tandy/RadioShack Executive Management Team

(left to right, seated):
Leonard Roberts, Chairman, President & CEO; Evelyn Follit, Senior Vice President & Chief Information Officer; Mark Hill, Senior Vice President, General Counsel & Corporate Secretary; David Christopher, Executive Vice President;
(left to right, standing):
David Edmondson, Executive Vice President & Chief Operating Officer, RadioShack Division; Francesca Spinelli, Senior Vice President, People; Dwain Hughes, Senior Vice President & Chief Financial Officer; Laura Moore, Vice President, Public Relations & Corporate Communications.

Satellite programming, as well as service for pagers, cellular and PCS phones, Internet access and long distance, all generate recurring profits that continue for the life of the customer's subscription, often several years. These services are key to our customer acquisition engine that is already nearly 5 million subscribers strong.

In 1999, we earned $63 million in recurring profits, an 85% increase over last year's $34 million, right in line with our projections. With the programs we have planned for 2000, we expect recurring profits to increase to $92-$102 million.

Currently, the majority of our recurring profit is derived from wireless services, but the biggest opportunity ahead of us lies in the Internet. This is where our home connectivity strategy excels, as it addresses everything related to a digital future: Internet service; Internet access, both "dial up" narrowband and high-speed broadband transport systems; digital audio/video home entertainment products and services; so called "appliances" driven by Internet connections; and convenient installation services.

And as the traditional retail model shifts to one based on supply chains, RadioShack already has one of the most coveted channels in existence. In fact, some of the most well known, most respected companies in the world have joined with us to make RadioShack ... America's Home Connectivity Store.

Companies like Sprint, Compaq, RCA and Microsoft realize that RadioShack is uniquely positioned for the future with an unparalleled geographic distribution channel, a knowledgeable, trusted staff and professional installation capabilities. Our alliances also have significant impact on RadioShack's operations, as discussed later in our Financial Strategy.

Our alliance with Microsoft goes far beyond our ability to sell Microsoft Internet Access, although this one area alone will have a dramatic impact on our recurring profit model well into the year 2001 and beyond. To showcase the latest developments in the greatest product revolution ever, Microsoft is committed to building a Microsoft Internet Center @ RadioShack in each of our company-owned stores by the end of the year. And with their equity investment in RadioShack.com, we expect to have the premier electronics website by the third quarter of 2000. RadioShack.com will extend our reach to new customers and will also actively target a source of increasing revenues, business-to-business commerce.

In 1999, we selected Thomson/RCA as our strategic ally for digital audio/video components and by year's end this renowned brand breathed new life into this important category. During the first half of this year, RCA will build a store-within-a-store in every company-owned RadioShack.

Our alliance with NorthPoint Communications will help lead to high-speed Internet access throughout our store network in the second half of the year. Ultimately, broadband service of all kinds, including DSL, satellite, cable and fixed wireless, will allow our customers to experience an "always on" Internet at incredible speeds.

With our acquisition of AmeriLink, we will meet the increasing demand for setting up high-speed Internet connections, home entertainment systems, phone lines—in essence, connecting all of the technologies and services we offer. Already, AmeriLink's RadioShack Installation Services (RSIS) division is at work installing satellite systems for our customers. By the second half of 2000, RSIS will be available in most of our stores nationwide.

Clearly, the pieces are in place for continual, consistent and profitable growth with only minimal dilution of capital or management. With core businesses in three key areas, a powerful, emerging web presence and our current and future alliance partners, we are highly relevant to today's—and tomorrow's—consumer.

Financially, our recurring profit model and our strategic alliances will help us increase operating margins, improve return on capital and maximize our cash flow. We have not veered from our integrated strategy and we remain focused on leading our industry in shareholder return.

Our growth strategy is all about leveraging RadioShack's traditional strengths: our existing brand, our unmatched distribution and our database marketing. But it is also about leveraging our growing proficiency in acquiring and retaining service customers (subscribers) to drive our recurring profits, and leverage our powerful strategic alliances with the uniqueness of our business model.

In essence, our strategy goes beyond being the best of the best in the retail segment. It is all about being the only retailer that can do what we do.

I hope you'll visit your neighborhood RadioShack throughout the year to sense our excitement: We are entering the new millennium positioned to capitalize on revolutionary times…the dawn of home connectivity.

Sincerely,

Leonard H. Roberts
Chairman, President and Chief Executive Officer
Tandy Corporation/RadioShack

RadioShack Division
Senior Management Team

(left to right):
David Johnson, Senior Vice President & Controller; Lou Provost, Senior Vice President, Retail Operations; Richard Borinstein, Senior Vice President, Merchandising; Leonard Clegg, Senior Vice President & General Manager, Dealer/Franchise; David Edmondson, Executive Vice President & Chief Operating Officer; Jim McDonald, Senior Vice President, Marketing & Advertising; Mark Stanley, Senior Vice President, Strategic Development.

We're plugged into the Future

…and getting results along the way. While RadioShack is becoming a powerful force in the home connectivity market, we are already uniquely positioned in the retail industry. With 7,186 stores and dealers nationwide, it is estimated that 94% of all Americans live or work within five minutes of a RadioShack.

On average, over 1,000,000 people visit our stores every day. That has a lot to do with our key asset and coveted core competency: a well-trained sales force that's relied on to have all the "answers" about all kinds of electronics.

Of course, having "the right stuff" is a hallmark of RadioShack. In fact, our parts, accessories and batteries have long comprised our anchor category…the business of *connecting things*.

This category is a strong generator of cash flow and profits, but is also important because of the traffic it generates …and thus, the opportunity to introduce customers to our other products and services.

Such is the case with telecommunications. Whether phone accessories create telephone sales or phone sales generate accessory sales doesn't matter—for RadioShack, it's a win-win position we've been in for decades.

Telecommunications is about *connecting people*, and with the growth of wireless communications—cellular and PCS—this category quickly grew during the '90s into our second anchor.

Telecommunications will continue to drive our sales, as wireless communications is still growing, still evolving. For example, mobile service is expanding into stationary or "fixed" wireless service that could supplement or perhaps supplant traditional wired phone service.

RadioShack at a Glance

Number of locations: 7,186
(5,087 company owned)

Average Store Size: 2,300 sq. ft.

Items in inventory: 3,800

Core Businesses:
Connecting Things...
Parts/Accessories/Batteries

Connecting People...
Telecommunications

Connecting Places...
Home Connectivity (Planned)

And the lines are blurring quickly as digital technologies converge. Digital wireless phones are no longer just for taking calls. New web phones are also providing access to the Internet for instant information.

In fact, the need—and desire—for the Internet and other digital media is becoming so pervasive, it is creating yet another huge opportunity for RadioShack. Wiring or beaming such services into the home is the business of *connecting places*, and its influences are far-reaching.

Even television is going digital. RadioShack has long been a leading source for the digital clarity of RCA satellite TV. By mid-year, The RCA Digital Entertainment Center at RadioShack will complement the clear picture with a compelling new line of RCA audio/video equipment. And along with DVD players and new personal video recorders that let you “pause” live shows, RadioShack will offer RCA’s top-of-the-line digital high-resolution monitor/TV that provides outstanding picture quality from any source, including your computer or, with WebTV, directly from the Internet.

It is clear that the Internet is an integral element of almost all future technology in the home. With Microsoft Internet Access, RadioShack is ready to succeed in ISP (Internet Service Provider) sales just as we have succeeded with Sprint Long Distance.

By the third quarter, when The Microsoft Internet Center @ RadioShack is unveiled in most RadioShack outlets nationwide, MSN™ will be available along with other leading-edge Microsoft products, providing one-stop shopping convenience. And with high-speed broadband access available via NorthPoint Communications’ DSL service, cable modems, two-way satellite and fixed wireless, RadioShack will become…

America’s Home Connectivity Store.

Connecting things will always require the myriad selection of hard-to-find parts that has been RadioShack’s anchor business for decades.

Connecting people with telecommunications products and services has grown into and will remain a core business in and unto itself.

Connecting places via the Internet and other digital media is quickly evolving into RadioShack’s third core business, home connectivity.

We've got all the right Connections

…that's why America is so at home with RadioShack. Just as we have been relied upon to have the cables and connectors, plugs and jacks to *make* the connections, we are now relied upon to *get* connected with the top names in entertainment programming, communications services and Internet access.

While we will continue to sell products, a new business model, one of *acquiring subscribers*, is the order of the day. We have combined these two business categories—products and services—into an integrated strategy that is destined to make RadioShack America's Home Connectivity Store.

This strategy uses our current businesses as its foundation. These include our core businesses of parts/accessories/batteries and telecommunications, and our computer business that, due to its low profit structure, is maintained at about 10% of our overall product mix.

Our strategy is also founded on a strong relationship with our customers, maintained through our marketing database and credit and repair programs. Continual sales training and leadership programs are also integral to our ongoing success.

In 1999, we enhanced our current business through an alliance with Thomson/RCA. RCA digital audio/video products are replacing our Optimus brand and in mid-2000 we'll nationally launch the RCA Digital Entertainment Center at RadioShack, our third store-within-a-store concept.

The next layer of our strategy is enabling technology and systems. In order to demonstrate and sell high-speed Internet service to our customers, most stores will be equipped with high-speed broadband such as NorthPoint Communications' DSL service by August.

RadioShack at a Glance

Product/Service Mix	
Communications	*29%*
Parts/Accessories/Batteries	*27%*
Audio/Video	*17%*
Personal Electronics	*9%*
Computers	*9%*
Recurring Profits/Services	*9%*

Strategic Alliances	
Telecommunications	*Sprint*
Computers	*Compaq*
Audio/Video	*RCA*
High-Speed DSL Service	*NorthPoint Communications*
Internet Technologies	*Microsoft*

Besides creating sales, broadband will provide access to RadioShack Online, our store *intranet*. RadioShack Online lets our sales team retrieve answers about increasingly technical subjects directly from our massive, centralized database.

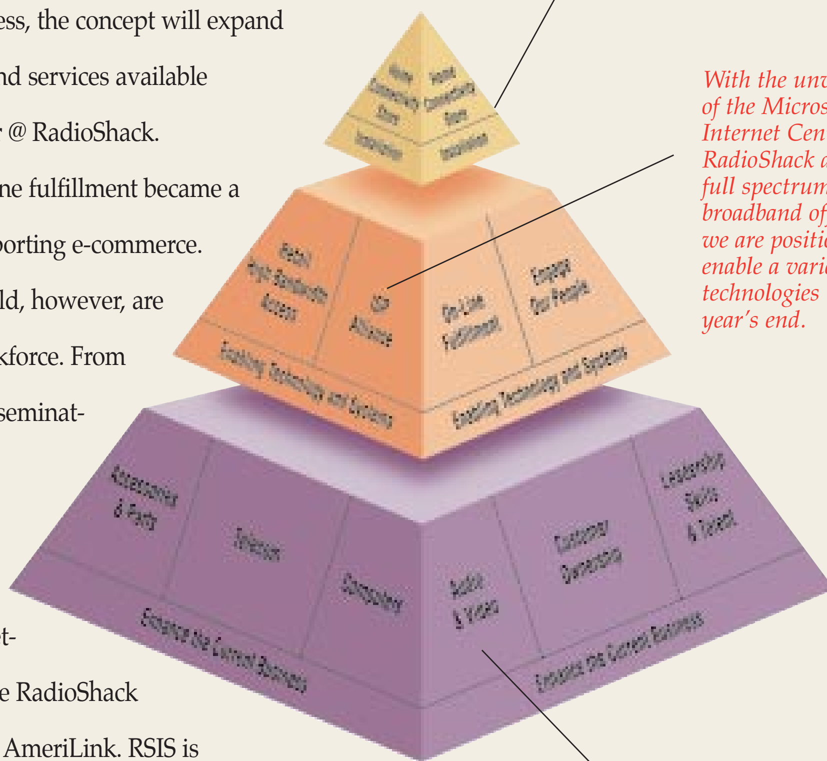
And while our strategy called for an Internet Service Provider, we selected Microsoft because they are both an ISP and a true *connectivity* partner. While we have initially begun the alliance selling Microsoft Internet Access, the concept will expand in August to include other products and services available through The Microsoft Internet Center @ RadioShack.

In the fourth quarter of 1999, online fulfillment became a reality as RadioShack.com began supporting e-commerce.

All of the technologies in the world, however, are meaningless without an engaged workforce. From relaxed dress guidelines to widely disseminated stock options, we are continuing to work diligently to attract and retain a dedicated team.

Our integrated strategy is completed by the installation capabilities of the RadioShack Installation Services (RSIS) division of AmeriLink. RSIS is cabling our store infrastructure in order for our stores to demonstrate and sell Internet products and services and to provide the path for the RadioShack Online network. By gearing up to support over 5,000 company-owned stores, RSIS will be perfectly positioned to service the multitude of customers who are shifting in attitude from "do it yourself" to "do it for me."

With these pieces in place, RadioShack is advancing in its integrated strategy and will continue to maintain its focus in order to achieve the ultimate goal of becoming America's Home Connectivity Store. But, as we have seen so far, even the journey itself can be incredibly rewarding.

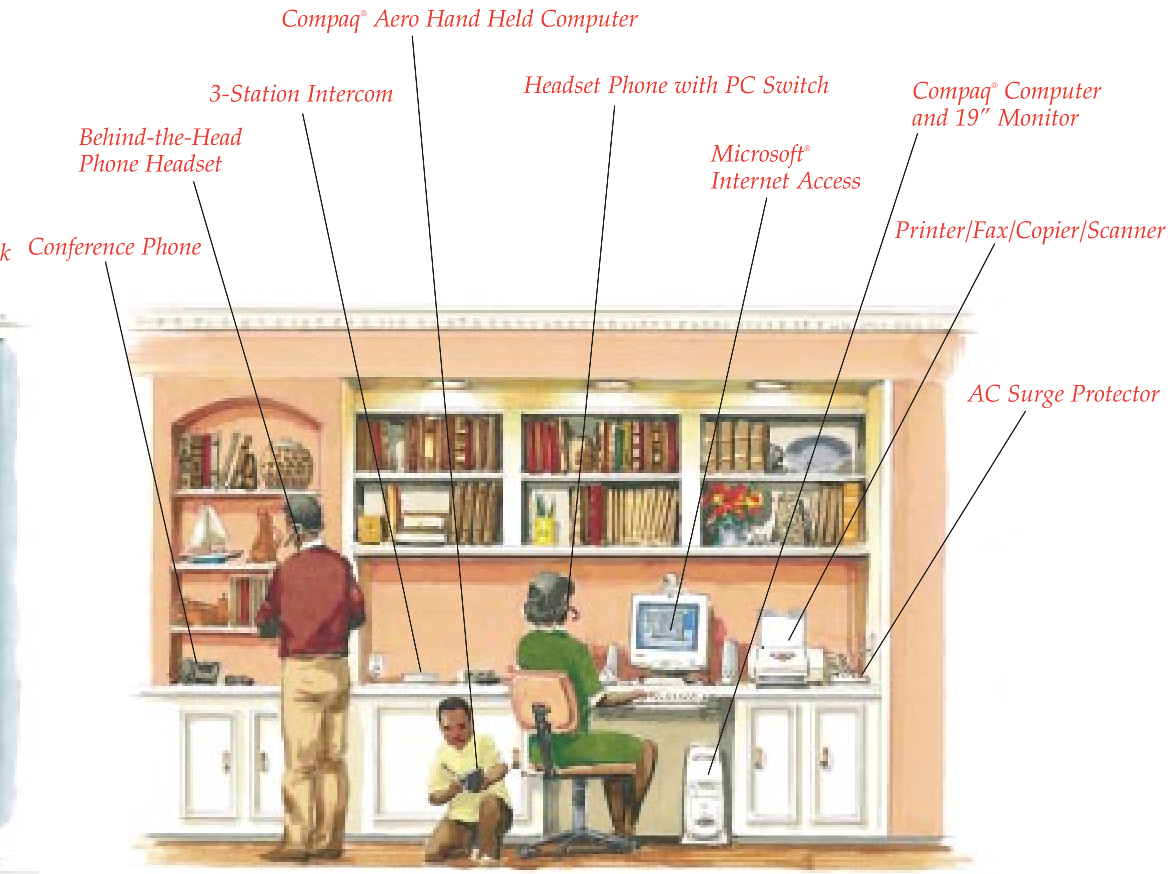


Within the next three years, nationwide, full-service installation will distinguish RadioShack as America's Home Connectivity Store.

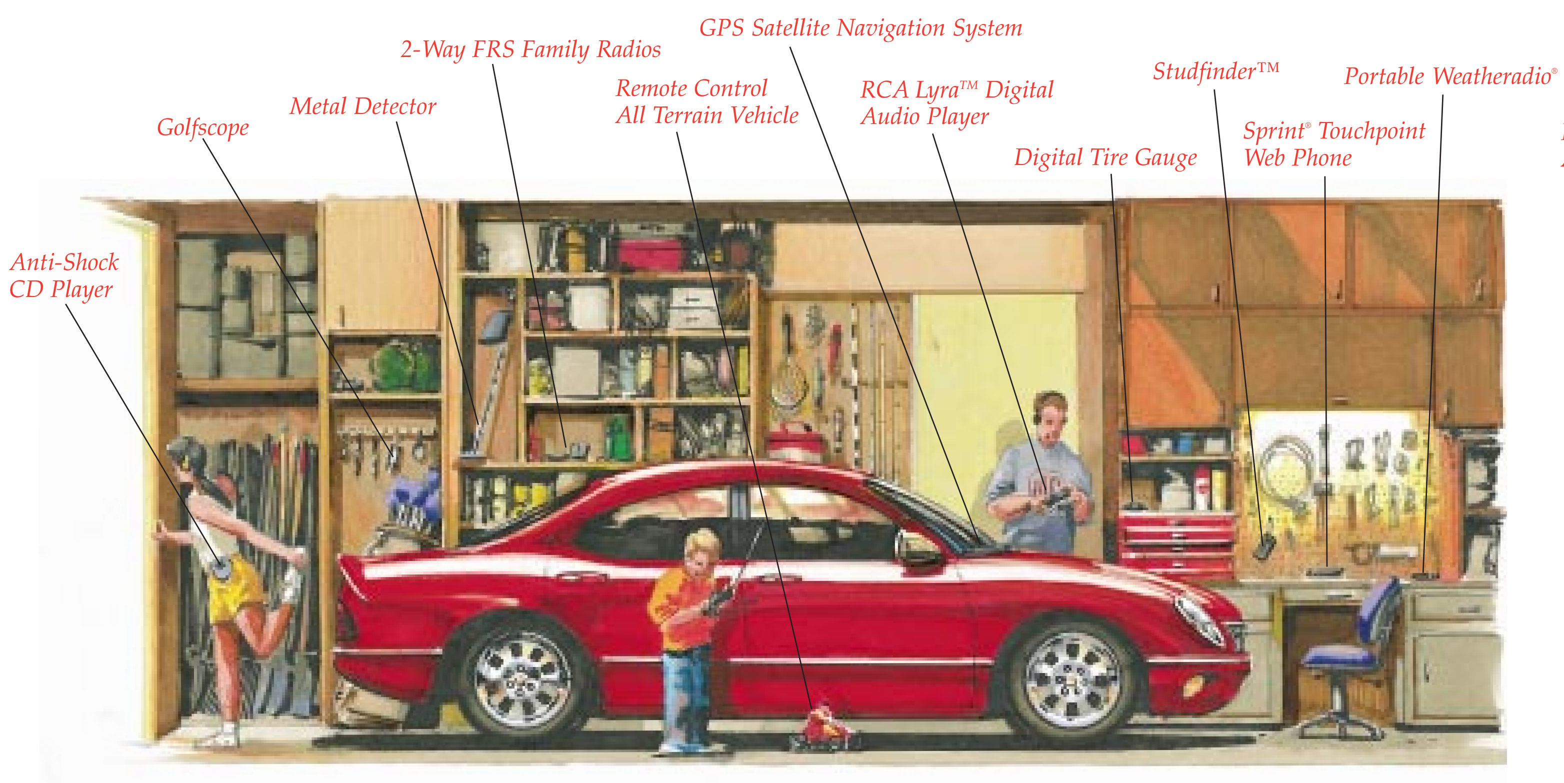
With the unveiling of the Microsoft Internet Center @ RadioShack and a full spectrum of broadband offerings, we are positioned to enable a variety of technologies by year's end.

The foundation of our integrated strategy was completed in 1999 with the addition of RCA as our digital audio/video strategic alliance.

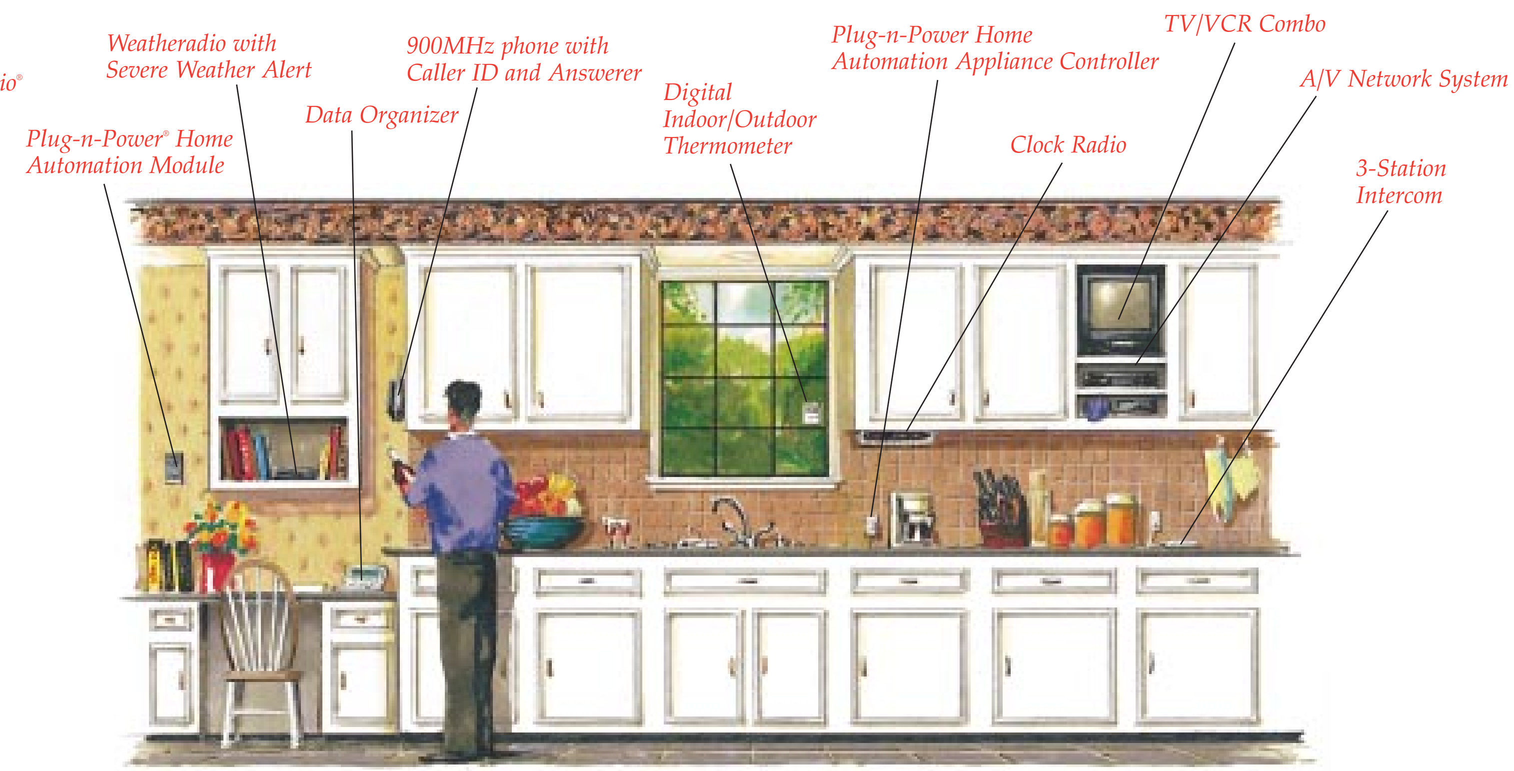
THE LIVING ROOM



THE HOME OFFICE / STUDY



THE GARAGE / WORKSHOP



THE KITCHEN

Clicks & Mortar Strategy

… around the corner, around the clock, and in the home. This is the convenience that RadioShack can provide like no other retailer.

You see, our stores are five minutes from where most Americans live or work. Our website, RadioShack.com, is ready to shop twenty-four hours a day, seven days a week. And with RadioShack Installation Services, we bring friendly, knowledgeable service right to our customer's front door.

Our ubiquitous presence allows us to engage the customer whenever, wherever and however they wish to buy. For example, RadioShack.com is the only website with 7,186 *real* sites located "around the corner," nationwide.

Because RadioShack.com complements rather than competes with our stores, our website will help drive store sales. A visit to our site will show that we actively encourage our online customers to use our stores for refunds, exchanges and repairs.

In the store, RadioShack.com allows our sales team to access "niche" products and other solutions needed to make additional sales. Plus, customers are already coming in and purchasing "off-the-shelf" items using pre-printed shopping lists and coupons downloaded directly from RadioShack.com.

Updated last fall, RadioShack.com will undergo even more redesigns beginning this summer. And while Microsoft will help build RadioShack.com into a leading Internet store, our web presence will remain true to our brand positioning, providing online answers to our customers' questions, anytime, anywhere.

RadioShack at a Glance

Around the corner:
7,186 locations
3,800+ items stocked

Around the clock:
24/7 retail website
100,000 items (projected)

In the home:
76 installation offices…
26 states…
…and growing
(as of 12/31/99)

RadioShack.com will complement our store strategy "around the clock" by expanding the assortment with up to 100,000 items within the next year. Already our website features nearly 7 times the items carried in our stores.

Furthermore, RadioShack.com will extend our reach to new target audiences:

• We will reach businesses that need a greater level of account service than we can offer in our stores. We believe business-to-business transaction volume could very well surpass our online consumer transactions.

• We will reach more women, who have demonstrated an affinity for purchasing online.

• We also have an opportunity to reach the mid-teens to mid-twenties generation who have an affinity for *anything* Internet-related.

Of course, RadioShack will always be relied upon for having all of the plugs, cables and connectors needed to make things work. But as technology becomes increasingly complex, making things work *right* will be a daunting task for a society growing weary of "doing it yourself."

"In the home" is exactly where RadioShack Installation Services (RSIS) comes to the rescue. From satellite TV setup to installing a phone jack, RSIS will be there for those customers who want to enjoy the benefits of technology without the bother of making every last connection.

As we grow RSIS to meet demand, our fleet of vans will become more and more visible in neighborhoods across the country. We will actually leverage our trusted brand name and consumer confidence right into our customer's home. Installers will be able to make additional sales in the customer's home if once on site the customer desires, for example, an extra phone jack or a new antenna.

In our stores, at our website and even in homes across the country, we will continue to deliver on our promise to demystify technology as we deliver the *total* connectivity solution.

Channel Dominance

RadioShack's geographic distribution channel is one of our core strengths, unmatched by any other electronics retailer and only a few chains in *any* category. Nearly half of our locations are outside the top 40 Dominant Marketing Areas.

DMA	Stores and Dealers
1. New York, NY	364
2. Los Angeles, CA	298
3. Chicago, IL	175
4. Philadelphia, PA	172
5. San Fransisco, CA	138
6. Boston	135
7. Dallas-Fort Worth, TX	145
8. Washington, DC	134
9. Detroit, MI	88
10. Atlanta, GA	111
11. Houston, TX	120
12. Seattle-Tacoma, WA	101
13. Tampa-St. Petersberg, FL	83
14. Minneapolis-St. Paul, MN	102
15. Cleveland, OH	98
16. Miami-Ft. Lauderdale, FL	89
17. Pheonix, AZ	88
18. Denver, CO	107
19. Sacramento-Stockton, CA	76
20. Pittsburgh, PA	75
21. St. Louis, MO	70
22. Orlando-Daytona Beach, FL	71
23. Portland, OR	67
24. Baltimore, MD	51
25. San Diego, CA	54
26. Indianapolis, IN	61
27. Hartford-New Haven, CT	64
28. Charlotte, NC	53
29. Raleigh-Durham, NC	53
30. Nashville, TN	54
31. Kansas City, MO	58
32. Cincinnati, OH	54
33. Milwaukee, WI	42
34. Columbus, OH	49
35. Greenville-Spartanburg, SC	54
36. Salt Lake City, UT	69
37. San Antonio, TX	51
38. Grand Rapids, MI	50
39. Birmingham, AL	36
40. Memphis, TN	43
Total, Top 40 Markets	**3,803**

RadioShack.com is open for business around the clock. A powerful search engine makes it easy to find—and purchase—unique specialty items. Coupons can also be downloaded for purchases at any nearby location.

As one of our anchor businesses, we are known for having not just phones, but phone services (wireless and long distance) and all of the accessories that are in reality…necessities.

Digital technology is recreating home entertainment. Our new line of RCA audio/video components showcase the digital difference from sources like CDs and DVD and from services like DIRECTV satellite and the Internet.

Our line of Compaq computers features Internet access with a single keystroke. And only RadioShack offers the Compaq Creative Learning Series, which allows families to choose from a variety of included software.

Parts and accessories account for about 80% of the items sold at RadioShack. Our customers rely on us for the items they can't find elsewhere, and we welcome the opportunity to introduce them to our other products and services.

Our PowerZone offers one of the most comprehensive selection of batteries anywhere, side by side with adapters and the other electrical accessories that, along with parts and accessories, comprise one of RadioShack's anchor business categories.

Independent studies find our sales staff to be knowledgeable and trustworthy—wonderful and rare traits in retailing. RadioShack Online will soon assist our team with answers to thousands of questions about our products and services—including installation.

RadioShack Installation Services completes any purchase with professional hook up and setup of everything from satellite service to Internet service. Connecting places brings it all together in the home, and represents our third anchor business: home connectivity.

Financial Strategy

Tandy/RadioShack is focused on leading its industry in shareholder return. In 1999 alone, Tandy's stock price increased 139% year-over-year, making Tandy one of the highest performing retail stocks in the nation. On top of this stock performance, we announced a 10% increase in our dividend in October, to an annual amount of 22 cents per share. In 1999, we used excess free cash flow to opportunistically repurchase outstanding Tandy shares from the open market and we expect to continue repurchasing shares in 2000 based on market conditions.

Our financial goals are to further improve our return on equity and to improve our return on invested capital (debt plus equity). These metrics are simply measures of financial efficiency; they compare the amount of equity and capital that must be employed to generate the income achieved. Our shareholders, as owners of the company, look to us to prudently manage the assets, liabilities, income and cash flows of Tandy in such a way that income and returns are maximized over time. Our recent track record has yielded strong financial operating results. On an ongoing operations basis, Tandy generated a return on equity in 1999 of 33% and a return on invested capital of 22%, the third consecutive year of increase for each measure. Expected improvements in our future operating results will further enhance these ratios.

Over the past few years, RadioShack has entered into multiple strategic alliances with companies like Sprint, Compaq, Thomson/RCA and Microsoft. While these alliances were developed for strategic operations, the financial aspects of each alliance was structured to achieve our financial objectives.

Inventory -- Our largest financial asset is inventory and both the RCA and Compaq alliances increase both asset turnover and operating margins.

Store-within-a-store -- Our various alliances stipulate that our allies provide the capital to build their store within each RadioShack. With RadioShack's wide distribution, the benefits are obvious to our alliances. RadioShack in return keeps a portion of its distribution chain fresh with reduced investment, thus helping improve our return on assets.

Advertising support -- Advertising support from our alliances helps build store traffic where our trained and trusted sales staff can provide *answers* and ultimately sell more products and services. This increased sales activity with third party advertising support enhances operating margins for our company.

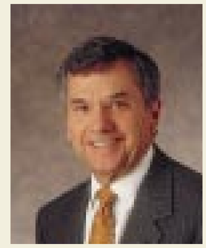
Recurring profits -- If available, recurring profit streams are a key motivation for our strategic relationships. At 100% gross margin and very little associated expense, this component greatly helps not only operating margins but also return on assets, because there are no incremental assets required.

As you can see, strategic allies help us grow profits while enhancing the efficient use of the company's capital resources. Tandy/RadioShack's strong annual cash flow provides management with the resources and capital needed to continue growing the business and maximizing our financial returns, ultimately bringing our shareholders enhanced value on their investment.

Board of Directors

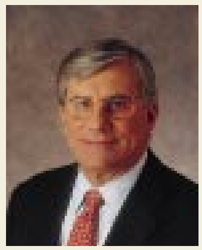
Frank J. Belatti
Chairman
AFC Enterprises, Inc.
Atlanta, Georgia
Member of Corporate Governance Committee

Jack L. Messman
President and CEO
Cambridge Technology Partners, Inc.
Cambridge, Massachusetts
Member of Audit and Compliance Committee
Member of Executive Committee
Member of Organizational and Compensation Committee



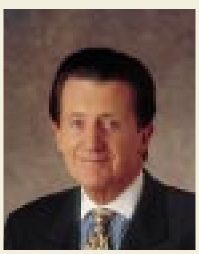
Alfred J. Stein
Consultant
San Jose, California
Member of Corporate Governance Committee
Member of Organizational and Compensation Committee

Ronald E. Elmquist
Chairman, CEO and President
Keystone Automotive, Inc.
Exeter, Pennsylvania
Member of Audit and Compliance Committee
Member of Executive Committee
Member of Corporate Governance Committee



William G. Morton, Jr.
Chairman and CEO
Boston Stock Exchange, Inc.
Boston, Massachusetts
Member of Executive Committee
Member of Organizational and Compensation Committee

William E. Tucker
Chancellor Emeritus
Texas Christian University
Fort Worth, Texas
Member of Corporate Governance Committee

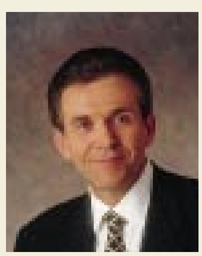


Robert Kamerschen
Chairman and CEO
DIMAC Holdings
Windsor, Connecticut
Member of Organizational and Compensation Committee

Thomas G. Plaskett
Chairman, President and CEO
Probex Corp., and Managing Director,
Fox Run Capital Associates
Irving, Texas
Member of Audit and Compliance Committee
Member of Corporate Governance Committee

Edwina D. Woodbury
President
The Chapel Hill Press, Inc.
Chapel Hill, North Carolina
Member of Audit and Compliance Committee
Member of Organizational and Compensation Committee

Lewis F. Kornfeld, Jr.
Retired Vice Chairman
Tandy Corporation
Fort Worth, Texas
Member of Executive Committee
Member of Corporate Governance Committee



Leonard H. Roberts
Chairman, President and CEO
Tandy Corporation and RadioShack
Member of Executive Committee

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David J. Edmondson .... Senior Vice President, Tandy Corporation; Executive Vice President and Chief Operating Officer, RadioShack
Evelyn V. Follit .... Senior Vice President and Chief Information Officer
Dwain H. Hughes .... Senior Vice President and Chief Financial Officer
Mark C. Hill .... Senior Vice President, Corporate Secretary and General Counsel
Laura K. Moore .... Vice President, Public Relations & Corporate Communications
Francesca M. Spinelli .... Senior Vice President, People

Corporate Officers

Mark W. Barfield .... Vice President Tax
George J. Berger .... Vice President Human Resources
Michele R. Dacus .... Assistant Corporate Treasurer
Jana R. Freundlich .... Vice President Employee Benefits
Carolyn G. Hoopes .... Assistant Corporate Secretary
Loren K. Jensen .... Vice President Finance
Martin O. Moad .... Vice President and Treasurer
Ronald L. Parrish .... Vice President Industry and Government Affairs
Robert M. McClure .... Senior Vice President Tandy Retail Services
Richard L. Ramsey .... Vice President and Controller

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Stewart Asimus .... Vice President Southeast Division, RadioShack
Clifford C. "Kip" Atfield .... Vice President RadioShack International
Charles Bixby .... Regional Vice President, AmeriLink
Robert Blair .... Vice President Business Development, RadioShack
Richard J. Borinstein .... Senior Vice President Merchandising, RadioShack
J. H. "Pete" Bradley .... Vice President and General Manager Tandy Credit
Donald Carpenter .... Vice President National Installation Network, AmeriLink
Joel R. Carter .... Vice President Marketing, RadioShack.com
Edmond Chan .... Vice President Tandy Electronics Asia Manufacturing, Tandy Retail Services
Chuck Chenault .... Vice President Finance and Administration and Controller, Tandy Information Services
Henry G. Chiarelli .... President, RadioShack.com
Leonard Clegg .... Senior Vice President and General Manager Dealer Franchise Division, RadioShack
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Maris Daugherty .... Vice President Relationship Marketing, RadioShack.com
Dennis Feeney .... Vice President Commercial Sales, RadioShack.com
Michael Furgeson .... Regional Vice President, AmeriLink
Robert I. Gellman .... Vice President Online Strategies, Tandy Information Services
Joseph Govern .... Senior Vice President Operations, AmeriLink
David Goyne .... Senior Vice President Operations, RadioShack.com
Arnold Grothues .... Vice President Legal Affairs, RadioShack.com
Joel Guskin .... Vice President Product Development, RadioShack
John Hamilton .... Vice President Strategic Alliances, RadioShack
Robert B. Horn .... Vice President Human Resources, AmeriLink
David P. Johnson .... Senior Vice President and Controller, RadioShack
Larry Kendall .... Vice President Sales, AmeriLink
Robert J. Kilinski .... Vice President Tandy Service, Tandy Retail Service
Linda Lambert .... Vice President Administrative Services, AmeriLink
Larry Linhart .... President, AmeriLink
Les Lotte .... Regional Vice President, AmeriLink
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David R. Martella .... Vice President Emerging Technologies and Strategic Development, RadioShack
F. J. "Mac" McClure .... Vice President and Controller, Tandy Retail Services
Joseph McCool .... Vice President Commercial Services, AmeriLink
Jim McDonald .... Senior Vice President Marketing and Advertising, RadioShack
Roger E. McInnis .... Vice President Tandy Electronics North American Manufacturing, Tandy Retail Services
Robert B. Miller .... Senior Vice President Merchandising, RadioShack.com
Matt Moriarty .... Vice President Loss Prevention and Security, RadioShack
Kenji A. Nishikawa .... Vice President Quality Assurance Center, RadioShack
Mark Olson .... Vice President Midwest Division, RadioShack
Steve Pappas .... Vice President Northeast Division, RadioShack
Stephen D. Penn .... Vice President and Divisional Merchandise Manager Telecommunications, RadioShack
Lou Provost .... Senior Vice President Retail Operations, RadioShack
Randy S. Ray .... Vice President and Controller, RadioShack.com
Mark E. Stanley .... Senior Vice President Strategic Development, Radio Shack
C.R. "Chuck" Thompson .... Vice President and General Merchandise Manager, RadioShack
Don L. Vietti .... Vice President Management Information Systems, Tandy Information Services
Craig A. Walter .... Vice President Western Division, RadioShack
June P. Wolff .... Vice President Merchandising Support, RadioShack
Mark M. Yamagata .... Executive Vice President, A & A International
Andrew B. Zeinfeld .... Vice President Real Estate Division

Financial Review

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Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A")

FACTORS THAT MAY AFFECT FUTURE RESULTS

With the exception of historical information, the matters discussed in MD&A contain forward-looking statements that involve various risks and uncertainties and are indicated by words such as "anticipates," "expects," "believes," "will," "should," "could," and similar words and phrases. Factors that could cause Tandy Corporation's ("Tandy" or the "Company") actual results to differ materially from management's projections, forecasts, estimates and expectations include, but are not limited to, the following:

- changes in the amount and degree of promotional intensity exerted by current competitors and potential new competition from both retail stores and alternative methods or channels of distribution, such as e-commerce and telephone shopping services and mail order;
- changes in general U.S. or regional U.S. economic conditions including, but not limited to, consumer credit availability, interest rates, inflation, personal discretionary spending levels and consumer sentiment about the economy in general;
- the inability to successfully implement, market and execute the RadioShack.com℠ website and its coordination with RadioShack retail outlets;
- the presence or absence of new services or products and product features in the merchandise categories RadioShack sells and changes in RadioShack's actual merchandise sales mix;
- the inability to negotiate profitable contracts or execute business plans with providers of such services as cellular and PCS telephones, direct-to-home satellite, Internet access and high-speed bandwidth;
- the inability to collect the level of anticipated residual revenues, commissions and bounties for products and services sold by RadioShack;
- the inability to successfully implement and execute Tandy's strategic alliances with Thomson Multimedia and/or Microsoft Corporation;
- lack of availability or access to sources of supply inventory (as a large importer of consumer electronic products from Asia, unfavorable trade imbalances could negatively affect Tandy);
- the inability to retain and grow an effective management team in a dynamic environment or changes in the cost or availability of a suitable work force to manage and support Tandy's service-driven operating strategies;
- the imposition of new restrictions or regulations regarding the sale of products and/or services Tandy sells or changes in tax rules and regulations applicable to Tandy;
- the inability to successfully coordinate AmeriLink Corporation and its operations with RadioShack; or
- the adoption rate and market demand for high speed Internet and other Internet-related services.

The United States retail industry and the specialty retail industry in particular are dynamic by nature and have undergone significant changes over the past several years. Tandy's ability to anticipate and successfully respond to continuing challenges is key to achieving its expectations.

STOCK SPLIT

On May 20, 1999, Tandy's Board of Directors declared a two-for-one split of Tandy common stock, payable on June 21, 1999. All references to the number of shares (other than common stock issued or outstanding on the 1998 Consolidated Balance Sheet and the 1997 and 1998 Consolidated Statements of Stockholders' Equity), per share amounts, cash dividends and any other reference to shares, unless otherwise noted, have been adjusted to reflect the split on a retroactive basis. Previously awarded stock options, restricted stock awards and all other agreements payable in Tandy's common stock have also been adjusted or amended to reflect the split.

RETAIL OUTLETS

	Average Store Size (Sq. Ft.)	December 31, 1999	1998	1997
RadioShack				
Company-Owned	2,300	**5,087**	5,039	4,972
Dealer/Franchise	N/A	**2,099**	1,991	1,934
		7,186	7,030	6,906
Computer City, Inc. (1)	21,050	**—**	—	96
		7,186	7,030	7,002

(1) Computer City, Inc. was sold to CompUSA Inc. on August 31, 1998.

Space Owned and Leased

	Approximate Square Footage at December 31,					
	1999			1998		
(In thousands)	**Owned**	**Leased**	**Total**	Owned	Leased	Total
Retail						
RadioShack	**—**	**11,990**	**11,990**	—	11,839	11,839
Other	**162**	**—**	**162**	162	—	162
	162	**11,990**	**12,152**	162	11,839	12,001
Support Operations						
Manufacturing	**505**	**201**	**707**	472	201	673
Warehouse and office	**3,496**	**1,512**	**5,007**	3,573	1,298	4,871
	4,163	**13,703**	**17,866**	4,207	13,338	17,545

SEGMENT REPORTING DISCLOSURES

All references to RadioShack and Computer City in MD&A refer to Tandy's reportable segments, unless otherwise noted. The RadioShack segment consists of the RadioShack retail division, including RadioShack.com, and the retail division's support operations, including its manufacturing facilities, repair centers and AmeriLink Corporation ("AmeriLink"). The Computer City segment consists of Computer City, Inc. ("CCI" or "Computer City"), which was sold to CompUSA Inc. ("CompUSA") on August 31, 1998. The closed units segment includes all Tandy stores and non-retail units which were part of the store closure plan announced in December 1996 (see "1996 Business Restructuring" below). Corporate administration and other includes corporate units which serve all areas of Tandy and also income or expenses which were not allocated to RadioShack or Computer City.

The following table summarizes net sales and operating revenues, operating profit (loss) and assets for Tandy's reportable segments. Consolidated operating profit is reconciled to Tandy's income before income taxes.

	Year Ended December 31,		
(In millions)	**1999**	1998	1997
Net sales and operating revenues:			
RadioShack [1]	**$ 4,126.2**	$ 3,591.2	$ 3,303.9
Computer City [2]	**—**	1,196.7	1,903.7
Closed units	**—**	—	164.6
	$ 4,126.2	$ 4,787.9	$ 5,372.2
Operating profit:			
RadioShack [3]	**$ 539.8**	$ 377.7	$ 398.4
Computer City [2]	**—**	(95.6)	(14.9)
Closed units	**—**	(120.8) [4]	(30.1)
	539.8	161.3	353.4
Corporate administration and other	**(42.5)**	(27.0)	(16.6)
Interest income [5]	**20.4**	10.8	13.2
Interest expense [5]	**(37.2)**	(45.4)	(46.1)
Income before income taxes	**$ 480.5**	$ 99.7	$ 303.9

	At December 31,	
	1999	1998
Assets:		
RadioShack	**$ 1,476.2**	$ 1,437.1
Computer City [2]	**—**	—
Corporate administration and other	**665.8**	556.5
	$ 2,142.0	$ 1,993.6

(1) Includes outside sales related to retail support operations of $104.3 million, $77.4 million and $88.2 million for the years ended December 31, 1999, 1998 and 1997, respectively.

(2) Computer City was sold to CompUSA on August 31, 1998.

(3) Includes $9.6 million and $82.6 million of compensation expense for store manager restricted stock awards for the years ended December 31, 1999 and 1998, respectively.

(4) Includes provision for loss on sale of Computer City of $108.2 million and charges associated with the 1996 restructuring program.

(5) Tandy does not allocate interest income or expense to its operating segments.

RESULTS OF OPERATIONS

1999 COMPARED WITH 1998

Net Sales and Operating Revenues

Consolidated net sales and operating revenues decreased 13.8% from $4,787.9 million in 1998 to $4,126.2 million in 1999; this decrease was attributable primarily to the sale of Computer City to CompUSA on August 31, 1998. Consolidated comparable store sales for 1999 are not meaningful, due to this sale.

RADIOSHACK SEGMENT

RadioShack had an outstanding year with RadioShack's overall sales increasing 14.9% to $4,126.2 million in 1999 from $3,591.2 million in 1998, due primarily to a 12.2% comparable company-owned store sales gain and the opening of 48 new stores, net of store closures. Additionally, sales to RadioShack's dealers experienced strong growth throughout the year. RadioShack's comparable store sales increase was driven primarily by increased sales of communications products, prepaid wireless airtime and sales of audio and video equipment, which includes "direct-to-home" satellite systems and services ("DTH"). A continued healthy economy and a strong retail consumer electronics industry are expected to result in a positive comparable store sales gain for 2000. The table below summarizes RadioShack's retail sales breakdown by class of products and each class as a percent of total RadioShack retail sales (excluding outside sales from retail support operations):

	Percent of RadioShack Retail Sales Year Ended December 31,			
Class of Products	**1999**	1998	1997	1996
Communications	**29.3%**	28.5%	27.5%	24.4%
Electronic parts, accessories and specialty equipment	**27.2**	30.0	31.5	32.3
Audio and video	**17.1**	15.5	16.8	18.0
Personal electronics and seasonal	**9.4**	10.4	11.6	12.4
Personal computers and peripherals	**8.7**	9.1	9.4	10.4
Services and other	**8.3**	6.5	3.2	2.5
	100.0%	100.0%	100.0%	100.0%

For the first time, the communications category, which includes wireless communications such as cellular and PCS telephones, as well as residential telephones, answering machines, pagers and other related telephony and communication products, surpassed the electronic parts, accessories and specialty equipment category as RadioShack's largest product category. The communications category increased, as a percentage of total retail sales in 1999, primarily due to a 50% increase in unit sales of PCS and cellular telephones. Both unit and dollar sales of PCS and cellular telephones are expected to continue to increase in 2000. Through The Sprint Store at RadioShack, customers are provided with access to a full service communications center that offers, where available, Sprint local and long-distance telephone service, Spree[SM] prepaid phone cards and Sprint branded residential telephones. On October 5, 1999, Sprint announced it would be merging with MCI WorldCom, Inc., subject to stockholder and regulatory approvals. The merger is expected to close in the second half of 2000. Tandy's management anticipates no significant changes to its existing agreements as a result of the pending merger.

Sales of electronic parts, accessories and specialty equipment decreased as a percentage of total retail sales in 1999 when compared to 1998, despite a 4% sales gain. The category was 27.2% of RadioShack's retail sales mix in 1999, down from 30.0% in 1998, primarily due to the communications category and the services and other category becoming a higher percent of the product mix in 1999. This category is expected to increase in sales, but decrease as a percentage of RadioShack's retail sales mix in 2000 as the communications, audio and video, and services and other categories increase.

The audio and video category experienced a sales increase of approximately 27% during 1999 when compared to 1998, due primarily to a strong increase in sales of DTH. Sales of DTH are expected to continue to increase in 2000. On May 13, 1999, Tandy entered into a multi-year retail sales and service agreement with Thomson Multimedia ("Thomson"), which owns the RCA brand. Under this agreement, Thomson will supply RadioShack with various RCA-branded audio and video components such as televisions, VCRs, camcorders, digital video disc (DVD) players, digital cameras, CD shelf systems and other digital entertainment products beginning in 2000. Some of these items are currently available in stores. The expanded assortment will be sold through The RCA Digital Entertainment Center at RadioShack via a "store-within-a-store" concept with an expected rollout date in mid-2000. Store fixture costs for this "store-within-a-store" will be borne by Thomson. Management believes that this alliance will permit RadioShack to be more competitive in the evolution of digital technology, which should enhance sales in the audio and video category in 2000 and beyond.

Personal electronics and seasonal products decreased to 9.4% of RadioShack's retail sales mix in 1999 from 10.4% in 1998, due primarily to an overall shift in the product mix as mentioned above. This category experienced a 4% sales increase over the prior year as a result of increased sales of toys, portable CD players and radios.

Sales of personal computers and peripherals were 8.7% of RadioShack's retail sales in 1999, compared to 9.1% in 1998, despite a large unit gain and a 10% sales gain for the year. The average selling price of CPU's decreased 16%, in line with the general market decline. The average selling price of CPU's is expected to decrease slightly in 2000. Despite this downward trend, management believes that the higher unit sales volumes of personal computers and peripherals will contribute to increased sales of this category, as well as to sales of higher gross margin products and services, such as accessories and extended service plans.

Sales in the services and other category, which includes residuals and income from prepaid wireless airtime, repair services and extended service contracts, increased in 1999 in dollars and as a percent of RadioShack retail sales, due to an increase in sales of prepaid wireless airtime, as well as to an increase in residual income received from RadioShack's third party providers of communications and DTH. Residual income is also earned on sales of Sprint long distance and PCS services as well as sales of other wireless products and services. Residuals vary by service provider, but are typically a portion of the continuing service revenue paid by the consumer throughout the ensuing months and/or years of that customer's subscription. In 1999, RadioShack earned approximately $63.0 million of residual income, compared to $34.2 million in 1998. Residual income is expected to continue to increase in 2000; however, increases are dependent upon such factors as customers' continued usage of certain services and stability of average revenue per subscriber, among other factors. Prepaid wireless airtime sales are expected to decrease in 2000. RadioShack installation service revenue is expected to increase in 2000 due to the AmeriLink acquisition.

Connectivity Strategy Update: Tandy entered into two agreements during 1999 which management believes are significant steps towards achieving Tandy's strategic plan for RadioShack to become "America's Home Connectivity Store," similar to its existing concept of "America's Telephone Store." Connectivity will provide solutions for connecting to and utilizing high-speed bandwidth. Bandwidth refers to volume at which data can be transmitted and, depending on the volume delivered, may enable consumers to have such capabilities as instant and/or high speed Internet access, movies on demand and multiple phone/fax connections through a single phone or cable line.

On November 11, 1999, Tandy Corporation announced a five-year strategic alliance with Microsoft Corporation ("Microsoft") that encompasses broadband and narrowband technology, as well as in-store and online efforts. In the third quarter of 2000, RadioShack and Microsoft are expected to launch The Microsoft Internet Center @ RadioShack via a "store-within-a-store" concept in as many as 5,000 company-owned RadioShack stores and participating dealer/franchise outlets nationwide. Store fixture costs for this "store-within-a-store" will be borne by Microsoft. The Microsoft Internet Center @ RadioShack will allow customers to view demonstrations of narrowband and broadband technology and subscribe to MSN™ dial-up or broadband Internet access, as well as view a broad range of existing and future products, solutions and services based on Microsoft technologies. RadioShack will receive a "bounty" on certain sales of Microsoft's MSN broadband and narrowband Internet access service sold through its retail outlets or through its RadioShack.com website. Additionally, RadioShack will earn a residual based on a portion of the continuing service revenue paid by the consumer throughout the ensuing months and/or years of the customer's subscription to MSN. The timing of the commencement of the residuals is dependent upon the marketing program under which new customers' subscriptions are acquired. See also "RadioShack.com, LLC" below for information on Microsoft's investment in RadioShack.com.

On April 21, 1999, Tandy announced it had entered into a strategic agreement with NorthPoint Communications, Inc. ("NorthPoint"), a provider of Digital Subscriber Line ("DSL") technology. DSL technology transports data at speeds up to 25 times faster than common dial-up modems, allowing for high-speed Internet access and other data-intensive applications. Management anticipates this alliance will accelerate the adoption rate of these services at an affordable price to the mass market. Additionally, NorthPoint will provide RadioShack with DSL services for consumer display purposes in many of its retail stores, as well as for internal use. NorthPoint currently operates in 33 markets in the U.S. and expects to expand its service territory to 60 markets by the end of 2000.

Also, on July 30, 1999, Tandy acquired AmeriLink, one of America's leading installers of cable, telephony and high-bandwidth products. See "AmeriLink Acquisition" below for further information.

Gross Profit

Gross profit for Tandy was $2,083.5 million or 50.5% of net sales and operating revenues, compared with $2,004.4 million or 41.9% of net sales and operating revenues in 1998. This increase in gross profit as a percentage of net sales and operating revenues was primarily the result of RadioShack sales accounting for all of the Company's consolidated net sales and operating revenues in 1999, when compared to 1998 due to the sale of Computer City to CompUSA on August 31, 1998. Computer City had an inherently lower gross margin percentage than consolidated Tandy Corporation. Without Computer City and other closed units, Tandy's consolidated gross profit as a percent of net sales and operating revenues would have been 52.1% for 1998.

RadioShack's gross profit increased 11.4% in dollars for the year ended December 31, 1999 versus 1998, but decreased as a percentage of RadioShack's total sales from 52.1% of sales in 1998 to 50.5% in 1999. This 1.6 percentage point decrease was due primarily to mix shifts within RadioShack's product offerings as sales of lower margin categories increased as a portion of the overall sales volume. To a lesser extent, the decrease in the gross margin percentage was also due to promotional markdowns of private label audio and video products as RadioShack began transitioning to RCA-branded products in the fourth quarter of 1999, as well as to markdowns taken throughout the year on residential telephones. The decrease in gross margin was partially offset by an increase in residual income which has 100% gross margin. Gross profit as a percentage of RadioShack's sales is expected to decrease in 2000, although not to the extent it decreased in 1999, due to continuing mix shifts within RadioShack's product offerings. An expected increase in residual income should partially offset this decrease. In addition, management expects to increase gross margin dollars and gain operating leverage in selling, general and administrative ("SG&A") expenses.

Selling, General and Administrative Expense

The table below summarizes the breakdown of various components of Tandy's consolidated SG&A expense and its related percentage of total sales and operating revenues.

	Year Ended December 31,					
	1999		1998		1997	
(In millions)	**Dollars**	**% of Sales & Revenues**	Dollars [2]	% of Sales & Revenues	Dollars	% of Sales & Revenues
Payroll and commissions	**$ 741.8 [1]**	**18.0%**	$ 734.1 [1]	15.3%	$ 734.1	13.7%
Rent	**205.5**	**5.0**	217.4	4.5	222.6	4.1
Advertising	**199.9**	**4.8**	208.7	4.4	195.4	3.6
Other taxes	**91.2**	**2.2**	96.1	2.0	102.0	1.9
Utilities and telephone	**62.2**	**1.5**	71.5	1.5	72.2	1.3
Insurance	**47.6**	**1.2**	50.6	1.1	50.5	0.9
Credit card fees	**27.5**	**0.7**	38.6	0.8	43.1	0.8
Stock purchase and savings plans	**21.0**	**0.5**	20.4	0.4	17.8	0.3
Other	**89.7**	**2.1**	142.9	3.0	142.6	2.8
	$ 1,486.4	**36.0%**	$ 1,580.3	33.0%	$ 1,580.3	29.4%

[1] Does not include $9.6 million and $82.6 million of compensation expense for store manager restricted stock awards for 1999 and 1998, respectively.

[2] Includes expenses related to Computer City before its sale to CompUSA on August 31, 1998.

Tandy's SG&A expense decreased slightly in dollars, but increased as a percent of net sales and operating revenues to 36.0% for the year ended December 31, 1999 versus 33.0% for the year ended December 31, 1998. The higher SG&A percentage in 1999 was due primarily to the 1998 sale of Computer City which operated at lower relative SG&A expense levels than consolidated Tandy Corporation. Excluding Computer City and other closed units, Tandy's SG&A expense as a percentage of sales would have approximated 37.7% in 1998. This decrease of 1.7 percentage points from 1998 was due primarily to the favorable effect of increased sales at RadioShack during 1999.

Despite the sale of Computer City in 1998, payroll expense for consolidated Tandy Corporation increased in dollars and as a percent of Tandy's net sales and operating revenues to 18.0% in 1999, compared to 15.3% in 1998. Payroll expense for RadioShack increased $99.1 million in 1999 compared to 1998. This increase was due primarily to RadioShack retail store expansions, changes in compensation plans and increases in personnel, commissions, bonuses and other incentives resulting from RadioShack's strong comparable store sales and profits. The increase as a percentage of RadioShack's net sales and operating revenues to 16.2% in 1999, compared to 15.8% in 1998, was also due to changes in compensation plans, increases in personnel and other incentives.

Rent expense for consolidated Tandy Corporation decreased in dollars in 1999, but increased as a percent of Tandy's net sales and operating revenues to 5.0% in 1999 from 4.5% in 1998. The decrease in dollars was due to the sale of Computer City in 1998. The percentage increase also related to the sale of Computer City, which had lower rent expense as a percentage of sales than consolidated Tandy Corporation. Rent expense for RadioShack increased in dollars, but decreased as a percentage of RadioShack's net sales and operating revenues in 1999 compared to 1998. Rent expense increased $20.5 million in 1999, compared to 1998, due primarily to 48 new RadioShack store openings, net of store closures, throughout the year, as well as to lease renewals at slightly higher rates. The decrease as a percentage of RadioShack's net sales and operating revenues to 5.2% in 1999, compared to 5.4% in 1998, was due primarily to the favorable effect of increased comparable RadioShack stores sales on the expense rate structure.

Advertising expense for consolidated Tandy Corporation decreased in dollars, but increased as a percent of Tandy's net sales and operating revenues to 4.8% in 1999, compared to 4.4% in 1998, due to the sale of Computer City in August 1998. Advertising expense for RadioShack decreased in both dollars and as a percentage of RadioShack's net sales and operating revenues to $198.1 million and 4.8% of sales in 1999, compared to $200.2 million and 5.6% of sales in 1998. The dollar decrease was due primarily to increased marketing development funds received from service providers. In addition, the decrease as a percentage of sales and operating revenues reflects the sales leverage gained from RadioShack's sales increase.

Credit card fees expense, which includes fees associated with third party bank credit cards and fees paid for promotional accounts such as "zero interest for six months," and the "other" expense category both decreased primarily as a result of the sale of Computer City.

In 2000, Tandy's SG&A expense is expected to increase in dollars due to additional sales volume, but decrease as a percentage of net sales and operating revenues as a result of the sales leverage gained from a comparable store sales increase and, to a lesser extent, an increase in new stores.

Restricted Stock Awards

On February 1, 1998, Tandy granted, under the 1997 Incentive Stock Plan, approximately 649,500 restricted stock awards consisting of 500 shares each to 1,299 RadioShack store managers not included in the February 1, 1997 restricted stock grant. The February 1998 restricted stock awards had a weighted average fair market value of $19.61 per share when granted. This restricted stock grant was to vest on February 2, 2003, if managers receiving the grants were employed by Tandy at a store manager or higher position, at that time. However, the grants provided that the restricted shares would vest early if Tandy common stock closed at $29.0625 or more for any 20 consecutive trading days beginning February 1, 2000. At December 31, 1999, it was probable that the 348,000 shares that remained outstanding under this grant would vest under the early vesting provisions. The resulting charge to compensation expense of $14.7 million, including related payroll taxes, was recorded in the fourth quarter of 1999.

Vesting of these restricted stock awards occurred when Tandy's common stock closed above the targeted amount for the twentieth consecutive trading day on February 29, 2000. Vesting resulted in the issuance of 336,000 shares of Tandy's common stock at a fair market value of $37.53 per share.

In the fourth quarter of 1998, Tandy recorded estimated compensation expense of $82.6 million related to the early vesting of restricted stock awards that had been granted to 4,907 store managers on February 1, 1997. These awards vested on March 1, 1999 and the actual price of the stock and the number of shares vested differed from the estimated accrual at December 31, 1998. The amount of this difference, $5.1 million, was recorded as a credit to expense in the first quarter of 1999.

The restricted stock program for store managers was replaced in 1999 and 2000 by a stock option program for store managers. See Note 19 - "Stock Options and Performance Awards" of the Notes to Consolidated Financial Statements ("Notes"). Management does not anticipate any future use of restricted stock for store managers.

Net Interest Expense

Interest expense, net of interest income, was $16.8 million for 1999 versus $34.6 million for 1998.

Interest expense decreased 18.1% to $37.2 million in 1999, from $45.4 million in 1998. This decrease was a result of Tandy no longer having to incur interest expense on Computer City capital lease obligations, as well as to a corresponding decrease in Tandy's average debt outstanding during 1999. Interest income increased almost 90% in 1999 to $20.4 million in 1999 from $10.8 million in 1998, due primarily to interest from the $136.0 million CompUSA note receivable which was outstanding a full year (see "Sale of Computer City, Inc." below for further information).

Interest expense, net of interest income, is expected to increase during 2000, primarily due to anticipated higher short-term interest rates and increased debt from additional share repurchases.

Provision for Income Taxes

The provision for income taxes reflects an effective tax rate of 38.0% for 1999 compared with 38.5% for 1998. This decrease resulted primarily from improved utilization of foreign tax credits and implementation of certain state income tax initiatives.

1998 COMPARED WITH 1997

Net Sales and Operating Revenues

Consolidated net sales and operating revenues decreased 10.9% from $5,372.2 million in 1997 to $4,787.9 million in 1998; this decrease was attributable primarily to the sale of Computer City to CompUSA on August 31, 1998. Consolidated comparable store sales for 1998 were not meaningful, due to this sale.

RADIOSHACK SEGMENT

Sales for the RadioShack segment in 1998 increased 8.7% to $3,591.2 million from $3,303.9 million in 1997, due primarily to a 7.4% comparable store sales gain and the opening of 48 new stores, net of store closures. RadioShack's comparable store sales increase was driven primarily by increased sales of wireless communication and telephony products and services.

Electronic parts, accessories and specialty equipment, the largest product category of RadioShack's retail sales mix in 1998, decreased 1.5 percentage points in 1998 when compared to 1997, despite a 4.1% increase in dollar sales. This decrease as a percent of retail sales was primarily due to the communications and the services and other categories becoming a higher percent of the product mix in 1998. The communications category increased to 28.5% of retail sales in 1998 from 27.5% in 1997. Dollar sales in this category increased 13.2% over 1997 as the category continued to benefit from The Sprint Store at RadioShack launched in September 1997. Sales of audio and video products declined to 15.5% of retail sales in 1998 from 16.8% of retail sales in 1997, primarily due to the overall shift in the product mix to communications and services. Sales dollars in the audio and video category were flat from the prior year, due in part to RadioShack's limited selection of name brand products. The audio and video category also included DTH sales, which included digital satellite systems (DSS) and Primestar satellite television services in 1998. Sales of these systems and services increased significantly over 1997. Personal electronics and seasonal products decreased to 10.4% of RadioShack retail sales in 1998 from 11.6% in 1997, due primarily to an overall shift in the product mix to communications and services. The sales decrease in this category was also attributable to sales declines in such items as boomboxes, cassette products and toys, other than remote control cars, due to lower general consumer demand for these products.

The personal computer category decreased to 9.1% of RadioShack retail sales in 1998 from 9.4% in 1997, despite a large unit gain and a 5.8% sales gain for this category for 1998. RadioShack computers experienced a 32% decline in the average 1998 selling price of desktop computers from the 1997 annual average selling price. Aggressive pricing strategies put into place as RadioShack transitioned from IBM to Compaq branded computers and products during the first six months of 1998 and general selling price declines in the personal computer industry contributed to this decline.

Sales in the services and other category increased in 1998 in dollars and as a percent of RadioShack retail sales, due to an increase in residual income received from RadioShack's third party providers of communication and DTH, as well as to a large increase in sales of prepaid wireless airtime. In 1998, RadioShack earned approximately $34.2 million of residual income, compared to $7.9 million in 1997.

COMPUTER CITY SEGMENT

Computer City's overall sales decreased 37.1% to $1,196.7 million in 1998 from 1997, due to the sale of this subsidiary to CompUSA on August 31, 1998. For the eight months ended August 31, 1998, sales of personal computers decreased in dollars due to a reduction of approximately 25% in the average selling price of desktop and notebook computers from the same period in 1997. Additionally, both overall and comparable stores sales were negatively impacted by the announced sale of Computer City to CompUSA on June 22, 1998, at which time Computer City took promotional mark-downs to sell both its third-party and private-label inventory in preparation for the sale to CompUSA. (See "Sale of Computer City, Inc." below.)

Gross Profit

Gross profit for Tandy was $2,004.4 million or 41.9% of net sales and operating revenues in 1998, compared with $2,014.3 million or 37.5%, in 1997. This increase in gross profit as a percentage of net sales and operating revenues was primarily the result of RadioShack sales accounting for a larger portion of Tandy's consolidated net sales and operating revenues in 1998, when compared to 1997, due to the sale of Computer City to CompUSA in August, 1998. Computer City had an inherently lower gross margin than consolidated Tandy Corporation.

RadioShack's gross profit increased in dollars in 1998 versus 1997, but decreased as a percentage of RadioShack's total sales by 0.6 percentage points over the same period. This percentage decrease was primarily due to a shift within RadioShack's product offerings to increased sales of prepaid wireless airtime, which has a significantly lower gross margin than the overall RadioShack average gross margin. This decrease was partially offset by an increase in residual income, which has close to 100% gross margin.

Computer City's gross profit as a percent of Computer City net sales and operating revenues decreased 2.3 percentage points in 1998 when compared to 1997. This decrease was primarily due to aggressive marketing of inventory, especially private-label branded inventory, in preparation for the sale of the subsidiary.

Selling, General and Administrative Expense

Tandy's SG&A expense was flat in dollars, but increased as a percent of net sales and operating revenues to 33.0% in 1998 versus 29.4% in 1997. The higher SG&A percentage was due primarily to RadioShack becoming a larger percentage of Tandy's consolidated operations during 1998 (see "Gross Profit" above). RadioShack operates at higher relative SG&A expense levels than consolidated Tandy Corporation. Excluding Computer City and closed units associated with the 1996 restructuring plan, SG&A expense as a percentage of sales would have been 37.7% in 1998 versus 38.9% in 1997. Although payroll and commissions expense for 1998 remained flat in dollars in comparison with 1997, this cost increased as a percentage of net sales and operating revenues from 13.7% in 1997 to 15.3% in 1998, due in part to the increase in RadioShack sales as a percentage of total Company sales and operating revenues, as described above. RadioShack has inherently higher salary expense as a percentage of sales, when compared to consolidated Tandy Corporation. To a lesser extent, payroll expense was negatively impacted by higher payroll costs associated with infrastructure-building at CCI, prior to its announced sale in June 1998. Advertising expense increased both in dollars and as a percentage of net sales and operating revenues in 1998, as compared to 1997. This increase over the prior year is primarily attributable to increased advertising expense at Computer City in 1998, compared to 1997. Somewhat offsetting this increase was a dollar decrease in advertising expense at RadioShack in 1998 from 1997. In 1997, however, the marketing launch of the Sprint Store at RadioShack resulted in increased advertising expense for that year. Rent expense decreased in dollars in comparison with 1997 and increased slightly as a percentage of net sales and operating revenues to 4.5% in 1998 from 4.1% in 1997. This increase was related to the sale of Computer City, which had lower rent expense as a percentage of sales than consolidated Tandy Corporation. Rent expense in dollars for RadioShack increased in 1998 compared to the prior year, but decreased slightly as a percent of sales.

Restricted Stock Awards

On February 1, 1997, in an effort to reduce the turnover rate among its store managers and to align the store managers' interests and goals with those of the shareholders, Tandy granted, under the 1993 ISP, approximately 4,082,400 restricted stock awards consisting of 800 shares each to 4,907 RadioShack store managers and 1,600 shares each to 98 Computer City store managers. The restricted stock awards had a weighted average fair market value of $11.30 per share when granted. This restricted stock was to vest at the end of five years on February 2, 2002, if managers receiving the grants were employed by Tandy at a store manager or higher position, at that time. However, the grants provided that the restricted shares would vest early if Tandy's common stock closed at $16.90625 or more for any 20 consecutive trading days beginning February 1, 1999. At December 31, 1998, it was probable that the 2,579,200 shares that remained outstanding under this grant would vest under the early vesting provisions. The resulting charge to compensation expense of $82.6 million, including related payroll taxes, was recorded in the December 31, 1998 financial statements. The awards vested on March 1, 1999 and the actual price of the stock and the number of shares vested differed slightly from estimated accrual at December 31, 1998.

Net Interest Expense

Interest expense, net of interest income, was $34.6 million for 1998 versus $32.9 million for 1997. Interest expense decreased slightly during 1998, due to a corresponding decrease in Tandy's average debt outstanding during 1998 as well as to a small decrease in short-term interest rates for the year.

Interest income decreased in 1998 due to the repayment of the InterTAN, Inc. ("InterTAN") note receivable on December 31, 1997, offset by interest received on the note receivable from CompUSA for $136.0 million. Interest income relating to the Fry's Electronics, Inc. and its affiliates ("Fry's") notes receivables resulted from the 1997 sale of assets and real estate of six Incredible Universe stores.

Provision for Income Taxes

The provision for income taxes reflected an effective tax rate of 38.5% for both 1998 and 1997.

AMERILINK ACQUISITION

On July 30, 1999, Tandy acquired AmeriLink in an all stock transaction valued at approximately $75.8 million. Tandy exchanged approximately 1.8 million shares of Tandy common stock for all of the outstanding common stock of AmeriLink. The transaction was accounted for under the purchase method of accounting. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, which resulted in approximately $50.7 million of goodwill being recorded in other assets on the accompanying 1999 Consolidated Balance Sheet. The associated goodwill will be amortized over 20 years. AmeriLink designs, installs and maintains cabling systems for the transmission of video, voice and data, primarily for home use. AmeriLink will continue to provide these services to outside parties and also to RadioShack, through AmeriLink's RadioShack Installation Services Division. Services for RadioShack in 2000 will consist primarily of customer DIRECTV installations; however, new services such as home theater and broadband Internet access, among others, will be added as RadioShack's needs dictate. At February 25, 2000, AmeriLink had 76 field offices located in 26 states.

RADIOSHACK.COM, LLC

In October 1999, Tandy launched its e-commerce enabled website, www.RadioShack.com. On November 10, 1999, Tandy and Microsoft formed a limited liability company, RadioShack.com, LLC ("RS.com"), for the purpose of marketing and selling electronics products on the Internet. Tandy contributed assets and also extended a royalty-free license for certain trademarks and services to RS.com and Microsoft contributed cash of $100.0 million on January 4, 2000. Tandy owns 100% of the common units of RS.com, while Microsoft owns 100% of the preferred units and Tandy will include RS.com in its consolidated financial statements. Tandy is entitled to receive 75% of the profits and losses of RS.com, while Microsoft will receive 25%; however, the preferred units have liquidation rights which could impact the allocation of profits and losses between the unit holders. The preferred units are convertible into common units at any time and must be converted in the event of certain capital transactions. In certain circumstances, Microsoft has the option to require Tandy to purchase its units and Tandy has the right to purchase Microsoft's units. Also, in the event of liquidation, the preferred units have preferential rights to recover their initial investment.

During 2000, RadioShack and Microsoft will jointly redesign and reengineer the www.RadioShack.com website, incorporating current Microsoft technology. The planned result will be a full-featured online e-commerce site where customers can go for a wide range of electronics products, parts and services. Among other features, customers will have the ability to obtain answers to frequently asked questions on electronics through www.RadioShack.com's "Ask the Shack" feature, as well as the ability to download instruction manuals and service documents relating to electronics products. Management anticipates that the newly designed website will be relaunched during the third quarter of 2000, and it believes that www.RadioShack.com will become a premier destination site for electronics products, services, information, answers and solutions for consumer and commercial customers. As of March 1, 2000, there were over 20,000 different products on the website.

Additionally, Microsoft will provide www.RadioShack.com premier placement across the MSN network, Microsoft's Internet access service, and its online properties, including the newly-launched MSN eShop™ online shopping service site (http://eshop.msn.com/). Through its presence on eShop, www.RadioShack.com will be able to take advantage of the portal leadership of MSN to reach a broad audience of customers on the Internet.

SALE OF COMPUTER CITY, INC.

On August 31, 1998, Tandy completed the sale of 100% of the outstanding common stock of its Computer City, Inc. subsidiary to CompUSA Inc. In the third quarter of 1998, Tandy received approximately $75.0 million in cash and an unsecured subordinated note for $136.0 million as consideration for the sale. The amount of cash to be retained was subject to adjustment and in the fourth quarter of 1998 the amount of cash consideration was reduced to $36.5 million. The note bears interest at 9.48% per annum and is payable over a ten year period. Interest is payable on June 30 and December 31 of each year; the first payment was made on December 31, 1998. Beginning on December 31, 2001, principal payments will be due semiannually until the note matures on June 30, 2008. Tandy recognized a loss of $108.2 million from the sale of Computer City, which included certain liabilities and contractual obligations incurred by Tandy.

Computer City's results from operations through August 31, 1998 are included in the accompanying Consolidated Financial Statements. Below is a summary of net sales and operating revenues and net losses (unaudited) for Computer City for each year ended December 31:

(In millions)	**1999**	1998 [1]	1997
Net sales and operating revenues	**$ —**	$ 1,196.7	$ 1,903.7
Operating loss	**—**	(95.6)	(14.9)

[1] Includes operations for only eight months, due to sale to CompUSA on August 31, 1998.

On March 1, 2000, Grupo Sanborns, S.A. de C.V. ("Sanborns") and TPC Acquisitions Corporation, a wholly owned subsidiary of Sanborns, acquired CompUSA. Tandy's management does not believe that this acquisition will have a negative impact on CompUSA's ability to repay its obligation to Tandy.

1996 BUSINESS RESTRUCTURING

In the fourth quarter of 1996, Tandy initiated certain restructuring programs resulting from the highly competitive environment in the electronics industry at the time. In conjunction with these programs, in January 1997, Tandy closed 53 McDuff stores and 21 unprofitable Computer City stores. Additionally, Tandy either closed or sold all of its Incredible Universe stores during 1997. The components of the restructuring charge and an analysis of the reserves are outlined in a table in Note 7 - "1996 Business Restructuring" of the Notes. Below is a summary of net sales and operating revenues and operating losses (unaudited) of the stores closed pursuant to the restructuring plans for each year ended December 31:

(In millions)	**1999**	1998	1997
Net sales and operating revenues	**$ —**	$ —	$ 164.6
Operating loss	**—**	—	(30.1)[1]

[1] Excludes business restructuring charges.

TAX SHARING AND TAX BENEFIT REIMBURSEMENT AGREEMENT

Under Tandy's Tax Sharing and Tax Benefit Reimbursement Agreement (the "Agreement") with O'Sullivan Industries ("O'Sullivan"), a former subsidiary of Tandy, Tandy receives payments from O'Sullivan approximating the federal tax benefit that O'Sullivan realizes from the increased tax basis of its assets resulting from the initial public offering completed in February 1994. The higher tax basis increases O'Sullivan's tax deductions and, accordingly, reduces income taxes payable by O'Sullivan. For the years ended December 31, 1999, 1998 and 1997, Tandy recognized income of $5.1 million, $6.0 million and $5.8 million, net of tax, respectively, under this Agreement. The Agreement calls for payments to continue to be made over a 15-year time period and are contingent upon O'Sullivan's level of earnings from year to year. In November 1999, members of O'Sullivan's senior management team, in conjunction with a financial buyer, acquired all of O'Sullivan's outstanding common stock. The effect of this change of control on the payments Tandy will receive is currently the subject of an arbitration proceeding between Tandy and O'Sullivan. Depending on the outcome of such arbitration, the amount of payments received under the Agreement could be significantly less than in prior years, and/or the timing of such payments could be delayed.

NEW PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which delayed the effective date of SFAS No. 133 to quarters beginning after June 15, 2000. SFAS No. 133 requires a company to record all derivative instruments at fair value on the balance sheet. Tandy does not use derivatives for speculative purposes. As such, its market risk was not material in 1999 and is not expected to be material in 2000.

CASH FLOW AND LIQUIDITY

(In millions)	Year Ended December 31, 1999	1998	1997
Operating activities	**$ 561.6**	$ 414.8	$ 320.3
Investing activities	**(121.0)**	(93.0)	(63.9)
Financing activities	**(340.5)**	(363.2)	(272.0)

In 1999, cash flow provided by operating activities was $561.6 million, compared to $414.8 million and $320.3 million in 1998 and 1997, respectively. Cash flow from net income, adjusted for non-cash items, increased $97.0 million from 1998 to 1999. This increase was primarily due to increased operating profit at RadioShack. The increase in cash flow from operating activities was also positively affected by a $49.8 million increase in cash flow generated from working capital improvements primarily attributable to a $73.0 million increase in accrued income taxes. During 1998, changes in working capital generated $55.2 million of cash flow compared to a use of cash of $72.4 million in 1997. The increase in 1998 was caused primarily by the liquidation of CCI's inventories prior to its sale in August 1998.

Investing activities used $121.0 million in cash in 1999, compared to $93.0 million in 1998 and $63.9 million in 1997. Capital expenditures approximated $102.4 million in 1999, compared to $131.5 million in 1998 and $118.4 million in 1997. Capital expenditures for 1999 consisted primarily of RadioShack store expansions and remodels, upgrades of machinery and expansion in selected distribution centers and manufacturing facilities, updated information systems, including Year 2000 ("Y2K") initiatives, and web development for RadioShack.com. Capital expenditures for 1998 and 1997 were used primarily for retail expansion, upgrading information systems and Computer City infrastructure enhancements prior to the announced sale of CCI in June 1998. Management anticipates that capital expenditure requirements for 2000 will approximate $120.0 million to $125.0 million and will consist primarily of RadioShack future store expansions and remodels, updated information systems and, to a lesser extent, expansions and additions relating to Tandy's distribution and manufacturing facilities, web development for RadioShack.com and the purchase of vehicles for AmeriLink's RadioShack Installation Services Division. In April 1999, Tandy made a $20.0 million dollar investment in NorthPoint. Cash proceeds from the sale of CCI generated $36.5 million in cash in 1998. Cash proceeds in 1997 totaled $57.4 million and related to the sale of various corporate assets and certain Incredible Universe locations, final repayment of the note receivable from InterTAN and the sale of the Tandy's remaining shares of AST Research, Inc. common stock.

Cash used by financing activities was $340.5 million in 1999, compared to $363.2 million and $272.0 million in 1998 and 1997, respectively. Purchases of treasury stock required cash of $422.2 million, $337.4 million and $425.6 million in 1999, 1998 and 1997, respectively. (See "Capital Structure and Financial Condition" below for further information on Tandy's stock repurchase programs.) The 1999, 1998 and 1997 stock repurchases were partially funded by $81.5 million, $57.8 million and $50.7 million, respectively, received from the sale of treasury stock to Tandy's employee stock purchase plans and employee stock option exercises. Dividends paid, net of tax, in 1999, 1998 and 1997 amounted to $42.5 million, $44.8 million and $48.2 million, respectively. The decrease in dividends paid in 1999 and 1998 resulted from fewer outstanding shares in those years. On October 25, 1999, Tandy announced a 10% increase in the quarterly cash dividend from $0.050 per share to $0.055 per share, for shareholders of record on January 3, 2000. Medium-term notes issued by Tandy under its 1997 Debt Shelf Registration Statement provided approximately $101.0 and $45.0 million in cash in 1999 and 1998, respectively, the majority of which was used to repay current maturities of long-term debt. In 1999, Tandy used excess cash flow to decrease short-term debt from the prior year by $42.3 million and in 1998, Tandy used excess cash flow to decrease its short-term debt from the prior year by $44.9 million. Tandy ended 1999 with approximately $100.0 million in additional cash as part of its Y2K readiness planning. It is anticipated that cash balances in the future will be less than $100.0 million.

The current credit ratings for Tandy, which are generally considered investment grade, follow:

Category	Moody's	Standard and Poor's	Duff & Phelps
Medium-Term Notes	Baa1	A-	A-
ESOP Senior Notes	Baa1	A-	N/A
Commercial Paper	P-2	A-2	D-1-

CAPITAL STRUCTURE AND FINANCIAL CONDITION

Tandy's balance sheet and financial condition continue to be strong. Tandy's available borrowing facilities as of December 31, 1999 are detailed in Note 12 - "Indebtedness and Borrowing Facilities" of the Notes.

On March 3, 1997, Tandy announced that its Board of Directors authorized management to purchase up to 20.0 million additional shares of its common stock through Tandy's existing share repurchase program. The share repurchase program was initially authorized in December 1995 and increased in October 1996 and was undertaken as a result of management's view of the economic value of Tandy's stock. The share increase for 1997 brought the total authorization since inception to 60.0 million shares, of which approximately 56.7 million shares totaling $949.2 million had been repurchased as of December 31, 1999. Approximately 4.8 million shares were repurchased in 1999 for $203.4 million under the program. An additional 1.6 million shares have been repurchased from January 1, 2000 to February 29, 2000 for $70.5 million.

Additionally, on October 26, 1998, Tandy announced that its Board of Directors authorized the repurchase of up to 10.0

million shares of Tandy's common stock for an indefinite period of time to be used to offset the dilution of grants under Tandy's incentive stock plans (see Note 19 - "Stock Options and Performance Awards" of the Notes). Approximately 4.2 million shares were repurchased in 1999 for $190.7 million, bringing the total share repurchase at December 31, 1999 under this program to 7.0 million shares totaling $254.5 million. An additional 1.9 million shares were repurchased for $93.7 million from January 1, 2000 to February 29, 2000.

These purchases under the two share repurchase programs described above are in addition to the shares required for employee stock purchase plans, which are purchased throughout the year. Purchases will continue to be made in 2000 in the open market with funding of the programs coming from excess free cash flow and short-term borrowings, if needed.

In connection with the share repurchase program, the Board of Directors, at their October 23, 1998 meeting, authorized management to sell up to 2.0 million put options on Tandy common stock. Such put options grant the purchaser the right to sell shares of Tandy's common stock to Tandy at specified prices upon exercise of the put options. These put options are exercisable only at maturity and can be settled in cash at Tandy's option, in lieu of repurchasing the stock. The issued put options have a maturity of up to six months. Tandy has sold approximately 1.4 million put options since the inception of the program and 0.4 million put options remained outstanding at December 31, 1999. The put options expire on various dates through April 2000. At December 31, 1999 and 1998, the full redemption value of the put options was classified as common stock put options in the accompanying Consolidated Balance Sheets. The related offset was recorded in common stock in treasury, net of premiums received.

Additionally, at their February 23, 2000 meeting, the Board of Directors authorized management to supplement the put option program with equity forwards and increased the number of shares subject to put options and equity forwards to 4.6 million shares. The Board of Directors also extended the expiration date for the program to no later than December 31, 2002. Put options and equity forwards will continue to be executed from time to time in order to take advantage of attractive share price levels, as determined by management. The timing and terms of the transactions, including maturities, depend on market conditions, Tandy's liquidity and other considerations.

Tandy's primary source of short-term debt consists of short-term seasonal bank debt and commercial paper, which have maturities of less than 90 days. In the second quarter of 1999, Tandy extended the maturity date of its $200.0 million 364-day revolving credit facility to June 2000. Tandy also has a $300.0 million five-year revolving credit facility maturing June 2003. The revolving credit facilities are used as backup for the commercial paper program and may also be utilized for general corporate purposes. Annual commitment fees for the facilities are 0.07% of the $200.0 million facility per annum and 0.085% of the $300.0 million facility per annum, whether used or unused. During the second quarter of 2000, Tandy plans to extend the $200.0 million facility to June 2001.

The total debt-to-capitalization ratio was 38.0% at December 31, 1999, 35.6% at December 31, 1998 and 33.6% at December 31, 1997. These increases in the debt-to-capitalization ratios result primarily from a reduction in Tandy's stockholders' equity due to the share repurchase program and the impact of divested businesses.

In May 1997, Tandy filed a $300.0 million Debt Shelf Registration Statement ("Shelf Registration") with the Securities and Exchange Commission, which was declared effective in August 1997. In August 1997, Tandy issued $150.0 million of 10 year unsecured notes under the Shelf Registration. The interest rate on the notes is 6.95% per annum with interest payable on September 1 and March 1 of each year, commencing March 1, 1998. The notes are due September 1, 2007. In December 1997 and January 1998, Tandy issued $4.0 million and $45.0 million, respectively, in medium-term notes under the remaining $150.0 million Shelf Registration. An additional $32.0 million, $37.0 million and $32.0 million of medium-term notes were issued in January 1999, August 1999 and September 1999, respectively, completing the remaining 1997 Shelf Registration. Tandy's medium and long-term notes outstanding at December 31, 1999 under the 1997 Shelf Registration totaled $300.0 million, compared to $199.0 million outstanding at December 31, 1998. The interest rates at December 31, 1999 for the outstanding $150.0 million in medium-term notes ranged from 6.09% to 7.35% with a weighted average coupon rate of 6.6%.

Tandy's management believes that its present borrowing capacity is greater than the established credit lines and long-term debt in place. Management also believes that Tandy's cash flow from operations, cash and cash equivalents and its available borrowing facilities are more than adequate to fund planned store and business expansion, to meet debt service and dividend requirements and to fund its share repurchase programs.

INFLATION

Inflation has not significantly impacted Tandy over the past three years. Management does not expect inflation to have a significant impact on operations in the foreseeable future, unless global situations substantially affect the world economy.

YEAR 2000 READINESS DISCLOSURE

Tandy's management recognized the importance of taking necessary action to ensure that its operation and relationships with key vendors, service providers, customers and other third parties would not be adversely impacted by software processing errors arising from calculations using the year 2000 and beyond. Like many companies, a significant number of Tandy's computer applications and systems required modifications in order for these systems to be ready for the year 2000.

With its transition plans and teams in place, Tandy successfully completed its Y2K rollover without any major problems or disruptions. All of Tandy's stores, manufacturing facilities, logistics operations, service centers and support areas were fully functional subsequent to the Y2K rollover. Tandy is not aware that any of its major business partners experienced material Y2K issues. Additionally, to date, product returns and repairs at its retail stores have not been significant and management does not anticipate any further activity or disruptions to occur on its part with respect to the Y2K rollover.

Tandy's total Y2K readiness costs were approximately $11.5 million, including $1.1 million paid to external parties for consulting and professional fees. Of the total costs, approximately $4.4 million were incurred in 1999. Tandy funded both the capital and expensed elements of resolving Y2K issues through funds generated from operations. Tandy does not expect to incur any additional significant costs in 2000.

All statements concerning Y2K issues other than historical statements constitute "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements should be read in conjunction with Tandy's disclosures under the heading "Factors That May Affect Future Results."

Report of Management on Internal Accounting Controls

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements and related notes. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles and include, when necessary, amounts based upon management's best estimates and judgments. The consolidated financial statements have been audited and reported on by our independent accountants, PricewaterhouseCoopers LLP, who were given free access to all financial records and related data, including minutes of the meetings of the Board of Directors and Committees of the Board. We believe that the representations made to the independent accountants were valid and appropriate.

Tandy maintains a system of internal controls over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition which is designed to provide reasonable assurance of the reliability of the consolidated financial statements and such asset safeguarding. Tandy's internal audit function monitors the operation of the internal control system and reports findings and recommendations to management and to the Audit and Compliance Committee of the Board of Directors. Appropriate corrective actions are taken to address significant control deficiencies and other opportunities for improving the system as they are identified. The Audit and Compliance Committee of the Board of Directors, which is composed solely of outside directors, provides oversight to the financial reporting process through scheduled periodic meetings with our independent accountants, internal auditors and management. Both our independent accountants and internal auditors have direct, unrestricted access to the Audit and Compliance Committee with and without management present.

Tandy believes that its long-standing emphasis on the highest standards of conduct and ethics, embodied in comprehensive written policies, also serves to reinforce its system of internal controls. Ongoing communications and review programs are designed to help ensure compliance with these policies, and exceptions are reported annually by the Chief Internal Auditor to the Audit and Compliance Committee.

Although no cost-effective internal control system will preclude all errors and irregularities, we believe our controls as of and for the year ended December 31,1999 provide reasonable assurance that the consolidated financial statements are reliable.

Leonard H. Roberts
Chairman of the Board, President and
Chief Executive Officer, Tandy Corporation
President, RadioShack

Dwain H. Hughes
Senior Vice President and
Chief Financial Officer,
Tandy Corporation

Report of Independent Accountants

To the Board of Directors and Stockholders of Tandy Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of stockholders' equity present fairly, in all material respects, the financial position of Tandy Corporation and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Fort Worth, Texas
February 23, 2000

Consolidated Statements of Income

TANDY CORPORATION AND SUBSIDIARIES

(In millions, except per share amounts)	1999 Dollars	1999 % of Revenues	1998 Dollars	1998 % of Revenues	1997 Dollars	1997 % of Revenues
Net sales and operating revenues	**$ 4,126.2**	**100.0%**	$ 4,787.9	100.0%	$ 5,372.2	100.0%
Cost of products sold	**2,042.7**	**49.5**	2,783.5	58.1	3,357.9	62.5
Gross profit	**2,083.5**	**50.5**	2,004.4	41.9	2,014.3	37.5
Expenses (income):						
Selling, general and administrative	**1,486.4**	**36.0**	1,580.3	33.0	1,580.3	29.4
Depreciation and amortization	**90.2**	**2.2**	99.0	2.1	97.2	1.8
Interest income	**(20.4)**	**(0.5)**	(10.8)	(0.2)	(13.2)	(0.2)
Interest expense	**37.2**	**0.9**	45.4	0.9	46.1	0.9
Restricted stock awards	**9.6**	**0.2**	82.6	1.7	—	—
Provision for loss on sale of Computer City	**—**	**—**	108.2	2.3	—	—
	1,603.0	**38.8**	1,904.7	39.8	1,710.4	31.9
Income before income taxes	**480.5**	**11.7**	99.7	2.1	303.9	5.7
Provision for income taxes	**182.6**	**4.5**	38.4	0.8	117.0	2.2
Net income	**297.9**	**7.2**	61.3	1.3	186.9	3.5
Preferred dividends	**5.5**	**0.1**	5.8	0.1	6.1	0.1
Net income available to common shareholders	**$ 292.4**	**7.1%**	$ 55.5	1.2%	$ 180.8	3.4%
Net income available per common share:						
Basic	**$ 1.51**		$ 0.28		$ 0.84	
Diluted	**$ 1.43**		$ 0.27		$ 0.82	
Shares used in computing earnings per common share:						
Basic	**194.2**		201.2		214.4	
Diluted	**205.0**		211.4		224.5	
Dividends declared per common share	**$ 0.205**		$ 0.200		$ 0.200	

Year Ended December 31.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

TANDY CORPORATION AND SUBSIDIARIES

(In millions, except for share amounts)	December 31, 1999	1998
Assets		
Current assets:		
Cash and cash equivalents	**$ 164.6**	$ 64.5
Accounts and notes receivable, less allowance for doubtful accounts	**286.1**	215.2
Inventories, at lower of cost or market	**861.4**	912.1
Other current assets	**91.2**	106.8
Total current assets	**1,403.3**	1,298.6
Property, plant and equipment, at cost, less accumulated depreciation	**446.8**	433.8
Other assets, net of accumulated amortization	**291.9**	261.2
Total assets	**$ 2,142.0**	$ 1,993.6
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt, including current maturities of long-term debt	**$ 188.9**	$ 233.2
Accounts payable	**234.8**	206.4
Accrued expenses	**350.8**	334.4
Income taxes payable	**150.7**	105.5
Total current liabilities	**925.2**	879.5
Long-term debt, excluding current maturities	**319.4**	235.1
Other non-current liabilities	**45.7**	27.5
Total other liabilities	**365.1**	262.6
Common stock put options	**21.0**	3.3
Stockholders' Equity		
Preferred stock, no par value, 1,000,000 shares authorized		
Series A junior participating, 300,000 and 100,000 shares designated in 1999 and 1998, respectively, and none issued	**—**	—
Series B convertible (TESOP), 100,000 shares authorized; 72,800 and 77,000 shares issued, respectively	**72.8**	100.0
Common stock, $1 par value, 250,000,000 shares authorized; 235,840,000 and 139,184,000 shares issued, respectively	**235.8**	139.2
Additional paid-in capital	**82.4**	109.7
Retained earnings	**1,353.3**	1,693.4
Treasury stock, at cost; 45,113,000 and 41,747,000 shares, respectively	**(892.3)**	(1,161.6)
Unearned deferred compensation	**(20.5)**	(31.5)
Accumulated other comprehensive loss	**(0.8)**	(1.0)
Total stockholders' equity	**830.7**	848.2
Commitments and contingent liabilities		
Total liabilities and stockholders' equity	**$ 2,142.0**	$ 1,993.6

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

TANDY CORPORATION AND SUBSIDIARIES

(In millions)	**1999**	1998	1997
	Year Ended December 31,		
Cash flows from operating activities:			
Net income	**$297.9**	$ 61.3	$ 186.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Restricted stock awards	**9.6**	82.6	—
Provision for loss on sale of Computer City	**—**	108.2	—
Depreciation and amortization	**90.2**	99.0	97.2
Deferred income taxes and other items	**49.0**	(4.0)	106.0
Provision for credit losses and bad debts	**9.9**	12.5	2.6
Changes in operating assets and liabilities:			
Receivables	**(38.3)**	(36.7)	(5.9)
Inventories	**52.6**	85.6	163.8
Other current assets	**15.1**	17.7	(20.7)
Accounts payable, accrued expenses and income taxes	**75.6**	(11.4)	(209.6)
Net cash provided by operating activities	**561.6**	414.8	320.3
Investing activities:			
Additions to property, plant and equipment	**(102.4)**	(131.5)	(118.4)
Proceeds from sale of property, plant and equipment	**5.6**	6.7	12.7
Proceeds from sale of Computer City	**—**	36.5	—
Proceeds from sale of AST common stock	**—**	—	23.8
Investment in NorthPoint Communications	**(20.0)**	—	—
Payment received on InterTAN note	**—**	—	20.9
Other investing activities	**(4.2)**	(4.7)	(2.9)
Net cash used by investing activities	**(121.0)**	(93.0)	(63.9)
Financing activities:			
Purchases of treasury stock	**(422.2)**	(337.4)	(425.6)
Proceeds from sale of common stock put options	**4.4**	0.3	—
Sale of treasury stock to employee stock plans	**39.5**	35.4	35.2
Proceeds from exercise of stock options	**42.0**	22.4	15.5
Dividends paid	**(42.5)**	(44.8)	(48.2)
Changes in short-term borrowings, net	**(42.3)**	(44.9)	43.6
Additions to long-term borrowings	**100.6**	45.7	149.8
Repayments of long-term borrowings	**(20.0)**	(39.9)	(42.3)
Net cash used by financing activities	**(340.5)**	(363.2)	(272.0)
Increase/(decrease) in cash and cash equivalents	**100.1**	(41.4)	(15.6)
Cash and cash equivalents, beginning of period	**64.5**	105.9	121.5
Cash and cash equivalents, end of period	**$164.6**	$ 64.5	$ 105.9

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

TANDY CORPORATION AND SUBSIDIARIES

(In millions)	Preferred Stock	Common Stock Shares	Common Stock Dollars	Treasury Stock Shares	Treasury Stock Dollars
Balance at December 31, 1996	$ 100.0	85.6	$ 85.6	(28.4)	$ (1,164.5)
Comprehensive income:					
Net income	—	—	—	—	—
Other comprehensive income, net of tax:					
Foreign currency translation adjustments					
Reclassification for losses included in net income					
Net unrealized loss on foreign currency translation					
Unrealized gain on securities					
Reclassification for gains included in net income					
Net unrealized gain on securities					
Other comprehensive income	—	—	—	—	—
Comprehensive income					
Purchase of treasury stock	—	—	—	(9.1)	(412.1)
Sale of treasury stock to employee stock plans	—	—	—	0.8	26.5
Exercise of stock options and grant of stock awards	—	—	—	0.7	23.9
Series B convertible stock dividends, net of taxes of $2.1	—	—	—	—	—
Deferred compensation earned	—	—	—	—	—
Repurchase of preferred stock	—	—	—	—	(4.5)
Common stock cash dividends declared	—	—	—	—	—
Two-for-one common stock split	—	52.7	52.7	—	694.6
Balance at December 31, 1997	100.0	138.3	138.3	(36.0)	(836.1)
Comprehensive income:					
Net income	—	—	—	—	—
Other comprehensive income, net of tax:					
Foreign currency translation adjustments					
Reclassification for losses included in net income					
Net unrealized gain on foreign currency translation					
Other comprehensive income	—	—	—	—	—
Comprehensive income					
Purchase of treasury stock	—	—	—	(7.5)	(339.3)
Sale of treasury stock to employee stock plans	—	—	—	0.8	19.3
Restricted stock awards	—	0.9	0.9	(0.3)	(29.1)
Exercise of stock options and grant of stock awards	—	—	—	1.2	29.9
Series B convertible stock dividends, net of taxes of $2.1	—	—	—	—	—
Deferred compensation earned	—	—	—	—	—
Repurchase of preferred stock	—	—	—	—	(6.3)
Common stock cash dividends declared	—	—	—	—	—
Balance at December 31, 1998	100.0	139.2	139.2	(41.8)	(1,161.6)
Comprehensive income:					
Net income	—	—	—	—	—
Other comprehensive income, net of tax:					
Foreign currency translation adjustments					
Other comprehensive income	—	—	—	—	—
Comprehensive income					
Purchase of treasury stock	—	—	—	(8.5)	(435.9)
Common stock put options	—	—	—	—	(16.1)
Sale of treasury stock to employee stock plans	—	—	—	0.4	9.3
Restricted stock awards	—	—	—	—	1.5
Purchase of AmeriLink Corporation	—	—	—	1.8	25.5
Dealer/Franchisee Rewards Program	—	—	—	—	0.8
Exercise of stock options and grant of stock awards	—	—	—	3.0	51.6
Series B convertible stock dividends, net of taxes of $1.9	—	—	—	—	—
Deferred compensation earned	—	—	—	—	—
Cancellation of preferred stock, net of repurchases	(27.2)	—	—	—	28.8
Common stock cash dividends declared	—	—	—	—	—
Two-for-one common stock split	—	96.6	96.6	—	603.8
Balance at December 31, 1999	**$ 72.8**	**235.8**	**$235.8**	**(45.1)**	**$ (892.3)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity - continued

TANDY CORPORATION AND SUBSIDIARIES

(In millions)	Additional Paid-In Capital	Retained Earnings	Unearned Deferred Compensation	Accumulated Other Comprehensive Loss	Total	Comprehensive Income
Balance at December 31, 1996	$ 105.3	$ 2,188.9	$ (46.9)	$ (3.6)	$ 1,264.8	
Comprehensive income:						
Net income	—	186.9	—	—	186.9	$ 186.9
Other comprehensive income, net of tax:						
Foreign currency translation adjustments						(1.8)
Reclassification for losses included in net income						1.1
Net unrealized loss on foreign currency translation						(0.7)
Unrealized gain on securities						3.4
Reclassification for gains included in net income						(0.8)
Net unrealized gain on securities						2.6
Other comprehensive income	—	—	—	1.9	1.9	1.9
Comprehensive income						$ 188.8
Purchase of treasury stock	—	—	—	—	(412.1)	
Sale of treasury stock to employee stock plans	8.7	—	—	—	35.2	
Exercise of stock options and grant of stock awards	0.5	—	—	—	24.4	
Series B convertible stock dividends, net of taxes of $2.1	—	(4.0)	—	—	(4.0)	
Deferred compensation earned	—	—	9.5	—	9.5	
Repurchase of preferred stock	—	—	—	—	(4.5)	
Common stock cash dividends declared	—	(43.2)	—	—	(43.2)	
Two-for-one common stock split	(95.3)	(652.3)	—	—	(0.3)	
Balance at December 31, 1997	19.2	1,676.3	(37.4)	(1.7)	1,058.6	
Comprehensive income:						
Net income	—	61.3	—	—	61.3	$ 61.3
Other comprehensive income, net of tax:						
Foreign currency translation adjustments						(0.7)
Reclassification for losses included in net income						1.4
Net unrealized gain on foreign currency translation						0.7
Other comprehensive income	—	—	—	0.7	0.7	0.7
Comprehensive income						$ 62.0
Purchase of treasury stock	—	—	—	—	(339.3)	
Sale of treasury stock to employee stock plans	16.0	—	—	—	35.3	
Restricted stock awards	68.8	—	(4.2)	—	36.4	
Exercise of stock options and grant of stock awards	5.7	—	—	—	35.6	
Series B convertible stock dividends, net of taxes of $2.1	—	(3.7)	—	—	(3.7)	
Deferred compensation earned	—	—	10.1	—	10.1	
Repurchase of preferred stock	—	—	—	—	(6.3)	
Common stock cash dividends declared	—	(40.5)	—	—	(40.5)	
Balance at December 31, 1998	109.7	1,693.4	(31.5)	(1.0)	848.2	
Comprehensive income:						
Net income	—	297.9	—	—	297.9	$297.9
Other comprehensive income, net of tax:						
Foreign currency translation adjustments						0.2
Other comprehensive income	—	—	—	0.2	0.2	0.2
Comprehensive income						**$ 298.1**
Purchase of treasury stock	—	—	—	—	(435.9)	
Common stock put options	2.8	—	—	—	(13.3)	
Sale of treasury stock to employee stock plans	30.3	—	—	—	39.6	
Restricted stock awards	(10.6)	—	(0.5)	—	(9.6)	
Purchase of AmeriLink Corporation	43.7	—		—	69.2	
Dealer/Franchisee Rewards Program	0.9	—	—	—	1.7	
Exercise of stock options and grant of stock awards	28.6	—	—	—	80.2	
Series B convertible stock dividends, net of taxes of $1.9	—	(3.6)	—	—	(3.6)	
Deferred compensation earned	—	—	11.5	—	11.5	
Cancellation of preferred stock, net of repurchases	—	(18.0)	—	—	(16.4)	
Common stock cash dividends declared	—	(38.6)	—	—	(38.6)	
Two-for-one common stock split	(123.0)	(577.8)	—	—	(0.4)	
Balance at December 31, 1999	**$ 82.4**	**$ 1,353.3**	**$ (20.5)**	**$ (0.8)**	**$ 830.7**	

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

TANDY CORPORATION AND SUBSIDIARIES

NOTE 1 - DESCRIPTION OF BUSINESS

Tandy Corporation ("Tandy" or the "Company"), through its 7,100 plus RadioShack company-owned and dealer/franchise outlets, is the nation's largest consumer electronics chain. RadioShack's sales and operating revenues relate to private label and branded consumer electronics, brand name personal computers, wireless communication products and services, telephony and "direct-to-home" satellite systems. Additionally, Tandy operates certain related retail support groups and consumer electronics manufacturing businesses.

Another retail concept, Computer City, Inc. ("CCI" or "Computer City"), was sold effective August 31, 1998. Computer City sales related to personal computer hardware and software, printers, peripheral equipment and accessories sold through retail locations and direct sales to corporate, government and education customers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The Consolidated Financial Statements include the accounts of Tandy and its majority owned subsidiaries. CCI was included in the Consolidated Financial Statements through August 31, 1998, the date of its sale. Investments in 20% to 50% owned companies are accounted for on the equity method. Significant intercompany transactions are eliminated in consolidation.

Pervasiveness of Estimates: The preparation of financial statements, in conformity with accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses and the disclosure of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

Foreign Currency Translation: The functional currency of substantially all operations outside the U.S. is the respective local currency. Translation gains or losses related to net assets located outside the United States are shown as a component of accumulated other comprehensive loss and are classified in the equity section of the balance sheet.

Cash and Cash Equivalents: Cash on hand in stores, deposits in banks and all highly liquid investments with an original maturity of three months or less at the time of purchase are considered cash and cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Marketable Securities: Marketable securities are marked to market based upon market value fluctuations and resulting adjustments, net of deferred taxes, are reported as a component of stockholders' equity until realized. Declines in fair market value that are considered to be other than temporary are recognized in earnings and establish a new cost basis for the security. Realized gains and losses are included in earnings and are determined on the specific identification method. In April 1999, Tandy made an investment in NorthPoint Communications, Inc. ("NorthPoint") common stock. This investment is included in other current assets in the accompanying Consolidated Balance Sheet at December 31, 1999 and is designated as "securities available for sale." At December 31, 1999, the fair value of Tandy's investment in NorthPoint was equal to its cost.

Accounts Receivable and Allowance For Doubtful Accounts: An allowance for doubtful accounts is provided when accounts are determined to be uncollectible. Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising Tandy's customer base and their location in many different geographic areas of the country. However, Tandy does have some concentration of credit risk in the wireless telephone and direct-to-home satellite services industries due to increased sales and outstanding balances as of December 31, 1999 from these service providers.

Inventories: Inventories are stated at the lower of cost (principally based on average cost) or market value and are comprised primarily of finished goods.

Property, Plant and Equipment: Property and equipment are stated at cost. For financial reporting purposes, depreciation and amortization are primarily calculated using the straight-line method, which amortizes the cost of the assets over their estimated useful lives. When depreciable assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts. Any gains or losses are included in selling, general and administrative ("SG&A") expense. Major additions and betterments are capitalized. Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to operating expenses as incurred. Amortization of buildings under capital leases is included in depreciation and amortization in the Consolidated Statements of Income.

Capitalized Software Costs: Tandy capitalizes qualifying costs relating to developing or obtaining internal-use software. Capitalization of costs begins after the conceptual formulation stage has been completed. Capitalized costs are amortized over the estimated useful life of the software, which ranges from three to five years.

Goodwill: Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, is amortized on a straight-line basis over the expected life of the underlying assets. Goodwill was $52.9 million and $3.2 million, net of accumulated amortization of $0.9 million and $0.4 million at December 31, 1999 and 1998, respectively. Goodwill and amortization expense for 1999 related primarily to the acquisition of AmeriLink Corporation ("AmeriLink") in July 1999 (see Note 5 - "AmeriLink Acquisition").

Impairment of Long-Lived Assets: Long-lived assets (primarily property, plant and equipment and goodwill) held and used by Tandy or to be disposed of are reviewed for impairment whenever events or changes in circumstances indicate that the net book value of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. The amount of the impairment loss is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

Fair Value of Financial Instruments: The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Unless otherwise disclosed, the fair values of financial instruments approximate their recorded values due primarily to the short-term nature of their maturities or their varying interest rate.

Revenues: Retail sales are recorded on the accrual basis. Residual income is recognized based upon the contractual percentage of each customer's monthly bill.

Extended Service Contracts: Tandy's retail operations offer extended service contracts on products sold. These contracts generally provide extended service coverage for periods of 12 to 60 months. Tandy offers these contracts on behalf of an unrelated third party, who is named as obligor on these contracts. Tandy is not named as an obligor on these contracts. In these circumstances, Tandy's share of commission revenue is recognized as income at the time of sale.

During 1997, Tandy sold its own extended service contracts in one state. Revenues from the sale of these contracts are recognized ratably over the lives of the contracts. Costs directly related to sales of such contracts are deferred and charged to expense proportionately as the revenues are recognized. A loss is recognized on extended service contracts if the sum of the expected costs of providing services pursuant to the contracts exceeds related unearned revenue.

Income Taxes: Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, Tandy recognizes future tax benefits to the extent that realization of such benefits are more likely than not.

Earnings Per Share: Basic earnings per share is computed based only on the weighted average number of common shares outstanding for each period presented. Dilutive earnings per share reflects the potential dilution that would have occurred if securities or other contracts to issue common stock were exercised, converted, or resulted in the issuance of common stock that would have then shared in the earnings of the entity.

The following table reconciles the numerator and denominator used in the basic and diluted earnings per share calculations for the years ended December 31, 1999, 1998 and 1997:

Basic and Diluted Earnings Per Share

	1999			1998			1997		
(In millions, except per share amounts)	**Income (Numerator)**	**Shares (Denominator)**	**Per Share Amount**	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Net income	**$297.9**			$ 61.3			$186.9		
Less: Preferred stock dividends	**(5.5)**			(5.8)			(6.1)		
Basic EPS									
Net income available to common shareholders	**292.4**	**194.2**	**$ 1.51**	55.5	201.2	$0.28	180.8	214.4	$ 0.84
Effect of dilutive securities:									
Plus dividends on Series B preferred stock	**5.5**			5.8			6.1		
Additional contribution required for TESOP if preferred stock had been converted	**(4.1)**	**6.5**		(4.1)	6.8		(3.9)	7.1	
Stock options		**4.3**			3.4			3.0	
Diluted EPS									
Net income available to common shareholders plus assumed conversions	**$293.8**	**205.0**	**$ 1.43**	$ 57.2	211.4	$0.27	$183.0	224.5	$ 0.82

Options to purchase 3.3 million, 3.4 million and 1.4 million shares of common stock in 1999, 1998 and 1997, respectively, were not included in the computation of diluted earnings per common share because the option exercise price was greater than the average market price of the common stock during the year.

Stock-Based Compensation: Tandy has adopted SFAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), on a disclosure basis only. Tandy measures compensation costs under Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") and its related interpretations.

Advertising Costs: All advertising costs of Tandy are expensed the first time the advertising takes place. Advertising expense was $199.9 million, $208.7 million and $195.4 million for the years ended December 31, 1999, 1998 and 1997, respectively.

Comprehensive Income (Loss): Effective January 1, 1998, Tandy adopted SFAS No. 130, "Reporting Comprehensive Income." Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period, except those changes resulting from investments by owners and distributions to owners.

The following tables summarize the tax effects of other comprehensive income and the cumulative amount of the separate components of other comprehensive loss for the years ended December 31, 1999, 1998 and 1997:

Tax Effects of Other Comprehensive Income

	1999			1998			1997		
(In millions)	**Pre-Tax Amount**	**Tax Expense**	**After Tax Amount**	Pre-Tax Amount	Tax Expense	After Tax Amount	Pre-Tax Amount	Tax Benefit	After Tax Amount
Foreign currency translation adjustments	**$ 0.3**	**$ 0.1**	**$ 0.2**	$ (1.2)	$ (0.5)	$ (0.7)	$ (2.9)	$ (1.1)	$ (1.8)
Less: Reclassification adjustment for losses included in net income	**—**	**—**	**—**	2.3	0.9	1.4	1.8	0.7	1.1
Net unrealized gain (loss)	**0.3**	**0.1**	**0.2**	1.1	0.4	0.7	(1.1)	(0.4)	(0.7)
Unrealized gain on securities	**—**	**—**	**—**	—	—	—	5.3	1.9	3.4
Less: Reclassification adjustment for gains included in net income	**—**	**—**	**—**	—	—	—	(1.3)	(0.5)	(0.8)
Net unrealized gain	**—**	**—**	**—**	—	—	—	4.0	1.4	2.6
Other comprehensive income	**$ 0.3**	**$ 0.1**	**$ 0.2**	$ 1.1	$ 0.4	$ 0.7	$ 2.9	$ 1.0	$ 1.9

Cumulative Amount of Separate Components of Other Comprehensive Loss

	1999			1998			1997		
(In millions)	**Foreign Currency Translation Adjustment**	**Unrealized Gain on Securities**	**Accumulated Other Comprehensive Loss**	Foreign Currency Translation Adjustment	Unrealized Gain on Securities	Accumulated Other Comprehensive Loss	Foreign Currency Translation Adjustment	Unrealized Loss on Securities	Accumulated Other Comprehensive Loss
Beginning balance	**$ (1.0)**	**$ —**	**$ (1.0)**	$ (1.7)	$ —	$ (1.7)	$ (1.0)	$ (2.6)	$ (3.6)
Current period change	**0.2**	**—**	**0.2**	0.7	—	0.7	(0.7)	2.6	1.9
Ending balance	**$ (0.8)**	**$ —**	**$ (0.8)**	$ (1.0)	$ —	$ (1.0)	$ (1.7)	$ —	$ (1.7)

New Pronouncements: In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In June 1999, the FASB issued SFAS No. 137, which delayed the effective date of SFAS No. 133 to quarters beginning after June 15, 2000. SFAS No. 133 requires a company to record all derivative instruments at fair value on the balance sheet. Tandy does not use derivatives for speculative purposes. As such, its market risk was not material in 1999.

NOTE 3 – STOCK SPLIT

On May 20, 1999, Tandy's Board of Directors delcared a two-for-one split of Tandy common stock, payable on June 21, 1999. This resulted in the issuance of 96.6 million shares of common stock along with a corresponding decrease of $96.6 million in additional paid-in capital. Treasury shares were not split. However, an adjustment was made to Tandy's stockholders' equity section of the balance sheet to split the cost of treasury stock (in effect a cancellation of treasury shares by reducing paid-in capital and retained earnings). All references to the number of shares (other than common stock issued or outstanding on the 1998 Consolidated Balance Sheet and 1997 and 1998 Consolidated Statements of Stockholders' Equity), per share amounts, cash dividends, and any other reference to shares in the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements ("Notes"), unless otherwise noted, have been adjusted to reflect the split on a retroactive basis. Previously awarded stock options, restricted stock awards, and all other agreements payable in Tandy's common stock have been adjusted or amended to reflect the split.

NOTE 4 – SALE OF COMPUTER CITY, INC.

On August 31, 1998, Tandy completed the sale of 100% of the outstanding common stock of its Computer City, Inc. subsidiary to CompUSA Inc. ("CompUSA"). In the third quarter of 1998, Tandy received approximately $75.0 million in cash and an unsecured subordinated note for $136.0 million as consideration for the sale. The amount of cash to be retained was subject to adjustment and in the fourth quarter of 1998 the amount of cash consideration was reduced to $36.5 million. Tandy recognized a loss of $108.2 million in 1998 from the sale of Computer City, which included certain liabilities and contractual obligations incurred by Tandy.

The note bears interest at 9.48% per annum and is payable over a ten year period. Interest is payable on June 30 and December 31 of each year, with the first payment made on December 31, 1998. Beginning on December 31, 2001, principal payments will be due semiannually until the note matures on June 30, 2008. Tandy intends to hold the subordinated note until maturity. The note had an estimated fair value of $133.0 million at December 31, 1999.

Computer City's results from operations through August 31, 1998 are included in the accompanying Consolidated Financial Statements. Below is a summary of net sales and operating revenues and net losses, for Computer City:

(In millions)	**1999**	1998 (1)	1997
Net sales and operating revenues	$ —	$ 1,196.7	$ 1,903.7
Operating loss	—	(95.6)	(14.9)

(1) Includes operations for only eight months, due to sale to CompUSA on August 31, 1998.

NOTE 5 - AMERILINK ACQUISITION

On July 30, 1999, Tandy acquired AmeriLink in an all stock transaction valued at approximately $75.8 million. Tandy exchanged approximately 1.8 million shares of Tandy common stock for all of the outstanding common stock of AmeriLink. The transaction was accounted for under the purchase method of accounting. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, which resulted in approximately $50.7 million of goodwill being recorded in other assets on the accompanying 1999 Consolidated Balance Sheet. The associated goodwill will be amortized over 20 years.

NOTE 6 - RADIOSHACK.COM, LLC

In October 1999, Tandy launched its e-commerce enabled website, www.RadioShack.com. On November 10, 1999, Tandy and Microsoft formed a limited liability company, RadioShack.com, LLC ("RS.com"), for the purpose of marketing and selling electronics products on the Internet. Tandy contributed assets and also extended a royalty-free license for certain trademarks and services to RS.com and Microsoft contributed cash of $100.0 million on January 4, 2000. Tandy owns 100% of the common units of RS.com, while Microsoft owns 100% of the preferred units and Tandy will include RS.com in its consolidated financial statements. Tandy is entitled to receive 75% of the profits and losses of RS.com, while Microsoft will receive 25%; however, the preferred units have liquidation rights, which could impact the allocation of profits and losses between the unit holders. The preferred units are convertible into common units at any time and must be converted in the event of certain capital transactions. In certain circumstances, Microsoft has the option to require Tandy to purchase its units and Tandy has the right to purchase Microsoft's units. Also, in the event of liquidation, the preferred units have preferential rights to recover their initial investment.

NOTE 7 - 1996 BUSINESS RESTRUCTURING

In the fourth quarter of 1996, Tandy initiated certain restructuring programs resulting from the highly competitive environment in the electronics industry at the time. In conjunction with these programs, Tandy closed 53 McDuff stores and 21 unprofitable Computer City stores in January 1997. Additionally, Tandy either closed or sold all of its Incredible Universe stores during 1997. During 1997, Tandy sold the assets related to several closed stores, including the sale of the real estate, related fixed assets and inventory of six Incredible Universe stores, to Fry's Electronics, Inc. and its affiliates ("Fry's). These six stores were sold for approximately $21.5 million in cash and $97.4 million in notes receivable with no material gain or loss recognized upon the sale. At December 31, 1999, the notes receivable balance was $26.3 million with interest rates ranging from 6.57% to 6.70% and maturity dates in 2001 and 2002. Tandy intends to hold the notes until maturity. The notes had an estimated fair value of $25.0 million at December 31, 1999.

Net sales and operating revenues and operating losses of the stores closed pursuant to the restructuring plans are shown below for each year ended December 31 (unaudited):

(In millions)	**1999**	1998	1997
Net sales and operating revenues	**$ —**	$ —	$ 164.6
Operating loss	**—**	—	(30.1)(1)

(1) Excludes business restructuring charges.

The following schedule is an analysis of additional reserves and charges related to future lease obligations, real estate costs, disposition of fixed assets, employee termination expenses and contract cancellation costs pertaining to these restructuring programs for the periods ending December 31, 1997, 1998 and 1999.

1996 Business Restructuring

(In millions)	Balance 12/31/96	Additional Reserves	Charges 1/1/97 - 12/31/97	Balance 12/31/97	Additional Reserves	Charges 1/1/98 - 12/31/98	Balance 12/31/98	**Additional Reserves**	**Charges 1/1/99- 12/31/99**	**Balance 12/31/99**
Real estate obligations	93.5	11.6	(78.1)	27.0	6.5	(14.1)	$ 19.4	**—**	**(5.6)**	**$ 13.8**
Disposal of fixed assets	—	—	—	—	—	—	—	**—**	**—**	**—**
Inventory impairment	—	—	—	—	—	—	—	**—**	**—**	**—**
Termination benefits	4.6	—	(4.6)	—	—	—	—	**—**	**—**	**—**
Contract termination costs	13.2	—	(13.2)	—	—	—	—	**—**	**—**	**—**
Other	26.4	—	(24.8)	1.6	—	(0.8)	0.8	**—**	**(0.1)**	**0.7**
Total	137.7	11.6	(120.7)	28.6	6.5	(14.9)	$ 20.2	**—**	**(5.7)**	**$ 14.5**

NOTE 8 - CASH EQUIVALENTS

The weighted average interest rates were 5.3% and 6.0% at December 31, 1999 and 1998, respectively, for cash equivalents totaling $31.2 million and $16.2 million, respectively.

NOTE 9 - ACCOUNTS AND NOTES RECEIVABLE

As of December 31, 1999 and 1998, Tandy had the following accounts and notes receivable outstanding on the Consolidated Balance Sheets:

Accounts and Notes Receivable

(In millions)	December 31, **1999**	1998
Trade accounts receivable	**$ 85.0**	$ 68.2
Receivables from InterTAN, Inc. (see Note 24)	**2.9**	4.2
Current portion of Fry's notes receivable (see Note 7)	**1.0**	1.0
Receivables from vendors and service providers (1)	**184.1**	133.2
Other receivables	**36.9**	27.4
Less allowance for doubtful accounts	**(23.8)**	(18.8)
Accounts and notes receivable, net	**$ 286.1**	$ 215.2

(1) Includes marketing development funds, residuals and commissions from wireless telephone carriers and residuals from long distance, digital satellite service and pager activation providers.

Notes Receivable

(In millions)	December 31, **1999**	1998
CompUSA (see Note 4)	**$ 136.0**	$ 136.0
Fry's (see Note 7)	**26.3**	47.6
Other notes	**7.0**	4.7
	169.3	188.3
Less amount classified as current receivable	**(1.7)**	(2.2)
Total amount classified as other assets	**$ 167.6**	$ 186.1

Interest income earned, including accretion of discount if applicable, on the amounts outstanding during the three years ended December 31, 1999, 1998 and 1997 was as follows:

(In millions)	Year Ended December 31, **1999**	1998	1997
CompUSA (1)	**$ 12.9**	$ 4.3	$ —
InterTAN, Inc. (2)	**—**	—	5.4
Fry's	**2.9**	3.5	3.3
Other	**4.6**	3.0	4.5
Total interest income	**$ 20.4**	$ 10.8	$ 13.2

(1) The note receivable from CompUSA originated August 31, 1998.

(2) The note receivable from InterTAN, Inc. was paid in full on December 31, 1997.

Allowance for Doubtful Accounts

(In millions)	December 31, **1999**	1998	1997
Balance at the beginning of the year	**$ 18.8**	$ 8.8	$ 7.9
Provision for credit losses and bad debt included in SG&A expense	**9.9**	12.5	2.6
Uncollected receivables written off, net of recoveries	**(4.9)**	(2.5)	(1.7)
Balance at the end of the year	**$ 23.8**	$ 18.8	$ 8.8

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT ("PP&E")

The following table outlines the ranges of estimated useful lives and balances of each major fixed asset category:

(In millions)	Range of Estimated Useful Life	December 31, 1999	1998
Land	—	**$ 18.2**	$ 16.6
Buildings	10 - 40 years	**183.6**	183.1
Furniture, fixtures and equipment [(1)]	2 -15 years	**500.3**	451.9
Leasehold improvements	Primarily, the shorter of the life of the improvements or the term of the related lease and certain renewal periods	**333.5**	323.1
Total PP&E		**1,035.6**	974.7
Less accumulated depreciation and amortization of capital leases		**(588.8)**	(540.9)
Total PP&E, net of accumulated depreciation		**$ 446.8**	$ 433.8

(1) Includes $22.1 million of assets under capital leases at both December 31, 1999 and December 31, 1998, respectively.

NOTE 11 - TREASURY STOCK REPURCHASE PROGRAM

On March 3, 1997, Tandy announced that its Board of Directors authorized management to purchase up to 20.0 million additional shares of its common stock through Tandy's existing share repurchase program. The share repurchase program was initially authorized in December 1995 and increased in October 1996 and was undertaken as a result of management's view of the economic value of Tandy's stock. The share increase for 1997 brought the total authorization since inception to 60.0 million shares, of which approximately 56.7 million shares totaling $949.2 million had been repurchased as of December 31, 1999. Approximately 4.8 million shares were repurchased in 1999 for $203.4 million under the program.

Additionally, on October 26, 1998, Tandy announced that its Board of Directors authorized the repurchase of up to 10.0 million shares of Tandy's common stock for an indefinite period of time to be used to offset the dilution of grants under Tandy's incentive stock plans (see Note 19 - "Stock Options and Performance Awards"). Approximately 4.2 million shares were repurchased in 1999 for $190.7 million, bringing the total share repurchase at December 31, 1999 under this program to 7.0 million shares totaling $254.5 million.

These purchases under the two share repurchase programs described above are in addition to the shares required for employee stock plans, which are purchased throughout the year.

In connection with the share repurchase program, the Board of Directors, at their October 23, 1998 meeting, authorized management to sell up to 2.0 million put options on Tandy common stock. Such put options grant the purchaser the right to sell shares of Tandy's common stock to Tandy at specified prices upon exercise of the put options. These put options are exercisable only at maturity and can be settled in cash at Tandy's option, in lieu of repurchasing the stock. The issued put options have a maturity of up to six months. Tandy has sold approximately 1.4 million put options since the inception of the program and 0.4 million put options remained outstanding at December 31, 1999. The put options expire on various dates through April 2000. At December 31, 1999 and 1998, the full redemption value of the put options was classified as common stock put options in the accompanying Consolidated Balance Sheets. The related offset was recorded in common stock in treasury, net of premiums received.

NOTE 12 - INDEBTEDNESS AND BORROWING FACILITIES

Tandy's short-term credit facilities, including revolving credit lines, are summarized in the accompanying short-term borrowing facilities table below. The method used to compute averages in the short-term borrowing facilities table is based on a daily weighted average computation which takes into consideration the time period such debt was outstanding as well as the amount outstanding. Tandy's primary source of short-term debt, for which borrowings and repayments are presented net of each other in the accompanying Consolidated Statements of Cash Flows, consists of short-term seasonal bank debt and commercial paper. The commercial paper has a typical maturity of 90 days or less, as does the short-term seasonal bank debt. The amount of commercial paper that may be outstanding is limited to a maximum of $500.0 million.

In the second quarter of 1999, Tandy extended the maturity date of its $200.0 million 364-day revolving credit facility to June 2000. Tandy also has a $300.0 million five-year revolving credit facility maturing June 2003. The revolving credit facilities are used as backup for the commercial paper program and may also be utilized for general corporate purposes. Annual commitment fees for the facilities are 0.07% of the $200.0 million facility per annum and 0.085% of the $300.0 million facility per annum, whether used or unused. Tandy plans to extend the $200.0 million facility to June 2001 during the second quarter of 2000.

In May 1997, Tandy filed a $300.0 million Debt Shelf Registration Statement ("Shelf Registration") with the Securities and Exchange Commission, which was declared effective in August 1997. In August 1997, Tandy issued $150.0 million of 10 year unsecured notes under the Shelf Registration. The interest rate on the notes is 6.95% per annum with interest payable on September 1 and March 1 of each year, commencing March 1, 1998. The notes are due September 1, 2007. In December 1997 and January 1998, Tandy issued $4.0 million and $45.0 million, respectively, in medium-term notes under the remaining $150.0 million Shelf Registration. An additional $32.0 million, $37.0 million and $32.0 million of medium-term notes were issued in January 1999, August 1999 and September 1999, respectively, completing the remaining 1997 Shelf Registration. Tandy's medium and long-term notes outstanding at December 31, 1999 under the 1997 Shelf Registration totaled $300.0 million, compared to $199.0 million outstanding at December 31, 1998. The interest rates at December 31, 1999 for the outstanding $150.0 million in medium-term notes ranged from 6.09% to 7.35% with a weighted average coupon rate of 6.6%.

Tandy established an employee stock ownership trust in June 1990. Further information on the trust and its related indebtedness, which is guaranteed by the Company, is detailed in the discussion of the Tandy Fund in Note 17.

Long-term borrowings and capital lease obligations outstanding at December 31, 1999 mature as follows:

(In millions)	
2000	$ 14.6
2001	17.1
2002	87.5
2003	19.9
2004	39.3
2005 and thereafter	155.6
Total	$ 334.0

The fair value of Tandy's long-term debt of $321.2 million (including current portion, but excluding capital leases) was approximately $317.0 million at December 31, 1999. The fair value was computed using interest rates which were in effect at December 31, 1999 for similar debt instruments.

Borrowings payable within one year are summarized in the accompanying short-term debt table below. Short-term debt at December 31, 1999 and 1998 consisted primarily of domestic seasonal borrowings.

Short-Term Debt

	December 31,	
(In millions)	**1999**	1998
Short-term bank debt	**$ 27.5**	$ 36.5
Current portion of long-term debt	**—**	1.0
Commercial paper, less unamortized discount	**146.8**	179.0
Current portion of capitalized lease obligations	**5.1**	6.6
Current portion of guarantee on TESOP indebtedness (see Note 17)	**9.5**	10.1
Total short-term debt	**$ 188.9**	$ 233.2

Long-Term Debt

	December 31,	
(In millions)	**1999**	1998
Notes payable with interest rates at December 31, 1999 ranging from 5.1% to 6.5%	**$ 6.1**	$ 9.1
Notes payable issued under the Shelf Registration with an interest rate of 6.95%, net of unamortized issuance costs of $5.5 million and $6.0 million, respectively	**144.5**	144.0
Medium-term notes payable issued under the Shelf Registration, net of issuance cost, with interest rates at December 31, 1999 ranging from 6.09% to 7.35%	**149.5**	49.8
	300.1	202.9
Less portion due within one year included in current notes payable	**—**	(1.0)
	300.1	201.9
Capital lease obligations (see Note 22)	**12.8**	19.1
Less current portion	**(5.1)**	(6.6)
	7.7	12.5
Guarantee of TESOP indebtedness (see Note 17)	**21.1**	30.8
Less current portion	**(9.5)**	(10.1)
	11.6	20.7
Total long-term debt	**$ 319.4**	$ 235.1

Short-Term Borrowing Facilities

(In millions)	Year Ended December 31, 1999	1998	1997
Domestic seasonal bank credit lines and bank money market lines:			
Lines available at year end	**$ 955.0**	$ 895.0	$ 1,190.0
Loans outstanding at year end	**$ 20.0**	$ 33.9	$ 225.2
Weighted average interest rate at year end	**6.5%**	5.9%	6.5%
Weighted average of loans outstanding during year	**$ 57.1**	$ 49.8	$ 216.9
Weighted average interest rate during year	**5.5%**	5.7%	5.9%
Short-term foreign credit lines:			
Lines available at year end	**$ 156.4**	$ 156.4	$ 132.3
Loans outstanding at year end	**7.5**	2.6	None
Weighted average interest rate at year end	**7.1%**	6.3%	N/A
Weighted average of loans outstanding during year	**$ 8.0**	$ 5.3	$ 0.8
Weighted average interest rate during year	**6.0%**	6.1%	6.0%
Letters of credit and banker's acceptance lines of credit:			
Lines available at year end	**$ 232.3**	$ 212.3	$ 237.3
Acceptances outstanding at year end	**None**	None	None
Letters of credit open against outstanding purchase orders at year end	**$ 86.6**	$ 52.1	$ 65.9
Commercial paper credit facilities:			
Commercial paper outstanding at year end	**$ 146.8**	$ 179.0	$ 35.0
Weighted average interest rate at year end	**6.5%**	6.0%	7.1%
Weighted average of commercial paper outstanding during year	**$ 179.9**	$ 120.6	$ 189.7
Weighted average interest rate during period	**5.5%**	5.7%	5.9%

NOTE 13 - ACCRUED EXPENSES

(In millions)	December 31, 1999	1998
Payroll and bonuses	**$ 96.1**	$ 67.3
Sales and payroll taxes	**38.5**	74.6
Insurance	**64.5**	70.2
Other	**151.7**	122.3
Total accrued expenses	**$ 350.8**	$ 334.4

NOTE 14 - LEASES AND COMMITMENTS

Tandy leases rather than owns most of its facilities. The RadioShack stores comprise the largest portion of Tandy's leased facilities. The RadioShack stores are located primarily in major shopping malls and shopping centers owned by other companies. Some leases are based on a minimum rental plus a percentage of the store's sales in excess of a stipulated base figure. Tandy also leases distribution centers and office space. In addition, Tandy has capital leases related to its computer and operating systems.

Future minimum rent commitments at December 31, 1999 for all long-term noncancelable leases (net of immaterial amounts of sublease rent income) are included in the following table.

Future Minimum Rent Commitments

(In millions)	Operating Leases	Capital Leases
2000	148.7	6.1
2001	132.7	6.1
2002	93.4	1.7
2003	67.5	—
2004	44.1	—
2005 and thereafter	67.1	—
Total minimum lease payments		13.9
Less: Amount representing interest		(1.1)
Present value of net minimum lease payments		$ 12.8

Future minimum rent commitments in the table above exclude future rent obligations associated with stores closed pursuant to the restructuring plan. Estimated payments to settle future rent obligations associated with these stores have been accrued in the restructuring reserve (see Note 7).

Rent Expense

(In millions)	Year Ended December 31, 1999	1998	1997
Minimum rents	**$ 201.7**	$ 216.5	$ 221.9
Contingent rents	**3.8**	3.0	2.8
Sublease rent income	**—**	(2.1)	(2.1)
Total rent expense	**$ 205.5**	$ 217.4	$ 222.6

NOTE 15 - INCOME TAXES

Deferred tax assets and liabilities as of December 31, 1999 and 1998 were comprised of the following:

Net Deferred Tax Assets

(In millions)	December 31, 1999	1998
Deferred tax assets		
Bad debt reserve	**$ 9.0**	$ 7.2
Restructuring reserves	**5.5**	12.8
Restricted stock	**5.1**	28.9
Insurance reserves	**21.4**	19.7
Depreciation and amortization	**16.9**	20.1
Other	**41.9**	33.2
Total deferred tax assets	**99.8**	121.9
Deferred tax liabilities		
Inventory adjustments, net	**5.4**	6.1
Deferred taxes on foreign operations	**8.2**	7.1
Other	**3.0**	2.9
Total deferred tax liabilities	**16.6**	16.1
Net deferred tax assets	**$ 83.2**	$ 105.8

The net deferred tax asset is classified as follows:

Other current assets	**$ 34.6**	$ 55.7
Noncurrent assets	**48.6**	50.1
Net deferred tax assets	**$ 83.2**	$ 105.8

The components of the provision for income taxes and a reconciliation of the U.S. statutory tax rate to Tandy's effective income tax rate are given in the accompanying tables.

Income Tax Expense

(In millions)	Year Ended December 31, 1999	1998	1997
Current			
Federal	**$ 139.3**	$ 87.5	$ 12.4
State	**17.1**	14.5	2.6
Foreign	**3.6**	2.4	2.3
	160.0	104.4	17.3
Deferred			
Federal	**18.5**	(55.0)	92.3
State	**4.1**	(11.0)	7.4
Foreign	**—**	—	—
	22.6	(66.0)	99.7
Provision for income taxes	**$ 182.6**	$ 38.4	$ 117.0

Statutory vs. Effective Tax Rate

(In millions)	Year Ended December 31, 1999	1998	1997
Components of income from continuing operations:			
United States	**$ 458.8**	$ 85.4	$ 295.0
Foreign	**21.7**	14.3	8.9
Income before income taxes	**480.5**	99.7	303.9
Statutory tax rate	**x 35.0%**	x 35.0%	x 35.0%
Federal income tax expense at statutory rate	**168.2**	34.9	106.4
State income taxes, less federal income tax effect	**13.8**	2.2	6.5
Other, net	**0.6**	1.3	4.1
Total income tax expense	**$ 182.6**	$ 38.4	$ 117.0
Effective tax rate	**38.0%**	38.5%	38.5%

Management anticipates generating enough pre-tax income in the future to realize the full benefit of U.S. deferred tax assets related to future deductible amounts. Accordingly, a valuation allowance is not required at December 31, 1999 or 1998.

NOTE 16 - TANDY STOCK PLAN

Eligible employees may contribute 1% to 7% of annual compensation to purchase Tandy common stock at the monthly average daily closing price. Tandy matches 40%, 60% or 80% of the employee's contribution, depending on the length of the employee's continuous participation in the Tandy Stock Plan. The Company match is also for the purchase of Tandy common stock. Tandy's contributions to the Stock Plan were $15.6 million, $14.5 million and $13.7 million for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 17 - TANDY FUND

The Tandy Fund ("Plan") is a defined contribution plan. Eligible employees may direct their contributions into various investment options, including investing in Tandy common stock. Participants may defer, via payroll reductions, 1% to 8% of annual compensation. Contributions per participant are limited to certain annual maximums permitted by the Internal Revenue Code. Company contributions are made directly to the Plan through the Tandy Employees Stock Ownership Plan ("TESOP") portion of the Plan. The TESOP is a leveraged employee stock ownership plan. Participants become fully vested in Company contributions upon the earlier to occur of five years of service with Tandy or three years of participation in the Plan.

TESOP Portion of the Plan: On July 31, 1990, the trustee of the Plan borrowed $100.0 million at an interest rate of 9.34% with varying semiannual principal payments due through June 30, 2000 ("TESOP Notes"). The Plan trustee used the proceeds from the issuance of the TESOP Notes to purchase 100,000 shares of TESOP Preferred Stock from Tandy at a price of $1,000 per share. In December 1994, the Plan entered into an agreement with an unrelated third party to refinance up to $16.7 million of the TESOP Notes in a series of up to six annual notes, beginning December 30, 1994. As of December 31, 1999, the Plan had borrowed all of the $16.7 million (the "Refinanced Notes") in a series of six notes at interest rates ranging from 5.84% to 8.76% to refinance the TESOP Notes. The maturity dates of these six notes range from December 2000 to December 2002. Dividend payments and contributions received by the Plan from Tandy will be used to repay the indebtedness.

Each share of TESOP Preferred Stock is convertible into 87.072 shares of Tandy common stock. The annual cumulative dividend on TESOP Preferred Stock is $75.00 per share, payable semiannually. Because Tandy has guaranteed the repayment of the TESOP Notes and the Refinanced Notes, the indebtedness of the Plan is recognized as a long-term obligation in the accompanying Consolidated Balance Sheets. An offsetting charge has been made in the stockholders' equity section of the accompanying Consolidated Balance Sheets to reflect unearned deferred compensation related to the Plan.

Compensation and interest expenses related to the Plan before the reduction for the allocation of dividends are presented below for each year ended December 31:

(In millions)	**1999**	1998	1997
Compensation expense	**$ 8.7**	$ 10.2	$ 9.5
Interest expense	**2.3**	3.4	4.4

During the terms of the TESOP Notes and Refinanced Notes, the TESOP Preferred Stock will be allocated to the participants annually, based on the total debt service made on the indebtedness. As shares of the TESOP Preferred Stock are allocated to Plan participants, compensation expense is recorded and unearned deferred compensation is reduced. Interest expense on the TESOP Notes and Refinanced Notes is also recognized as a cost of the Plan. The compensation component of the Plan expense is reduced by the amount of dividends accrued on the TESOP Preferred Stock, with any dividends in excess of the compensation expense reflected as a reduction of interest expense.

Contributions from Tandy to the Plan for the years ended December 31, 1999, 1998 and 1997 totaled $12.0 million, $14.7 million and $14.5 million, respectively, including dividends paid on the TESOP Preferred Stock of $5.5 million, $5.8 million and $6.1 million, respectively.

As of December 31, 1999, 83,686 shares of TESOP Preferred Stock had been released to participants' accounts in the Plan, including 27,243 shares previously withdrawn by participants. A total of 75,442 of these shares had also been allocated to participants' accounts as of year end and the remaining 8,244 shares will be allocated to participants' accounts on the March 31, 2000 annual allocation date. At December 31, 1999, 16,314 shares of TESOP Preferred Stock were available for later release and allocation to participants' accounts over the remaining life of the TESOP Notes and Refinanced Notes. The appraised value of these remaining shares was $70.5 million at December 31, 1999. The TESOP Preferred Stock has certain liquidation preferences and may be redeemed after July 1, 1994, at specified premiums.

NOTE 18 - DEFERRED COMPENSATION PLANS

In October 1997, the Board of Directors approved the Tandy Corporation Executive Deferred Compensation Plan and the Tandy Corporation Executive Deferred Stock Plan ("Compensation Plans"), which became effective on April 1, 1998. These plans permit employees who are corporate or division officers to defer up to 80% of their base salary and/or bonuses. Certain executive officers may defer up to 100% of their base salary and/or bonuses. In addition, officers are permitted to defer any restricted stock or nonstatutory stock option gains that would otherwise vest. Cash deferrals may be invested in Tandy common stock or mutual funds; however, restricted stock and nonstatutory stock option gains may only be invested in Tandy common stock. Tandy matches 12% of salary and bonus deferrals in the form of Tandy common stock. Tandy will match an additional 25% of salary and bonus deferrals if the deferral period exceeds five years and the deferrals are invested in Tandy common stock. Payment of deferrals will be made in cash and Tandy common stock in accordance with the employee's specifications at the time of the deferral; payments may be received in a lump sum or in annual installments not to exceed 20 years.

Contributions from Tandy to the Compensation Plans for the years ended December 31, 1999 and 1998 totaled $1.0 million and $0.6 million, respectively.

NOTE 19 - STOCK OPTIONS AND PERFORMANCE AWARDS

Tandy applies APB 25 and related interpretations in accounting for its stock option plans, which are described below. Historically, the exercise price of options has been equal to or greater than the fair market value on the date of grant.

The 1993, 1997 and 1999 Incentive Stock Plans ("ISP"s) described below each terminate on the tenth anniversary of the day preceding its adoption date by the Board; no option or award may be granted under each plan after the termination date. The terms for grants of options under each ISP are specified by the Organization and Compensation Committee (the "Committee"); terms of these options may not exceed 10 years. Option agreements issued under the ISPs generally provide that, in the event of a change in control, all options become immediately and fully exercisable.

Tandy's three ISPs specify that each non-employee director of Tandy will receive a grant of nonstatutory stock options (options which are not incentive stock options) ("NSOs") for 16,000 shares of Tandy common stock on the first business day of September of each year ("Director Options"). New directors upon election or appointment will receive a one-time grant of 20,000 shares. Director Options under the 1993 and 1997 ISPs have an exercise price of 100% of the fair market value of Tandy common stock on the trading day prior to the date of grant. Director Options under the 1999 ISP have an exercise price of 100% of the fair market value of a share of Tandy common stock on the date of grant. If a grant is made under the 1999 ISP on a non-trading date, the closest previous trading date is used. For Director Options under the three ISPs, one-third of the shares vest annually on the first three anniversary dates of the date of grant and shares expire 10 years after the date of grant.

The exercise price of shares under an option (other than a Director Option) is determined by the Committee, provided that the exercise price is not less than 100% of the fair market value of a share of Tandy's common stock on the grant date.

Tandy Corporation 1985 Stock Option Plan ("1985 SOP"): Under the 1985 SOP, as amended, options to acquire up to 8.0 million shares of Tandy's common stock were authorized to be granted to officers and key management employees of Tandy. The 1985 SOP expired in 1995 and no further grants may be made under this plan. Under the 1985 SOP, there were 38,298 and 529,342 vested options which could have been exercised for a total price of $0.3 million and $4.0 million at December 31, 1999 and 1998, respectively.

Tandy Corporation 1993 Incentive Stock Plan ("1993 ISP"): The 1993 ISP permits the grant of up to 12.0 million shares in the form of incentive stock options ("ISOs"), NSOs, stock appreciation rights ("SARs"), restricted stock, performance units or performance shares.

Under the 1993 ISP, there were 2,489,569 and 4,116,852 vested options which could have been exercised for a total exercise price of $32.0 million and $51.2 million at December 31, 1999 and 1998, respectively. In addition, there were 693,650 and 665,652 shares available at December 31, 1999 and 1998, respectively, for additional grants under the 1993 ISP.

On February 1, 1997, in an effort to reduce the turnover rate among its store managers and to align the store managers' interests and goals with those of the shareholders, Tandy granted, under the 1993 ISP, approximately 4,082,400 restricted stock awards consisting of 800 shares each to 4,907 RadioShack store managers and 1,600 shares each to 98 Computer City store managers. The February 1997 restricted stock awards had a weighted average fair market value of $11.30 per share when granted. This restricted stock was to vest at the end of five years on February 2, 2002, if managers receiving the grants were employed by Tandy at a store manager or higher position, at that time. However, the grants provided that the restricted shares would vest early if Tandy's common stock closed at $16.90625 or more for any 20 consecutive trading days beginning February 1, 1999. At December 31, 1998, it was probable that the 2,579,200 shares that remained outstanding under this grant would vest under the early vesting provisions. The resulting charge to compensation expense of $82.6 million, including related payroll taxes, was recorded in the December 31, 1998 financial statements. The awards vested on March 1, 1999 and the actual price of the stock and the number of shares vested differed slightly from the estimated accrual at December 31, 1998. The amount of this difference, $5.1 million, was recorded as a credit to expense in the first quarter of 1999.

Tandy Corporation 1997 Incentive Stock Plan ("1997 ISP"): The 1997 ISP permits the grant of up to 11.0 million shares in the form of ISOs, NSOs, SARs, restricted stock, performance units or performance shares. The 1997 ISP provides that the maximum number of shares of Tandy common stock that an eligible employee may receive in any calendar year in respect to options and performance awards may not exceed 1.0 million shares. The maximum dollar amount of cash or the fair market value of shares in any calendar year in respect of performance units may not exceed $1.5 million.

Under the 1997 ISP, there were 916,811 vested options which could have been exercised for a total exercise price of $22.9 million at December 31, 1999; there were 2,000 vested options at December 31, 1998. In addition, there were 4,591,568 and 6,760,000 shares available on December 31, 1999 and 1998, respectively, for grants under the 1997 ISP.

On February 1, 1998, Tandy granted, under the 1997 ISP, approximately 649,500 restricted stock awards consisting of 500 shares each to 1,299 RadioShack store managers not included in the February 1, 1997 grant described above. The February 1998 restricted stock awards had a weighted average fair market value of $19.61 per share when granted. This restricted stock grant was to vest at the end of five years on February 2, 2003, if managers receiving the grants were employed by Tandy at a store manager or higher position, at that time. However, the grants provided that the restricted shares would vest early if the Tandy common stock closed at $29.0625 or more for any 20 consecutive trading days beginning February 1, 2000. At December 31, 1999, it was probable that 348,000 restricted stock awards that remained outstanding under this grant would vest under early vesting provisions. The resulting charge to compensation expense of $14.7 million, including related payroll taxes, was recorded in the December 31, 1999 financial statements.

Also during 1998, the Committee granted a total of 172,000 shares of restricted stock awards to three executive officers;

60,000 shares granted under the 1997 ISP and 40,000 shares granted under the 1993 ISP vest ratably over a three year period. The remaining 72,000 shares, which were granted under the 1997 ISP to one executive officer, were to vest on October 23, 2005; however, shares in blocks of 24,000 would vest earlier if Tandy's common stock price exceeded certain levels for 15 consecutive trading days. All of these 72,000 shares vested in 1999.

Tandy Corporation 1999 Incentive Stock Plan ("1999 ISP"): In February 1999, the Board of Directors authorized the adoption of the 1999 ISP. The 1999 ISP permits the grant of up to 9.5 million shares in the form of NSOs and stock appreciation rights to broad based employee groups, primarily RadioShack's 5,000 plus store managers, and to other eligible employees and non-employee directors. Grants of restricted stock, performance awards and options intended to qualify as incentive stock options under the Internal Revenue Code are not authorized under the 1999 ISP. In addition, repricing of outstanding options is not permitted under the 1999 ISP. The 1999 ISP provides that the maximum number of shares of Tandy common stock that an eligible employee may receive in any calendar year in respect to options and SARs may not exceed 1.0 million shares.

Under the 1999 ISP, there were 4,600 vested options which could have been exercised for a total exercise price of $0.2 million at December 31, 1999. In addition, there were 5,856,900 shares available on December 31, 1999 for grants under the 1999 ISP.

Stock Option Activity: A summary of stock option transactions under the Company's stock option plans and information about fixed price stock options follows:

Summary of Stock Option Transactions

(Share amounts in thousands)	**1999**		1998		1997	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**10,154**	**$ 17.07**	8,892	$ 11.68	9,136	$ 10.34
Grants	**6,240**	**40.41**	3,882	24.97	2,088	15.15
Exercised	**(3,316)**	**12.61**	(2,480)	10.00	(2,172)	9.33
Forfeited	**(331)**	**31.14**	(140)	19.01	(160)	11.98
Outstanding at end of year	**12,747**	**$ 29.29**	10,154	$ 17.07	8,892	$ 11.68
Exercisable at end of year	**3,449**	**$ 16.05**	4,648	$ 11.88	4,890	$ 10.32
Weighted average fair value of options granted during the year	**$13.94**		$ 6.74		$ 4.82	

Fixed Price Stock Options

(Share amounts in thousands)	**Options Outstanding**			**Options Exercisable**	
Range of Exercise Prices	**Shares Outstanding at 12/31/99**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Shares Exercisable at 12/31/99**	**Weighted Average Exercise Price**
$ 7.05 - 17.56	**3,291**	**6.39 yrs**	**$ 13.02**	**2,487**	**$ 12.59**
19.61 - 25.00	**2,997**	**8.63 yrs**	**24.32**	**833**	**24.29**
27.13 - 28.02	**2,746**	**9.12 yrs**	**27.98**	**38**	**27.45**
28.03 - 48.69	**2,701**	**9.47 yrs**	**46.11**	**88**	**29.49**
51.81 - 69.34	**1,012**	**9.70 yrs**	**55.62**	**3**	**57.06**
$ 7.05 - 69.34	**12,747**	**8.42 yrs**	**$ 29.29**	**3,449**	**$ 16.05**

Pro Forma Information: Pro forma information regarding net income and earnings per share as required by FAS 123 has been determined as if Tandy had accounted for its employee stock options and restricted stock awards under the fair value method of that statement. The fair value of each option or restricted stock award is estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used for stock option grants in 1999, 1998 and 1997 were, respectively: expected dividend yields of 1.7%, 1.6% and 1.7%; expected volatilities of 30.9%, 24.3% and 25.5%; risk free interest rates of 5.5%, 4.5% and 6.1% and expected lives of six years. The weighted average assumptions used for restricted stock grants in 1998 and 1997 were: expected dividend yields of 1.6% and 1.7%; expected volatilities of 24.8% and 25.9%; risk free interest rates of 5.4% and 6.3% and expected lives of five years.

For purposes of pro forma disclosures, the estimated fair value of the options and restricted stock awards is amortized to expense over the vesting period. Tandy's pro forma information follows:

Impact of FAS 123

(In millions, except per share amounts)	1999		1998		1997	
	As Reported	**Pro Forma**	As Reported	Pro Forma	As Reported	Pro Forma
Net income available to common shareholders	**$ 292.4**	**$ 269.0**	$ 55.5	$ 80.4	$ 180.8	$ 171.5
Net income available per common share:						
Basic	**$ 1.51**	**$ 1.38**	$ 0.28	$ 0.40	$ 0.85	$ 0.80
Diluted	**$ 1.43**	**$ 1.32**	$ 0.27	$ 0.39	$ 0.82	$ 0.78

NOTE 20 - PREFERRED SHARE PURCHASE RIGHTS

In August 1986, the Board of Directors adopted a stockholder rights plan and declared a dividend of one right for each outstanding share of Tandy common stock. This plan was amended and restated on July 24, 1999. The rights plan, as amended and restated, will expire on July 26, 2009. The rights are currently represented by the common stock certificates. When the rights become exercisable, they will entitle each holder to purchase 1/10,000th of a share of Tandy Series A Junior Participating Preferred Stock for an exercise price of $250 (subject to adjustment). The rights will become exercisable and will trade separately from the common stock only upon the date of public announcement that a person, entity or group ("Person") has acquired 15% or more of Tandy's outstanding common stock without the consent or approval of the disinterested directors ("Acquiring Person") or ten days after the commencement or public announcement of a tender or exchange offer which would result in any Person becoming an Acquiring Person. In the event that any Person becomes an Acquiring Person, the rights will be exercisable for 60 days thereafter for Tandy common stock with a market value (as determined under the rights plan) equal to twice the exercise price. In the event that, after any Person becomes an Acquiring Person, Tandy engages in certain mergers, consolidations, or sales of assets representing 50% or more of its assets or earning power with an Acquiring Person (or Persons acting on behalf of or in concert with an Acquiring Person) or in which all holders of common stock are not treated alike, the rights will be exercisable for common stock of the acquiring or surviving company with a market value (as determined under the rights plan) equal to twice the exercise price. The rights will not be exercisable by any Acquiring Person. The rights are redeemable at a price of $0.01 per right prior to any Person becoming an Acquiring Person or, under certain circumstances, after a Person becomes an Acquiring Person.

NOTE 21 - TERMINATION PROTECTION PLANS

In August 1990 and in May 1995, Tandy's Board of Directors approved termination protection plans and amendments to the termination protection plans, respectively. These plans provide for defined termination benefits to be paid to eligible employees of Tandy who have been terminated, without cause, following a change in control of the Company (as defined). In addition, for a certain period of time following employee termination, Tandy, at its expense, must continue to provide on behalf of the terminated employee certain employment benefits. In general, during the twelve months following a change in control, Tandy may not terminate or change existing employee benefit plans in any way which will affect accrued benefits or decrease the rate of Tandy's contribution to the plans.

NOTE 22 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities included cash payments as follows:

	Year Ended December 31,		
(In millions)	**1999**	1998	1997
Interest paid	**$ 35.2**	$ 46.9	$ 42.8
Income taxes paid	**81.8**	84.2	51.9

Tandy received a subordinated unsecured note for $136.0 million in 1998 as partial payment on the sale of CCI to CompUSA. In 1998 and 1997, Tandy received notes receivable of $3.0 million and $98.3 million, respectively, as partial payment on the sales of Incredible Universe assets.

No capital lease obligations were recorded in 1999 or 1998. Capital lease obligations of $22.1 million were recorded during 1997 for the lease of equipment and certain retail stores.

NOTE 23 - CONTINGENCIES

Tandy has various claims, lawsuits, disputes with third parties, investigations and pending actions involving allegations of negligence, product defects, discrimination, infringement of intellectual property rights, tax deficiencies, violations of permits or licenses, and breach of contract and other matters against Tandy and its subsidiaries incident to the operation of its business. The liability, if any, associated with these matters was not determinable at December 31, 1999. Although occasional adverse settlements or resolutions may occur and negatively impact earnings in the year of settlement, it is the opinion of management that their ultimate resolution will not have a materially adverse effect on Tandy's financial position.

NOTE 24 - RELATIONS WITH INTERTAN

InterTAN, Inc. ("InterTAN"), the former foreign retail operations of Tandy, was spun off to Tandy stockholders as a tax-free dividend in fiscal 1987. Under the terms of a merchandise agreement reached with InterTAN in October 1993, as amended, InterTAN may purchase, on payment terms, certain products sold or secured by Tandy. A&A International Limited Partnership ("A&A") which is 100% owned by Tandy and its subsidiaries, is and will continue to be the exclusive purchasing agent for products originating in Asia for InterTAN. A&A receives commission income for this service. License agreements, as amended, also provide a royalty payable to Tandy. The table below summarizes the income components generated from operations relative to InterTAN:

	Year Ended December 31,		
(In millions)	**1999**	1998	1997
Sales and commission income	**$ 5.7**	$ 7.5	$ 8.4
Interest income	**—**	—	2.0
Accretion of discount	**—**	—	3.4
Royalty income	**7.2**	5.5	3.3
Total income	**$ 12.9**	$ 13.0	$ 17.1

NOTE 25 – SEGMENT REPORTING DISCLOSURES

Effective January 1, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." All references to RadioShack and Computer City in the Notes refer to Tandy's reportable segments, unless otherwise noted.

The RadioShack segment consists of the RadioShack retail division, including RadioShack.com, and the retail division's support operations, including its manufacturing facilities, repair centers and AmeriLink. The Computer City segment consists of Computer City, which was sold to CompUSA on August 31, 1998. The closed units segment includes all Tandy stores and non-retail units which were part of the store closure plan announced in December 1996 (see Note 7). Corporate administration and other includes corporate units which serve all areas of Tandy and also income or expenses which were not allocated to RadioShack or Computer City.

The following table summarizes the net sales and operating revenues, depreciation and amortization expense, operating profit (loss), capital expenditures and assets for Tandy's reportable segments. Consolidated operating profit is reconciled to Tandy's income before income taxes:

(In millions)	Year Ended December 31, 1999	1998	1997
Net sales and operating revenues:			
RadioShack [1]	**$ 4,126.2**	$ 3,591.2	$ 3,303.9
Computer City [2]	**—**	1,196.7 [2]	1,903.7
Closed units	**—**	—	164.6
	$ 4,126.2	$ 4,787.9	$ 5,372.2
Depreciation and amortization:			
RadioShack	**$ 70.6**	$ 65.7	$ 58.4
Computer City	**—**	16.6	20.5
Closed units	**—**	—	0.6
Corporate administration and other	**19.6**	16.7	17.7
	$ 90.2	$ 99.0	$ 97.2
Operating profit (loss):			
RadioShack	**$ 539.8** [3]	$ 377.7 [3]	$ 398.4
Computer City [2]	**—**	(95.6) [2]	(14.9)
Closed units	**—**	(120.8) [4]	(30.1)
	539.8	161.3	353.4
Corporate administration and other	**(42.5)**	(27.0)	(16.6)
Interest income [5]	**20.4**	10.8	13.2
Interest expense [5]	**(37.2)**	(45.4)	(46.1)
Income before income taxes	**$ 480.5**	$ 99.7	$ 303.9
Capital expenditures:			
RadioShack	**$ 95.1**	$ 72.3	$ 95.9
Computer City	**—**	33.6	22.4
Corporate administration and other	**14.3**	25.6	22.1
	$ 109.4	$ 131.5	$ 140.4

	At December 31, 1999	1998
Assets:		
RadioShack	**$ 1,476.2**	$ 1,437.1
Computer City	**—**	—
Closed units	**—**	—
Corporate administration and other	**665.8**	556.5
	$ 2,142.0	$ 1,993.6

(1) Includes outside sales, related to retail support operations of $104.3 million, $77.4 million and $88.2 million for the years ended December 31, 1999, 1998 and 1997, respectively.

(2) Computer City was sold to CompUSA on August 31, 1998.

(3) Includes $9.6 million and $82.6 million of compensation expense for store manager restricted stock awards for the years ended December 31, 1999 and 1998, respectively.

(4) Includes provision for loss on sale of Computer City of $108.2 million.

(5) Tandy does not allocate interest income or expense to its operating segments.

NOTE 26 - QUARTERLY DATA (UNAUDITED)

As Tandy's operations are predominantly retail oriented, its business is subject to seasonal fluctuations with the December 31 quarter being the most significant in terms of sales and profits because of the Christmas selling season.

As a result of the sale of Computer City (see Note 4), Tandy recorded a loss provision of $108.2 million in 1998. Tandy recorded $73.2 million of the loss provision during the second quarter upon announcing the sale, $30.0 million in the third quarter and $5.0 million in the fourth quarter upon completion of due diligence. Additionally, Tandy recorded provisions of $14.7 million and $82.6 million related to restricted stock awards for RadioShack store managers (see Note 19) in the fourth quarters of 1999 and 1998, respectively.

Quarterly Data (Unaudited)

(In millions, except per share amounts)	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
Year ended December 31, 1999:				
Net sales and operating revenues	**$ 890.2**	**$ 886.7**	**$ 960.3**	**$1,389.0**
Gross profit	**$ 450.7**	**$ 468.0**	**$ 486.4**	**$ 678.4**
Net income	**$ 55.9**	**$ 61.6**	**$ 59.8**	**$ 120.6**
Preferred dividends	**$ 1.4**	**$ 1.4**	**$ 1.4**	**$ 1.3**
Net income available to common shareholders	**$ 54.5**	**$ 60.2**	**$ 58.4**	**$ 119.3**
Net income available per common share:				
Basic	**$ 0.28**	**$ 0.31**	**$ 0.30**	**$ 0.61**
Diluted	**$ 0.27**	**$ 0.30**	**$ 0.29**	**$ 0.58**
Shares used in computing earnings per common share:				
Basic	**194.4**	**194.0**	**194.3**	**194.1**
Diluted	**203.8**	**204.7**	**205.4**	**205.6**
Dividends declared per common share	**$ 0.050**	**$ 0.050**	**$ 0.050**	**$ 0.055**
Year ended December 31, 1998:				
Net sales and operating revenues	$1,258.3	$1,192.8	$1,128.6	$1,208.2
Gross profit	$ 474.3	$ 465.7	$ 452.3	$ 612.1
Net income (loss)	$ 37.1	$ (20.1)	$ (4.1)	$ 48.4
Preferred dividends	$ 1.5	$ 1.4	$ 1.5	$ 1.4
Net income (loss) available to common shareholders	$ 35.6	$ (21.5)	$ (5.6)	$ 47.0
Net income (loss) available per common share:				
Basic	$ 0.17	$ (0.11)	$ (0.03)	$ 0.24
Diluted	$ 0.17	$ (0.11)	$ (0.03)	$ 0.23
Shares used in computing earnings (loss) per common share:				
Basic	203.7	202.0	200.6	198.5
Diluted	213.7	202.0	200.6	208.0
Dividends declared per common share	$ 0.050	$ 0.050	$ 0.050	$ 0.050

Selected Financial Data (Unaudited)

TANDY CORPORATION AND SUBSIDIARIES

(In millions, except per share amounts and ratios)	1999	1998 (1)	1997	1996	1995
		Year Ended December 31,			
Operations					
Net sales and operating revenues	**$ 4,126.2**	$4,787.9	$5,372.2	$6,285.5	$5,839.1
Income (loss) before income taxes	**$ 480.5**	$ 99.7	$ 303.9	$ (145.6)	$ 343.2
Provision (benefit) for income taxes	**182.6**	38.4	117.0	(54.0)	131.3
Net income (loss)	**$ 297.9**	$ 61.3	$ 186.9	$ (91.6)	$ 211.9
Net income (loss) available per common share:					
Basic	**$ 1.51**	$ 0.28	$ 0.84	$ (0.41)	$ 0.81
Diluted	**$ 1.43**	$ 0.27	$ 0.82	$ (0.41)	$ 0.79
Shares used in computing earnings (loss) per common share:					
Basic	**194.2**	201.2	214.4	239.3	252.9
Diluted	**205.0**	211.4	224.5	239.3	262.8
Dividends declared per common share	**$ 0.205**	$ 0.200	$ 0.200	$ 0.200	$ 0.185
Ratio of earnings to fixed charges (2)	**5.51**	1.84	3.52	N/A	4.22
Financial Position					
Inventories	**$ 861.4**	$ 912.1	$1,205.2	$1,420.5	$ 1,512.0
Total assets	**$ 2,142.0**	$1,993.6	$2,317.5	$2,583.4	$ 2,722.1
Working capital	**$ 478.1**	$ 419.1	$ 739.1	$ 746.3	$ 1,088.3
Current ratio	**1.52 to 1**	1.48 to 1	1.76 to 1	1.63 to 1	2.13 to 1
Capital structure:					
Current debt (3)	**$ 188.9**	$ 233.2	$ 299.5	$ 258.0	$ 189.9
Long-term debt (3)	**$ 319.4**	$ 235.1	$ 236.1	$ 104.3	$ 140.8
Total debt	**$ 508.3**	$ 468.3	$ 535.6	$ 362.3	$ 330.7
Total debt, net of cash and cash equivalents	**$ 343.7**	$ 403.8	$ 429.7	$ 240.8	$ 187.2
Stockholders' equity	**$ 830.7**	$ 848.2	$1,058.6	$1,264.8	$ 1,601.3
Total capitalization	**$ 1,339.0**	$1,316.5	$1,594.2	$1,627.1	$ 1,932.0
Long-term debt as a % of total capitalization	**23.9%**	17.9%	14.8%	6.4%	7.3%
Total debt as a % of total capitalization (4)	**38.0%**	35.6%	33.6%	22.3%	17.1%
Stockholders' equity per common share	**$ 4.07**	$ 4.13	$ 4.98	$ 5.37	$ 6.36
Financial Ratios					
Return on average stockholders' equity	**35.5%** (5)	6.4% (6)	16.1%	N/A (7)	12.3%
Percent of sales:					
Income (loss) before income taxes	**11.7%**	2.1%	5.7%	(2.3)%	5.9%
Net income (loss)	**7.2%**	1.3%	3.5%	(1.5)%	3.6%

This table should be read in conjunction with MD&A and the Consolidated Financial Statements and Notes thereto.

(1) Includes operations of Computer City, Inc. for only eight months, due to sale to CompUSA Inc. on August 31, 1998.

(2) Earnings used in computing the ratio of earnings to fixed charges consist of pre-tax earnings and fixed charges. Fixed charges are defined as interest expense related to debt, amortization expense related to deferred financing costs and a portion of rental charges. Pre-tax earnings were not sufficient to cover fixed charges during 1996 by approximately $145.6 million. Excluding $230.3 million (net of taxes) in restructuring and other charges, the 1996 ratio of earnings to fixed charges would have been 2.57.

(3) Includes capital leases and TESOP indebtedness.

(4) Total debt includes capital leases and TESOP indebtedness. Capitalization is defined as total debt plus total stockholders' equity.

(5) Excluding a $5.9 million (net of taxes) provision related to restricted stock awards in 1999, return on average stockholders' equity would have been 33.1%.

(6) Excluding $183.9 million (net of taxes) for provisions related to restricted stock awards and loss on sale of Computer City, as well as Computer City operating losses and other business writedowns in 1998, return on average stockholders' equity would have been 23.6%.

(7) Excluding $230.3 million (net of taxes) in restructuring and other charges in 1996, return on average stockholders' equity would have been 8.9%.

Corporate Information

COMMON STOCK INFORMATION

TRADING PRICE RANGE AND DIVIDENDS

(Restated for two-for-one stock split)

	Quarter Ended March 31,		Quarter Ended June 30,		Quarter Ended September 30,		Quarter Ended December 31,	
Per Share	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998
High	**32 1/16**	24 7/16	**51**	27 5/16	**56 3/4**	31 15/16	**79 1/2**	26 5/8
Low	**20 19/32**	15 3/16	**30 3/32**	20 17/32	**37 3/8**	25 13/32	**41 3/8**	18 1/2
Close	**31 29/32**	23 1/2	**48 7/8**	26 17/32	**51 11/16**	26 3/4	**49 3/16**	20 19/32
Dividends declared	**$0.050**	$0.050	**$0.050**	$0.050	**$0.050**	$0.050	**$0.055**	$0.050
Stockholders and nominees of record							**24,267**	28,389

The common stock prices are based on the reported high, low and closing sale prices reported in the composite transactions quotations of consolidated tracking for issues on the New York Stock Exchange.

Corporate Data

CORPORATE OFFICES

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ANNUAL MEETING

10:00 a.m., May 18, 2000
Renaissance Worthington Hotel
200 West Second Street
Fort Worth, Texas

COMMON STOCK

Transfer Agent and Registrar:
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STOCK EXCHANGE LISTING

New York Stock Exchange
Common Stock
(Ticker Symbol "TAN")

TAN Listed NYSE THE NEW YORK STOCK EXCHANGE

DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

The Tandy Shares Plan is a direct stock purchase and dividend reinvestment plan which provides a low-cost convenient way for prospective and existing investors to purchase shares of Tandy common stock. The plan administrator for the Tandy Shares Plan is BankBoston, N.A. A prospectus and information package may be obtained by calling (888) 218-4374, toll free.

FORM 10-K AVAILABLE

Tandy Corporation's Annual Report to the Securities and Exchange Commission may be obtained without charge after March 31, 2000 by writing:
Tandy Corporation
Shareholder Services Department
100 Throckmorton Street, Suite 1700
P. O. Box 17180
Fort Worth, Texas 76102
or by telephone: (817) 415-3022

INTERNET ADDRESSES

Major press releases, financial documents, contacts and other information are available on Tandy's home page:
http://www.Tandy.com
Additional information on RadioShack is available at
http://www.RadioShack.com

INVESTOR RELATIONS

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002-AR-99