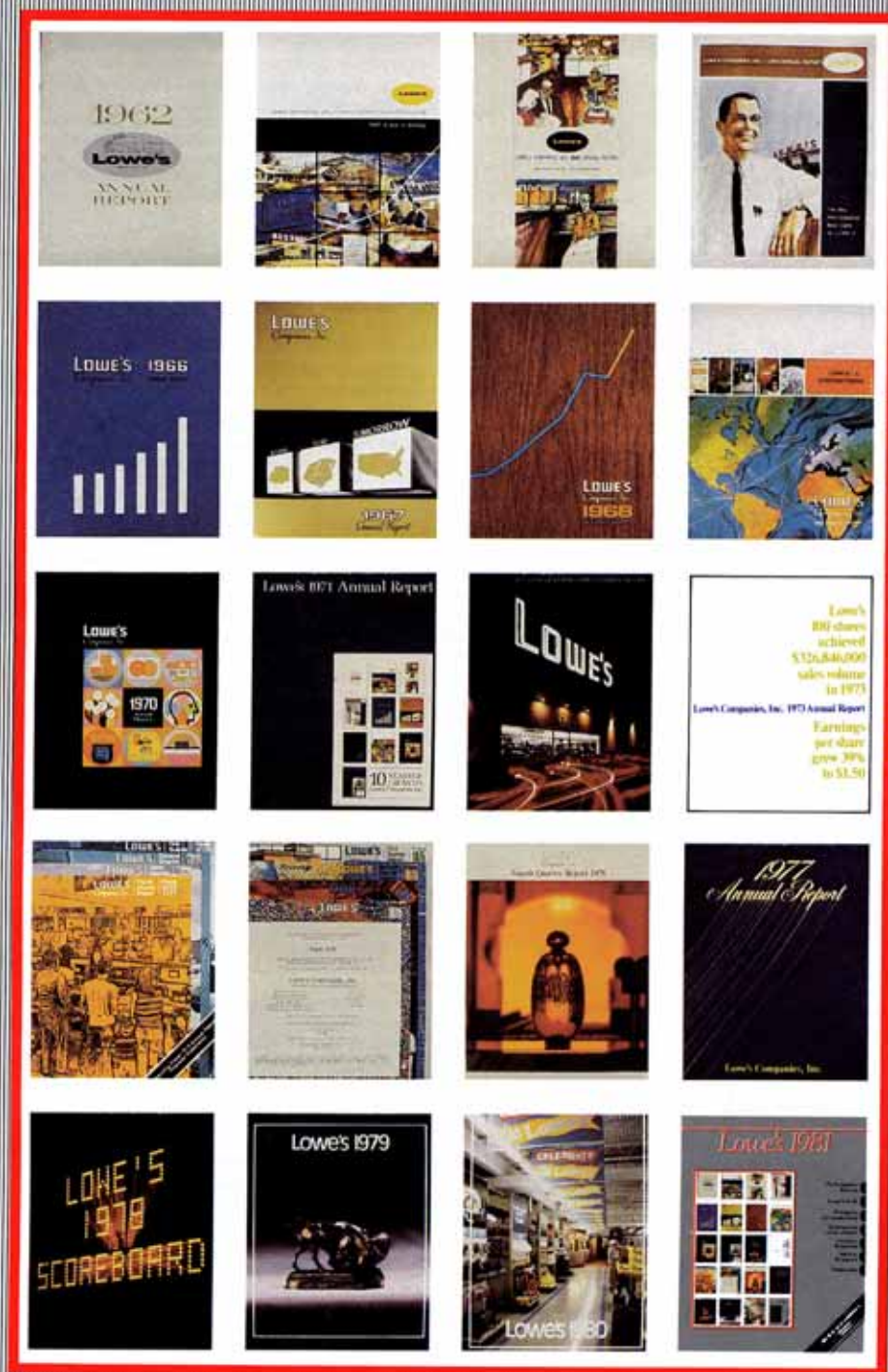


Lowe's 1981



**Performance
Review**

Lowe's at 20

**Prospects
for Leadership**

**Dimensions
of the Future**

**Investor
Relations**

**Market
Research**

Financials

20/20 REPORT
More and Less
See Page 26

Lowe's 1981

About the Cover Sometimes nothing works quite as well as something which has worked well. As we cast about for the graphic illustration which would best reflect what 1981 was about we were impressed by the kaleidoscopic nature of the year and the changes it brought. Their diverse nature is apparent even on this contents page. But nothing quite recalled Lowe's past as forcefully—and took full cognizance of the future and its basic promise of continuity—as the covers of our Annual Reports from the previous 20 years. It was a deliberate borrowing from Lowe's 1971 Report, the company's most successful, which won the Gold Oscar as America's finest from "Financial World" in 1972.

1 Message to Shareholders

3 Translations of the Message from the Chairman and President into German, Dutch, French, Spanish, Japanese and Arabic.

9 Performance Review a unique capsulization of Lowe's measured against many standards of excellence, a review of what we do and how we do it; one of the two best-read parts of last year's report.

17 Lowe's at Twenty an innovative look at corporate history and accomplishment in the matrix of what was occurring in the world at the same time. If you really like it, and you should, let us know. We may have a unified copy of it suitable for framing, later.

22 Prospects for Leadership features the articulated thoughts about our future by 16 individual company employees who, by virtue of age and present attainment, might be expected to continue to advance in leadership roles in the next two decades.

27 Dimensions of the Future a reflective essay and an examination of 'The Future Tense,' what our world may be like in 2001 and the implications for Lowe's and its investors.

32 Investor Relations was marked by expansion—of the shares outstanding, of the shares authorized and of the markets for the shares—and by success of the planning behind these moves. And, the shareholder census and survey.

37 Market Research features updated information, more targeted to the future, with easier-to-read-and-comprehend charts and graphs. Another way we define the future.

45 The Financials

the full details.

59 Quarterly Review 12 previous quarters of detail presented for the augmentation of understanding.

60 21-Year Review the popular retrospective of Lowe's in numbers, presented as FIFO supplemental information.

63 The Index

64 Investor's Quick Reference Guide is on the back cover, to use all the space, frugally.

To Honor a Colleague is one of the most pleasant things anyone can do. At Lowe's we honor and reward accomplishment in many ways; it is part of our way of life. In this Report it is appropriate to take note of the contribution of one who has been involved in it for many years and to note his presence at the creation from 1974 on, when he began to design Lowe's expanded quarterlies which in those days took the place of an annual. Then in '77 he designed not only big quarterlies but two annuals, the year we switched fiscal year ending dates. His reports have been honored every year by someone somewhere. For his colleagues, with whom he works in producing this and other good works, he is not only creative and highly skilled; he is a joy to work with because of his cooperative attitude—something generally regarded as rare among designers. To Henry Church, a dedicated Lowe's employee for 18 years, his colleagues on this Report dedicate it to him. It is appropriate, for we believe this to be his best: We honor him well when we honor him for and with his best work. Prosit!

Chairman Robert L. Strickland

President Leonard G. Herring

Directors Gordon E. Cadwgan, Leonard G. Herring, Petro Kulynych, William H. McElwee, Robert G. Schwartz, Robert L. Strickland, John A. Walker.

Corporate Officers J. Ross Burgess, executive vice president—merchandising, Wade Dupree, vice president—real estate, Richard D. Elledge, vice president, secretary and controller, Clayton A. Griffing, senior vice president—finance, Leonard G. Herring, president, Petro Kulynych, managing director, Arnold N. Lakey, vice president—credit management, William H. McElwee, managing director and corporate counsel, Dwight E. Par-due, executive vice president—store operations, Robert L. Strickland, chairman of the board, Harry B. Underwood, vice president and treasurer.

Company Officials William F. Brantley, vice president—investor relations, Edward F. Greene, senior vice president, John W. Vining, Jr., vice president—administration.

M. Benfield Phillips, vice president—corporate professional sales, Wendell R. Emerine, regional vice president—region IV, Richard D. Griffin, vice president—corporate retail sales, G. Vernon McGimsey, regional vice president—region III, U. Dean Nichols, regional vice president—region V, Charles E. Taylor, regional vice president—region II, William White, regional vice president—region I.

Guilford Barnhill, merchandising vice president—specialty building materials, Robert Cannon, merchandising vice president—appliances, hardware, seasonal products, Vaughn Hayes, vice president—inventory management, Kenneth Moore, merchandising vice president—structural lumber and plywood, Greg Wessling, vice president—building commodities, farm supplies, and millwork.

Michael D. Brown, senior vice president—marketing services, Ralph Buchan, vice president—marketing research and planning, Alex Busick, vice president—advertising, Henry Church, senior vice president—Sterling Advertising, Jack Patterson, vice president—regional advertising development, H. C. Poythress, vice president—manager print advertising.

Incorporation Lowe's Companies, Inc. was incorporated in 1952 under the laws of the State of North Carolina. The company originated from the North Wilkesboro Hardware store founded by L. S. Lowe in 1921 and from its reorganization by H. Carl Buchan Jr. in 1946. The second store of the company was opened in 1949 in Sparta, N.C. The company became publicly held on Oct. 10, 1961.

Headquarters Mailing Address Box 1111, North Wilkesboro, N.C. 28656

Headquarters Street Address Highway 268 East, North Wilkesboro, N.C.

Telephone 919-667-3111

Telex 510-922-5737

General Counsel McElwee, McElwee, Cannon and Warden, 906B Street Rear, North Wilkesboro, N.C. 28659

Certified Public Accountants J. A. Grisette & Co., Box 759, Lenoir, N.C. 28645, 704-754-2401 and 919-667-1131

Form 10-K prepared for and filed with the U.S. Securities and Exchange Commission, is available to shareholders and others interested upon their request to the company, in care of the Investor Relations Department, Box 1111, North Wilkesboro, N.C. 28656.

Common Stock Lowe's stock is listed and traded on the New York, Pacific, and the London Stock Exchanges under the ticker symbol of LOW. Lowe's stock additionally is traded on the Midwest, Boston, Philadelphia and Cincinnati Stock Exchanges under the Inter-Market System.

Annual Meeting May 28, 1982, 10 a.m., Wilkes Community College, Collegiate Drive, off N.C. Highway 268 West, Wilkesboro, N.C.

Change of Address Stockholders and others on Lowe's mailing list should notify the Investor Relations Department, Box 1111, North Wilkesboro, N.C. 28656, by mail if they move or change their names or associations.

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LOWE'S

Companies, Inc.

BOX 1111, NORTH WILKESBORO, N.C. 28656

☎ 919 667-3111

May 15, 1982

Dear Shareholder:

Last year was one of kaleidoscopic changes in the national economy and in our business. On balance, we believe Lowe's performed well, certainly well in an anemic industry in a less-than-exuberant economy. One of the year's popular songs, sung by the pop rock group known as "Blondie" summed it up: "The tide is high but I'm holding on..."

Lowe's reported earnings per share of 91 cents against 97 cents the previous year. That's a 5% decline on sales that increased 1% from \$884 million to \$888 million. However, it is important to note our belief that from a strategic standpoint, we actually had an up earnings year! To the 91¢ you should add back the 15¢ a share we invested and expensed for the renovation and upgrading of more than 50 stores. The prior year figure was 6¢ a share for less than 20 stores. That means, on a real-life, real-money basis, Lowe's would have earned \$1.06 a share in 1981 versus \$1.03 a share in 1980 had we not been preparing and reinvesting for the future. We call that management for the future, and creative, forward thinkers have been willing to view the year's results in that light.

Favorable year-end adjustments, which raised the earnings level from that many outsiders had expected, did not result from just luck and outside factors though externals obviously were important. So were internal factors like balance-sheet management, specifically current-asset management, with a new cash-bonus plan deployed for the improvement of inventory management, accounts receivable and bad-debt management, and gross margins. And last year we realized a 5% gain in the return-on-investment measurement GMROI (gross margin return on inventory and receivables).

Externals do not require review nor much comment. They can be best summed up as awful. Bad as things were externally, here are highlights of 1981's key results:

	Change	1981	1980
Sales			
Consumer	+10%	\$461,212,000	\$419,775,000
Builder	- 8%	426,830,000	463,839,000
Total	+ 1%	888,042,000	883,614,000
Net earnings	- 5%	17,859,000	18,891,000
Cash flow (earnings plus depreciation)	- 3%	28,381,000	29,211,000
Per share			
Earnings	- 5%	\$.91	\$.97
Cash flow	- 3%	1.45	1.50
Cash dividends	+20%	.48	.40

You will note that sales to our retail customers exceeded those to our other group; for the first time our retail volume passed the 50% mark. We have been planning for this to happen, in fact, it is the thrust of our retail enhancement program, which the RSVP program best exemplifies, but unplanned and unwelcome assistance from external forces depressed our builder volume inordinately. We will continue to increase our emphasis on retail because this is where we believe the foundation of our future growth in sales and earnings is. But this does not mean that we will

abandon or in any way diminish our full-service orientation to the builder users of our building materials. To the extent this market returns, we will be ready to meet these needs, and we will be more dominant in the upturn than we have ever been.

Results of our RSVP program, difficult to measure though they are in a down market, are positive in increasing customer count, increasing sales, augmenting gross margins, adding profits, and preparing the way for continuing improvements in customer service, product offering, store design, and store location. We are able to see positive benefits from our Sunday-opening program which is in place in most of our locations except where proscribed by local laws.

We believe that our performance, and that of other retailers, in the 1980s will be judged by a new criterion which we call Competitive Profitability, that dynamic happening when a company increases market share and simultaneously hikes its gross margin on sales. We did that last year and expect to do it again in 1982. We believe Competitive Profitability will be the hallmark of well-run businesses in this decade. Our gross margin increased from 23.3% to 24.8% on a LIFO basis, a 6% rate increase, and from 24% to 24.9% on a FIFO basis, about a 4% rate increase. This was achieved in a difficult and competitive year through operating disciplines and merchandising strategies.

In those 13 states of the 16 which the U. S. Commerce Department calls the South, where we have 85% of our stores, new-home starts have declined in each of the last five years. But our sales to professional-builder customers have increased from \$945 to \$1800 on a sales-per-start basis. Each year has recorded an increase over the previous year, and last year the increase was 13% per average store. In the South, the retail market grew from \$13 billion to \$18 billion in the same five years. Lowe's retail sales were up from \$250 million in 1977 to \$461 million in 1981. Lowe's did 1.9% of the total in '77 and 2.6% of the total in '81--a 36% gain in market share in four years. In both customer areas we met the test of increasing market share, the second half of Competitive Profitability.

Last year your Board of Directors took actions which led to a 3-for-2 stock split in the form of a stock dividend and which brought the number of shares outstanding to 20 million. Twenty years ago when Lowe's became a public company it had one million shares outstanding. Lowe's shares were listed last October, within a few days of the 20th anniversary, on the London Stock Exchange, a significant milestone in our efforts to make Lowe's shares more widely available to the investing public. This report, which we call our 20/20 report, recalls the past 20 years of heady and steady growth and it attempts to take some thoughtful and thought-provoking looks into the next 20 years. Twenty years from last October's significant milestone will see us in the first year of a new century--and a new millenium. What will we at Lowe's be like and what will our world be like? No one knows for sure, but it is helpful and instructive to speculate. With concern and thoughtfulness we can prepare for the years ahead. Without preparation we will be reactive at best. We prepare to help shape our future as we have shaped our past--for the benefit of you our shareholders and for our fellow employees, for our customers, for our suppliers, and for all who need and use those good and useful things, both products and services, we provide.

Many thanks for your loyal and on-going support. We continue to work to always merit your confidence.

Cordial good wishes,

Robert L. Strickland

Robert L. Strickland
Chairman of the Board

Leonard G. Herring

Leonard G. Herring
President and Chief Executive Officer

15. Mai 1982

Sehr geehrter Aktionär:

Das vergangene Jahr bescherte uns eine Reihe wahrhaft kaleidoskopischer Veränderungen in der Wirtschaft unseres Landes wie auch in unserem Industriezweig. Wir sind der Meinung, daß Lowe's im Großen und Ganzen relativ gut abgeschnitten hat, zumindest, wenn man eine ziemlich bleichsüchtige Industrie in einer nicht gerade als rosig zu bezeichnenden allgemeinen Wirtschaftslage zugrunde legt. Einer der populärsten Schlager des Jahres, von einer Pop-Rock-Gruppe namens "Blondie" gesungen, erfaßt die Situation pointiert: "The tide is high but I'm holding on . . ." — also mehr oder weniger "Die Flut schlägt über mir zusammen, aber ich kann mich gerade noch über Wasser halten."

Lowe's verzeichnete eine Aktienrendite von US \$0,91 gegenüber US \$0,97 im Vorjahr. Das bedeutet einen 5% igen Ertragsrückgang bei einem Umsatz, der von 884 auf 888 Millionen Dollar, d. h. um 1% gestiegen ist. Man sollte jedoch bedenken, daß wir, wenn strategische Gesichtspunkte berücksichtigt werden, unseren Gewinn im vergangenen Jahr sogar erhöhen konnten! Denn zu den angegebenen \$0,91 müßten eigentlich die \$0,15 pro Aktienanteil, die wir investiert bzw. für die Renovierung und Modernisierung von mehr als 50 Geschäftslökalen verausgabt haben, wieder hinzugefügt werden. Die Zahlen für das vorangegangene Jahr waren \$0,06 bei weniger als 20 Geschäftslökalen. So gerechnet hätte Lowe's 1981 in Wirklichkeit eine Aktienrendite von US \$1,06 gegenüber US \$1,03 im Jahr 1980 zu verzeichnen, hätten wir nicht im Hinblick auf die Zukunft investiert. Wir bezeichnen das als "Zukunfts-Management", und kreative, fortschrittlich denkende Experten sind zu dem Schluß gekommen, daß die Ergebnisse des vergangenen Jahres in diesem Licht zu sehen sind.

Ein günstiger Jahresausgleich, der zur Folge hatte, daß Renditen um einiges höher ausgefallen sind, als von vielen Außenstehenden erwartet, ist nicht nur einfach auf Glück und auf äußere Faktoren zurückzuführen, obwohl äußere Umstände natürlich eine wichtige Rolle gespielt haben. Aber auch geschäftsinterne Faktoren haben das Ihre beigetragen, Faktoren wie die Bilanzführung, insbesondere das Management von kurzfristigen Umlaufvermögen mit einem neuen Barvergütungsplan zur Verbesserung der laufenden Inventur, wie Debitorenbuchhaltung, Handhabung uneinbringlicher Forderungen und wie die Bruttogewinnbruttoverlustrechnung. Außerdem konnten wir im vergangenen Jahr eine 5%ige Erhöhung der Kapitalverzinsungsmaßnahme GMROI (gross margin return on inventory and receivables — Bruttogewinnspanne für Inventar und Außenstände) erzielen.

Außerbetriebliche Einflüsse bedürfen keiner Erwägung und keines Kommentars. Sie können mit einem Wort zusammengefaßt werden: Fürchterlich. Auf dem Hintergrund dieser schlechten Allgemeinlage hier einige der Hauptergebnisse für 1981:

	Veränderung	1981	1980
Umsatz			
Verbraucher (Einzelhandel)	+ 10%	\$461,212,000	\$419,775,000
Gewerblich (Großhandel)	+ 8%	426,830,000	463,839,000
Insgesamt	+ 1%	888,042,000	883,614,000
Reingewinn	+ 5%	17,859,000	18,891,000
Cash flow (Gewinn plus Abschreibungen)	+ 3%	28,381,000	29,211,000
Pro Stammaktie			
Rendite	- 5%	0.91	\$ 0.97
Cash flow	- 3%	1.45	1.50
Bardividenden	+ 20%	0.48	0.40

Sie können dieser Aufstellung entnehmen, daß der Direktabsatz an unsere Endverbraucher den Absatz an unsere andere Kundengruppe übertroffen hat; zum erstenmal hat unser Einzelhandelsumsatz die 50%-Marke überschritten. Diese Entwicklung war eingeplant; ja, alle Bestrebungen zur Förderung des Einzelhandels, für die das RSVP-Programm vielleicht das beste Beispiel darstellt, waren darauf gerichtet. Eine nicht eingeplante und sehr unwillkommene Hilfestellung von äußeren wirtschaftlichen Einflüssen hat jedoch dabei unser Großhandelsvolumen übermäßig herabgesetzt. Wir werden unsere Anstrengungen auf dem Gebiet des Einzelhandels weiter verstärken, denn wir sind der Ansicht, daß hier die Grundlage für zukünftige Umsatz- und Ertragssteigerungen zu sehen ist. Das bedeutet jedoch keineswegs, daß wir die umfassende Versorgung der Großabnehmer unseres Baumaterials fallenlassen oder verringern. Wir sind darauf vorbereitet, eine steigende Nachfrage befriedigen zu können, sowie dieser Markt sich erholt, und wir werden bei einem Konjunkturanstieg marktbeherrschender sein als je zuvor.

Die Ergebnisse unseres RSVP-Programms, obwohl bei der schlechten allgemeinen Marktlage schwer zu messen, fallen positiv aus und schlagen sich in erhöhten Kundenzahlen, Absatzsteigerung, einer breiteren Bruttogewinnspanne und gehobenen Gewinnzahlen nieder; und diese positive Wirkung ebnet die Bahn für anhaltende Verbesserungen von Kundendienstleistungen, Produktangebot, Geschäftsaufmachung und Geschäfts-Standortwahl. Auch unser Programm, die Geschäfte sonntags geöffnet zu halten, zeigt positive Ergebnisse, ein Programm, das inzwischen bei fast allen unseren Niederlassungen zur Durchführung gekommen ist, mit Ausnahme der Orte, wo lokale Verordnungen dies verbieten.

Wir sind der Überzeugung, daß die Ergebnisse der Geschäftsführung in den 80er Jahren unseres und auch anderer Unternehmen nach einem völlig neuen Kriterium bewertet werden, das wir als konkurrierende Rentabilität bezeichnen. Damit ist der dynamische Punkt zu verstehen, wenn eine Firma ihre Bruttoumsatzspanne bei gleichzeitiger Erhöhung des Marktanteils vergrößert. Das ist uns im vergangenen Jahr gelungen, und wir erwarten das gleiche Ergebnis für 1982. Wir glauben, daß in unserem Jahrzehnt diese konkurrierende Rentabilität zum Wahrzeichen eines gut geführten Unternehmens werden wird. Auf LIFO-Basis ist unsere Bruttogewinnspanne von 23,3% auf 24,8% gestiegen, ein Zuwachs von 6%; auf FIFO-Basis stieg sie von 24% auf 24,9%, eine Zuwachsrate von ungefähr 4%. Und immerhin wurden diese Ergebnisse in einem äußerst schwierigen und vom Wettbewerb geprägten Jahr erzielt, und zwar durch Betriebsdisziplin und Absatzförderung.

In den 13 der 16 Bundesstaaten der USA, die das amerikanische Handelsministerium als den Süden bezeichnet, und in denen sich 85% unserer Geschäfte befinden, sind die Zahlen für angefangene Neubauten in jedem der letzten fünf Jahre gesunken. Unser Absatz an Baufirmenkunden hat sich jedoch, wenn man einen Verkauf pro Neubaubeginn zugrunde legt, von US \$945 auf US \$1800 gesteigert, wobei jedes einzelne Jahr einen Zuwachs gegenüber dem vorausgegangenen Jahr zeigte. Im vergangenen Jahr betrug diese Zuwachsrate pro Geschäft im Durchschnitt 13%. In der gleichen fünfjährigen Zeitspanne verzeichnete der gesamte Süden ein Einzelhandelswachstum von 13 auf 18 Milliarden Dollar. Lowe's Einzelhandelsumsatz stieg dabei von 250 Millionen Dollar im Jahr 1977 auf 461 Millionen Dollar im Jahr 1981. Damit konnte Lowe's 1977 1,9% des Gesamtumsatzes und 1982 2,6% des Gesamtumsatzes für sich verbuchen — das bedeutet eine Vergrößerung des Marktanteils von 36% in nur vier Jahren! In beiden Absatzbereichen, Groß- wie Einzelhandel, haben wir also den Test einer wachsenden Marktdurchdringung, zweiter Teil der konkurrierenden Rentabilität, bestehen können.

Im vergangenen Jahr hat Ihr Vorstand Beschlüsse gefaßt, die zu einem Aktiensplit in Form einer Ausgabe von 1 Gratisaktie für je 2 Aktienanteile führten. Damit wurden die ausgegebenen Aktienanteile auf 20 Millionen heraufgesetzt. Vor 20 Jahren, als Lowe's eine Aktiengesellschaft wurde, gab es nur eine Million ausgegebener Aktienanteile. Im vergangenen Oktober, nur ein paar Tage nach dem 20 jährigen Bestehen der Firma, wurde Lowe's an der Londoner Börse zugelassen, ein bedeutender Schritt vorwärts in unserem Bemühen, die Aktien einer größeren investierenden Öffentlichkeit zugänglich zu machen. Der vorliegende Jahresbericht, den wir unseren 20/20-Bericht nennen, also sozusagen ein "Scharfblick" oder eine "genaue Bestandsaufnahme", gibt einen Rückblick über die letzten 20 Jahre ungestörten, stetigen Wachstums und versucht, einen bedächtigen, zum Denken anregenden Blick auf die kommenden 20 Jahre zu werfen. Denn 20 Jahre nach dem bedeutenden Meilenstein des vergangenen Oktobers werden wir uns im ersten Jahr eines neuen Jahrhunderts — ja, eines neuen Jahrtausends befinden. Wie wird Lowe's dann aussehen, wie wird sich unsere Welt verändert haben? Natürlich kann niemand das genau voraussagen; es dürfte jedoch nutzbringend und instruktiv sein, sich darüber Gedanken zu machen. Mit Vorausschau und mit Überlegung können wir auf diese Zukunft hinarbeiten, denn ohne eine solche intensive Vorbereitung werden wir bestenfalls reaktionär sein. Und so planen wir zu Ihrem, unserer Aktionäre, Nutzen, zum Nutzen unserer Mitarbeiter, unserer Kunden, unserer Lieferanten, und zum Nutzen all derer, die das, was wir zu bieten haben, also Erzeugnisse und Dienstleistungen, in Anspruch nehmen.

Für Ihre treue und anhaltende Unterstützung sind wir aufrichtig dankbar. Und wir werden uns weiter bemühen, uns dieses Ihres Vertrauens immer würdig zu erweisen.

Mit freundlichen Grüßen

Robert L. Strickland
Vorstandsvorsitzender

Leonard G. Herring
Hauptgeschäftsführer

15 Mei, 1982

Geachte Aandeelhouder:

Het afgelopen jaar was er één van geweldige veranderingen in de nationale economie en in onze handel. Op de keper beschouwd vinden wij dat Lowe's het goed heeft gedaan, vooral goed in een zwaar beproefde sector van een alles behalve weelderige conjunctuur. Eén van de populaire liedjes van dit jaar, gezongen door de rock groep "Blondie," zegt het treffend: "De vloed is hoog maar ik hou het droog . . ."

Lowe's had een opbrengst per aandeel van \$0,91 tegenover \$0,97 per aandeel het jaar daarvoor. Dat is een teruggang van 5% op een totale omzet die 1% toenam, namelijk van \$884 miljoen tot \$888 miljoen. Het is echter van belang op te merken dat wij dit vanuit een strategies standpunt een winstjaar vinden! Bij die \$0,91 moet men namelijk de \$0,15 per aandeel optellen die wij in de vernieuwing en verbetering van de meer dan 50 winkels hebben geïnvesteerd. Het vorige jaar was dit \$0,06 per aandeel voor minder dan 20 filialen. Dit betekent realistisch gezien dat Lowe's in 1981 \$1,06 per aandeel zou hebben verdiend vergeleken met \$1,03 per aandeel in 1980, als wij niet bezig waren geweest met voorbereiding en herinvestering voor de toekomst. Wij zien dat als beheer voor de toekomst en creatieve denkers met vooruitziende blik hebben de resultaten van dit jaar in dat licht willen zien.

Gunstige jaar-afsluitings vereffeningen, die het resultaat omhoog brachten van wat vele buitenstaanders hadden verwacht, waren niet zomaar het gevolg van geluk hebben en van externe factoren, ook al waren externe factoren natuurlijk belangrijk. Van belang waren zeker interne factoren zoals balans beheer, met name het lopende activa beheer met een nieuw kas-premie plan toegepast ter verbetering van het beheer van de inventaris, vorderingen en oninbare vorderingen, en bruto marge. Verleden jaar bereikten wij een verbetering van 5% over onze totale omzet (bruto winst marge op inventaris en vorderingen).

De externe factoren behoeven geen verdere beschouwing en weinig commentaar. Wij kunnen volstaan met te zeggen dat die bar slecht waren. Maar hoe slecht de algemene toestand ook was, hier zijn de hoogtepunten van de resultaten voor 1981:

Verkoop	Verandering	1981	1980
Detailhandel	+ 10%	\$461,212,000	\$419,775,000
Groothandel	- 8%	426,830,000	463,839,000
Totaal	+ 1%	888,042,000	883,614,000
Netto resultaten	- 5%	17,859,000	18,891,000
Resultaten plus afschrijvingen	- 3%	28,381,000	29,211,000
Per aandeel			
Resultaat	- 5%	.91	\$.97
Resultaten plus afschrijvingen	- 3%	1.45	1.50
Dividend uitkering	+ 20%	.48	.40

U ziet dat de verkoop aan onze detail klanten groter was dan aan de andere groep. Voor het eerst bedroeg onze detailhandel meer dan 50%. Dit lag in de bedoeling en is geheel volgens het plan van ons kleinhandel uitbreidings programma, waarvan het RSVP program het beste voorbeeld is. Maar ongevraagde en onwelkome hulp van buiten af heeft het volume van onze groothandel overdreven gedrukt. Wij zullen doorgaan ons steeds nadrukkelijker toe te leggen op de detailhandel want daar zien wij in de toekomst de grondslag voor onze grootste groei en inkomsten. Dit alles betekent echter zeker niet dat wij onze volledige service aan afnemers van onze bouwmaterialen in de groothandel sector zullen staken of zelfs maar enigszins verminderen. Voor zover deze markt in de toekomst weer opleeft zullen wij klaar staan in de behoeven te voorzien en bij die oploei zullen wij sterker staan dan ooit tevoren.

De resultaten van ons RSVP program, ofschoon moeilijk te evalueren in een depressieve markt, zijn positief in de uitbreiding van ons klanten aantal, toeneming van de verkoop, verbetering van de bruto marge, verhoging van de winst, en het mogelijk maken van voortdurende verbetering in klanten service, produkten selectie, winkel opmaak en filiaal vestiging. Wij zien ook positieve voordelen als gevolg van ons Zondags-open program dat nu in onze meeste zaken van kracht is behalve daar waar dit bij plaatselijke wet verboden is.

Wij zijn van mening dat onze prestaties en die van andere kleinhandelaren in de jaren 80 met een nieuwe maatstaf beoordeeld zullen worden die wij, Konkurrentie Voordeel noemen. Dit is het dynamies gebeuren wanneer een firma zijn marktaandeel uitbreidt en tegelijk de winst marge op de omzet vergroot. Dit deden wij in 1981 en wij verwachten dit in 1982 te herhalen. Wij geloven stellig dat Konkurrentie Voordeel in de komende tien jaren het waarmaker zal zijn van de goed beheerde zaak. Onze bruto marge steeg van 23,3% tot 24,8%, een verbetering van 6% of van 24% tot 24,9%, een verhoging van 4%, afhankelijk of men volgens LIFO dan wel FIFO rekent. (Last In First Out en First In First Out) — in Amerika gebruikelijke systemen van voorraad waardering. Deze resultaten werden behaald gedurende een moeilijk en wedijverig jaar door bedrijfsdiscipline en verkoop strategie.

In die 13 staten van de 16 die de Amerikaanse Kamer van Koophandel het Zuiden noemt en waar 85% van onze winkels gevestigd zijn, is de woningbouw gedurende elk van de afgelopen 5 jaar teruggelopen. Maar onze verkoop aan aannemers klanten is toegenomen van \$945 tot \$1800 per huis. Elk jaar toont een verbetering over het vorige en verleden jaar bedroeg de toename 13% per gemiddeld filiaal. In het Zuiden steeg de detailhandel gedurende diezelfde 5 jaar van 13 tot 18 biljoen dollar. Lowe's detail verkoop liep op van \$250 miljoen in 1977 tot \$461 miljoen in 1981. Lowe's aandeel in de markt was 1,9% van de totale verkoop in 1977 en in 1981 bedroeg dit 2,6% — een toename in marktaandeel van 36% in vier jaar. In beide klanten groepen hebben wij de proef van marktaandeel vergroting doorstaan en dat is de tweede zijde van Konkurrentie Voordeel.

Verleden jaar nam uw Raad van Bestuur stappen die leidden tot een aandelen konversie naar verhouding van 3 nieuwe voor 2 oude, die de vorm nam van een dividend uitkering. Dit bracht het aantal uitgegeven aandelen op 20 miljoen. Twintig jaar geleden, toen Lowe's voor het eerst aandelen uitgaaf was dat 1 miljoen. Afgelopen Oktober, binnen een paar dagen van het 20-jarige jubileum, werden Lowe's aandelen genoteerd op de Londense Beurs, een belangrijke mijlpaal in onze pogingen om Lowe's aandelen in bredere kring aan het investerende publiek beschikbaar te stellen.

Dit rapport, dat wij ons 20/20 rapport noemen, herinnert aan de afgelopen 20 jaar van onstuimige en gestadige groei en probeert een bezonnen blik te werpen over de komende 20 jaar. Twintig jaar na de mijlpaal van verleden Oktober bevinden wij ons in het eerste jaar van een nieuwe eeuw — en een nieuw millennium. Hoe zal het er dan uitzien bij Lowe's, en hoe zal onze wereld eruit zien? Niemand kan dat met zekerheid zeggen, maar het is leerzaam erover na te denken. Met zorg en attentie kunnen wij ons voorbereiden op de jaren die voor ons liggen. Zonder die voorbereiding kunnen wij er op z'n best alleen op reageren. Wij bereiden ons voor ten behoeve van u onze aandeelhouders en voor onze medewerkers, voor onze klanten, voor onze leveranciers en voor allen die de goede en nuttige dingen, produkten zowel als diensten die wij bieden, nodig hebben en gebruiken.

Veel dank voor uw trouwe en voortdurende steun. Wij blijven erop gericht uw vertrouwen altijd waard te zijn.

Met vriendelijke groeten,

Robert L. Strickland
Voorzitter Raad van Bestuur

Leonard G. Herring
President en Algemeen Directeur

le 15 mai 1982

Cher Actionnaire,

L'année qui vient de se terminer aura été le témoin d'une succession de rapides changements dans l'économie nationale et dans notre entreprise. L'un dans l'autre, nous considérons que Lowe's s'est bien comportée, assez bien, assurément, dans le contexte d'une industrie faible et d'une économie moins qu'exubérante. L'une des chansons en vogue de l'année, interprétée par un groupe de rock connu sous le nom de "Blondie," résume bien la situation actuelle: "La marée monte, mais je m'accroche . . .".

Lowe's a annoncé des gains par action de 91 cents contre 97 cents pour l'année 1980, représentant un déclin de 5% des ventes, lesquelles ont augmenté de 1%, de \$884 millions à \$888 millions. Cependant, d'un point de vue stratégique, nous sommes convaincus qu'une réalité, nous avons réalisé des profits! A ces 91 cents il faut ajouter 15 cents par action employés à rénover et embellir plus de 50 magasins. Le chiffre de l'année précédente était de 6 cents par action pour moins de 20 magasins. Voulant dire qu'en valeur réelle, Lowe's aurait des profits de \$1.06 par action en 1981 contre \$1.03 en 1980 si nous n'avions pas eu à préparer l'avenir, et donc à réinvestir. Voilà ce que nous appelons la gestion de demain, et de grands penseurs, créatifs et progressifs, l'ont clairement interprété à la lumière de ces données.

Des ajustements favorables de fin d'année, ayant majoré le niveau des gains par rapport à ce que de nombreux tiers s'attendaient, n'ont été le résultat ni du hasard ni de facteurs extérieurs, bien que ces derniers aient évidemment été importants. De même certains facteurs intérieurs, tels la gestion du bilan, spécifiquement la gestion de l'actif circulant, comme l'institution d'un plan de gratification en espèces mis en place dans le but d'améliorer la gestion des stocks et des créances courantes, la gestion des créances en souffrances, et les profits bruts. Ajouté à cela, nous avons réalisé l'année dernière un profit de 5% du taux de rendement sur le capital investi (profits bruts sur stocks et créances).

Les éléments extérieurs n'exigent ni revue ni commentaire particulier. Nous pouvons, au mieux, seulement les résumer comme effroyables. Mais, la situation étant ce qu'elle est, nous ferons néanmoins ressortir quelques points marquants pour 1981:

	Changement	1981	1980
Ventes			
Clientèle (détail)	+ 10%	\$461,212,000	\$419,775,000
Clientèle professionnelle (gros)	- 8%	426,830,000	463,839,000
Total	+ 1%	888,042,000	883,614,000
Bénéfices nets	- 5%	17,859,000	18,891,000
Cash flow (bénéfices plus amortissements)	- 3%	28,381,000	29,211,000
Par action			
Bénéfices	- 5%	.91	\$.97
Cash flow	- 3%	1.45	1.50
Dividendes	+ 20%	.48	.40

Vous noterez que nos ventes au détail ont été en dépassement de celles de notre autre groupe: pour la première fois, notre volume au détail a passé le seuil des 50%. Nous en avons fait le projet, et en fait, c'était le but de notre plan de relèvement de nos ventes au détail, dont le programme "RSVP" est le meilleur exemple. Cependant, des impondérables extérieurs ont réduit démesurément notre chiffre d'affaires. Nous continuerons sans relâche à accroître notre effort sur les ventes au détail car nous considérons que là gît la base de notre croissance dans le secteur des ventes et profits. Ceci signifie que nous n'abandonnerons ni ne diminuerons en aucune façon notre position concernant le service après-vente à notre clientèle d'équipement à la construction. Dans la perspective d'une stabilisation du marché dans ce domaine, nous serons prêts à répondre à ces besoins et nous serons plus que jamais en mesure de dominer ce même marché.

Les résultats de notre programme "RSVP", difficiles à mesurer, mais définitivement dans un marché en baisse, sont positifs au regard de l'augmentation du nombre de clients, du volume des ventes, des profits bruts et nets, voire les préparatifs en vue d'une poursuite du service après-vente à la clientèle, les offres de produits, le design de nos magasins, et la localisation de ces derniers. Nous pouvons déjà entrevoir les bénéfices positifs de notre programme d'ouverture du dimanche, mis en place dans la majorité de nos points de vente à l'exception des régions où de telles dispositions sont réglementées par une loi locale.

Nous croyons que notre performance, ainsi que celle de tous les autres détaillants, sera jugée, dans les années 80, à l'aide d'un nouveau critère que nous appellerons Rentabilité de Concurrence, ce moment où l'entreprise augmente sa part du marché et augmente simultanément sa marge de profits bruts sur les ventes. Nous avons accompli ceci l'année passée, et nous nous attendons à une répétition de ces résultats en 1982. Nous pensons que, durant cette décennie, la Rentabilité de Concurrence sera la marque de distinction d'entreprises bien dirigées. Notre marge brute est passée de 23,3 à 24,8%, en se basant sur la méthode de l'épuisement à rebours, voulant dire une augmentation de 6% et de 24 à 24,9% en se basant sur la méthode de l'épuisement successif, une augmentation d'à peu près 4%. Ceci a été réalisé au cours d'une année difficile et pleine de rivalité de la part de la concurrence en instaurant des disciplines de fonctionnement et des stratégies de marketing.

Dans treize des seize Etats que le Ministère du Commerce américain nomme "Le Sud", où se trouvent 85% de nos magasins, la construction de nouvelles habitations résidentielles a accusé un déclin durant chacune de ces cinq dernières années. Par contre, les ventes à notre clientèle professionnelle sont passées de \$945 à \$1800, ratio ventes/début de construction. Chaque année a vu une augmentation par rapport à l'année précédente, et l'année passée, cette augmentation était en moyenne de 13% par magasin. Dans le Sud, le marché de détail s'est accru de 13 milliards de dollars à 18 milliards de dollars durant ces mêmes cinq années. Les ventes au détail de Lowe's sont passées de 250 millions de dollars en 1977 à 461 millions de dollars en 1981; sa part était de 1,9% du total du marché en 1977 et 2,6% en 1981—36% de gain du marché en quatre ans. Dans les deux domaines de la clientèle privée et de la clientèle professionnelle, nous avons gagné la gageure de notre part du marché, le second tronçon de la Rentabilité de Concurrence.

L'année dernière, votre Conseil d'Administration a pris des mesures qui ont mené à un fractionnement d'actions de 3 pour 2 sous la forme de dividendes, ce qui a porté le nombre d'actions en circulation à 20 millions. Il y a de cela vingt ans, lorsque Lowe's a été cotée en Bourse, l'entreprise avait un million d'actions en circulation. A quelques jours de notre 20ème anniversaire, en octobre dernier, nos actions étaient cotées sur la place de Londres, point important dans nos efforts pour mettre nos actions plus à la portée du public désireux d'investir. Le présent rapport, que nous nommerons le Rapport 20/20, remémore ces 20 ans de croissance constante et impétueuse, et tente d'examiner les 20 prochaines années d'une manière lucide et perspicace. Dans 20 ans, nous entrerons dans un nouveau siècle—et un nouveau millénaire. Que serons-nous devenus et quel sera notre monde? Personne ne le sait véritablement, mais il est utile et instructif de spéculer. Nous pouvons nous préparer avec intérêt et discernement pour les années qui viennent. Sans préparatifs, nous serons tout juste réactifs. Nous nous préparons donc dans votre intérêt, vous, nos actionnaires, dans l'intérêt de nos collègues, dans l'intérêt de nos clients et de nos fournisseurs, et dans l'intérêt de tous ceux qui ont besoin et utilisent ces choses utiles, à la fois produits et services, que nous mettons à la disposition de tous.

Nous vous remercions infiniment de votre soutien continu et fidèle. Nous continuons à travailler pour toujours mériter votre confiance.

Avec nos salutations les plus cordiales,

Robert L. Strickland
Président du Conseil d'Administration

Leonard G. Herring
Président Directeur Général

15 de mayo de 1982

Estimado accionista:

El año pasado fue un año de cambios caleidoscópicos en la economía nacional y en nuestro negocio. En el balance creemos que Lowe's se desempeñó bien indudablemente, en una industria anémica, en una menos que exuberante economía. Una de las canciones populares del año, cantada por un grupo popular de rock llamado "Blondie" resumió así: "La marea está alta, pero estoy bien agarrado..."

Lowe's informó una ganancia por acción de 91 centavos contra 97 centavos del año anterior. Esto es una disminución del 5% en ventas que aumentaron en un 1% de \$884 millones a \$888 millones. Sin embargo, es importante señalar nuestra creencia que desde un punto de vista estratégico, en realidad, tuvimos un año de ganancias. A los 91 centavos deben agregarse los 15 centavos por acción que invertimos y gastamos en la renovación y mejoras de más de 50 establecimientos. La cifra de año anterior fue 6 centavos por acción por menos de 20 establecimientos. Esto indica en base a la realidad y al valor monetario que Lowe's hubiese ganado \$1.06 por acción en 1981 contra \$1.03 por acción en 1980 si no nos hubiésemos estado preparando y reinvertiendo para el futuro. Llamamos esto, administrar el futuro, y los pensadores creativos avanzados han estado dispuestos a considerar los resultados del año bajo esta óptica. Ajustes favorables de fin de año, los que aumentaron el nivel de ganancias por encima del nivel que muchos de afuera habían esperado, no fue solamente un resultado azaroso o de factores externos, aún cuando estos aspectos externos obviamente fueron importantes. También lo fueron factores internos como el manejo de los balances, específicamente, el margen de activos realizables, con el nuevo plan de gratificaciones en efectivo para el mejoramiento en el manejo de deudas a cobrar y margen bruto. El año pasado obtuvimos una ganancia del 5% en la medida GMROIR de rendimiento sobre inversión (margen bruto, rendimiento sobre inventario y cuentas a cobrar).

Los aspectos externos no requieren revisión ni mucho comentario. Pueden resumirse mejor como pésimos. Así como las cosas fueron desfavorables externamente, a continuación detallamos los puntos salientes de los resultados claves de 1981:

	Cambio	1981	1980
Ventas			
Consumidor (al por menor)	+ 10%	\$461,212,000	\$419,775,000
Profesional (mayorista)	- 8%	426,830,000	463,839,000
Total	+ 1%	888,042,000	883,614,000
Ganancia neta	- 5%	17,859,000	18,891,000
Flujo de caja (ganancias más depreciación)	- 3%	28,381,000	29,211,000
Por acción			
Ganancias	- 5%	.91	\$.97
Flujo de caja	- 3%	1.45	1.50
Dividendos en dinero efectivo	+ 20%	.48	.40

Notarán que las ventas a nuestros clientes al por menor excedieron las de nuestro otro grupo. Por primera vez nuestro volumen al por menor superó la marca de 50%. En realidad, hemos planeado para que esto suceda, es el empuje de nuestro programa de intensificación al por menor, que el programa RSVP ilustra muy bien, pero la asistencia no planeada e inoportuna de fuerzas externas redujo nuestro volumen profesional desmesuradamente. Continuaremos acentuando nuestro énfasis en el rubro al por menor porque creemos que aquí se encuentra el cimiento de nuestro futuro crecimiento en ventas y ganancias. Pero esto no significa que abandonaremos o en manera alguna disminuirémos nuestra orientación de servicios completos a los usuarios mayoristas de nuestros materiales de construcción. En la medida que este mercado produzca estaremos preparados para enfrentar estas necesidades, y predominaremos más que nunca en cuanto al alza de ventas.

Los resultados de nuestro programa RSVP, aún difíciles de medir aún cuando se encuentran en un mercado en baja, han sido positivos al aumentar las cuentas de clientes, las ventas, el margen bruto y las ganancias, y al preparar el camino de continuas mejoras en el servicio a la clientela, ofrecimiento de productos, diseño de establecimientos, y ubicación de los mismos. Vislumbramos beneficios positivos en nuestro programa de tener abiertos los domingos que tiene lugar en la mayoría de nuestros establecimientos, excepto donde lo prohíben las leyes locales.

Creemos que nuestro rendimiento y el de otros minoristas, en los años 80 será juzgado con un nuevo criterio que denominaremos Beneficio Competitivo, esa dinámica que ocurre cuando una compañía aumenta su participación en el mercado y simultáneamente aumenta su margen bruto en ventas. Lo hicimos el año pasado y esperamos hacerlo nuevamente en 1982. Creemos que el Beneficio Competitivo será el distintivo de empresas bien administradas en esta década. Nuestro margen bruto aumentó de 23.3% a 24.8% sobre la base LIFO, una tasa de aumento del 6%, y de 24% a 24.9% sobre la base FIFO, una tasa de aumento de alrededor del 4%. Esto fue llevado a cabo en un año difícil y competitivo a través de disciplinas en operaciones y estrategias de mercado.

En aquellos 13 estados de los 16 que el Departamento de Comercio de los EEUU llama el Sur, donde tenemos el 85% de nuestros establecimientos, la construcción de nuevas casas ha disminuido en los últimos cinco años. Pero nuestras ventas a constructores profesionales han aumentado de \$945 a \$1800 en base a las ventas iniciales. Cada año ha registrado un aumento sobre el año anterior, y el año pasado el aumento fue de 13% por establecimiento promedio. En el Sur el mercado al por menor creció de \$13 billones a \$18 billones en los mismos cinco años. Las ventas al por menor de Lowe's realizó 1.9% del total en 1977 y 2.6% en 1981—una ganancia de 36% en la participación del mercado en cuatro años. En ambas áreas de clientela logramos hacer frente a la prueba del aumento en la participación en el mercado, la segunda mitad del Beneficio Competitivo.

El año pasado su Consejo de Administración tomó acciones que condujeron a una división de las acciones dadas como primas, que llevó el número de acciones excepcionales a 20 millones. Hace 20 años cuando Lowe's se convirtió en empresa pública tenía 1 millón de acciones excepcionales. Las acciones de Lowe's aparecieron en lista en octubre pasado, muy próximo a su veinte aniversario, en la Bolsa de Valores de Londres, un acontecimiento importante en nuestros esfuerzos por hacer que las acciones de Lowe's resulten más disponibles al público inversor. Este informe que denominamos nuestro Informe 20/20, recuerda los veinte años pasados de fuerte y constante expansión, y procura echar una atenta mirada a los próximos veinte años. Dentro de veinte años, desde el importante acontecimiento de octubre pasado nos encontraremos en el primer año de un nuevo siglo—y de un milenio nuevo. ¿Cómo será Lowe's y qué será nuestro mundo? Nadie sabe a ciencia cierta, sin embargo es útil y educativo reflexionar. Podemos prepararnos para los próximos años con interés y cuidado. Sin preparación seremos en el mejor de los casos reactivos. Nos preparamos por el bien de Uds, de nuestros accionistas, y por nuestros colegas trabajadores tanto como nuestros clientes, y nuestros proveedores, y todo el mundo que necesita y utiliza lo bueno y útil, es decir, tanto los productos como los servicios que ofrecemos.

Le agradecemos desde ya su apoyo leal y constante. Continuamos trabajando siempre para merecer su confianza.

Cordialmente,

Robert L. Strickland
Presidente de la Junta Directiva

Leonard G. Herring
Presidente y Jefe Ejecutivo Principal

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株主各位 1982年 5月15日

昨年は、米経済と当社の営業は万華鏡的变化の年であった。しかしロウスの業績は、貧しい経済環境の中の衰弱企業の一つとしては平均して良好であった。ポップ・ロック・グループの歌う流行歌「プロディ」の中で歌われている「潮は満ちたががんばっているよ」という状態であった。

ラウスの公表純益は、前年の一株当たり97¢から91¢へ下った。売上は8億4400万ドルから8億8800万ドルへと1%増えたにもかかわらず、純益は5%減少した。しかし、実質的には、昨年も純益は増加した。それは経営戦略上の重大な考慮に基く措置が原因であった。昨年の一株91セントの利益には、50余店に対する修復と改善への投資と拡張費として15セントを加えなければならない。前年度は20店弱に対して6セントを充当しただけであった。従って、1980年度の実質利益1ドル03セントに対し、1981年度は1ドル06セントの純益があったことを意味する。これは将来の発展に備える準備支出であった。この将来のための措置は、創造的、先見の明ある経営法である。

純益に対する部外者の予想水準を上回ったのは、有利な年度末の調整が原因であって、単なる幸運や外的因子によるものではない。外的因子も重要なことは言うまでもないが、内部的因子、つまり貸借対象表管理、特に資産管理、在庫品管理の改善を資ける新現金ボーナス・プラン、受取勘定、それに不良貸付の整理のみによるものでもない。昨年の投資に対する利益幅、GMROI（投資や受取勘定に対する総収益の比率）は5%の増大を達成したのである。

部外因子は多くの検討や批判を必要としない。それは「ひどい」の一語につきる。外部環境の不良にもかかわらず1981年度は主要部面で次のような好成績をあげた。

売上	変動	1981	1980
消費者（小売）	+10%	\$ 461,212,000	419,775,000
専門業（卸売）	-8%	426,830,000	463,839,000
合計	+1%	888,042,000	883,614,000
純益	-5%	17,859,000	18,891,000
現金勘定（純益プラス減価償却）	-3%	28,381,000	29,211,000
一株当たり			
純益	-5%	.91	.97
現金勘定	-3%	1.45	1.50
現金配当	+20%	.48	.40

上記の通り、小売売上は他のグループへの売上を上回った。初めて小売売上が50%の枠を越えた。当社は永らくその達成を目指してきたもので、それはRSVPプログラムが例証するように、小売増進プログラムを活発化した結果である。しかし、計画外の歓迎しない外的な力によるマイナス因子が専門業への売上を過度に減退した。当社は将来の売上げと純益の成長の基礎と信じる小売部門に重点をおく方針を追及する。しかしそれは、建築資材の卸売顧客に対するサービスの放棄や減退を意味するものではない。この市場へも、売上げに相当す

る必要に応じ、一層その増進をはかる努力を継続する方針である。

当社のRSVPプログラムの成果を評価することは難しい。それは後退市場にあるとはいえ、顧客勘定を増大させ、売上げの増加、利益幅の拡大、純益伸張を招くことは確実であり、顧客サービスの向上、生産品の提供、店舗のデザイン、店舗の位置などの改善、準備に資することは確実である。当社の日曜開店は、地方法律で規制されている地方を除けば大体定着、利益の上昇を見ることができる。

当社は、他の小売店とともに、その営業成績は1980年代の新しい競争利潤律を基準として測定すべきだと信じている。それは企業が市場占有率（市場に占める売上げの率）の増大と同時に売上げに対する総利益幅を拡大させる際に起る法則である。当社は昨年それを実行し、1982年度も続行する計画である。この競争利潤律は、現在の十年代の良好経営の印と信じている。当社の総利益幅はLIFO基準で23.3%から24.8%へと率で6%上昇、FIFO基準では24%から24.9%へと同4%上昇した。これは経営訓練と、商品出荷戦略によって、多難な競争年に達成したものである。

米商務省が南部と称している16州のうち、当社の店舗の85%が所在する13州では、これまでの五年間に毎年新住宅の着工が減少した。しかし当社の専門建築業者顧客への売上げは、着工基準で9450ドルから1,800ドルへ増加した。毎年、前年度を上回る成績をあげている。昨年の増加率は平均して一店で13%に達した。南部では同じ五年間に小売市場は130億ドルから180億ドルへ増加したが、ロウスの小売売上げ額は1977年の2億5000万ドルから、1981年度は4億6100万ドルへ増加した。ロウスは77年度では総額の1.9%であったが、81年度は26%を占めた。四年間に市場占有率が36%上昇した計算である。つまり双方の顧客部門で、市場占有率テストに合格したわけである。

当社の取締役会は昨年、株式配当の形で3対2の増株を行い、発行株数を2,000万株に増やした。二十年前、ロウスの株式会社への改組当時、発行株は100万株であった。ロウス株は20周年に数日先がけて昨年十月にロンドン株式取引所に上乗された。これは投資者に広い投資の場を与えたいという当社の努力の輝かしい里程標である。

20/20報告と名付けたこの株主報告は、過去二十年間の当社の急速、着実な成長の軌跡を回顧するとともに、次の二十年間に関する思慮ある展望の喚起を狙ったものである。昨年十月に達成したすばらしい里程標からの二十年後は、新しい世紀、新しい千年期の初めに当る。当社のわれわれはどうなるのであろうか、世界はどのように変わるだろうか、は誰一人確実に予測することはできない。しかし、それは推測に助力と利益を与える。われわれは慎重な考慮と関心によって将来に備えることができる。備えがなければ、最善の場合でも対応する外はない。当社は株主諸氏はじめ社員、顧客、供給者、それに当社のサービスや商品を利用する総ての人々の利益のための準備を怠らない。

株主諸氏の忠誠心と、かわらぬ支援を感謝すると同時に、諸氏の信頼に応えるために常に努力することを誓います。敬具
ロバート・L・ストリックランド レナード・G・ハーリング
取締役会長 代表役員、社長

شركات لوي المحدودة

١٥ مايو ١٩٨٢

عزيزي المساهم:

شهدت السنة الماضية تغييرات كبيرة سواء بالنسبة للاقتصاد القومي أو بالنسبة لأعمالنا التجارية. بالمقارنة، نحن نعتقد بشكل مؤكد أن شركات لوي عملت بنجاح في وقت كانت الصناعة فيه فاقدة الحيوية والاقتصاد غير منتعش. ويمكن إختصار السنة الماضية باغنية شعبية غنتها فرقة بلوندي عنوانها المد العالي ولكن صامد.

كانت حصة كل سهم من أسهم شركات لوي من الأرباح المعلنة في السنة الماضية ٩١ سنت مقابل ٩٧ سنت في السنة التي سبقتها، وهذا يشكل إنخفاضاً بنسبة ٥٪ في الوقت الذي إزدادت فيه المبيعات بنسبة ١٪ من ٨٨٤ مليون دولار إلى ٨٨٨ مليون دولار. ومع ذلك فإنه من المهم الإشارة إلى أنه إستراتيجياً قد حققنا نجاحاً كبيراً جداً. إذ يجب أن تضيف إلى الـ ٩١ سنت حصة كل سهم من الأرباح ١٥ سنت إستثمرناها وأنفقناها من أجل التجديدات والتحسينات على أكثر من خمسين محل، بينما في السنة التي سبقتها كان الرقم ٦ سنتات لكل سهم أنفقت على أقل من عشرين محل. هذا يعني على أساس واقع الحياة وواقع النقود أن شركات لوي كانت قد كسبت دولار و ٦ سنتات لكل سهم في عام ١٩٨١ مقابل دولار و ٣ سنتات عام ١٩٨٠ فيما إذا لم تكن نعد أنفسنا ونوظف من جديد للمستقبل. هذا ما نسميه الإدارة من أجل المستقبل. وعلى هذا الضوء أيضاً يرى نتائج ١٩٨١ كثير من المفكرين المبدعين والمتقدمين.

أن تعديلات نهاية السنة الإيجابية التي رفعت الأرباح إلى مستوى لم يتوقعه كثير من الغرباء عن نطاق الشركة لم تنتج عن خطأ أو عوامل خارجية، مع العلم أن هذه العوامل الخارجية كانت مؤثرة بوضوح. وبأهميتها كانت العوامل الداخلية مثل تنظيم ميزان المراجعة وعلى الأخص إدارة الأصول الجارية مع خطة جديدة لعلاوة نقدية ابتدعت من أجل تحسين إدارة المخزونات والحسابات القابلة للقبض وإدارة الديون المدعومة والأرباح الإجمالية حيث حققنا في السنة الماضية كسباً يعادل ٥٪ زيادة في مقياس العائد على الاستثمار GMROI (عائد الأرباح الإجمالي على المخزون والمستحقات القابلة للقبض).

أما العوامل الخارجية فلا تتطلب عرضاً أو كثيراً من التعليق حيث يمكن إختصارها بكلمة واحدة، مخيفة. وسيئة كما بدت العوامل الخارجية. دعنا نفرض هنا بعضاً من رؤوس الأرقام لنتائج عام ١٩٨١.

المبيعات	التغيير	١٩٨١	١٩٨٠
المستهلك (تجارة التجزئة)	210+	٤٦٦,٢١٢,٠٠٠ دولار	٤١٩,٧٧٥,٠٠٠ دولار
التاجر (تجارة الجملة)	28-	٤٢٦,٨٣٠,٠٠٠	٤٦٣,٨٣٩,٠٠٠
المجموع	21+	٨٨٨,٠٤٢,٠٠٠	٨٨٣,٦١٤,٠٠٠
الربح الصافي	25-	١٧,٨٥٩,٠٠٠	١٨,٨٩١,٠٠٠
نقدية جارية (أرباح زائد الاستهلاك)	23-	٢٨,٣٨١,٠٠٠	٢٩,٢١١,٠٠٠
السهم الواحد	25-	٩١	٩٧
أرباح	23-	١,٤٥	١,٥٠
نقدية جارية	220+	٤٨	٤٠
إيراد السهم النقدي			

يمكن أن تلاحظ أن مبيعات التجزئة إلى زبائننا قد إزدادت أكثر من الفئة الأخرى، إذ لأول مرة تعدت تجارة التجزئة نسبة الـ ٥٠٪. لقد خططنا من أجل ذلك لكي يحصل. وفي الحقيقة إنه الاندفاع إلى تعزيز تجارة التجزئة الذي يمثله برنامج RSVP أكثر تمثيل، ولكن تمثيل العوامل الخارجية الغير مخطط لها والغير مرحب بها هي التي أدت إلى هبوط تجارة الجملة بشكل متطرف. وسوف نستمر في زيادة تركيزنا على تجارة التجزئة لأننا نعتقد أنها هي الأساس للنمو في المستقبل في المبيعات والأرباح. ولكن هذا لا يعني أننا في أي حال من الأحوال سنتخلى عن أو نقلل من اتجاهنا للخدمة الكاملة لزبائننا من تجار الجملة لمواد البناء، وسنكون مستعدين لتلبية هذه الطلبات إلى الحد التي تسمح به إيرادات السوق، وسنكون في وضع أكثر سيطرة من وقت كنا من قبل في حالة تحسن السوق.

إن نتائج برنامجنا RSVP بالرغم من صعوبة قياسه في وقت يعاني من هبوط السوق كانت إيجابية من حيث زيادة عدد الزبائن، زيادة المبيعات، الإضافة إلى الأرباح الإجمالية، تحسن الأرباح، إعداد الطريقة للتحسين المستمر في خدمة الزبون، عرض البضاعة، تصميم المحل، وموقع المحل. وبإمكاننا الآن أن نرى فوائد إيجابية ناتجة عن برنامج فتح المتاجر يوم الأحد الذي طبق في أكثر محلاتنا ما عدا ما هو غير مسموح به طبقاً للقانون المحلي.

إن أداءنا وكذلك أداء تجار التجزئة خلال عقد الثمانينات سيحكم عليه بمعيار جديد يسمى القابلية التنافسية للربح. هذا الحاصل الديناميكي يحدث عندما تتمكن شركة ما من زيادة حصتها من السوق في الوقت نفسه الذي تزيد زيادة كبيرة من أرباحها الإجمالية على المبيعات. لقد قمنا بذلك السنة الماضية ونتوقع أن نقوم به أيضاً في عام ١٩٨٢. وفي اعتقادنا أن القابلية التنافسية للربح سوف تكون السمة المميزة لإدارة الأعمال التجارية الناجحة خلال عقد الثمانينات. إن أرباحنا الإجمالية قد إزدادت من ٢٢,٣٪ إلى ٢٤,٨٪ على أساس FIFO (آخر واحد يدخل أول واحد يخرج)، وهذه زيادة بمعدل ٦٪، وكذلك إزدادت من ٢٤٪ إلى ٢٤,٩٪ على أساس FIFO (أول واحد يدخل أول واحد يخرج)، وهذه زيادة بمعدل ٤٪. هذه النتائج حققت من خلال التشغيل النظامي وإستراتيجيات التسويق في سنة مليئة بالصعوبة والمنافسة.

في ١٢ ولاية من أصل ١٦ ولاية التي تشكل ما تعرفه وزارة التجارة الأمريكية بالجنوب حيث يتوزع ٨٥٪ من محلاتنا إنخفض بناء البيوت الجديدة في كل من السنوات الخمسة الماضية. ولكن مبيعاتنا إلى زبائننا محترفي بناء البيوت قد إزدادت من ٩٤٥ دولار إلى ١٨٠٠ دولار كمبيع لكل وحدة بناء جديدة. خلال نفس الفترة الزمنية سجلت مبيعاتنا في كل سنة تحسناً عن السنة التي قبلها، ففي السنة الماضية كانت الزيادة بنسبة ١٣٪ عن السنة التي سبقتها كمعدل لكل محل. في الجنوب، وخلال تلك السنوات الخمسة إزداد سوق تجارة التجزئة من ١٢ بليون دولار إلى ١٨ بليون دولار. وفي الفترة نفسها إزدادت تجارة التجزئة لشركات لوي من ٢٥٠ مليون دولار في عام ١٩٧٧ إلى ٤٦١ مليون دولار في عام ١٩٨١. ولقد كانت حصة شركات لوي عام ١٩٧٧ تساوي ١,٩٪ من مجموع السوق بينما في عام ١٩٨١ إرتفعت حصتها إلى ٢,٦٪ من مجموع السوق. وهذه زيادة بنسبة ٣٦٪ في حصة السوق خلال أربع سنوات. هذا دليل على أننا إجتزنا إختبار القسم الثاني من مقياس القابلية التنافسية للربح وهي زيادة حصتنا من مجموع السوق.

في السنة الماضية قام مجلس إدارتك بتقسيم الأسهم على أساس ٣ أسهم لكل سهمين نفذ عن طريق توزيع العائد الربحي للسهم وعلى هذا إرتفع عدد الأسهم المستحقة إلى ٢٠ مليون سهم. عندما أصبحت شركة لوي شركة عامة منذ ٢٠ سنة خلت كان لديها مليون سهم مستحق. ولكن في شهر اكتوبر الماضي وخلال عدة أيام من الذكرى السنوية العشرين أدرجت شركات لوي في بورصة لندن للأسواق المالية. وكان هذا الحدث منعطفاً هاماً لجهودنا من أجل أسهم شركات لوي متوفرة أكثر للجمهور المستثمر. وهذا التقرير الذي نطلق عليه الـ ٢٠/٢٠ تقرير يعيد إلى الذاكرة عشرين سنة من النمو الدائب المتواصل ويحاول أن يتطلع بعمق وبتفكير مثير إلى السنوات الـ ٢٠ القادمة. إن عشرون سنة من المنعطف الهام الذي حدث في اكتوبر الماضي سيضعنا في أول سنة من القرن الجديد وفي ذكرى الغيبة الجديدة. ماذا ستكون شركات لوي في ذلك الزمن؟ وماذا سيكون عالمنا في ذلك الزمن؟ لا أحد يدري على وجه التحديد. ولكن من الفائدة والتنبؤ أن نتأمل في المستقبل وأن نستعد للسنوات المقبلة باهتمام وتفكير صائب. بدون إستعداد مسبق سنكرر أنفسنا في أحسن الأحوال، ولكننا نستعد لكي نتفقدوا أنتم حاملي الأسهم وكذلك اخواننا موظفي الشركة وأيضاً زبائننا وموردنا وجميع من إحتاج أن يستعمل تلك المنتجات والخدمات الجيدة والمفيدة التي نقدمها.

شكراً جزيلاً لولائكم ودعمكم الدائب، وسوف نعمل لكي نكون دائماً أهلاً لثقتكم.

مع تحياتنا القلبية الخالصة

Performance Review

Lowe's Shares, in a Highly Interest-Sensitive Environment, Outperformed Major U.S. Indexes and International Stock Indexes except Japan and London

Lowe's business is interest-sensitive, but in a sustained negative interest environment, Lowe's stock outperformed the Dow 30 by 13.4% last year, the S&P 500 by 12.1% and the broadly-based Wilshire 5000 by 12.6%, significant improvements even over the relative performance the previous year.

It is helpful to note Lowe's performance

against major stock exchange indexes overseas. Only on the Japanese and London Exchanges did these indexes do better than Lowe's shares. Lowe's did less well than the year-earlier against the French, German and Swiss exchange indexes. It did better than the year-earlier against the Hong Kong and NYSE indexes. A year ago the superior perfor-

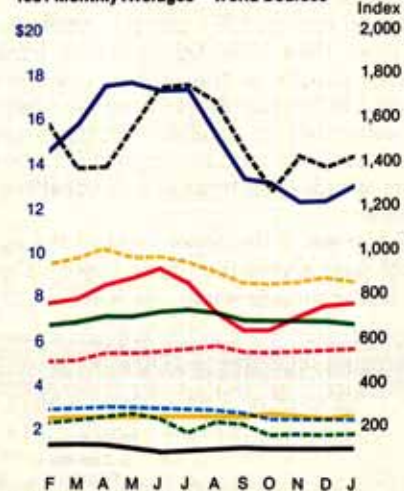
mances were by the Italian and Singapore indexes.

Lowe's Stock Price Performance vs Selected Indexes

Index	% CHANGE	
	1-31-81 to 1-31-82	1-31-80 to 1-31-81
Lowe's Stock	+ 5.0%	+ 17.6%
Dow-Jones 30 Average	- 8.4%	+ 8.2%
Standard and Poor's 500	- 7.1%	+ 13.0%
Wilshire 5000	- 7.6%	+ 13.2%
Selected World Stock Market Indexes		
France	- 8.2%	- 4.5%
Germany	+ 3.5%	- 8.4%
Hong Kong	- 15.3%	+ 7.7%
Italy	- 5.4%	+ 119.7%
Japan	+ 13.0%	+ 9.2%
London	+ 19.8%	+ 6.4%
NYSE Index	- 6.6%	+ 13.2%
Singapore	+ 4.5%	+ 59.8%
Switzerland	- 13.2%	- 7.9%

SOURCES: The Economist; Wall Street Journal

1981 Monthly Averages—World Bourses



SOURCE: Financial Times

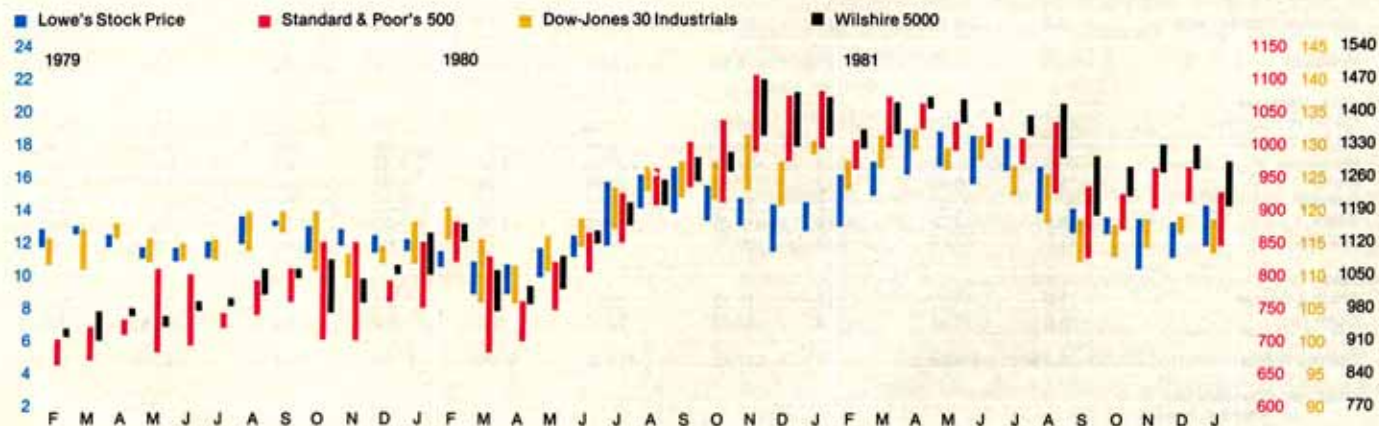
Financial Highlights

(000s) Except Per Share And Percentages

	% Change	Fiscal 1981	Fiscal 1980
For the year			
Sales of products and services	+ 1%	\$888,042	\$883,614
Net earnings	- 5%	17,859	18,891
Cash flow (earnings plus depreciation)	- 3%	28,381	29,211
At year-end			
Total assets	+ 2%	306,564	301,728
Shareholders' equity	+ 5%	177,501	169,018
Debt including current maturities	- 5%	53,280	56,086
Number of shares		19,533	19,533
Per share			
Earnings	- 5%	.91	.97
Dividends paid	+ 20%	.48	.40
Shareholders' equity—year-end	+ 5%	9.09	8.65
Cash flow	- 3%	\$ 1.45	\$ 1.50
Measurements (See Pages 60-62)			
Asset turnover (Sales/asset dollar)		2.94	2.95
Return on sales (Earnings as % of sales)		2.01%	2.14%
Return on assets		5.92%	6.30%
Leverage factor (Beginning assets/beginning equity)		1.79	1.90
Return on equity		10.57%	11.96%
(1) FIFO Net earnings	- 18%	\$ 18,326	\$ 22,285
FIFO Earnings per share	- 18%	\$.94	\$ 1.14

(1) The Internal Revenue Service amended its LIFO conformity regulations on January 16, 1981, so that supplemental or explanatory disclosure by a LIFO taxpayer, of earnings on a basis other than historical LIFO cost, would not violate the Internal Revenue Code. In this regard, the supplemental information is shown above using the FIFO method of inventory accounting.

Lowe's Stock Price vs Selected Stock Indexes



Performance Review

Lowe's Is a Competitive Investment Opportunity

For the first time since Lowe's has published the Profitability Model in its annual reports, we have dropped out of first place in this important measurement.

Last year Lowe's Profit Per Employee was exceeded by two companies, Pay 'N Pak of Kent, Wash., and Payless Cashways of Kansas City. Their performances were outstanding and we believe we know why we suffered a sharp decline. We are sure it is related to the dramatic decrease in our business with our builder customers who have been curtailed in their buying by record high mortgage rates and the dramatic decline in the number of new housing starts.

Of all companies in this model, Lowe's is the most-heavily oriented to the professional builder market. More than 50% of our business has been to that sector in the past, and only in 1981 was the retail sector more than 50%. Of the other hard-goods retailers in the model, most are nearly 100% retail-oriented and the others are soft-goods or general merchandisers whose fortunes are more exclusively tied to the spending patterns of individual consumers.

The graph in the upper right of the opposite page shows that while Lowe's slipped in one measurement, we still hold the

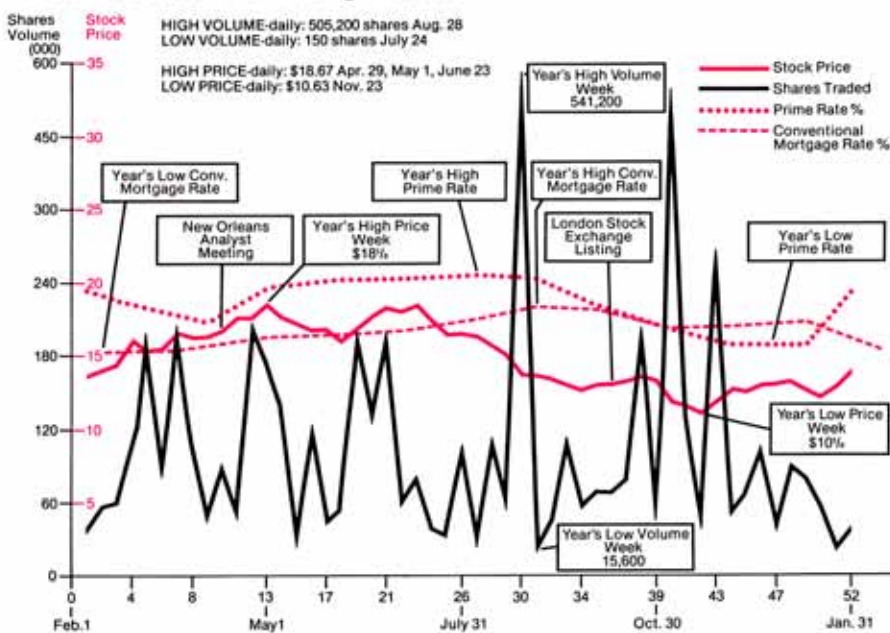
premier Price-Earnings Ratio, an indicator not only of past performance but of expectations of future performance. While it is quite difficult to discern what factors influence or determine the composition of a PE ratio, it is fair to surmise that some of Lowe's is the expectations that we will perform better when the present housing recession moderates.

(Regular readers of this section will note

we have modestly restructured these presentations and have dropped some companies which have had difficult times or are in the process of losing their separate identities through acquisition and have added a hot new Wall Street favorite, although that company does not have a very long track record.)

One of the better ways to measure a company is against the environment in

Lowe's Stock Price and Trading Volume



3

Lowe's vs Selected Others Stock Price and Dividend

4

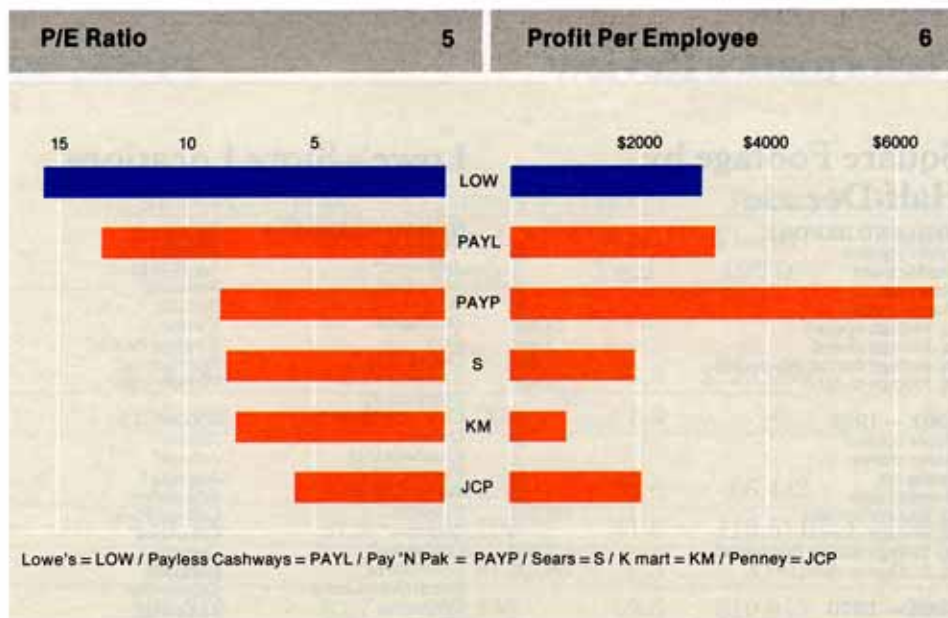
Company	Stock Price % Change 1-31-81 to 1-31-82	Price Per Share 1-31-82	Stock Price % Change 1-31-80 to 1-31-81	Price Per Share 1-31-81	Price Per Share 1-31-80	Current* Dividend	1976 Dividend	5 Yr. Dividend CGR	Current Dividend Yield	Current Payout Rate*
Lowe's	+ 5.0%	\$14.00	+ 17.7%	\$13.33(S)	\$11.33(S)	\$.48	\$.09	40.7%	3.4%	52.8%
Specialty Retailers										
Hechinger Co.	+ 28.5	16.38	+ 39.0	12.75(S)	9.17(S)	.12	.06	14.9(A)	.7	10.3
Home Depot	NA	13.50	NA	NA	NA	NIL	NIL	NM	NIL	NIL
Pay 'N Pak	+ 11.9	12.72	- 11.4	11.37(S)	12.83(S)	.76	.16	36.9	6.0	51.4
Payless Cashways	+ 17.6	17.50	- 2.4	14.88	15.25	.20	.05	32.0	1.1	14.0
Standard Brands Paint	- 8.8	24.75	+ 10.2	27.13	24.63	.81	.36	17.6	3.3	30.2
Wolohan	- 48.0	3.38	- 5.5	6.50	6.88	.16	.09	12.2	4.7	94.1
General Retailers										
Carter Hawley Hale	- 25.0	14.63	+ 14.7	19.50	17.00	1.22	.90	6.3	8.3	80.8
Dayton-Hudson	+ 27.3	28.88	- .8	22.69(S)	22.88(S)	1.10	.53	16.0	3.8	33.0
Federated	+ 20.9	38.25	+ 17.2	31.63	27.00	1.90	1.39	6.5	5.0	36.7
K mart	- 5.0	16.63	- 18.2	17.50	21.38	.96	.32	24.6	5.8	46.4
Penney	+ 37.7	30.63	- 12.8	22.25	25.50	1.84	1.28	7.5	6.0	33.5
Sears	+ 13.1	17.25	- 11.0	15.25	17.13	1.36	.80	11.2	7.9	66.0
Wal-Mart	+ 41.3	42.38	+ 68.3	30.00	17.83	.25	.07	30.9	.6	10.0
Others										
Black & Decker	- 11.8	16.00	- 18.5	18.13	22.25	.76	.40	13.7	4.8	54.7
Color Tile	- 35.6	12.00	- 17.2	18.63	22.50	NIL	NIL	NM	NIL	NIL
Stanley Works	- 6.3%	\$16.75	- 2.7%	\$17.88	\$18.38	\$.76	\$.38	14.9%	4.5%	36.2%

* 1/31/82 (A) Four years only
(S) Adjusted for splits

SOURCES: The Wall Street Journal, Company Annual and Quarterly Reports

which it operates. This year, we for the first time present a graph depicting the price movement of Lowe's shares through the year, charted against the conventional mortgage rate and the prime interest rate. It is within this context that we think we should be judged on a continuing basis. It is somewhat helpful to note major factors over which we had control which may be considered to have had influence on the movement of shares in volume or evaluation.

There are as many reasons to invest as there are investors, however, we believe that return on investment, tailored to the individual or institution's objectives, is of prime importance. Whether it is in price appreciation or in yield or a combination of both, we believe that Lowe's performance is highly competitive with other investment opportunities within the specialty retailing, general retailing or DIY (Do-It-Yourself) sectors.



Profitability Model Fiscal 1981 Figures*

7

Organization (Stock Symbol)	Total Sales (000,000)	Total Profit (000,000)	Total Beginning Assets (000,000)	Total Ending Assets (000,000)	Total Beginning Shareholder Equity (000,000)	Total Ending Shareholder Equity (000,000)	Asset Turnover	X	Return on Sales(%)	=	Return on Assets(%)	X	Leverage Factor	=	Return on Equity(%)	Number of Employees	Sales Per Employee	Profit Per Employee
Lowe's (LOW)	\$ 888.0	\$ 17.9	\$ 301.7	\$ 306.0	\$ 169.0	\$ 177.5	(1)		(2)		(3)		(4)		(5)	(6)	(7)	(8)
Payless (PAYL)	479.1	16.5	173.0	203.0	84.6	99.6	2.94		2.02		5.93		1.79		10.59	6,002	\$147,951	\$2,982
Pay 'N Pak (PAYP)	181.0	7.2	90.1	97.8	36.5	40.2	2.77		3.46		9.60		2.04		19.62	5,285	90,653	3,140
Sears (S)	27,360.0	650.0	28,319.4	34,509.0	7,664.7	8,268.9	2.01		3.98		7.99		2.47		19.73	1,100	164,545	6,545
K mart (KM)	14,204.4	220.0	6,079.0	6,673.0	2,343.0	2,455.6	2.34		1.55		3.62		2.59		9.39	250,000	81,090	1,927
Penney (JCP)	\$11,860.0	\$387.0	\$ 5,835.0	\$ 6,216.0	\$2,639.0	\$2,933.0	2.03		3.26		6.63		2.21		14.66	187,000	\$ 63,422	\$2,070

*Lowe's, K mart and Penney years ended 1/31/82.
Payless ended 11/30/81, Pay 'N Pak ended 2/28/82 and Sears ended 12/31/81.

(1) Total Sales - Beginning Assets
(2) Total Profit - Total Sales
(3) Total Profit - Beginning Assets
(4) Beginning Assets - Beginning Equity
(5) Total Profits - Beginning Equity
(6) At Year-End
(7) Total Sales - Number of Employees
(8) Total Profit - Number of Employees

Lowe's vs Selected Others Earnings and Sales

8

Company	LIFO or FIFO	1981 Earnings Per Share	Fiscal 1976 Earnings Per Share	5 Yr. CGR EPS	1981 Sales	1976 Sales	5 Yr. CGR Sales	Current P/E Ratio	5 Yr. Hi-Lo P/E Ratio
Lowe's	L-77	\$.91 .94(A)	\$.99(A)	- 1.0	\$ 888.0	\$ 519.4	11.3%	15.4	17.9
Specialty Retailers									
Hechinger Co.	L-75	1.17	.47	20.0	210.6	80.4	21.2	14.0	14.9
Home Depot	F	.34	-.24(B)	19.0(C)	51.5	7.0(B)	171.2(C)	39.7	NM
Pay 'N Pak	F	1.63	.55	21.9	181.0	73.3	19.8	8.6	20.9
Payless Cashways	L-80	1.59(A)	.62(A)	20.7	479.1	134.5	28.9	12.2	45-12
Standard Brands Paint	L-81	2.68	1.98(A)	8.4	223.2	134.7	10.6	9.2	19.9
Wolohan	L-74	.17	.53	- 20.3	88.8	95.9	- 1.5	19.9	46-8
General Retailers									
Carter Hawley Hale	L-74	1.51	1.67	- 2.0	2,870.7	1,488.5	14.0	9.7	11-7
Dayton-Hudson	L-67	3.33	1.59	15.9	4,942.9	2,125.8	18.4	8.7	11-9
Federated	L-48	5.18	3.38	8.9	7,067.7	4,446.6	9.7	7.4	12-6
K mart	L-75	2.07	2.11	- .4	14,204.4	8,382.0	11.1	8.0	17-8
Penney	L-75	5.50	3.43	9.9	11,860.0	8,354.0	7.3	5.6	13-6
Sears	L-75	2.06	2.17	- 1.0	27,360.0	19,631.0	6.9	8.4	29-7
Wal-Mart	L-75	2.50	.77	26.6	2,445.0	340.3	48.4	17.0	19-12
Others									
Black & Decker	L-79(D)	1.39(D)	1.02(D)	6.4	1,384.8	748.2	13.1	11.5	17-8
Color Tile	L-80	.96	.32(A)	29.2	218.8	61.4	28.9	12.5	18-13
Stanley Works	F	\$2.10	\$1.12	13.4%	\$1,009.5	\$582.6	11.6%	8.0	28-8

(A) FIFO Figures (C) Three years only
(B) Fiscal 1979 (D) U.S. inventories LIFO (40%), European are FIFO (60%)

Performance Review

Square Footage by Half-Decade

1960 AND BEFORE

Stores opened	16
Stores closed	1
Stores net	15
Stores to date	15
Sq. footage opened	74,880
Sq. footage closed	3,200
Sq. footage during this period	71,680
Sq. footage to date	71,680

1961 — 1965

Stores opened	23
Stores closed	0
Stores net	23
Stores to date	38
Sq. footage opened	127,857
Sq. footage closed	0
Sq. footage during this period	127,857
Sq. footage to date	199,537

1966 — 1970

Stores opened	31
Stores closed	2
Stores net	29
Stores to date	67
Sq. footage opened	205,862
Sq. footage closed	7,950
Sq. footage during this period	197,912
Sq. footage to date	397,449

1971 — 1975

Stores opened	74
Stores closed	1
Stores net	73
Stores to date	140
Sq. footage opened	840,501
Sq. footage closed	4,200
Sq. footage during this period	836,301
Sq. footage to date	1,233,750

1976 — 1980

Stores opened	80
Stores closed	6
Stores net	74
Stores to date	214
Sq. footage opened	823,651
Sq. footage closed	69,289
Sq. footage during period	754,362
Sq. footage to date	1,988,112

1981

Stores opened	15
Stores closed	0
Stores net	15
Stores to date	229
Sq. footage opened	233,769
Sq. footage closed	0
Sq. footage during period	233,769
Sq. footage to date	2,221,881

Store Data—By State

State	Square Footage
North Carolina (51)	469,707
Virginia (25)	248,994
Georgia (20)	189,305
South Carolina (18)	171,262
Tennessee (16)	133,426
Louisiana (12)	138,500
Kentucky (11)	119,484
Florida (11)	125,670
Alabama (10)	110,011
West Virginia (9)	75,887
Mississippi (7)	73,236
Ohio (7)	61,786
Indiana (7)	53,873
Texas (6)	55,407
Pennsylvania (6)	73,050
Arkansas (5)	51,607
Maryland (5)	44,750
Delaware (2)	15,926
Illinois (1)	10,000
19 States (229)	2,221,881

Lowe's Store Locations

NORTH CAROLINA

Albemarle*
Asheboro*
Asheville*
Boone
Burlington
Cary
Chapel Hill
Charlotte #1
Charlotte #2
Charlotte-North*
Durham
Elizabeth City
Fayetteville*
Forest City
Franklin
Gastonia*
Goldsboro*
Greensboro
North Greensboro
Greenville
Hendersonville*
Hickory
High Point
Jacksonville*
Kannapolis*
Kinston
Lincolnton
Lumberton
Monroe*
Morganton*
Mount Airy
Murfreesboro
New Bern*
North Wilkesboro
Raleigh
Reidsville
Rockingham*
Rocky Mount*
Salisbury
Sanford*
Shelby*
Sparta
Statesville
Washington
Waynesville
Whiteville
Wilmington
Wilson
Winston-Salem*
Winston-Salem Metro
Zebulon

VIRGINIA

Bon Air*
Bristol*
Charlottesville*
Chester
Coeburn
Danville
Dublin*
Fredericksburg*
Harrisonburg*
Leesburg*
Lynchburg*
Manassas
Marion
Martinsville*
Newport News
Chesapeake*

Richmond
Roanoke
South Boston
Staunton
Suffolk
Vienna
Virginia Beach*
Winchester*
Woodbridge

GEORGIA

Albany
Athens*
Augusta*
Brunswick
College Park
Columbus*
Decatur
Doraville
Gainesville
La Grange
Macon*
Marietta
Moultrie
Rome
Savannah
Smyrna
Thomasville
Thomson
Valdosta
Warner Robbins

SOUTH CAROLINA

Aiken*
Anderson*
Charleston
Columbia*
Easley
Florence*
Gaffney
Greenville
Greenwood
Laurens
Manning
Mount Pleasant*
Myrtle Beach*
Orangeburg*
Rock Hill*
Spartanburg*
Sumter*
West Columbia*

TENNESSEE

Bartlett*
Chattanooga
Clarksville*
Cleveland
Cookeville
Dyersburg
Gallatin
Jackson*
Johnson City*
Kingsport
Knoxville
Lebanon
Maryville
Morristown
Murfreesboro
Nashville

KENTUCKY

Corbin
Danville
Elizabethtown*
Frankfort*
Lexington
Louisville*
Owensboro*
Paducah*
Paintsville
Pikeville
Richmond

LOUISIANA

Alexandria*
Baker*
Baton Rouge*
Bossier City*
Hammond*
Lafayette*
Lake Charles
Leesville
Natchitoches
Shreveport*
Thibodaux*
West Monroe

ALABAMA

Auburn/Opelika
Decatur*
Dothan
Gadsden*
Huntsville*
Mobile*
Montgomery*
Muscle Shoals*
Prattville
Tuscaloosa*

WEST VIRGINIA

Charleston
Fairmont*
Huntington
Matewan
Morgantown*
Summersville
Teays Valley
Oak Hill
Princeton*

INDIANA

Clarksville*
Franklin
Indianapolis
West Indianapolis
Lawrence
New Castle
Westfield

MISSISSIPPI

Greenville
Greenwood
Gulfport*
Hattiesburg*
Jackson
Meridian*
Tupelo*

OHIO

Athens
Belpre
Cincinnati
Circleville
Lancaster
Springfield
Wheelersburg

FLORIDA

Ft. Walton Beach*
Gainesville*
Inverness
Lakeland*
Maitland
Melbourne*
Orange City*
Orlando
Pensacola*
Port Orange*
Tallahassee*

TEXAS

Angleton
Baytown
Liberty
Longview
New Caney
Texarkana

ARKANSAS

El Dorado
Jonesboro
Little Rock
Pine Bluff
West Memphis

MARYLAND

Cumberland
Easton
Frederick*
Hagerstown
Salisbury

PENNSYLVANIA

Altoona*
Chambersburg*
Hanover*
Lancaster*
Mechanicsburg*
York*

DELAWARE

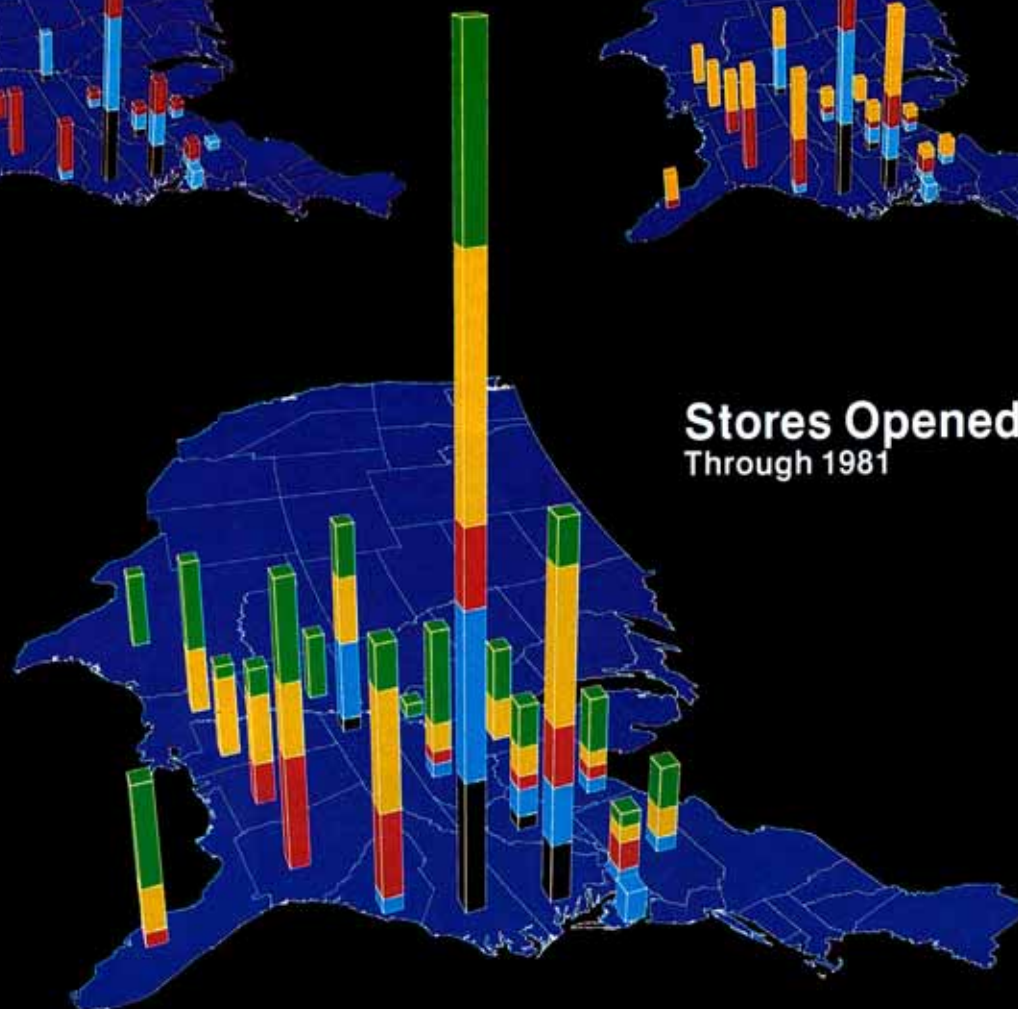
Dover
Wilmington

ILLINOIS

Marion

*Indicates store with RSVP floor plan

Historical Profile of Store Locations



Performance Review

What Lowe's Does

Lowe's is a retailer of home building materials. The merchandising line is designed to fulfill the ever changing needs and demands of two customer groups: the retail customer and the builder. Currently, an ambitious revamping program dubbed RSVP is underway. This program reflects the changing marketplace in which the retail customer is taking on an increasing amount of the company's total sales volume. With RSVP, Lowe's will be better able to serve the needs and demands of both its retail and builder customer markets.

During Fiscal 1981, nearly 12 million customers were served by Lowe's stores; an increase of 5% more than Fiscal 1980's 11.4 million level. The average sale to each of those customers was \$74.17 compared with \$77.67 in 1980. In short, Lowe's served more customers last year but the average purchase by each of those customers decreased. This smaller ticket size is due in part to the increased retail customer business which is typified by smaller but more frequent purchases.

At fiscal year end, Lowe's operated 229 stores located in 19 states, principally in the South Atlantic and South Central regions of the United States. A Lowe's store is designed primarily to serve the needs of smaller communities typically containing about 45 thousand households in a defined marketing area. The ability to continually serve the needs of customers in the many small cities and towns in the 19 southern states Lowe's serves is the hallmark to continued success.

What Lowe's Stores Are

Lowe's stores combine the merchandise, service and function of a lumber yard, a building materials supplier, a heating and cooling, plumbing and electrical supply center, a hardware store, an appliance store, a home electronics center, a hard-goods discount and a professional marketing company. Each store is a full-service, home building supply center offering both builder and retail customers structural lumber, building commodities and millwork, lawn mowers and other seasonal products, appliances and specialty building materials. The mix of merchandise Lowe's sells has been shifting from structural lumber (17.7% of 1981 total volume) and building commodities and millwork (35.5%) toward home decorating and appliances (20.8%).

Each merchandise category is an essential component of the individual store's (Lowe's true profit centers) total performance and the absence of any would detract from the "Total Home Improvement Center" concept which is the key to Lowe's success in the marketplace.

Sales Floor Size and Productivity

One key to Lowe's continued success and growth has been the commitment towards growth in numbers of stores and resulting increases in sales floor square footage. Lowe's continued to look towards the future during 1981 and added nearly a quarter of a million square feet of sales floor. While total sales per square foot of sales floor was off, primarily due to the difficulties encountered in the builder sales area, retail sales per square foot actually increased by 5%. This kind of performance is an indication that the RSVP sales floor plan is working.

Lowe's Average Store Sales Trends

The bulk of the new store openings during 1981 took place in the latter part of the year. Therefore, in order to accurately measure the average store's sales performance, a weighted average stores open figure has been developed. The average Lowe's store sold slightly over \$4.1 million worth of merchandise during 1981 with roughly 2.1 million going to retail customers and slightly less than 2 million to builder customers. The year 1981 is important in that it marks the first year that the average store's retail sales accounted for greater than 50% of the store's total sales volume.



Store Sales Performance by Age of Store

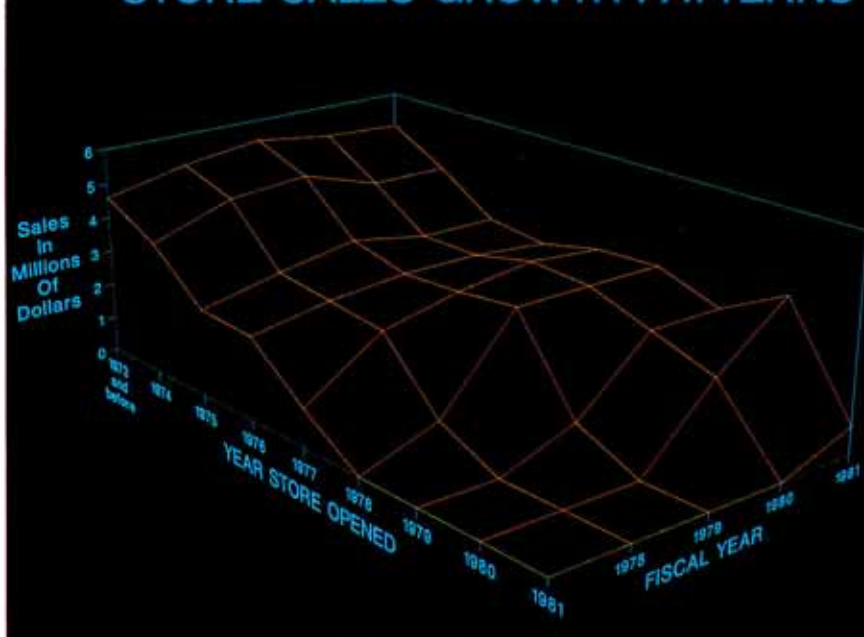
Just as a fruit tree requires several years of growth and maturation before it begins to yield its fruits in sufficient quantity, so too do stores take time to mature. A loyal customer base must be built and a reputation must be established in the marketplace. It is not uncommon for this maturation process to take four or more years although significant variations on a market-by-market basis do occur. It is also interesting to note that in those years when larger numbers of stores were opened, that class of stores has tended to mature at a faster pace.

Merchandise Sales Trends

The mix of merchandise Lowe's sells showed some significant shifts in 1981. Structural Lumber, Building Commodities and Millwork, which in 1977 accounted for 60% of the company's total sales, contributed only about 53% to the total in 1981. While much of this decrease is attributable to the sagging builder portion of Lowe's business, it is important to note that the retail sales of Structural Lumber and Commodities have grown and in the past year 35% of all Structural Lumber sales were to retail customers and 40% of all Building Commodity sales were to this group versus 21% and 32% respectively in 1977.

As people have been forced to put off purchase of new shelter, they have turned their attention to remodeling and this

STORE SALES GROWTH PATTERNS

 9

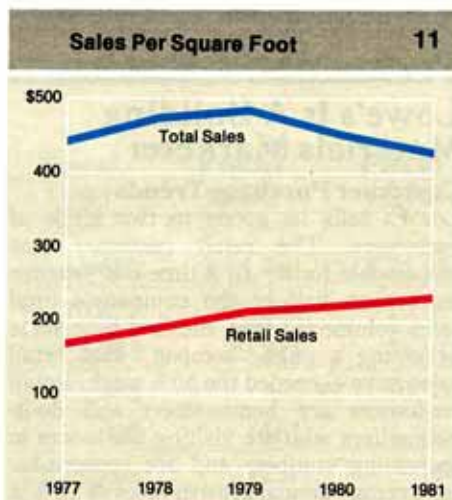
trend is most evident in the Home Decorating, Appliance and Cabinet sales categories. Items such as wallpaper, carpet and light fixtures, which in 1977 accounted for approximately 9% of Lowe's total sales, in 1981 represented more than 10% of the company's total sales effort. These increases have come from the dramatic shift in retail-builder mix; up from 58% retail in 1977 to 72% retail in 1981. An almost identical pattern exists in the appliance and cabinet merchandise category sales performance.

Sales of heating, cooling and water systems showed the most dramatic increases in 1981. The biggest single contributor to this merchandise category's outstanding performance has been the effect of energy prices on people's purchase of alternative heating devices such as wood stoves, fireplace inserts and small electric and kerosene space heaters. All of these items enjoyed outstanding sales performance during 1981; and since 1977, sales of these items have grown at an annual rate of nearly 19%.

As the retail business has continued its growth and the do-it-yourself industry along with it, sales of hardware and hand tools have grown in the same manner. In 1977, less than 1% of Lowe's total sales were attributed to tools. However, by 1981 this has grown to more than 1½%

representing an annual growth rate of 23% since 1977. The value of continued emphasis on this merchandise category is evident when the RSVP floor plan is installed in our stores.

Overall sales were virtually flat, in spite of the fact that the two merchandise categories which represent the largest percent of Lowe's total sales volume (Structural Lumber and Building Commodities) were down. The total sales performance is a tribute to the coherent advantages of a total home center concept approach to merchandise selection. Lowe's continues to review its merchandise lines and, where appropriate, will add or delete to the total product offering as the market demands.



Lowe's Average Store Sales Trends

YEAR	Average Stores Open During Year ⁽¹⁾	Retail Sales Per Average Store (000)	Pro Sales Per Average Store (000)	Total Sales Per Average Store (000)
1976	148.0	\$1,425	\$2,084	\$3,509
1977	168.3	1,485	2,446	3,931
1978	185.8	1,745	2,524	4,269
1979	202.4	1,943	2,527	4,470
1980	211.9	1,981	2,189	4,170
1981	216.0	\$2,135	\$1,976	\$4,111

(1) Weighted by adding the number of stores open at beginning of year; plus stores opened and closed during year computed by adding total months of operation for new stores and closed stores and dividing by 12.

Sales Floor Size and Productivity

	1 Stores Open at End of Year	2 Weighted Average Stores Open During Year ⁽¹⁾	3 Total Sales Floor Square Footage End of Year	4 Average Sales Floor Size End of Year	5 Weighted Avg. Sales Floor Sq. Ft. During Year ⁽²⁾	6 Total Sales (000)	7 Retail Sales (000)	8 Total Sales Per Sq. Ft. ⁽⁴⁾	9 Retail Sales Per Sq. Ft. ⁽⁵⁾
1977	180	168.3	1,619,000	8,987	1,512,512	\$661,625	\$250,012	\$437	\$165
1978	199	185.8	1,817,000	9,026	1,677,031	793,125	324,142	473	193
1979	209	202.4	1,931,419	9,186	1,859,246	904,651	393,179	487	211
1980	214	211.9	1,988,112	9,265	1,963,254	883,614	419,775	450	214
1981	229	216.0	2,221,881	9,497	2,051,224	\$888,042	\$461,212	\$433	\$225

(1) Stores open at beginning of year; plus stores opened and closed during year computed by adding total store months of operation for new stores and closed stores and dividing by 12.

(2) Average of beginning average sales floor size plus ending average sales floor size. (3) Column 2 x Column 4. (4) Column 6 divided by Column 5. (5) Column 7 divided by Column 5.

Store Sales Performance—By Age of Store (\$000) Rounded Totals

STORES		Fiscal 1977		Fiscal 1978		Fiscal 1979		Fiscal 1980		Fiscal 1981		Sales Per Store CGR
A	B Number of Stores Opened by Year Since 1974	Total Sales	Sales Per Store	Total Sales	Sales Per Store	Total Sales	Sales Per Store	Total Sales	Sales Per Store	Total Sales	Sales Per Store	
105	104 Established stores (1)	\$485,262	\$4,622	\$532,674	\$5,122	\$561,476	\$5,399	\$526,784	\$5,065	\$517,892	\$4,980	1.9%
20	20 1974 stores	76,911	3,846	91,282	4,564	96,211	4,810	82,216	4,111	81,614	4,082	1.5%
16	16 1975 stores	39,524	2,470	48,139	3,008	53,853	3,366	48,748	3,047	47,210	2,951	4.6%
13	13 1976 stores	30,716	2,363	36,257	2,789	39,454	3,035	35,904	2,992	35,899	2,761	4.0%
27	22 1977 stores	29,212	1,082	68,988	2,555	80,213	3,085	77,382	3,364	70,536	3,206	7.9%
20	20 1978 stores			15,785	789	62,449	3,286	65,210	3,261	65,415	3,271	1.0%
13	13 1979 stores					10,995	846	34,878	2,683	34,939	2,688	.2%
6	6 1980 stores							12,492	2,082	22,371	3,729	
15	15 1981 stores									12,166	811	
TOTALS: Sales		\$661,625	\$3,655	\$793,125	\$3,965	\$904,651	\$4,267	\$883,614	\$4,110	\$888,042	\$3,878	1.5%
Number of Stores		181 ⁽¹⁾		200 ⁽¹⁾		212 ⁽¹⁾		215 ⁽¹⁾		229 ⁽¹⁾		

(1) The number and average sales volume of established stores have been reduced appropriately for comparative purposes reflecting closing of stores during the reported periods.

A: Original number

B: Fiscal 1981, still in operation 1-31-82

(2) Annual compound growth rates through 1981 are: from 1976 for the 105 (104) established stores. Rates for the 1974 new stores were computed from their 1975 (first full year) results, the 1975 new stores from 1976 and so forth, all through 1980.

Performance Review

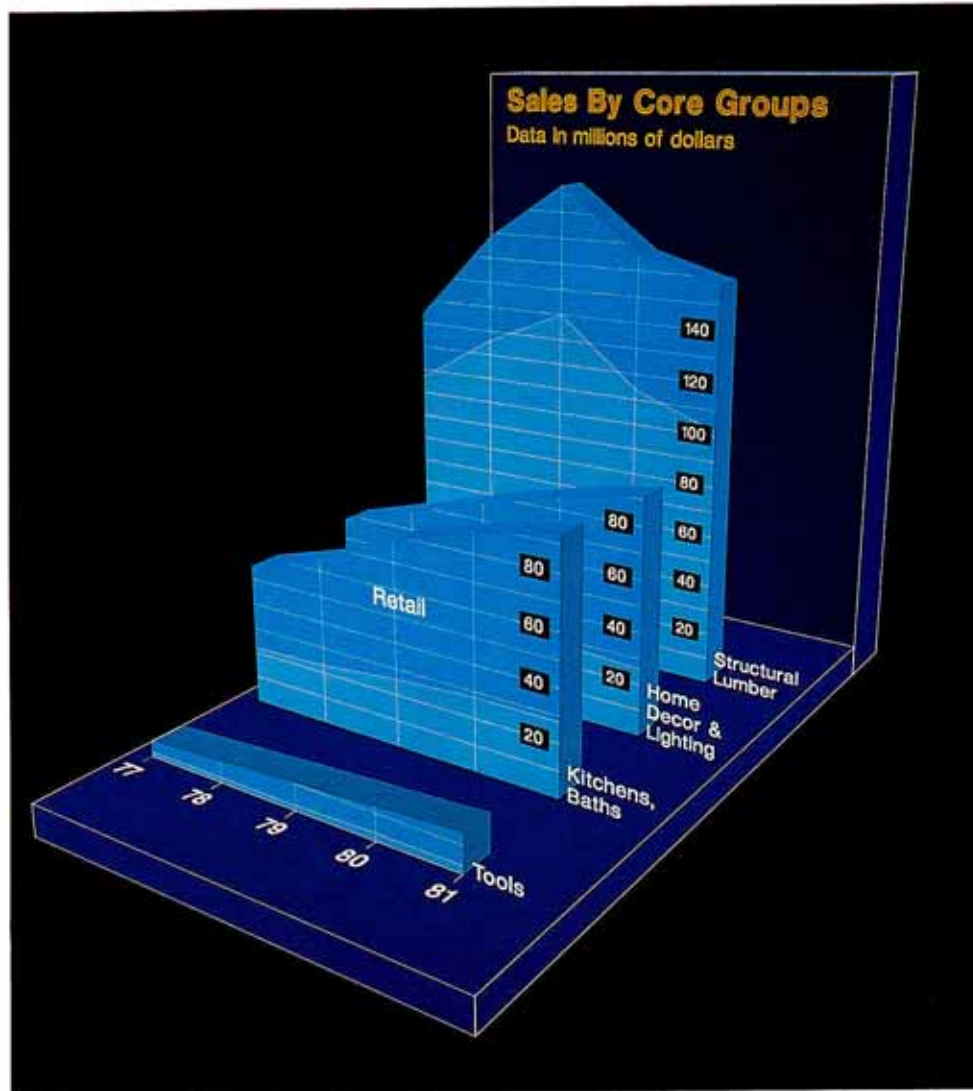
Lowe's Is A Building Materials Marketer

Customer Purchase Trends

Lowe's sells its goods to two kinds of customers. The retail customer was responsible for the first time last year for more than half of the company's total sales volume (51.9%), the first time since becoming a public company that retail sales have exceeded the 50% mark. Retail customers are homeowners and do-it-yourselfers who are visiting the stores in increasing numbers and are responsible for average annual growth rates of 16% in retail sales since 1977.

The second customer group to whom Lowe's sells its products is the builder customer. Given the current state of the building industry (see Market Research Housing and Construction section, Pages 43-44 of this report) and projections for the near-to-medium term future of the home building industry, Lowe's will continue to watch the sales pattern to the professional builders.

Our customer purchase trends over the past several years show graphically why the continued effort has been made to upgrade the retail sales floor through the RSVP program and its various ancillary programs such as planogramming, traffic pattern, flow design, end-cap presentations and promotional programs all designed to maximize the retail customer's purchase of materials from Lowe's stores.



Customer Purchase Trends

(\$000)

Fiscal Years(1)	1977		1978		1979		1980		1981		CGR (2)
Category	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	
Retail Customers,	\$250,012	38	\$324,142	41	\$393,179	43	\$419,775	47.5	\$461,212	51.9	+16.5
Change(3),	+19%		+30%		+21%		+6.7%		+10.0%		
Builder Customers,	\$411,613	62	\$468,983	59	\$511,472	57	\$463,839	52.5	\$426,830	48.1	+ .9
Change(3),	+33%		+14%		+9%		-9.3%		-8.0%		
Totals,	\$661,625	100%	\$793,125	100%	\$904,651	100%	\$883,614	100%	\$888,042	100%	+7.6
Change(3),	+27%		+20%		+14%		-2.3%		+ .5%		

(1) Fiscal years ending January 31 of following calendar year. (2) Compound growth rates 1976 through 1980. (3) Percent change from previous year.

16



Merchandise Sales Trends

Fiscal Years(1)

(\$000,000)

Category	1977			1978			1979			1980			1981			4 yr. CGR	
	Total Sales	% of Total	% Retail	Total Sales	% of Total	% Retail	Total Sales	% of Total	% Retail	Total Sales	% of Total	% Retail	Total Sales	% Change from 1980	% of Total		% Retail
1. Structural Lumber.....	\$134	20.2%	20.7%	\$168	21.2%	24.8%	\$190	21.0%	26.0%	\$166	18.8%	31.0%	\$157	- 5.4%	17.7%	35.2%	+ 4.1%
2. Building Commodities and Millwork.....	265	40.1	32.3	318	40.0	33.0	354	39.1	35.2	338	38.2	37.6	315	- 6.9	35.5	40.2	+ 4.4
3. Home Decorating and Illumination.....	58	8.8	58.3	67	8.5	64.7	77	8.5	64.6	86	9.7	66.2	92	+ 7.4	10.3	70.9	+12.0
4. Kitchens, Bathrooms and Laundries.....	55	8.4	59.0	65	8.1	65.0	78	8.8	66.5	87	9.9	67.7	93	+ 7.0	10.5	69.6	+14.0
5. Heating, Cooling and Water Systems.....	31	4.7	65.3	35	4.4	70.6	41	4.6	72.4	48	5.4	78.5	62	+30.5	7.0	81.3	+18.9
6. Home Entertainment.....	15	2.2	82.8	18	2.2	87.2	19	2.1	89.0	19	2.1	89.4	23	+24.5	2.6	90.3	+12.7
7. Recreation, Yard, Patio, Garden and Farm.....	32	4.8	79.7	37	4.7	89.1	51	5.6	88.3	51	5.8	88.3	56	+ 9.9	6.3	89.2	+15.0
8. Tools.....	6	.9	73.4	8	1.0	76.1	10	1.1	76.8	12	1.4	77.4	14	+14.2	1.6	78.3	+23.3
9. Special Order Sales (S.O.S.).....	66	9.9	12.8	79	9.9	16.2	85	9.4	20.3	77	8.7	21.5	75	- 2.2	8.5	22.0	+ 3.6
TOTALS.....	\$662	100%	37.8%	\$793	100%	40.9%	\$905	100%	43.5%	\$884	100%	47.5%	\$888	+ .5%	100%	51.9%	+ 7.6%

SOURCE: Company Financial Data

(1) Fiscal years ending January 31 of following calendar year.

17

LOWE'S AT TWENTY

FROM ITS BEGINNINGS IN 1921 AS A SMALL FAMILY HARDWARE STORE IN A LITTLE MOUNTAIN TOWN IN NORTH CAROLINA, LOWE'S WAS A QUIET ENTERPRISE UNTIL CARL BUCHAN CAME HOME FROM THE WAR. HIS VISION, DETERMINATION AND WILL SET LOWE'S ON A COURSE WITH DESTINY, CHANGING HUNDREDS OF TOWNS AND MILLIONS OF LIVES FOR THE BETTER.... CARL BUCHAN DREAMED BIG, WORKED HARD, DEMANDS BIG PERFORMANCES AND SHARED HIS IDEAS, DREAMS, WORK AND PROFITS. HIS SUDDEN DEATH AT AGE 43 WAS THE END OF ACT I.....



"THE PLAYS THE THING," BUT IT WASN'T WRITTEN. IT WASN'T PUBLISHED BY A LOWE'S SHOP. IT WAS A CORPORATE SUCCESS STORY—TO BE CONTINUED.....

HERRING AND STRICKLAND FLY TO NEW YORK TO ARRANGE LOWE'S TO BUY THE COMPANY

LEONARD HERRING, PETE KILYNNCH, JOE REINHARDT, BOB STRICKLAND, JOHN WALKER, FORM EXECUTIVE GROUP TO MANAGE THE COMPANY

OPERATING IN A 4-STATE AREA, LOWE'S IS IN NORTH WILKESBORO, ASHEVILLE, SPARTA, ASHEBORO, CHARLOTTE, DURHAM, GREENSBORO, RALEIGH & WINSTON-SALEM, N.C. AND STANTON, ROANOKE, BRISTOL & RICHMOND, VIRGINIA, IN OAK HILL, W. VIRGINIA AND IN KNOXVILLE, TENNESSEE.

EDWIN DUNCAN, SR. ASSUMES POST OF CHAIRMAN AND PRESIDENT

LOWE'S LAUNCHES

1961
STORES 16
TOTAL SALES \$31,123,000
EMPLOYEES 399
CUSTOMERS 654,000

LOWE'S RECEIVES FIRST DELIVERY OF WEST COAST LUMBER

LOWE'S PROFIT SHARING PLAN ACQUIRES STOCK

PEACE CORPS ESTABLISHED

MARIS HITS 61 HOMERS IN ONE SEASON!

JACK PATTERSON JOINS LOWE'S IN '59

LOWE'S STOCK GOES ON O.T.C. MARKET AT \$12.25 PER SHARE

61

ALAN SHEPHERD MAKES FIRST U.S. SPACE FLIGHT

RUSSIA PUTS FIRST MAN IN SPACE

62

STORES 21
TOTAL SALES \$32,716,000
EMPLOYEES 491
CUSTOMERS 709,000

CUBA
BAY OF PIGS INVASION

HIT SONG "MOON RIVER"

BERLIN WALL IS ERECTED

62

LOWE'S ANNUAL REPORT

SHIRLEY N.C. STORE OPENS

TELSTAR TRANSMITS FIRST SATELLITE TV. PICTURE TO EARTH

MARILYN MONROE IS FOUND DEAD IN LOS ANGELES

STOCK MARKET CRACKS UNDER BIGGEST GALE DAY SINCE 1929

GIVE LIBERTY THE BALL

1963
STORES 25
TOTAL SALES \$39,012,000
EMPLOYEES 555
CUSTOMERS 883,000

1ST LOWE'S STORE OPENS IN MARYLAND—HAGERSTOWN

TYPICAL LOWE'S HAS 6,000 SQ. FT. SALES FLOOR, 40,000 SQ. FT. WAREHOUSE

IN SEATTLE—IT'S THE "WORLD'S FAIR"

GRAND OPENINGS
HICKORY, NC, NASHVILLE AND CHATTANOOGA, TN, HUNTINGTON, WVA

63

OSWALD FINALLY SHOT BY JACK RUBY ONLY TWO DAYS LATER

IBM

HOOTENANNY!
JOHN WALKER, HAL CHURCH, BARRY DUGGER AND OTHER EXECUTIVES CONDUCT FIRST "HOOTENANNY" SALES MEETING. SIMILAR ANNUAL EVENTS CONTINUE INTO THE 70'S.

U.S. TEAM CONQUERS MT. EVEREST IN MARCH! BRRRRRR!!

LOWE'S

LOWE'S BECOMES THE WORLD'S LARGEST...
Hotpoint DEALER

LOWE'S HOUSE INSULATION SERVICE LOWERS CHICKEN MORTALITY IN WILKES!

1964
STORES 28
TOTAL SALES \$48,680,000
EMPLOYEES 636
CUSTOMERS 1,141,000

VIETNAM FIRES ON MADDOX

U.S. MADDOX

PRESIDENT KENNEDY ASSASSINATED BY LEE HARVEY OSWALD

COMPUTER INTRODUCED ON LOWE'S SALES FLOOR—AUTOMATED INVOICE PROCESSING

FIRST LOWE'S IN OHIO OPENS IN BELLEVILLE

LOWE'S OPENS STORES IN BOONE, ROCKINGHAM, HENDERSONVILLE, WILSON AND IN WAYNESVILLE, N. CAROLINA. STORES ALSO OPEN IN WOODBRIDGE, VIRGINIA AND WILMINGTON, DELAWARE

ALL NEW 40,000 SQ. FT. LOWE'S CENTRAL WAREHOUSE IS COMPLETED IN NORTH WILKESBORO

LOWE'S OPENS IN PRINCETON, WV, NORFOLK, VA, & KINGSFORD, TN.

DELAWARE'S 1ST LOWE'S STORE—DOVER

VIENNA, VA AND WILMINGTON, N.C. OPENS!

HENRY JOINS UP

KHREBACH LOSES POWER IN RUSSIA

1965
STORES 36
TOTAL SALES \$57,044,000
EMPLOYEES 762
CUSTOMERS 1,284,000

HELP DOLLY

THE SOUND OF MUSIC IS RELEASED

BEATLES INVADE UNITED STATES!

BEATLES NAMED TO ORDER OF BRITISH EMPIRE

MARTIN LUTHER KING WINS THE NOBEL PEACE PRIZE

WARREN REPORT IS RELEASED!

CASSIUS CLAY BEATS LISTON FOR THE TITLE!

LOWE'S PRODUCES 500 PAGES DIRECT MAIL ORDER CATALOG

DOUGLAS MCARTHUR DIES AT AGE 84

ED WHITE—FIRST U.S. ASTRONAUT TO WALK IN SPACE

STERLING ADVERTISING SUBSIDIARY INCORPORATED LOWE'S STORM DOOR & WINDOW SHOP SELECTED AS LOCATION OF NEW STERLING OFFICE

POST LIFE

LOWE'S REVOLVING CREDIT CARD INTRODUCED

LEO SINGS KILLING RICKETS ACT

LOWE'S OPENS IN CHARLOTTEVILLE, NEWPORT NEWS & SUPPOLE, VIRGINIA, AND WHITEVILLE, N. CAROLINA

ANNUAL REPORT DEDICATED TO SALES FORCE—FEATURING VERNON GREENE

SONG OF THE YEAR "A TASTE OF HONEY"

TO US!

SCHWEITZER AND CHURCHILL

BOTH DIE AT 90

LOWE'S COMPANIES ADVERTISEES IN MAJOR NATIONAL MAGAZINES

COUNTRY CUREY JOINS LOWE'S

LOWE'S





GEORGE C. SCOTT DIES IN 1970'S BEST MOVIE

1970

FIRST LOWE'S STORE IN ALABAMA OPENS IN... MONTGOMERY

HOT PANTS

HIT THE FASHION SCENE AND WARM UP THE NATION

STORES 77
TOTAL SALES \$169,723,000
EMPLOYEES 3,071
CUSTOMERS 3,194,000

LOWE'S - ONE OF THE INITIAL 2500 STOCKS TO BE QUOTED ON THE NEW COMPUTERIZED QUOTATION OF OTC STOCKS

BROOKS ROBINSON AMAZES BASEBALL FANS AND LEADS ORIOLES TO WORLD SERIES VICTORY. CURT FLOOD GOES AFTER THE RESERVE CLAUSE IN COURT



MINI BIKES & GUITARS ARE HOT SELLING ITEMS AT LOWE'S

THE ROPE NARROWLY ESCAPES AN ASSASSINATION ATTEMPT AT THE MANILA AIRPORT

FIRST SYNTHESIS OF A GENE



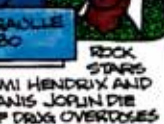
CHARLES DE GAULLE DIES AT AGE 80



LOWE'S LOW PRICES BECOME A LIVING LEGEND



RECK STARS JIMI HENDRIX AND JANIS JOPLIN DIE OF DRUG OVERDOSES



LOUIS ARMSTRONG DIES AT THE AGE 71

'SATCHMO' WAS BORN JULY 4TH, 1900 IN NEW ORLEANS, LOUISIANA



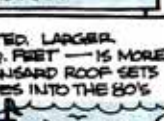
HAL CHURCH, ONE OF THE FOUNDERS OF LOWE'S RETIRES. THE PROFIT SHARING PLAN HAS ITS FIRST... MILLIONAIRE!

STOCK DIVIDEND ON LOWE'S SHARES



NEW STORE DESIGN ADOPTED. LARGER SALES FLOOR - 11,000 SQ. FEET - IS MORE RETAIL ORIENTED. BLUE MANHATTAN ROOF SETS STYLE WHICH CONTINUES INTO THE 80'S

LOWE'S IS SELECTED RETAILER OF THE YEAR - A MILESTONE IN NATIONAL RECOGNITION



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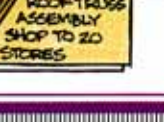
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APOLLO 15 ASTRONAUTS ARE BIG WHEELS ON THE MOON AS THEY TRY OUT NASA'S LUNAR ROVER



DISNEY WORLD OPENS IN ORLANDO, FLORIDA

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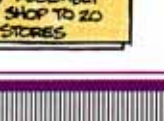
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LOWE'S ORGANIZES THE CONSUMER PRODUCT LIBRARY, A COMBINATION OF LOWE'S CATALOGS AND FOR SALE REFERENCE BOOKS

SECRETARIAT WINS THE TRIPLE CROWN

LOWE'S ANNUAL REPORT WINS FINANCIAL WORLD'S BRONZE & SILVER OSCAR

1974
STORES 123
TOTAL SALES \$546,255,000
EMPLOYEES 2,900
CUSTOMERS 5,349,000

75TH
HANK AARON BREAKS BABE RUTH'S LIFE-TIME RECORD

THE NEW LOWE'S STORES FOR '74

ROME & VALDOSTA, GA. GULFPORT & MERIDIAN, MISS. SHREVEPORT, WEST MONROE, LAFAYETTE & ALEXANDRIA, LA. MONROE, ROCKY MOUNT, GOLDSBORO AND SAFFORD, N.C. MANASSAS & FREDRICKSBURG, VA. ROCK HILL & Aiken, S.C. AND FAIRMONT, W.VA.

RICHARD NIXON BIDS FAREWELL TO PRESIDENCY ON AUG. 9. V.P. GERALD FORD TAKES OFFICE ON SAME DAY

END OF THE MILITARY DRAFT

AMERICAN ENERGY CRISIS

LOWE'S CONTINUES SERIES OF EXPANDED COMPREHENSIVE QUARTERLY REPORTS. FORMAT INCLUDES A 4TH QUARTER REPORT WHICH CARRIES ANNUAL STATEMENTS

"GIVE ME AN L"

LOWE'S FIRST STORE IN LOUISIANA IS OPENED IN BATON ROUGE

LOWE'S AUDIT COMMITTEE

GORDON CADWGAN, WILLIAM MOELWEE, ROBERT SCHWARTZ, & J.A. GRISSETTE ARE ORIGINAL MEMBERS

FORD GRANTS CLEMENCY TO VIETNAM WAR DRAFT EVADERS & DESERTERS

1975
STORES 141
TOTAL SALES \$588,254,000
EMPLOYEES 3,600
CUSTOMERS 6,324,000

"LOVE WILL KEEP US TOGETHER" IS NO. 1 SONG

ACCUSALE
ACRI
REINHARDT
SPIVEY
KLIMAN
DECKHAM

ACCUSALE IS INTRODUCED IN WINSTON-SALEM, N.C. STORE. REVOLUTIONIZES INFORMATION SYSTEM THROUGH USE OF GENERAL-PURPOSE MINI-COMPUTER.

LOW COST 'CARRIAGE HOUSE' IS INTRODUCED BY LOWE'S

"GIVE ME AN L"

JAWS
IS YEAR'S BIG BOX OFFICE HIT!

ALONG ANATED END TO A LONGLASTING 'CONFLICT' THE U.S. PULLS ALL TROOPS OUT OF VIETNAM - SAIGON FALLS.

ED GREGGIE, PLUMBING MAGICIAN EXTRAORDINAIRE!

"BOUGHT ME A NEW BUICK WITH A LINOLEUM TOP AND POWER SASH."

AUTOMATIC DIVIDEND RE-INVESTMENT SERVICE GIVES SHAREHOLDERS A CONVENIENT MEANS TO "FLOW IT BACK IN"

UN-FLATION

THE UNFLATION TABLOID PUBLISHED BY LOWE'S IN '76 COMMUNICATES LOWE'S LOW PRICE IMAGE TO PUBLIC

THE NIXON FOUR ARE CONVICTED ON CHARGES IN THE WATERGATE AFFAIR

THE NIXON FOUR ARE CONVICTED ON CHARGES IN THE WATERGATE AFFAIR

FOURTH QUARTER REPORT CONTAINS FORM 10-K IN A FRONT COVER POUCH

"BOUGHT ME A NEW BUICK WITH A LINOLEUM TOP AND POWER SASH."

THOMASVILLE FOREST PRODUCTS LUMBER RE-DISTRIBUTION CENTER SERVES OVER 50 STORES

LOWE'S STORES OPEN IN LINCOLNTON, ZEBULON, WINSTON-SALEM, FOREST CITY AND REIDSVILLE, N.C. CAROLINA, LANCASTER, HANOVER, AND YORK, PENNSYLVANIA, DUBLIN, MARION, COESBURN AND LEESEBURG, VA. GAINESVILLE AND ORLANDO, FLA. GREENVILLE, MISS. THOMSON, GA. AND WESTFIELD, INDIANA

1976
STORES 151
TOTAL SALES \$619,395,000
EMPLOYEES 4,200
CUSTOMERS 7,611,000

LOWE'S QUARTERLY REPORTS FEATURE ARTWORK BY N.C. ARTISTS. SERIES CHOSEN BEST QUARTERLY REPORTS IN U.S. BY FINANCIAL WORLD. SERIES WINS SILVER 'OSCAR', FIRST EVER GIVEN TO A QUARTERLY REPORT SERIES.

AMERICA'S BICENTENNIAL
1776 1976

LOWE'S LEADERSHIP SCHOOL OPENS WITH CHARLIE TAYLOR, PROVIDING THE LEADERSHIP

JACK NICHOLSON AND 'ONE FLEW OVER THE CUCKOO'S NEST' FLY OVER ALL OTHERS AT THE MOTION PICTURE BOX OFFICES

LOWE'S OPENS 25 NEW STORES

1977
STORES 176
TOTAL SALES \$661,675,000
EMPLOYEES 5,123
CUSTOMERS 8,817,000

JIMMY CARTER IS ELECTED THE 39TH PRESIDENT OF THE UNITED STATES. WALTER MONDALE IS VICE PRESIDENT

HOWARD HUGHES DIES AT AGE 71

LOWE'S MANAGEMENT MEETING IN ORLANDO - DWIGHT PARQUE NAMED SENIOR VICE PRESIDENT. OTHER EXECUTIVE PROMOTIONS ANNOUNCED

THE DEATH PENALTY IS HELD AS CONSTITUTIONAL BY SUPREME COURT

LOWE'S OPENS 25 NEW STORES
MARIETTA, THOMASVILLE, WARNER, GAINESVILLE, ROBINSON, BRANSON, AND DECATUR, GEORGIA. GREENVILLE, CHAPEL HILL AND KINSTON, N.C. CAROLINA. MURFREESBORO, MEMPHIS AND CLEVELAND, TENNESSEE. WEST COLUMBIA, AND GREENWOOD, S. CAROLINA. LEBESVILLE AND LAKE CHARLES, LOUISIANA. LANCASTER AND CINCINNATI, OHIO. SOUTH BOSTON, VIRGINIA. MATEWAN, W. VIRGINIA. PADUCAH, KENTUCKY. PRATTVILLE, ALABAMA. GREENWOOD, MISSISSIPPI. EASTON, MARYLAND. MAITLAND, FLA.

DEBBIE KELLY IS LOWE'S FIRST 'I.R.' PERSON

'ROOTS' CAPTURES TV AUDIENCES

JULY
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

LOWE'S CHANGES ITS FISCAL YEAR TO END JANUARY 31 INSTEAD OF JULY 31

LOWE'S OF MARIETTA, GA. OPENS - HARBINGER OF 'TO-MORROW'

THE TRANS-ALASKAN PIPE-LINE OPENS

THE TRANS-ALASKAN PIPE-LINE OPENS

RUNNY MEN CHAPLIN & MARX DIE AT 85 & 87

CROONERS PRESLEY & CROSBY DIE AT 42 & 73
KWAI LE ARRIVES FROM VIETNAM

ESOP LOWE'S

LOWE'S LEGENDARY PROFIT SHARING PLAN IS REPLACED BY NEW EMPLOYEE STOCK OWNERSHIP PLAN

NEW ENERGY EFFICIENT LOWE'S HOMESTEAD DESIGN IS MARKETED

LIFO

LOWE'S NEW INVENTORY ACCOUNTING METHOD IS APPROVED BY THE BOARD OF DIRECTORS

POPE PAUL III DIES AND POPE JOHN PAUL I, NEWLY ELECTED POPE DIES AFTER 34 DAYS IN OFFICE. POPE JOHN PAUL II IS CHOSEN THE FIRST POLISH POPE

STORES 191
TOTAL SALES \$793,125,000
EMPLOYEES 5,809
CUSTOMERS 10,075,000

ARK.
FIRST LOWE'S IN ARKANSAS IS IN JONESBORO

RE ORGANIZATION



LOWE'S REORGANIZES INTO A MORE TRADITIONAL STRUCTURE. STRICKLAND BECOMES CHAIRMAN OF THE BOARD, HERRING BECOMES PRESIDENT AND C.E.O. PETE KULYNICH AND JOHNNY WALKER, ELECTED MANAGING DIRECTORS. OTHER PROMOTIONS INCLUDE THE FOLLOWING:



DWIGHT PARQUE - EX-VP. STORE OPERATIONS
ROSS BURGESS - EX-VP. MERCHANDISING
ROD MORRISON - VP. ADMINISTRATION
WADE DUBREE - VP. REAL ESTATE & EXTENSION

LOWE'S OUTLINES STRATEGY FOR ACHIEVING 50/50 RETAIL-PRO MIX IN SALES

WORLD'S 1ST TEST TUBE BABY IS BORN IN ENGLAND

ARTIST NORMAN ROCKWELL DIES AT AGE 84

GEN. HUBERT HUMPHREY DIES AT 67

GOLD MEIR DIES AT 80

EDGAR BERGEN DIES AT 75

JOHN L. LEWIS DIES AT 75

WELLS FARGO BANK DIES AT 75

LOWE'S
FLAGSHIP STORE IN NORTH WILKESBORO IS REBUILT

THE 'DEER HUNTER' IS THE YEARS BIG BOX OFFICE HIT

LOWE'S OPENS ITS 200th STORE IN FRANKLIN, IND.

IRANIANS SEIZE U.S. EMBASSY IN TEHRAN & TAKE 90 DIPLOMATS HOSTAGE



LOWE'S LISTS ON THE NEW YORK STOCK EXCHANGE - DEC. 19TH

CARTER, SADAT AND BEGIN SIGN PEACE AGREEMENT

WELCOME TO N.WILKESBORO

ACCUSAL COMPLETED IN AUGUST FIRST U.S. RETAILER TO BE TOTALLY COMPUTERIZED

STORES 207
TOTAL SALES \$904,651,000
EMPLOYEES 5,804
CUSTOMERS 11,024,000

GRANTLEY OF THE BALL PIST ARIVES

LOUISE JOY BROWN

LOWE'S OPENS STORES IN PINE BLUFF, AND LITTLE ROCK, ARKANSAS, CORBIN, PAINTSVILLE, RICHMOND AND DANVILLE, KENTUCKY, FRANKLIN, WEST INDIANAPOLIS, AND LAWRENCE, INDIANA, MARION, ILLINOIS, TRAYS VALLEY AND SUMMERVILLE, WEST VIRGINIA, LONGVIEW, TEXAS, AUBURN, ALABAMA, MURFREESBORO, NORTH CAROLINA AND COOKEVILLE, TENNESSEE

MILLER-ZELL OF ATLANTA DESIGNS NEW LOWE'S STORE. PROTOTYPE GETS UNDER WAY IN CHARLOTTE, N.C. HERMAN HAUNTS G.O. HALLS

DIANA NYAD SWIMS 80 MILES FROM THE BAHAMAS TO JAMAICA BEACH, IN 27 HRS. 55 MIN.

ANOTHER HOUSING RECESSION HITS U.S.

HARVEY HACKIT, THE OFFICIAL LOWE'S DYER BECOMES A MEDIA STAR

JOHN LENNON IS SHOT AND KILLED OUTSIDE OF HIS MANHATTAN APARTMENT

RONALD REAGAN IS ELECTED PRESIDENT

MOTHER TERESA WINS THE NOBEL PEACE PRIZE

LOWE'S GETS RETRO-FITTED FOR RSPV SALES FLOOR IN THE YEAR

MT. ST. HELENS VOLCANO ERUPTS - IT'S THE REB'S FORT!

LOWE'S OPENS THE FIRST RSPV STORE IN CHARLOTTE, N.C. MORGANTON, N.C. IS SITE OF FIRST RETRO-FIT SALES FLOOR. ROBERT GRACK - MANAGER, CONGRATULATIONS!

PRIME LENDING RATE: 20%

LOWE'S AIMS AT ITS LARGEST SINGLE T.V. CAMPAIGN W/ BARBARA & ERNIE

BOB WINS HIS 5TH STRAIGHT WIMBLEDON TITLE

ANALYST VISIT LOWE'S NEW RSPV STORE AND THE RETROFITTED MORGANTON, N.C. STORE. THEY LOVE THEM BOTH. ANALYSTS ALSO ENJOY FREDERICK, MARYLAND AND WASHINGTON TRIPS, BUT NOT BRANTLEY'S JOKES.

THE LOWE'S ESOP FILM IS BIG HIT WITH EMPLOYEES, WHICH PLEASURES CEO L.B. DEWILUS

LOWE'S ANNUAL REPORT WINS 2 BRONZE 'OSCARS', BEST REPORT AND BEST FACT BOOK. THAT'S THE FACTS

STORES 215
TOTAL SALES \$893,614,000
EMPLOYEES 5,950
CUSTOMERS 11,375,000

TEXAS SUFFERS WORST DROUGHT IN YEARS DURING SUMMER

MARY TYLER MOORE STARS IN 'ORDINARY PEOPLE'

LOWE'S CLAYTON GRIFFIN ARRIVES FROM LANTA

NBC Aired THE MINI SERIES SHOGUN IN SEPTEMBER. RICHARD CHAMBERLAIN STARRED

LOWE'S GOES ON THE LONDON STOCK EXCHANGE ON OCT. 6

STOCK PURCHASE IN WYOMING GIVES LOWE'S SHAREHOLDERS IN 50 STATES

PIERS VON SIMON VISITS N.WILKESBORO

PIRE FLIES CONCORDE TO LONDON

NEW LOWE'S STORES OPEN IN: ALBION, CHAMBERSBURG AND MECHANICSBURG, PA. LAKE LAND, FORT ORANGE AND ORANGE CITY, FLA., OWENSBORO, KY, VIRGINIA BEACH, VA., DECATUR, ALA., AND MT. PLEASANT, SC.

STORES 229
TOTAL SALES \$988,042,000
EMPLOYEES 6,002
CUSTOMERS 11,973,000

WAY TO GO CHECK! SPACE SHUTTLE 'COLUMBIA' MAKES SUCCESSFUL FLIGHT

50% STOCK DIVIDEND PUTS OUR SHARES TO NEAR 20 MILLION MARK

LOWE'S OPENS THE DOOR FOR DEBAN

REAGAN IS SHOT IN ASSASSINATION ATTEMPT. POPE JOHN PAUL II IS ALSO SHOT. ANWAR, SADAT IS KILLED. HE WAS 69.

65 ANALYSTS VISIT NEW ORLEANS. NEITHER WILL EVER BE THE SAME AGAIN BUT THAT'S JUST A BRUNCH OF JAZZ

WE WILL PRINT NO ANNUAL REPORT BEFORE IT'S TIME - THE PRINT SALESMAN

SINGER WILLIE NELSON LEADS COUNTRY MUSIC'S RESURGENCE

THAT'S THE FACTS

STOCK DISCOVERS NEW PHILOSOPHER

REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

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REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

REAGANOMICS SCORE: 5-10-10 TAX CUTS

Prospects for Leadership

Ideas and Thoughts of Lowe's Younger Leaders Offer Glimpses into the Future of What Lowe's May Come to Be by the End of This Century

If it is true that leaders are made and not born, and if a company has a policy of developing its leaders from within, then the leadership of Lowe's in 2001 is mostly in place today and is 45 or less.

The group which can generally be tagged as "prospects for leadership" was chosen sort of at random and asked to think about where Lowe's would be in 20 more years and about how it would get there. A rather large group was asked, staying with one or two exceptions away from top-officer ranks of today. That latter group would be expected to be thoughtful about tomorrow. To the extent that the past determines today, and today foretells the future, then here are some of these prospects for leadership, their current job assignments and ages, along with their own, uncensored thoughts about the future.

While no company likes to tip its hand, and indeed cannot predict that far out, those individuals on the southside of 45 have a better-than-average chance of being around 20 years out and, therefore, in positions of responsibility. And it never hurt anyone to have their thought processes jiggled and jostled about the future—especially a future in which they may be major actors.



Bob Tillman, 38,
at Lowe's since
1962. Manager,
Lowe's of
Wilmington, N.C.

"Lowe's future is totally controlled by our greatest asset, our people.

"Dedicated, highly motivated, corporately loyal, Lowe's people have been, are, and always will be the key to our success. Our greatest challenge will be to rekindle the 'Golden Dream' spirit that still remains in the hearts of our people.

"Our ability to communicate better is paramount. We must all work at being better listeners and communicators.

"Corporate management must be committed to truly understanding how our stores function and the idiosyncrasy that makes a store successful.

"Senior management must remain receptive to ideas and ideology from middle management. Corporate management cannot tolerate any bottleneck or breakdown in the smooth, uninterrupted flow of communication. Senior management must become a sounding board for

ideas from middle and field management.

"Management must be quick and decisive in its decision-making process. All ideas and suggestions must have a 'yes' or 'no' and an explanation attached so as to insure additional idea input for management.

"We are a good corporation today! We have to be a great corporation to be successful tomorrow! We have the people for greatness. Do we still have the desire to be great? I believe we do! Any current negatives are problems that must be resolved for our firm to achieve future success. There are many positives that far exceed the negatives. We finally have a clearly defined marketing program through RSVP. We have restructured our management organization to allow our firm to grow in the future. We have brought in key talent to enhance our future brain trust. We have established our long-range growth and profit program for the 1990s and beyond. The major question remains: In the year 2001, will I be a part of our great firm? If I can continue to make a contribution, if I can continue to grow as a person and as a manager, if I can continue to motivate myself to excel, if I can continue to enhance my personal situation and, most importantly, if I can continue to love the business and am challenged to be a participant in its future growth. . .yes!"



Gary Meares, 28,
at Lowe's since 1981.
Director, financial
analysis

"Lowe's first 20 years as a public company yielded its stockholders ever-increasing returns on their equity because of management's bold, innovative imagination in giving customers better products at competitive prices. In the past Lowe's had to venture where others feared to tread in providing customers better service and a more pleasant shopping experience. This same desire to excel in being the premier retailer of building materials will push us to strive for more innovative approaches in expanding our market share.

"However, the next 20 years as a public company will be markedly different than the past 20. Our future growth will be determined by proper present planning. In the past Lowe's expansion program

carried us into many states. The first 20 years were expansive and aggressive. The next 20 will be analytic and venturesome in other areas besides building materials. Some changes in our corporate policy might be more influence on developing our retail business and diversifying our risk by venturing into fast-growth high-tech industries (i.e., video, telecommunications, etc.). By entering these markets we might add to Lowe's a product that tends to move countercyclically and thus dampen the effect of a housing or economic downturn on our earnings. As long as our business is interest/mortgage rate sensitive we must continue to search for ways to prevent the damaging effect on earnings when the economy turns down.

"We differ now from our past 20 years in that we can't count on a robust economy, coupled with a baby boom generation, to carry us into the 21st century. The next 20 years will be marked by a cautious, analytic approach to the planning of our company. They will require an ever-increasing emphasis on attracting qualified personnel in the areas of operations, merchandising, marketing and finance and a continuing emphasis on rewarding our employees for being the best in our industry. We must realize that the same past influences will not propel us into the 21st century but what will is clear-cut analysis, innovative thinking and action."



Ron Butler, 32,
at Lowe's since 1972.
Corporate retail
sales manager

"Where will we be, as a company, in five years or 20 years?

"The geography of that question is not as important as the biology implied. Geographically, Lowe's will continue to be in the right places with new stores. Expansion is not even a question. We will have the ability to grow in the future as we have in the past. What about the biology, the actual make-up? There is the place to begin making prognosis for the future.

"The nature of our business will be the same. We are providing goods and services for homes constructed today, or five years ago or 50 years ago. The homes today are not really any different. New

technologies, new products, but the same concept of shelter, requiring the same repairs, expansions, modernizations. The opportunity will be there in the future, even stronger considering that 'Boom Years' housing's prime renovation time is coming.

"How do we promote real growth within this biological make up? First, we exploit what we're good at. One-stop shopping. Quality merchandise, quality shopping environment. Services, financing, delivery, and highly-motivated, trained personnel.

"Next we stay out of the things that divert our resources or dilute our energies, those are obvious. Diversification is a possibility, especially in related disciplines. We are good at distribution, we have a huge fleet of trucks. We are good at advertising, we have a complete one-stop in-house ad agency. We are good at data processing. These areas are natural for increased revenues without tremendous exposure.

"The Lowe's we have today is not the Lowe's we had 10 years ago when I started out in a store, and the fun part of the future is knowing that it won't be the same Lowe's in 10 more years. It would really be difficult to imagine being here 10 or 20 years more without exciting changes."



Hope Coffey, 30,
at Lowe's since
1981.
Manager, personnel
administration

"Lowe's future, whether it's tomorrow, next week, next year or 20 years from now, will be determined by its present employees. The company recognizes this by making an Employee Stock Ownership Plan available to employees and by using the words 'Our people are our most important asset and resource' on the cover of an employee brochure. So, will the people fulfill the future?

"The company's mission is to improve the quantity and quality availability of products and services. Its direction and opportunity are unlimited. Our people will determine its boundaries. And our company goals are to build more stores, broaden our horizons to find ways to increase sales, and to become noted internationally by investors.

"For 20 years Lowe's has been a public company and has served the public for those 20 years. How can we improve our public service? By better quality service, more efficiency, better planned organization. Who can make all of this happen for Lowe's? Its own people. No one person can function without others. Store people cannot function without general office

people and GO people cannot function without store people. If we have no future together we have no future.

"Lowe's is a company whose employees own a huge part of it, through its ESOP. It is those employee-owners who will determine the future. If any one employee fails to fulfill duties and opportunities then the plans for realizing the best the future has to offer will not be fulfilled."



Tom Sheppard, 34,
at Lowe's since
1977. Manager, Lowe's
of Orange
City, Fla.

"We are carving a unique niche in the builder/retail marketing area at a time when most organizations are worried about maintaining the status quo. We have the flexibility to move faster than our competition, even though we are a sizeable company. The thoughts that continually excite me concern the untapped areas that we can penetrate—commercial construction supplies (big bucks), true wholesale operations, vertical integration (trusses, volume millwork) and a million other places to sell goods and services.

"The sophisticated advances we have made in merchandising, inventory control and data processing must be matched with corresponding increases in productivity by our sales force and purchasing group. We've got clout. We must use it."



John C. Hause, 31,
at Lowe's since
1973. Improver
coordinator,
Nashville, Tenn.

"Lowe's should continue to strive to be the best specialty retailer of building materials in our market place. The formula for this achievement is to provide quality products which our customers demand at a reasonable price along with the dependable and sincere service they expect and deserve.

"With the projected annual average of two million new homes being needed each year in the '80s and the ever-increasing growth of remodeling expenditures, the opportunity for future sales will be abundant.

"In order for Lowe's to capture the largest proportion of these future sales opportunities, the company must do four things. First, it must begin to systematically train the personnel it will need to fill the managerial positions created by new store expansion and natural attrition. Our future managers must be better trained in order for them to

successfully overcome the difficult challenges that will be facing them in the '80s and beyond. Secondly, Lowe's should continue to use the strength of its financial position to maintain a consistent rate of new store construction. Thirdly, I think it is important that Lowe's continue in its pursuit of the general 'do-it-yourself' retail customer and the high-margin sales the customer makes possible. The RSVP retrofit program is an important step in this effort. But it must be followed up with a continuing effort to increase the sophistication of merchandising being done at the store level. Lastly, Lowe's must gain a larger share of the professional builder market.

"During the next 10 years it is within our power to double the size of our company and, in the process, achieve the billion dollar sales dream and become, without question, the best building supply retailer. I plan to play my part in achieving these goals and look forward to the challenges."



**Harry B.
Underwood II,**
39, at Lowe's since
1981. Vice president
and treasurer

"Lowe's existing purpose is to be a purveyor of goods and services related to the home building, home improvement and commercial construction industries. In order to maximize its return on investment, the company must identify and position itself on the leading edge of the changes and improvements which will occur in housing and construction over the next 20 years. This will include identifying and providing at prices which connote value, products, many computer-based, which will deliver increased energy efficiency, time savings and luxury. To the extent that more profitable long-range opportunities become available for employment of its capital, the company's purpose may be modified to provide for distributing a greater breadth of goods and services.

"The company's obvious opportunities are to capitalize on its strong financial base and effective system of distribution through its 230 outlets in 19 states. At its current locations, the company has opportunities to expand its penetration by better identifying consumer needs, buying more cost-effectively and improving its retail selling effort. With its strong financial structure, the company has the opportunity to saturate its current market area as well as expand into areas of the country with expected above-average growth in householders and employment, such as the Southwest and the West Coast.

"Lowe's must seek a direction for growth which will offset the economic cyclical fluctuations of its business. This will cause it to diversify into business activities not now identified. The company may expand into businesses which will complement its traditional operation, vertically integrate to capitalize on economies of scale for standard items sold in substantial quantities, or perhaps expand to markets outside the U.S. on a direct or joint-venture basis.

"To consistently maximize its return on stockholder investment over the longer term while maintaining a dominating presence in an expanding business environment must remain the company's goal. In whatever markets it seeks to serve, Lowe's must devote the human and financial resources and the management creativeness and determination to achieve a top share in those selected markets and thus deliver a prime return for its employees, customers and stockholders."



Thomas W. Smith, 28, at Lowe's since 1980.
Manager, marketing research

"Since becoming a publicly held corporation 20 years ago the excitement of watching Lowe's grow from a small firm to its position today has interested audiences from Atlanta to Zurich. Sales soared, people became millionaires, data processing capabilities led the industry, new store expansion resulted in a presence in 19 states. These and such exciting things as the performance of Lowe's stock, the development of an innovative Office of the President, and the current development of the RSVP program are part of a chain of events which have helped create an alive, dynamic, vibrant organization. Events of the past 20 years are components put into place to make the next 20 even more dynamic.

"Lowe's is now going to 'grow up' all over again. This time as one of the big-league boys. The past 20 years can perhaps best be thought of as growing up from a small company to a big one. Now the company is growing up to be in the front ranks of the big leagues. The talented ballplayer works his way to the top of the minors before he goes on to the majors and, once there, he knows he has to do it over again.

"Along with the exciting moments that go with playing in the majors are the huge attendant risks and payoffs. The next 20 can far outweigh the past 20 and it is possible that I may be a millionaire, participating in a company which has the most innovative data communications, most superb organizational structure, a

worldwide marketing presence, stock listed on every exchange in the Western world carrying a premium multiple and embarked on a trend-setting 21st century RSVP retrofitting program for its merchandising."



Steve Heller, 34, at Lowe's since 1971.
Credit manager, Lowe's of College Park, Ga.

"With very good direction we will be creating many more stores, which in turn create more profits, and profits, create more stability, more jobs, and a better financial situation for our employees and our investors.

"I don't mean to paint an easy picture for us to achieve these goals of continued growth, strong profits and strong loyalty to the company. For us to do well in the future there is a cost we must pay. We must offer something unique from others to achieve our future goals. This uniqueness we offer to the marketplace as a company, to achieve the continued growth, the larger profits we all want and the major concentration in the marketplace of the future will only come by the continued strong direction by the officers in our company, a strong loyalty in our company by all employees, and a strong imagination by all concerned.

"We should never lose sight of the fact that we are only as good as what our employees make us. That was true in the past, it is true today and it will be true in the future."



Brent Taylor, 31, at Lowe's since 1973.
Corporate professional sales manager

"My concern for Lowe's is 'balanced' growth. Tremendous strides have been made on the retail side to balance our Pro-Retail mix. To maximize earnings opportunities my hope is for equal growth in both segments of our business in the future.

"Lowe's is uniquely positioned to capitalize on changing trends in the builder market. Through the efforts of hundreds of multi-talented professional sales people at Lowe's, we now have a diversified cross-section of professional customers to be envied by the industry. This is comprised of single-family builders, multi-family developers, multi-market builders, and commercial and industrial accounts. By broadening our base we are not as adversely impacted by the

cyclicality of housing as are our competitors. Keep in mind that the direction for this base-broadening came in 1979, a good builder year.

"With this kind of foresight, I am comfortable with the future of Lowe's. The future at Lowe's will be whatever we want it to be!"



Ben Phillips, 39, at Lowe's since 1969.
Vice president, corporate professional sales

"The energy of the past propels Lowe's into the future! What a fabulous opportunity we have to lead our uniquely positioned, financially secure company through the balance of the '80s, the decade of the '90s and into the turn of the century.

"I envision growth through 2001 along these parameters:

"New store growth, around 10%. Inflation plus old store real growth, 6%-10%. The result of this will be 1,500 to 1,600 Lowe's stores selling between \$15-\$16 billion annually earning \$17 to \$20 per share by 2001.

"Lowe's Companies home office would be the nerve center orchestrating the marketing thrust of 10 to 15 autonomous operating divisions responsible for sales, profit, return on investment and responding to the uniqueness of the customers' taste and requirements within the geographic area.

"Is this possible? Certainly! What we must do is flex the muscle of 20 years of experience and do what we do best, better than we have in the past and better than any competitor in the future. And, always understanding what we are and, maybe even more important, what we are not. In 2001 we will be a chain of lumber, building materials and home decorating stores located from coast-to-coast in towns and cities with 50,000 to 100,000 households, dedicated to serving retail and builder customers.

"Our direction will be to increase our retail sales growth at a more rapid pace than our builder growth, but not by dismantling or phasing out the builder business. We will maintain our flexibility to serve both customer groups with the same inventory and have the management expertise to leverage up during the up-cycle in housing.

"Our retail strength will be created by professionally-trained salesmen and merchandising concepts built around themes of 'Lowe's low prices,' 'Buy where the builders buy,' and above all 'Project selling rather than item selling' which will prove to be Lowe's long-term niche in selling to the retail DIY customer. Lowe's

professional salesmen will help you put it all together in specialty shops within our store.

"On the builder end, we will position ourselves to be a building material commodity sales company with a four-wheel drive sales strategy, shifting to operate profitably through the tough terrain of low-level housing starts and accelerating rapidly to maximize profits during the upswing of the cycle. This can be achieved by being something special in this fragmented builder-commodity supply business.

"Lowe's is special. We are a complete building material product line sales company serving general and residential contractors, specialty contractors, repair-remodeling-recycling contractors, industrial accounts, maintenance companies, and governmental agencies. All of which have been sold through innovative marketing programs by professionally trained, locally managed outside salesmen.

"Lowe's business path to 2001 must incorporate perceptive management, astute financial controls and a clear understanding of what makes our business successful—communicating with and motivating our employees to identify and understand our markets and sell our products."



Ralph Buchan, 34,
at Lowe's since 1972.
Vice president,
market research
and planning

"Lowe's was in the forefront of discounting building materials. Now we must be there in the retailing of building materials. Our opportunity today is great, because from a retailing standpoint we're like a child entering puberty. We're growing, maturing, learning, often the hard way. But we're becoming wiser, more confident and more sophisticated as we pass through this retail learning experience. As we continue to learn we will become more effective as a marketing entity and less obsessed with sales per se.

"Lowe's of 1991 and 2001 will differ in many respects from Lowe's of today. We'll likely be a conglomerate, having absorbed smaller companies both within our present borders and beyond. We will be national in scope, perhaps international. Our sales floors will be much larger than they are today. Most, if not all, of the current warehouse will be turned into additional sales floor space. This will occur because of the necessity of properly merchandising an expanding product line to our customer. In large metro markets we'll have subsidiary specialty stores merchandising some product lines. This step will be necessary to combat other special-

ty retailers' efforts as we strike for enhanced market share in key product areas.

"The major focus of our product line will continue to be building materials and other products related to the home and to home building. However, technological innovation will cause certain areas to grow dramatically. The home computer is an obvious example. And by 2001 we'll probably be building 'the electronic home' with many householder functions and activities pre-programmed. Many as yet undeveloped products will be started in all new construction and the demand to electronically retrofit a house should be even stronger than the energy retrofit movement of the 1970s. Since Lowe's already sells both home electronic products and home 'improvement' products, we should be better able to position ourselves to capture a significant share of this developing market than most of our current competitors."



David H. Sain, 35,
at Lowe's since
1968.
Manager, Lowe's
of Hickory, N.C.

"Our future is primarily dependent upon our most important asset, our people. Management during the past two years has shown that by increasing employee benefits during a recessionary period. Our employees must have confidence in our senior management to maintain our direction and leadership in the industry. We must never become complacent.

"Our mission should be to make a contribution to our customers. We should provide them with quality products, productive customer services, assured product values, with satisfaction guaranteed. We should provide them with Lowe's Low Prices, while maintaining the lowest operating percentage to sales of any responsible marketer in the nation.

"Our corporate direction regarding sales should be to constantly increase our business mix. Promotions, through well-planned incentive programs, will generate the excitement and enthusiasm needed to reach corporate goals.

"Through recessions and changes in management and personnel, we should try to maintain the corporate personality that is unique to Lowe's, that which made us so successful through the decades of the '60s and '70s. We should establish a new corporate goal 'Lowe's Second Billion Dollars' to be reached long before 1991. We must do this to provide present and future employees the opportunity to grow personally and financially along with their company.

"Lowe's is a sales company. We must

always remember that is how we made it to where we are today. Lowe's is people selling and serving people."



Larry Stone, 30,
at Lowe's since
1969.
Manager, Lowe's
of Cary, N.C.

"Lowe's is at a very critical point as far as its future is concerned. We have much to look forward to if we do not lose sight of the principles that led us through the successful growth period of the 1960s and 1970s. The key ingredient in our early success was our people. These were highly motivated by our corporate management, being well paid, had the best retirement plan in the country, and, knowing Lowe's policy of promoting from within, they looked forward eagerly to moving up the corporate ladder.

"Lowe's mission is to be consistently helpful in serving our two customer bases at all times. When housing starts pick up and our contractor business returns, we cannot lose sight of the retail business. We must continue our retail market penetration and serve our contractor customers to be successful in the markets we serve. It seems in the past, however, when contractor business picks up, we always take the easy road and put less emphasis on our retail trade until housing starts begin to decline, at which time we return to the retail business.

"Our opportunity is limited only by the management in the field running our stores. The quality of our facilities, point-of-sale billing to our customers, inventory control, and professionalism of our sales force puts us far ahead of many competitors. We must realize, however, that we cannot take a 10,000 square foot store and compete with stores having 30,000 square feet and three times the stock-keeping units that we have.

"We should direct our attention to the overall operation of our stores and the people who are employed in them, not just become a numbers company.

"We should determine why some stores are successful and others operating basically in the same market conditions are not profitable. When this is determined we should improve the quality of the unprofitable operations or close them. We need to put more emphasis on training our potential managers in all operations of a store not just the sales part of the business.

"If we work both the consumer and contractor markets during this period we should come out as one of the most successful companies in America. In the long run, I believe if we keep in mind that our people are our most important asset, that

will keep us successful and not just another building materials retailer. It is important that we have the numbers but we cannot put a dollar figure on the value our employees have to our company."



Vaughn Hayes, 36,
at Lowe's since 1971.
Vice president,
inventory
management

"The next 20 years will be a period in which consumerism will continue to grow in strength. Thus, to survive a business must be socially responsible. Next, as a result of inadequate investment in plant and equipment currently, businesses will have to cope with material shortages during periods of strong economic growth. Finally, the economy will continue to be inflationary and will be characterized by slower overall economic growth.

"With this type of economic climate in mind, consumers will have to make several adjustments to economize. The building of smaller homes and an increase in Do-It-Yourself projects are illustrative of the changing consumer. I believe Lowe's recognizes that consumers must expand their DIY skills and through RSVP we are correctly positioning ourselves to better serve the interests of the 'Reluctant Do-It-Yourselfer' in the future.

"As the DIY movement continues to pick up momentum, I see three areas in which improvement by Lowe's should lead to increased market share. The first is pre-sale service, specifically product application literature. Many of the projects undertaken will have a high degree of complexity, hence a strong need for product information at point of display.

"As consumerism grows in strength the consumer will demand guaranteed quality of product. If Lowe's is to continue to be a dominant force in the market our post-sales service on many items we sell must be enhanced. The role of product maintenance and warranty service will take on more significance in the future.

"In order to get where we want to go, Lowe's needs to make a stronger commitment to the full-shelf appearance of its stores. Today many of our larger stores are either oversized or undermerchandised. I believe the latter. We are now beginning to make a conscious effort to expand the product categories in which we compete as well as venture into some new areas. This, along with the recognition that an attractive counter display might require more inventory than the rate of sales justifies, will go a long way in increasing our market share in the years ahead."



Greg Wessling, 30,
at Lowe's since 1974.
Vice president,
merchandising,
building
commodities

"Lowe's in 20 years, as today, will represent dominant market strength as one of America's premier hardgoods retailers. We will be pure in our lumber, commodity and millwork merchandising, while having undergone trend-oriented changes in seasonal and home decor merchandise. While our basic plan to serve the builder and retail customers will remain intact, the market share strategies which exist today will be accelerated by specialty competition.

"By 1990, Lowe's average sales per store will be pushing \$8 million and I see the opportunity to acquire some of the present competition to accelerate our current growth plans. As advertising strength is key in producing sales volume through customer acquaintance, Lowe's must become a national retailer. This will require major renovation in the distribution, sales and merchandising department to accommodate a multi-billion dollar sales and marketing company.

"By 2000 Lowe's will offer the customer selection and service second to

none. We will have been through a wave of specialty retailing and will be soliciting the customer for his or her every home need. Although DIY will be an accepted term, the customer will be treated to installed sales at Lowe's like never before.

"The labor market in 20 years will most likely have tuned itself to more stable demands for services, as will have the manufacturing sector, supporting some steady growth in goods and services.

"The distance between now and the year 2000 is much greater than 20 years from a Lowe's point of view. We as a company, will be taxed each day to survive and grow. The builder business will be an on-again, off-again business over the coming 20 years. Although the five-year peak-and-valley cycle will not prevail as it has in the past, the business will be as poor in some years as it is good in others. Lowe's mainstay will be the retail business. We will continue to develop new ways to bring the DIY and repair-remodel customer in our door. Creative financing plans will be offered by Lowe's to compete for this business and we may have to buy into the financial end of the business economy to accommodate this goal.

"The era of 'self serve' and fast service will be intensified over the next several years. Customers will continue to want more for less . . . faster."

20/20 Report

More information, better organized, re-oriented for thorough usefulness was the goal of this Annual Report. The additional quality and quantity of future-oriented, as well as historical perspective, information was made possible by reductions and simplifications in presentation method.

This report is smaller; it is thinner; it is lighter. But there is more in the lessened size. An adequate supply of well-targeted information has been increased this year as we look back over Lowe's first 20 years as a public company and forward into the next 20 years through the eyes of young managers, expanded market research and other techniques. That's the 20/20 aspect.

Using the web-offset method of printing this report for the first time and using the news magazine design format for the third time, we have been able to expand the amount of information while reducing the overall page size to 8½ x 11 inches, reducing the paper weight from 80 and 100 pound-weights to 45-pound paper which is what news magazines are using today, and re-arrange the presentation into one which makes reading easier.

These economies are important and offer significant opportunities for expanding the readership of this Report, not only in the United States but internationally as well. Obviously postage is a much-less important factor when the size and weight

have been nearly halved from last year. Expansion of audience makes the unit-cost less when it is possible to employ high-speed presses (which use lighter papers).

To these efforts we have added, and utilized as a pleasing design element, the gentle, color-coded guide to the Report's contents, which begins on the cover.

Simplification of the immense amount of information was widely asked by Report readers. Siegmund Warburg, founder of the London merchant bank which bears his name, is quoted as saying: "Progress in thinking is progress toward simplicity." But as we progress toward this goal we do not want to take the fun and colorfulness out of what we do and think. The good humor and the good sense, reflected in this Report and which have marked our past 20 years of serving many and diverse investor constituencies, is like the song "Kodachrome" by Simon and Garfunkel. "Kodachrome gives us those nice bright colors, that give us the greens of summers, makes you think all the world's a sunny day . . ."

Even in the darkness of a recessionary year we look back on a lot of fun and progress and we look forward to more progress, optimistic about the future because it is good, a place with "nice bright colors . . . the greens of summer . . . a sunny day." Good reading! And more for less!

Dimensions of the Future

Reflexive Reflections on The Future Tense—Forward to 2001

Our insatiable appetite for bad news around the clock makes many of us members of a breed of disaster junkies, a group which gets its kicks, its highs from despair, danger, destruction, disease, discomfort. Our entertainment, our vain preoccupation with the ugly, the tawdry, the coarse, the mendacious, and our willingness to believe the worst and to enjoy listening to its recitation, marks us. Or does it?

Perhaps it only seems that way when the world pauses—fearful momentarily—to suck in its breath when the latest end-of-the-world prediction time comes and goes, without the bang. Among those of us who study ourselves are those who identify this preoccupation with the disaster scene as the millenarian syndrome which hits human-kind every 1000 years, appropriately.

Looking beyond the end of the second Christian millennium, into the the first year of the 21st century, the year 2001, gets less difficult when the intellectual litter of the disaster junkies is examined and discarded. (Correct identification of this debris is important, however, to avoid throwing out the valuable insights of reasonable folks who happen to be thinking about curious things simultaneously, such as the causal examination of weather phenomena by contemporary Chinese scholars and the relationship of their historical findings to the so-called Jupiter-effect.)

In the coming 20 years there will be a lot of junk and a lot of valuable insight floated on the public merely because of the passage of years in this particular century.

Future Fright Fear of the future has been with man before the dawn of civilization. Looks into the future have been popular since mankind became thoughtful. These visions have been useful since man developed memory, for the proper use of the past is the most logical guide for the future. That, after all, is what maps are about, whether they be highway maps of your next vacationland or an atlas of the brain used by medical students, surgeons and psychiatrists. And despite the invention of futurology and its usefulness in planning by businessmen, efforts to divine the future have been around since before astronomy was separated from astrology. Specialists of sorts have read the future in egg shells, from sheep's entrails, from straws in the wind, from observing bellwethers, from lines in the palm, bumps on the head and from the width of bands on woolly worms. Even biblical prophets were treated with mixed reviews, honored only in the breach, despite the coverage they eventually received in specialized media.

Other than in the planning process in business, which too often merely amasses data and orders up a future based on a defined past, the prophets of today and tomorrow are most often sophisticated practitioners of the written word, called either novelists or screenwriters, who, under the guise of fiction, write trenchantly about a factual future. Best of these in recent times have been George Orwell and Arthur Clarke. One of Clarke's greatest lines, one both witty and profound, is "Even the future ain't what it used to be." It is not surprising that Orwell called his view of the future by the name of a year, "1984", a set of predictions which still chill their reader. Nor is it surprising that Clarke called his magnificent work, "2001." Both of these works have been seared into the conscience and memory of free peoples and dreamers everywhere.

Another of this literary prognosticating sect was George Bernard Shaw whose best line about futurology was so often misquoted by the campaigning Kennedy brothers, to the effect that some men see things as they are and ask why and others dream of things that never were and ask why not.

Somewhere in what Jung called our collective unconscious is a

sense of hearing the future correctly foretold, knowing that it is likely true and of mentally affirming "Yes, that's probably the way it's going to happen."

Positive Appeal The significant thing about discerning the dimensions of the future is not to approach it like Chicken Little or, in the words of Frederick C. Crews, "in a hang-dog, negativistic spirit." It is, after all, the only place we have to live unless we retreat into the shadowland of the mind.

Despite the banishment of Chicken Little by positivists, the changes which will occur within the coming score of years will be greater in number, consequence and dimension than those of the past 20 years or the last half century or even since the beginning of this entire century—a time which has seen man fly, and faster than sound; transmit his image beyond reflections in water and silvered glass, and faster than sound; and create good out of his mental labor, and faster than sound.

Just 20 years ago, America embarked on a maturing of its

most-recent post-war life (something we apparently have to do after each war). We grew up very quickly with a young president who forced Russia to back down on placing nuclear missiles off our coast. Then we agonized as he was murdered, thinking that political assassination was a "foreign" crime and that civilization had advanced too far to permit such. We were further racked and wrenched by seeing his killer murdered live on Sunday afternoon television. (What an interesting run of words

"killer murdered live." Is it any wonder that reality is so difficult to discern and that we so often advance backward into the wonderland world that makes Alices of too many?) In the past 20 years America came to grips tentatively with the curious anomaly of constitutional interpretation which had prevented legal recognition of the equality and value of all human existence. These years brought us more domestic political murder and the most divisive war in our history, one which divided more families more deeply than the Civil War had, for it was indeed a civil war, fought in Asia primarily but in American homes and streets secondarily. And the two decades just ended converted the nation's middle class into upper-class taxpayers who subsequently discovered that they are upper-class voters as well.

Landscape Planning Exact precision in predicting such specific or general events has never been the forte of prophets, whether they be Orwell, Clarke or their host of predecessors or contemporaries including Isaiah, Amos, Nostradamus, Jeane Dixon, Herman Kahn or the Club of Rome. It is the general trends, the gentle guidance to the expanding mind, the spur to introspective thinking about the externals of existence, that makes the exercise of surveying the landscape of the future a beneficial one for the human mind. As we think about the future we can prepare for it, especially in businesses where a premium is placed, by the determiners of value, on companies' track records of judging the shape of their futures and taking advantage of them economically.

What then is the way this place where we live and work is going to be like in another 20 years? It's generally believed at this company that its modern founder, Carl Buchan, who died in 1960 and whose determination and will set the stage for Lowe's as a public company, would not recognize it today. Neither would have those who succeeded him in management then, and still hold senior positions, judging by their comments in early annual reports.

So, with the sure knowledge that a look into the future is not precise but only a gentle guide for the intensification of images in





the minds of others and to aid in the creation and, ultimately, the realization of dreams, so, here goes:

Hard demographics point to the largest segment of 2001's population being those who were

born between 1946 and 1964—the products of the Baby Boom. Paraphrasing Pete Seeger, "Where have all the babies gone; to adults every one. . ." Those of us born in the early Roosevelt years of the Great Depression will be beyond today's retirement age of 65, but unlike our older brothers and sisters, we'll not be retired then. That year John Kennedy would have been 83 and Elizabeth Taylor will be 68. Health care and delivery systems will have so greatly been advanced that those born in pre-Depression years will still be around, but there were never many of them anyway, something which causes a lot of the financial pinch on all of us today while we are in prime income-producing years. The number who were alive when both the 20th century arrived and 21st century arrives will be disproportionately so large by current standards that little or no attention will be paid to them.

The smallest group in the population of 2001 will be those born since 1964. They will be between 20 and 36 years of age—the prime family-forming years, a dismal augury for those in the new-home building business. And there may be a large number of sub-teens and teenagers, if the incipient Baby Boom of the '80s bears fruit.

More of us will then be living in two special regions of the nation than today. And again, one is obvious, the Sun Belt which stretches from Washington, D.C., on the east to San Francisco on the west in a line which sags significantly in the middle to omit the heavy snows of the lower Great Plains. The attraction is climate and it will continue, limited only by transportation, water, and the adequate delivery of appropriate governmental services. The other area which will again be viewed as an area of opportunity and choice will be the water-rich Midwest—that heartland described by Pittsburgh on the east, the Great Lakes on the north, Kansas City on the west and Louisville and Cincinnati on the south. The lakes and rivers alone will be sufficient reward for those who brave the cold for economic advantage.

Static Metro Statistics Today's major metropolitan areas will remain quite static in population density as drought and congestion continue to make them havens of extreme upper and extreme lower classes exclusively.

America by that year will have at least three new states, the city of New York because of its unique problems, and the national capital city because of dissimilar but still unique problems. Along with these will be Puerto Rico, an area which will flourish more dramatically after statehood than Hawaii did after 1959. New York City and Washington are states in every way today except for stars in the flag and senators in the upper house of Congress.

Just now, despite the rhetoric of the opposition (not dissimilar from that of the opponents of Roosevelt in 1933 and 1934), profound economic changes are coming into being, ones which promise to smooth many of the convolutions of an economy which has been tinkered with, adjusted, fine-tuned and all the other euphemisms of planning which really mean elitist intervention in the economic and political affairs of those who are smart enough to create and earn wealth but are not perceived as smart enough to know how to spend or otherwise use that same wealth.

Roll-on, Royce Already the political reticulations of the backing of our kaleidoscopic national mirror are forcing reevaluations of party labels and jargon—and philosophical approaches. Not a few politicians are rethinking where they are coming from in the hope of going somewhere other than back home. The conservative-voting blue collar worker is of more profound consequence than the liberal-voting wealthy social elitist. There are more of them. The party realignment called for in the

1950s by the late Sen. Karl Mundt has arrived. Were it not so why would the most conservative president since Coolidge hang his portrait in the Oval Office from which he freely and frequently quotes the second Roosevelt? Not paradoxical at all, only pure pragmatism. James and Peirce would have been proud and even Royce would have admired the idealism.

While the Reagan re-orientation will turn America right-side-out economically, his successors will be no more clones of him than Truman, Ike and Kennedy were of FDR. But like each of them, the Reagan successors, for the 12 years or so they will have following him, will be locked into following the broad outlines of his successful policies. George Bush will be 64 in 1988, Congressman Jack Kemp will be 57 in 1992, Sen. Gary Hart of Colorado will be 59 in 1996 and Sen. Dan Quayle of Indiana will be 53 in 2000—each of them less than the 69 years of age Mr. Reagan was in 1980.

Luxurious 20/20 hindsight requires pointing out that Ronald Reagan was the narrator of "Death Valley Days" on TV for the 20 Mule Team Borax Co. in 1960. Jimmy Carter was a naval officer on active duty in 1956. And John Kennedy was a post-graduate student in England in 1940. But Richard Nixon, Lyndon Johnson and Gerald Ford were all congressmen 20 years before they came to the presidency. And FDR was the nominee of his party for vice president 12 years before his election as president the first time.

Wicked Witchcraftsmen Whoever leads the nation from the White House will have a somewhat easier time in the coming 20 years than those in the last 20 have had. For one thing inflation, the demon that sucks the life from every physical and mental laborer's best efforts, will be stilled. A gluttonous government will be stilled as the economic wicked witch of the east. In fact, it is most likely that the lessons of the past 16 years, which began with the unreasonable promise and expectation of both guns and butter, will be long lost in the memories of those of us, who today seem to feel that we hang literally on the economic news of the day—pondering soberly increases in the inflation rate's diminution as measured by such things as the CPI and PPI. The initial challenges of the coming 20 years will be surviving a substantial dose of disinflation and a smaller measure of deflation. Somewhere along the way, however, this over-reactive backside of inflation will be stilled too and the economy will have those modest little amounts of price expansion which are viewed as good for it. Even Milton Friedman has said, "We don't want no inflation."

The serious challenge will be to reinflate the growth in productivity of American workers to successfully meet the competition of the great industrial engines of Japan and Western Europe. And perhaps these challenges will be augmented or worsened by by some new competitor like Mexico which has the population and the new supply of money, from its oil and gas, to buy a leg-up in new technology. Or it could come from a nation like China which has all the ingredients to resume its ancient role as the earth's mightiest nation and one of civilization's most creative. Unlike the sick joke of the 1950s which had the geopolitical optimist learning to speak Russian and the pessimist learning Chinese, the acquisition of Chinese linguistic ability will be as valuable to the businessman of tomorrow as the ability to use a personal computer is to the avant garde businessman of today. His other language surely will be Spanish, soon to be a near-even partner with English as the language of this nation. It is possible that by 2000, the president will take the oath of office in Spanish and English, reflecting either his Hispanic roots or his indebtedness to the burgeoning political clout of those with Hispanic background. Linguistic pluralism is but one result of the acquisition policy America began at the outset of this century.

Wilde Times The decades of the '80s and '90s will see painful continuation of the realities resulting from the cost of money and its availability and the cost of energy and its availability. These two commodities, the ability to control the supply and value of either or both, will confer the greatest of economic and



political power and will determine the shape of our futures. Only a restructured American economy can begin to affect the supply, and therefore the cost, of real money by increasing productivity. And only money—or force—can do anything of consequence about the supply of energy, unless and until alternative sources are developed—

and the cost will still be a factor. It was 100 years ago that America was running out of fuel and it was 100 years ago that great new fuel supplies were discovered in western Pennsylvania and in the Trenton fields of western Ohio and eastern Indiana. That's why there are oil companies headquartered in Pittsburgh today and it was in Cleveland that John D. Rockefeller, Sr., got his start, and that's why so many steel and automobile companies of today and yesterday had their origins in towns like Portland, Anderson, Kokomo, Muncie, New Castle and Indianapolis. Just at the time of deepest gloom, when vision through the dark glass is most difficult, inventiveness and productivity come along, like the proverbial U.S. cavalry, to the rescue.

The handicaps and economic hardships brought by disinflation and deflation's maladjustments will cause a further acceleration of merger and acquisition, called the corporate Pac-Man syndrome by Lowe's Chairman Bob Strickland. Outright failure of marginal and uncompetitive businesses will continue high unemployment as long and at levels not as high but as unsatisfactory as America faced in the years coming out of the Great Depression. The most likely candidates for prolonged joblessness will be workers in industries which are being diminished by the competitive challenge from overseas or from the dramatic diminution of demand caused by demographic facts of life. Many of these victims of unresolved and unresponsive challenge will be automotive workers and those in the home building industry.

It is by no means certain that the industry known as Detroit can, even with moderated demands by its work force, manage to survive the competitive challenge of a highly-motivated, economically turned-on, politically-savvy people like the Japanese without some extremely high and quite tight tariff walls.

Alicians Conquered The challenge to the home building industry is of greater importance because it is of measurably greater geographic consequence and because the erection of walls of tariffs will not undo two decades of infecundity. The pill and the politics of pleasure and promiscuity shortcircuited the fullness of a generation, just as surely as rampant greed and poverty of the body and spirit curtailed the size of the generation born between 1929 and 1945. Vastly diminished demand will not be willed or legislated away and no amount of Alice illogic and yearning for good old days will change that.

Even if the assumption of demographics is accepted, which holds that two million new homes are needed each year of the coming 10 years to meet the needs of new family formation, that demand is fully utilized by 1990, leaving the decade before 2000 as a time of home remodeling and repair but not of new home construction, short of a major and unsuspected replacement program caused by war's destruction or rampant wealth from undreamed-of sources.

Today's emerging trend to rehabilitate existing space, either in the so-called gentrification of inner cities and even small towns, or the creation of new living space from that previously used for education, religious pursuits, retailing or manufacturing, will mature as one of the major economic forces of the coming two decades. The trend to partition and conversion is likely to add 300,000 to 500,000 new living units each year in the '80s, successfully augmenting the 1.2 million new units which likely will be built, annually on average, in the coming 10 years. In the

'90s, the partition and conversion phenomenon will gain a larger percentage of the new units created but only because the market will be dramatically down-sized and PCUs (Partitioned and Converted Units) will be less expensive than newly-enclosed space.

A century ago several hundred companies of significant economic size and employment statistics devoted their entire manufacturing capacity to the production of the newly-invented glass food preservation jars and closures. Today those same jars and closures are still being made, but there are only two companies in that business and it represents less than 10 percent of the business of each. They were the survivors of one of the most dramatic shakeouts in American industrial history. So too the story can be recalled of the dozens of automobile companies which were created and made interesting, useful and reliable products from 80 to 30 years ago. Every antique auto buff knows their names. Many of them existed down into the days of Truman and Eisenhower—Packard, Nash, Hudson, Studebaker, Kaiser, Fraser, Willys. From the earlier days an alphabetically euphonious litany could be recited. But again the shakeout occurred leaving what appeared to be giants but even giants have been known to fall to Oriental and European Davids.

New-growth or no-growth So too the companies which today grow, manufacture and sell the materials for new home construction will have modified themselves into a survival and new-growth strategy, or they will have died, gone the way of the Haynes-Apperson Company and the Consolidated Fruit Jar Company.

The survival strategy will be developed only in those companies which pay attention to the past and open-mindedly consider the future, gleaning the best information from sources as divergent as dust-dry statistics and bleeding-flesh humanism and idealism. The auto companies which survive today point to some of the ways that survival strategies will be constructed. They will be fashioned of amalgamations like W.C. Durant put together at General Motors or they will have a significant new thrust like economies of scale and operation from a production line. And perhaps survival strategies can be learned from the glass container manufacturers who modified their product to major commercial users' demands, or others who added other types of containers for similar purposes but out of different materials, such as steel, aluminum, plastics, paper and the like. Change your market, change your product, change your structure, or perish.

Future Chic There's a lot of money to be made by investors in companies which will be providing the materials and the manpower to restore inner cities, efforts which will surely be made, efforts not dissimilar to those which saved the Georgetown community in the nation's capital from the tear-it-all-down planners of the 1930s and which will turn New York's Harlem into the chic place to live in the first decade of the next century.

There's also a lot of money to be made by investors in companies which will be doing much the same thing in towns like Rocky Mount, Roanoke, Rapid City, Renwick and Rumson.

There's a lot of money to be made by investors in companies which can find alternate housing such as a plastic envelope which inflates with air pressure, is insulated with sealed-in gases, and is anchored in place by chemical fasteners. Or it could be something technologically advanced that relates directly to living conditions such as weather modification to control such situations as the maladjustments heaped on the northern hemisphere by recent years of volcanic activity, not dissimilar from the weather horrors of the early 1810s and 1820s—by similar volcanic debris which convoluted weather in both the northern and southern hemispheres for more than a decade. The year 1816, the year without a summer, may become well-known before the end of the ersatz spring of 1982. The plastic envelope idea could emerge from today's space and medical technology which is able to sustain adult and infant life in the most hostile of environments. It may come as a result of the challenge to provide adequate living space by a technologically advancing nation such



as China which must have its own breakthrough to solve pressing worries. Surely such a challenge will not be met from Europe, a quarter which is already meeting most of its housing needs by recycling, something which has been a way of life for generations and centuries except in the areas which were destroyed by the massive reductions of World War II. Only then did it become necessary to build as Americans did but Europe did not have the luxury of the split-level home on the mini-ranch lot because of its population densities, lack of

space and the cost of transportation.

The Primacy of Europa It takes no imagination to see that the 2,000 square foot home on the large suburban lot will go the way of Chrysler tail fins, 350-horsepower engines and 70-mile-per-hour speed limits, none of which was guaranteed in the Constitution, Bill of Rights or Holy Writ. The trend to mini-condos of 400 square feet, selling today as fast as they can be built in California for \$60,000 each, is a trend that will begin to prevail. The mini-living spaces will become as ubiquitous as the VW Beetle of the 1950s as it invaded and marched like a living plague across the nation until it forced Cadillac to bend itself into a 4-cylinder, 4-speed car called a Cimarron. The Europeanization effect on the American home and auto have been commented upon

in previous Lowe's annual reports. It will not go away, until long after the next century has arrived and reached its own maturity, augmented by a new generation of increased births, advanced on the wings of economic prosperity built with hard work, increased productivity, and thrift unmatched since the 1960s.

The smaller home, however, may be as comfortable in every way as today's except in spaciousness, but even that will be compensated for. The smaller units of the '80s and '90s will require more built-ins than today, the size of the kitchens will be shrunk with increased use of radio waves for food preparation and preservation. The size of the bath area will be expanded and will do double duty for hygiene and for recreation or "family living" as today's family rooms have taken the place of yesterday's parlors. The computer will nearly completely run the home of 2001 and will be infinitely more important to the lives of all family members than today's television set is to the entire child-rearing process of today. Tomorrow's grandparents will learn not to blame Dr. Spock and his friends so much as to focus the critical anger on Mr. Spock and his like.

Homes and housing will be again restored to the proper place in the value scale, somewhere in the vicinity of one's daily bread and the shirt on your back. It will once again be important as the "roof over my head" instead of an inflation hedge to be regarded on a par with gold, bonds, IRAs and the like.

There will be a lot of money to be made by investors in companies which learn to make love with, not war on, each other. The cooperative merger, reducing unnecessary strife, for the good of shareholders and customers alike, will become a viable survival strategy. A General Motors-like general retailer exists already in Federated Department Stores. Peace is better than war, for all concerned, between organizations of people whether

... and short term, the Present Tense, Subjective

Mr. A: "Oh, come on, take a stab at it. After all, it's only one person's opinion."

Mr. B: "Well . . . o.k. I thought you'd never ask."

★★★

Before the end of 1983, within the coming 18-plus months, I believe America will see:

1. An annual inflation rate of 2 to 3%.
2. A prime rate of 8%.
3. A mortgage rate of 12%.
4. A Dow-Jones (DJIA) average of 1550 to 1650.
5. An unemployment rate of 5 to 6%.
6. A discomfort index of 7 to 9%.
7. The most significant economic boom since that touched off by the Kennedy tax cut in 1963.

The Kennedy tax cut led to capital spending increases by business of 12.9% in each of the three years following the cut. Business spending had been increasing at 3.3% annually in the 1950s and had reached 4.2% between 1959 and 1963.

But the aim of the Kennedy cuts was to spur individual consumption and spending. However, individual Americans confounded the economic experts. They took their tax cut

and in the first year saved 75% of it. And despite the fact that the cut was a one-shot, one-year deal, they kept on saving—putting money away for the next two years equal to 75% of what the cut had been and in the fourth year they saved at increased rates equal to 121% of what the cut had been. It was this savings which allowed business to borrow and send the economy into a fantastic growth mode.

In the middle of this period, on Jan. 18, 1966, the Dow-Jones 30 industrial index went past 1000 for the first time ever—to 1001. In today's prices that is equal to 2716!

All of that came from a one-time, one-shot, one-year tax cut pushed through by John Kennedy before his assassination, a cut in corporate rates from 52 to 47% and a decrease in individual rates from 20 to 14% at the low end of the scale to the high end where the cut decreased the effective rate from 91% down to 65%. (Clearly the Kennedy cut favored higher incomes more than the Reagan-Kemp-Roth cuts do and favored lower incomes less than these cuts of today.)

Today we have a 5% cut in place for business and individuals, begun last Oct. 1. However, on Jan. 1, 1982, the social security tax increase more than devoured the Oct. 1 cut of 5%. It will not be until the next round of *already enacted* cuts takes place, a further cut of 10% on July 1, that all of us will

they be called investors and workers in a company or citizens of a nation.

Prophet Motives There will be a lot of money to be made by investors in companies which learn new methods of retailing old products and new ones. The video revolution has only begun to affect the way American companies retail the merchandise of the world. Electronic shopping will be only one facet of the world of 2001, albeit a profitable one.

But video will be important in vastly different ways. It will be providing us in our tiny enclaves of personal space with our vacations which we will take without going away, with learning virtually without trying (Orwell is spinning), with management of life's functions. Computer-driven video will be doing almost every function except work, eating, personal hygiene, and recreational and reproductive sex. Even the latter will be removed from the home to the laboratory. Not only vacation travel will be done by video but business travel will be accomplished by video which will link every American to every other and to most everyone in the world they want or need to know.

In our year of future tense, we will be looking ahead to the next interesting time period, and in retrospect we will look back on the time we have been passing through, to gain some insights that our computers have neglected to add in. We'll see the beginning of the 1980s as one of the most pivotal points in the century, one in which economic adversity was harnessed in positive and creative ways leading to an end to the boom-and-bust cycles of short duration to a long, long cycle of prosperity. Even the Keynesians will have to modify or perish.

Adlai Stevenson, after his first visit to California, is reported to have said, "I have seen the future and I don't like it", echoing Lincoln Steffans and John Reed. But like it or not, California is

the place where Future America most often gets its start. The architects of American life in the last half century have been Californians by birth or by spiritual migration and adoption.

Profit Motifs That "California influence" can be seen where the outside-in living spaces of an architect like John Portman have changed our cities. Or where the television-based philosophy of Marshall McLuhan teaches politicians and even generals how to fight battles in an arena of cool acceptability and creates such new demi-gods as Roone Arledge and Ted Turner, surely two of the most influential Americans alive today. Or it can be in the works of Mike Post and Mike Curb who take the make-believe and turn it into the reality of the instant, from television to pop music and pop politics. Or it can be seen in the power of one of the most potent forces of the 20th century, the Beatles, to take McLuhan's philosophy and spark a revolution, one which today has been and is being guided, if not controlled, by Howard Jarvis and Ronald Reagan. The Beatles-originated revolution may come into historians' focus as one more powerful than that set afire by Samuel and John Adams, Henry, Jefferson and Washington.

America will survive the end of the second millennium and will move rather confidently into the first years of the third millennium with the knowledge that it met the challenge to survival and creativity. The future may be tense. It will certainly be different. But it will also be a lot of fun, because we will remain the best byproduct of evolution, the human. We will be a force guided by instinct, love and thought—with memories of a full past and dreams of a fuller future.

—Bill Brantley
April 1, 1982

feel the pleasure of paying less. Then another round of 10% cuts, *already enacted*, is scheduled to take place on July 1, 1983. By that time, American individual and corporate taxpayers will have an effective decrease of about 20% in what they are paying. That will be the sharpest tax cut in American history—and it is a continuing thing, not a one-time thing like 1963.

As a matter of history, it is comforting, and exciting, to note that the first recession of the 1960s ended in February 1961, 10 months after it began. There was not another major downturn until December 1969, almost nine full years.

It was in 1961 that Lowe's began life as a public company and began to put together unparalleled years of growth, economic prosperity and wealth creation, generated by being first in a market with the best products at the lowest prices, bought and sold by highly-motivated people. And Lowe's stock price, from 1961 to 1969 increased 12 fold, or 1200%.

It takes little imagination, faith or extrapolation to see a soaring Dow in a few months or to catch the glimmer that business itself will renew its faith in itself, its employees and its customers and begin to grow again. And when business begins to grow, it builds. It builds new factories and new stores. It buys new equipment and new inventory. And it

creates jobs, productive jobs, bringing down unemployment and underemployment. The stock market soars and we become a nation of stock buyers instead of inflation hedgers. The future becomes important and fear is banished. Gold sinks to appropriate levels, perhaps lower than \$200 an ounce and becomes an industrial commodity again.

And while the prime rate will decline to less than what its equivalent is today in Switzerland, the mortgage rate may remain higher because of lack of subsidy by the government, but companies like Lowe's can make money at these levels. After all, the only people buying homes at that time will be those who never knew mortgage rates of 4 to 8% so 12%, especially after 18% experience, will not look terribly formidable.

So, buck up. There's a new day dawning. As Hugh Latimer said to his Oxford colleague, Nicholas Ridley, the day they were burned at the stake on Oct. 16, 1555: "Play the man, Master Ridley; we shall this day light such a candle, by God's grace . . . as . . . shall never be put out." And as surely as dawn follows the pitch of night, so too prosperity follows in the wake of wrenching adversity. Be ready. Be prepared.

—B.B. 4-2-82

Investor Relations

The Single-Purpose Goal of This Vital Function Is Appropriate Evaluation of the Company at All Times by an Increased Number of Investors

Three harmonious ingredients were added to the mixture called investor relations at Lowe's last year, increasing both flavor and texture.

They were:

1. Splitting the shares 3-for-2, effectively increasing each holder's number of shares by 50%.
2. Increasing the number of authorized shares from 20 million to 50 million.
3. Listing Lowe's shares on the London Stock Exchange as the initial step in marketing the company and its future prospects to a widened circle of investors.

Traditionally, IR at Lowe's has stood on the sound foundation of an incomparable annual report, begun more than 20 years ago by Chairman Bob Strickland and which over the years has become the most honored annual report in America. To the annual report has been wed the twin thrust of active and frequent communication with securities analysts and portfolio managers, individuals who represent major financial institutions (such as banks, insurance companies, pension funds, mutual funds, and the like) and who in the most real of senses are the determiners of Lowe's future value (and the value of the shares to all who own or manage them).

Lowe's has enjoyed favored status with many of America's premier financial insti-

tutions through the 20 years it has been publicly held. But the percentage of shares held by these major institutions, while always high, carries with it a major burden because such a large percentage is controlled by a relatively few people. And, if, as happened last year, one or two major institutions change their investment criteria, the price (or perceived value) can be under pressure, up or down.

Lowe's has been fortunate to have its two employee trusts as major owners also, especially since the beginning four years ago of the ESOP, because these are consistent owners of the shares and the ESOP is a frequent and large purchaser.

But the remaining major group of shareholders, the individuals who are reasonably steady in number at 5,000-plus and reasonably constant in percentage of shares owned at about 25%, was, with the holdings of the employees, the great strength of the program.

Thus, goals were set to increase the ownership of shares, broaden the geographic base of ownership, put the share price in the optimum range for purchase by individuals who most frequently purchase shares, and authorize enough additional shares to keep the entire system orderly and appropriately positioned for the future.

Research has proved repeatedly that individuals favor stocks whose purchase price is less than \$20 a share or \$2000 for a block of 100 shares. The split, 3-for-2, once again brought Lowe's shares into the range where they could be purchased within this criterion.

With the increase from slightly more than 13 million shares to more than 19½ million because of the split, and with the proposed issuance of less than a half-million shares to the ESOP on February 1 in lieu of cash for purchase on the open market, all 20 million available shares would have been used. Shareholders were asked to increase the authorized shares up to 50 million, which they did. That gave Lowe's room to grow, to breathe, to maneuver, to split again some time in the future perhaps as growth dictates.

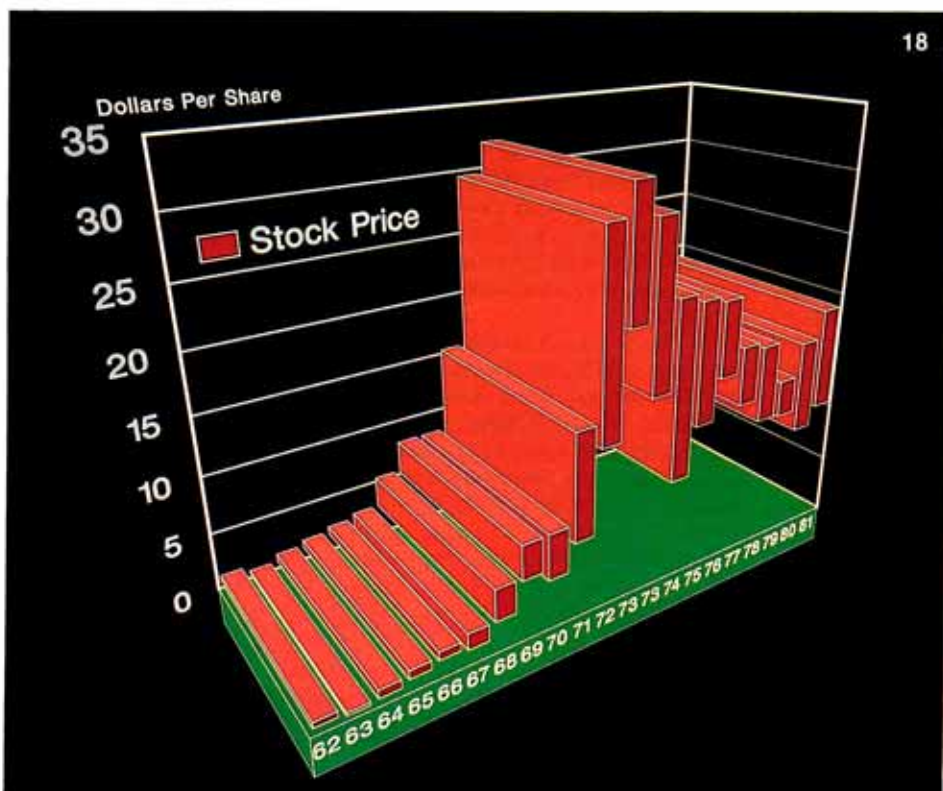
The need for geographic spread was a bit more difficult to accommodate and required a great deal more effort than a series of resolutions and votes. It required analysis of other areas where efforts could be made to achieve favorable results, where the most cost effective measures were possible, where the limited time of the IR staff could be maximized for the benefit of all shareholders including other employees, and where long-term shareholders could be developed.

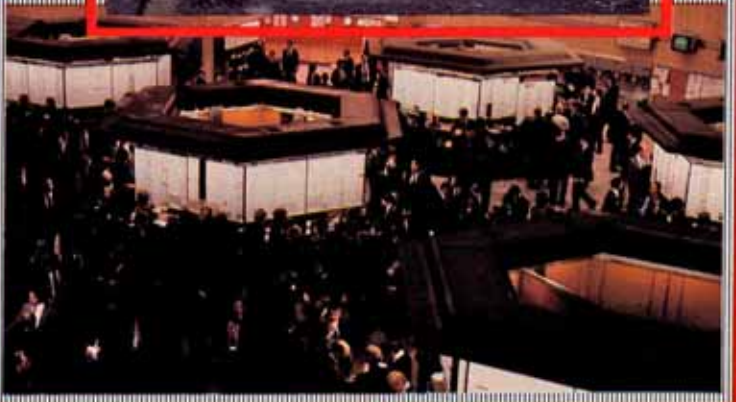
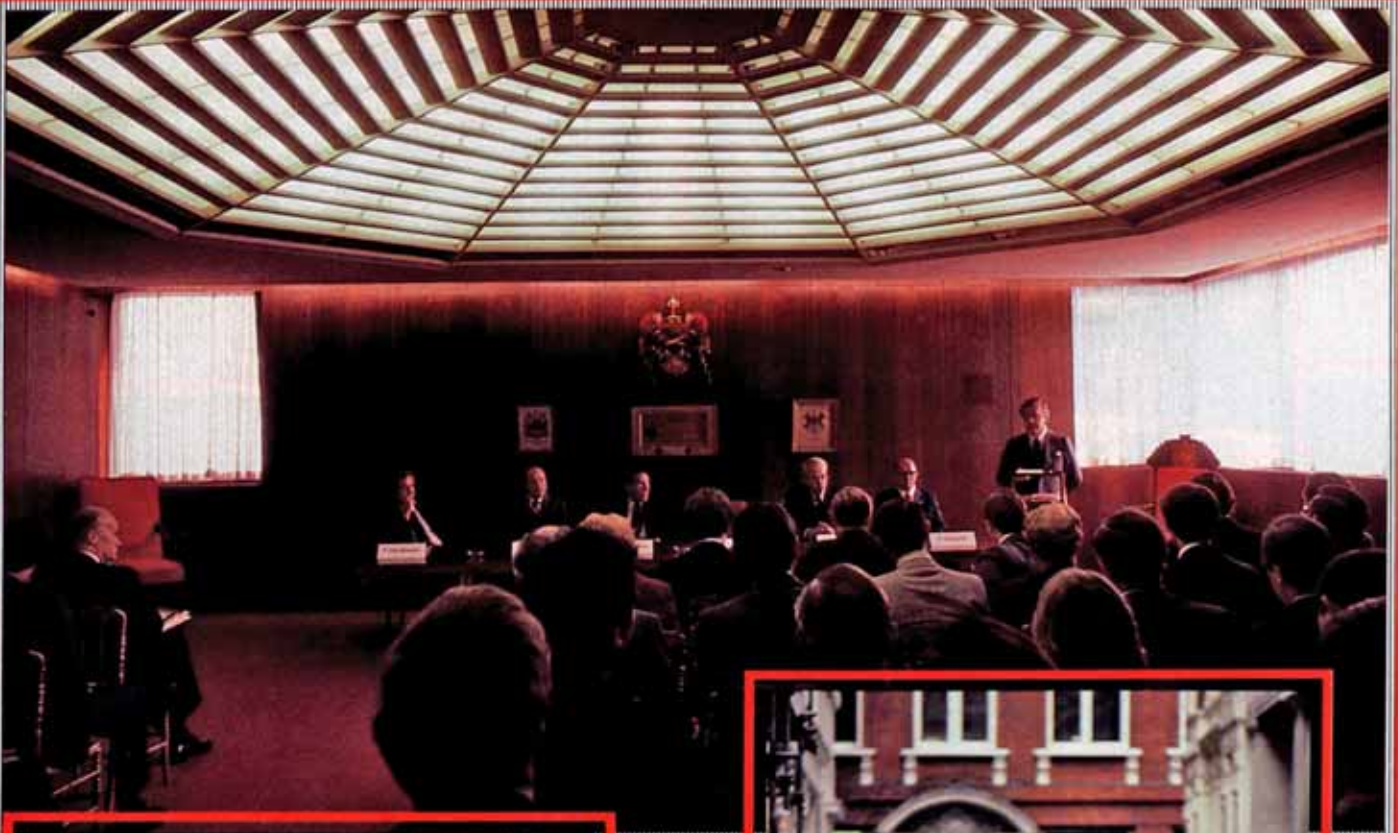
On cost-effectiveness and time-effectiveness alone, the hands-down first choice of the best possible was to seek additional shareholders overseas rather than to hit the hustings into the small and medium size cities in the U.S. talking with individual stock brokers who advise and counsel individual share purchasers.

A goal of 15% of Lowe's shares to be placed broadly outside the U.S. was established informally as an achievable target which would add long-term stability and geographic balance to the shareholder family.

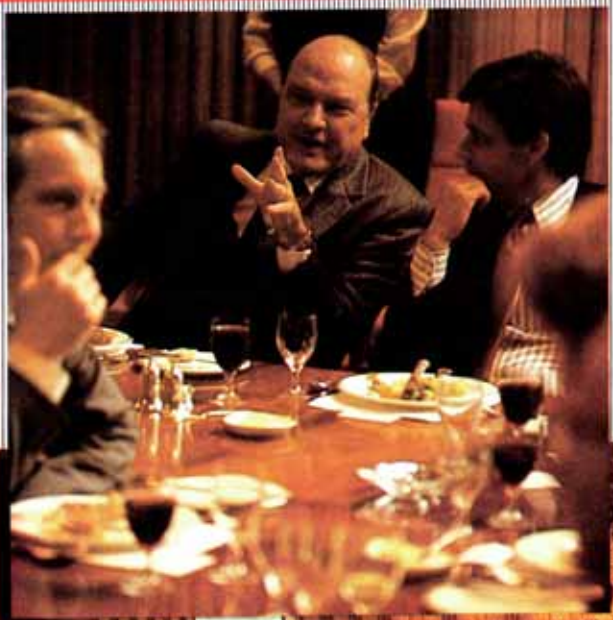
The methodology to be used was very simple and ample in precedent from Lowe's 20 years of experience with analysts and portfolio managers in the U.S. Plainly put it was: Tell the truth, the whole truth, as attractively as possible, and to keep telling the truth regularly and frequently. That kind of attitude on the part of Lowe's IR spokesmen is sometimes considered to be one of the most important (and valuable) parts of the Lowe's investor relations effort and one which will continue.

All that remained was to identify the target precisely and then do the work. Earlier investigatory efforts had pointed





Lowe's Chairman Robert Strickland addresses the London financial community at Salters Hall prior to exchange listing. At lower left, Managing Director Petro Kulynych chats at the listing lunch with the Viscount Churchill of the Central Board of Finance of the Church of England. Thierry de la Villehuchet of Paribas, Paris, is at right. Center right pictures Cazenove's Mark Loveday en route to the Stock Exchange with Lowe's Bill Brantley, Leonard Herring and Bob Strickland. Lower right is the floor of the Stock Exchange at the time of listing.



Lowe's President Leonard Herring makes a point with Manfred Adami of S. G. Warburg & Co., in upper photograph. Below them is the luncheon scene at Salters Hall, one of London's famed guild halls. At lower left, Piers von Simson of Warburg's and Bill Brantley of Lowe's talk with Thierry de la Villehuchet of Paribas. At lower right, Strickland speaks to Paris investors during the luncheon at the Hotel de Crillon on the Place de la Concorde.



to the United Kingdom as the place where the Lowe's story was best known already and where a major effort would bear fruit earliest. The climate was right!

But maximization of the effort from the standpoint of cost and time also pointed across the channel to continental Europe.

With appropriate notice and fanfare, Lowe's shares, 20 million of them, were introduced to the London investment community and trading begun in them on October 6-7 last year. Lowe's was assisted and sponsored in this effort by the merchant bank of S.G. Warburg & Co., London, one of the world's most distinguished, and by the stock broking firm of Cazenove & Co., a great London firm of ancient origin and international repute.

The London market differs somewhat from American markets and listing there tends to be more of a ceremonial admission of a company's sincere and devoted interest in European and Middle Eastern investors than it is a place for them to trade, for New York still dominates the trading in international securities, especially those of American-based firms. Lowe's was giving a clear signal to investors in England and Scotland—and to others in Europe and the Middle East that it was pledging to communicate with any who were sincerely interested as openly and frequently—and as candidly—as it has done with major investors in the U.S.

Subsequent to the London listing, proximity to other European financial capitals allowed an opportunity to introduce Lowe's more fully in those cities.

Those introductory meetings were held in Paris and sponsored by Banque de Paris et des Pays-Bas (Paribas); Amsterdam, sponsored by Amsterdam-Rotterdam Bank (AmRo); Frankfurt, sponsored by Commerzbank; Geneva, sponsored by Paribas-Suisse; and Zurich, sponsored by Credit Suisse.

Today, an estimated 10% of Lowe's shares are held widely in European and Middle Eastern accounts by European-based institutions. Follow-up calls have been made to other cities previously visited as well as visits made to institutional holders or potential holders in Edinburgh, Barcelona, Rotterdam, Berlin and Vienna.

Consistent with Lowe's efforts in the U.S., where analysts can be in contact with Lowe's investor relations department as often as they require (by telephone, telex, mail, or in person in our offices and stores or in their offices), the European efforts progress at the same intensity. During February of 1982 more than 40 individual calls were made by Lowe's in the offices of European institutions in seven working days in seven cities. Subsequent to that, two London institutional representatives (one banker and the other an analyst) visited North Carolina offices and stores and with Lowe's management and another visited



Geoffrey Seligman of S. G. Warburg & Co., London, and Robert L. Strickland of Lowe's talk during the London listing activities on Oct. 6.

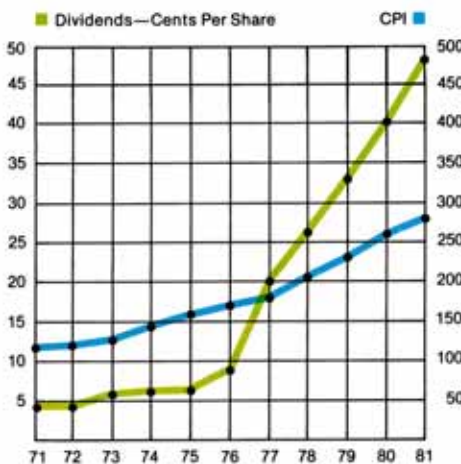
with Lowe's management in New York and in Lowe's stores in the Atlanta area.

During a time of deep recession in the home building market and of record high interest rates to which Lowe's business is extremely sensitive, it is illustrative and

instructive to note that the Price-Earnings ratio (PE ratio) of Lowe's is higher than most other companies in our business, better than several fine competitors, most of whom have much less exposure to the interest sensitive home building industry. A price-earnings ratio is the most commonly used measure of comparability between stocks. It takes the earnings for the most recently reported four quarters of a company and divides that into the current price. Thus if you made \$6 a share in the last four quarters and your price today is \$12, the PE is 2 (and there are some like that—check the other industry hard hit along with housing, the automotive); or if you earned \$1 per share in the past four quarters and the price per share today is \$12, the PE is 12. A full discussion of Lowe's stock price and its performance against other competitors in the U.S. for investment funds, as well as a comparison against the performance of major stock exchanges around the world is contained on Pages 7-9.

In today's financial and investing jargon, the bottom line on Lowe's IR efforts is a substantial premium on the stock performance presently but one which probably does not fully realize the potential of the company's future opportunity for earnings. Communicating that story, that view into the future, is what it's all about.

Lowe's Common Stock vs Consumer Price Index



Lowe's dividend 10.5-Year Compound Growth Rate—24.8%
CPI 10-Year Compound Growth Rate—8.3%

*CPI numbers for 1971-1977 are July statistics corresponding to the end of Lowe's fiscal year at that time; numbers for 1978 through 1981 reflect fiscal years ending Jan. 31 of the following calendar year, consequently a 10.5-year rate has been calculated.

Shareholder Census and Survey

(1) Which sections of the January 31, 1981 Annual Report did you read?

All the report	56%
Letter to shareholders	35%
Performance review	32%
Feature stories	12%
RSVP photo section	20%
Analyst interview	19%
Market research	18%
Shareholder information	26%
Financial report	32%
21-year financial review	23%
Other	3%

(2) Ratings of the quality of the Annual Report sections (10-point scale) 10 = outstanding

Letter to shareholders	8
Performance review	9
Feature stories	8
RSVP photo section	9
Analyst interview	8
Market research	9
Shareholder information	9
Financial report	9
21-year financial review	9
Essay	8
Other	9

(3) Rating of the usefulness of sections of the Annual Report (10-point scale)

The overall report	9
Letter to shareholders	8
Performance review	9
Feature stories	7
RSVP photo section	7
Analyst interview	7
Market research	8
Shareholder information	8
Financial report	9
21-year financial review	9
Essay	8
Other	7
Overall report rating on 10-point scale	
The overall report	9

(4) Status of respondent as a shareholder

Shareholder?	
Yes	82%
No	18%

(5) Size of holding—How many shares do you currently own?

No. of shares owned.	
1—99	22%
100—499	37%
500—999	15%
1000—9000	23%
Over 10,000	3%
Average size of holding	2,160

(6) As a Lowe's shareholder what is your primary investment objective?

Have a long-term profit on original investment	60%
When interest rates subside Lowe's price may recover	58%
Dividends on original investment are satisfactory	28%
Have a loss on my investment and am awaiting a recovery to make a decision	15%
Other	4%

(7) Potential shareholders' reason for holding Lowe's stock.

Capital appreciation	40%
Dividend income	8%
Both capital appreciation and dividend income	52%

(8) Sex of respondent

Male	85%
Female	15%

(9) In what age group would you be listed?

Age is:	
Under 25	6%
25-34	15%
35-44	15%
45-54	17%
55-64	24%
65 or Older	24%

State	Holders	Shares
Alabama*	118	10,238
Alaska	3	496
Arizona	14	827
Arkansas*	10	372
California	69	289,884
Colorado	7	3,248
Connecticut	60	1,114,000
Delaware*	39	8,428
District of Columbia	20	15,540
Florida*	139	98,662
Georgia*	206	79,493
Hawaii	4	731
Idaho	2	1,050
Illinois*	71	540,279
Indiana*	41	23,544
Iowa	5	166
Kansas	9	1,462
Kentucky*	89	22,526
Louisiana*	85	7,339
Maine	8	2,539
Maryland*	118	43,623
Massachusetts	88	121,994
Michigan	40	13,596
Minnesota	22	57,768
Mississippi	76	11,480
Missouri	38	33,338
Montana	2	22
Nebraska	10	22,184
Nevada	4	473
New Hampshire	9	2,618
New Jersey	82	22,008
New Mexico	2	724
New York	180	10,282,902
North Carolina*	2,337	823,153
North Dakota	2	90
Ohio*	104	71,574
Oklahoma	6	1,262
Oregon	8	1,071
Pennsylvania*	102	73,194
Rhode Island	82	117,429
South Carolina*	279	88,597
South Dakota	1	1
Tennessee*	201	140,126
Texas*	55	262,542
Utah	1	45
Vermont	3	14,795
Virginia*	441	309,779
Washington	17	7,731
West Virginia*	74	19,735
Wisconsin	10	2,089
Wyoming	1	45
Canada	7	35,057
International**	14	42,501
Shareholders of Record	5,415	14,844,370
Employees in Profit-Sharing Trust***	1,845	2,358,703
Employees in Stock Ownership Plan and Trust***	5,646	2,330,116
Total	11,069	19,533,189

*Indicates state with Lowe's store.

**Does not include international holdings in New York-based street-name accounts.

***In computing total shareholders of record, the two trusts are counted as one shareholder each in the North Carolina 2,337. Also, the total holders figure has been adjusted for employees who are members of both plans.

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

Fiscal Year Ended January 31, 1982:

	High	Low	Dividend
Fourth Quarter —NYSE, PSE	\$14.25	\$10.50	\$.12
Third Quarter —NYSE, PSE	17.58	12.50	.12
Second Quarter —NYSE, PSE	18.83	15.67	.12
First Quarter —NYSE, PSE	18.92	13.17	.12

Fiscal Year Ended January 31, 1981:

	High	Low	Dividend
Fourth Quarter —NYSE, PSE	\$14.67	\$11.50	\$.10
Third Quarter —NYSE	16.58	13.33	.10
Second Quarter —NYSE	12.33	9.92	.10
First Quarter —NYSE	11.50	8.92	.10

Fiscal Year Ended January 31, 1980:

	\$12.25		\$11.33		\$.08
	Bid		Asked		Dividend
	High	Low	High	Low	
Fourth Quarter —OTC	\$12.83	\$11.33	\$13.33	\$11.83	\$.083
Third Quarter —OTC	13.67	11.33	13.83	11.83	.083
Second Quarter —OTC	12.00	10.83	12.50	11.33	.083
First Quarter —OTC	13.00	11.67	13.50	12.17	.083

Fiscal Year Ended January 31, 1979:

Fourth Quarter Ended January 31, 1976						
Fourth Quarter —OTC.....	\$13.17	\$11.00	\$13.50	\$11.50	\$.067	
Third Quarter —OTC.....	17.33	11.33	17.83	11.50	.067	
Second Quarter —OTC.....	15.33	13.00	15.83	13.50	.067	
First Quarter —OTC.....	15.83	12.50	16.50	13.00	.067	

*As restated for a three for two stock split effective October 12, 1981.

NYSE: New York Stock Exchange
PSE: Pacific Stock Exchange
OTC: Over-the-Counter market

Shareholder Analysis



■ Employee Trusts ■ Institutions U.S.
■ Individuals U.S. ■ International

SOURCE: Lowe's Corporate Records

Market Research

During the 1980s, the Baby Boom Generation Will Complete its Move through the Primary Household Formation Years

People, the driving force of the U. S. economy, grew in numbers during the 1970s by 20-plus million and when the census counters totaled their tape, there were 226 million of us. The rate of growth, however, was down from the 1960s when our population increased at an annual rate of 1.3% versus slightly more than 1% for the decade just completed. Despite trends toward smaller family sizes and the now common use of birth control methods, forecasters expect the population to grow by an additional 20 plus million from 1982 through 1992 as the Baby Boom generation settles down and begins rearing its families.

In the South and West, the population which has grown at a faster rate than the

national average in the past decade should continue to do so, however, at a slower rate. If current forecasts are correct, by 1992 over 35% of the population of this country will reside in the southern part of the nation, up from 31% only 10 years ago.

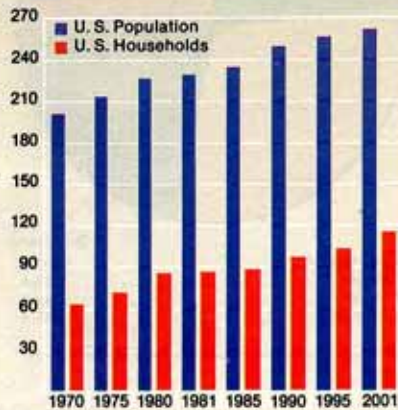
The challenge of providing housing for the Baby Boom generation as it moves through those primary household formation years (25-44) will be a challenge greater than solving Rubik's Cube without an instruction book. During the 1970s, the number of households in the U. S. increased at an annual rate of 2.6% as Baby Boomers began forming new households. The household formation rate, however, was helped by changes in the

underlying socioeconomic structure of our country. Young persons in great numbers have chosen to put off marriage in favor of establishing careers and they, along with large numbers of divorcees, contributed greatly to the high demand for housing.

The Baby Boom generation is now in those primary household formation years and should continue to cause the household formation rate to exceed the general growth in population throughout the 1980s. However, by the end of this decade, the Baby Boom bulge will have moved through those primary household formation years creating an entirely different set of challenges for the country to respond to.

U.S. Population and Households (000,000)

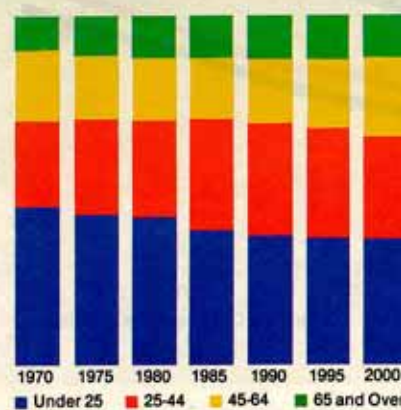
20



SOURCES: Statistical Abstract of the United States Series II-A

U. S. Population Trends

21



SOURCE: U. S. Department of Commerce, Bureau of the Census

Regional Population and Households

22



% OF POP is the % of 1982 Total U. S. population located in each region
% OF H.H. is the % of 1982 Total U. S. population located in each region
% of 25-34 is the % of 1981 Total U. S. 25-34 year olds in each region

1. Pacific % of Pop = 14.3 % of H.H. = 14.8 % of 25-34 = 14.8	4. South Central % of Pop = 17.2 % of H.H. = 18.8 % of 25-34 = 16.5	7. New England % of Pop = 5.4 % of H.H. = 5.4 % of 25-34 = 5.5
2. Mountain % of Pop = 5.3 % of H.H. = 5.3 % of 25-34 = 4.9	5. East North Central % of Pop = 18.0 % of H.H. = 17.9 % of 25-34 = 18.8	8. South Atlantic % of Pop = 18.6 % of H.H. = 18.6 % of 25-34 = 18.0
3. West North Central % of Pop = 7.5 % of H.H. = 7.8 % of 25-34 = 7.8	6. Middle Atlantic % of Pop = 15.7 % of H.H. = 15.8 % of 25-34 = 15.9	

SOURCE: S&MM Survey of Buying Power

Regional Demographics (000,000) Except Percents

23

	Population							Households						
	1971	1980	1971-1980 CGR ¹	1982	% Chg. 1980-1982	1992	1982-1992 CGR ¹	1971	1980	1971-1980 CGR ¹	1982	% Chg. 1980-1982	1992	1982-1992 CGR ¹
New England	12.1	12.3	+ .2%	12.5	+ 1.6%	13.0	+ .4%	3.7	4.4	+ 1.9%	4.6	+ 4.5%	5.3	+ 1.4%
Middle Atlantic	37.7	36.8	- .3	36.7	- .3	36.9	+ .1	12.1	13.2	+ 1.0	13.5	+ 2.3	15.1	+ 1.1
Northeast	49.8	49.1	- .2	49.2	+ .2	49.9	+ .1	15.8	17.6	+ 1.2	18.1	+ 2.8	20.4	+ 1.2
South Atlantic	31.5	36.9	+ 1.8	38.7	+ 4.9	44.6	+ 1.4	9.7	13.5	+ 3.7	14.2	+ 5.2	18.4	+ 2.6
East South Central	13.0	14.7	+ 1.4	15.2	+ 3.4	17.1	+ 1.2	4.0	5.2	+ 3.0	5.4	+ 3.8	6.8	+ 2.3
West South Central	19.9	23.7	+ 2.0	25.0	+ 5.5	29.9	+ 1.8	6.2	8.5	+ 3.6	9.0	+ 5.9	11.9	+ 2.8
South	64.4	75.3	+ 1.8	78.9	+ 4.8	91.6	+ 1.5	19.9	27.2	+ 3.5	28.6	+ 5.1	37.1	+ 2.6
West North Central	16.6	17.2	+ .4	17.5	+ 1.7	18.7	+ .7	5.3	6.3	+ 1.9	6.5	+ 3.2	7.8	+ 1.8
East North Central	40.9	41.7	+ .2	42.1	+ 1.0	44.0	+ .4	12.7	14.9	+ 1.8	15.3	+ 2.9	17.9	+ 1.6
Midwest	57.0	58.9	+ .4	59.6	+ 1.2	62.7	+ .5	18.0	21.2	+ 1.8	21.8	+ 2.8	25.7	+ 1.7
Mountain	8.7	11.4	+ 3.0	12.3	+ 7.9	15.6	+ 2.4	2.6	4.1	+ 5.2	4.5	+ 9.8	6.3	+ 3.4
Pacific	27.1	31.8	+ 1.8	33.3	+ 4.7	38.3	+ 1.4	8.9	11.9	+ 3.3	12.5	+ 5.0	15.8	+ 2.3
West	35.8	43.2	+ 2.1	45.6	+ 5.6	53.9	+ 1.7	11.5	16.0	+ 3.7	17.0	+ 6.3	22.1	+ 2.7
Total U. S.	207.5	226.5	+ 1.0%	233.3	+ 3.0%	258.1	+ 1.0%	65.2	82.0	+ 2.6%	85.5	+ 4.3%	105.3	+ 2.1%

¹Compound growth rate

SOURCE: S&MM Survey of Buying Power

Money and Spending—In the South, Effective Household Buying Income Topped \$500 Billion in 1981

The total output of goods and services in the U. S. as measured by the gross national product (GNP) reached a record \$2.9 trillion in 1981. This represents an 11.4% increase vs 1980 levels in current dollars and is an increase above the 1979-80 change of nearly 9%. The increase was a modest 2% in terms of constant (1972) dollars and follows a slight decrease in GNP for 1980.

GNP grew at a compound annual

growth rate of over 10% in current dollars from 1971 to 1981 and in constant dollars rose at an annual rate of 3%. For the upcoming decade, forecasts indicate that the rate of growth of GNP will drop slightly to a 2.8% annual rate in 1972 dollars. The same type of growth should continue to the year 2001.

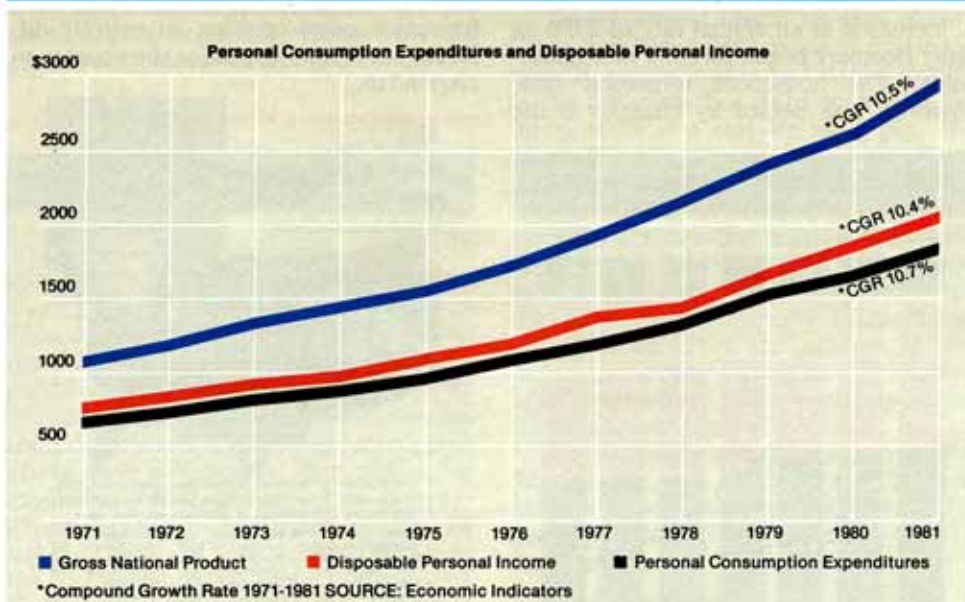
The salaries we received as rewards for helping to produce those goods and services which, after taxes, left us with a

measure known as disposable personal income, grew at an annual rate nearly identical to the growth of GNP during the decade of the '70s. When adjusted for inflation, however, and expressed in 1972 dollars, the rate of growth falls to slightly under 2% on an annual basis.

As a result, larger and larger portions of disposable income were used for current consumption expenditures which grew during the '70s at an annual rate of 10.7%

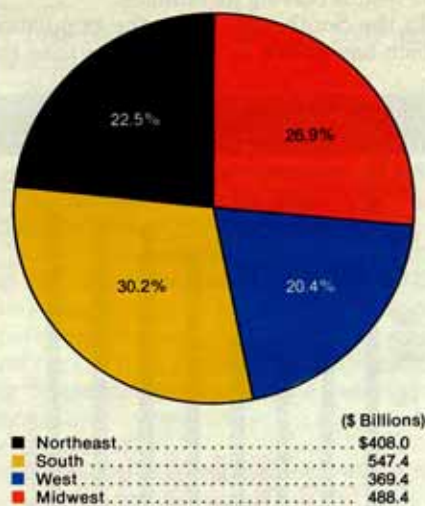
Gross National Product (\$ Billions)

24



Regional Buying Power

25



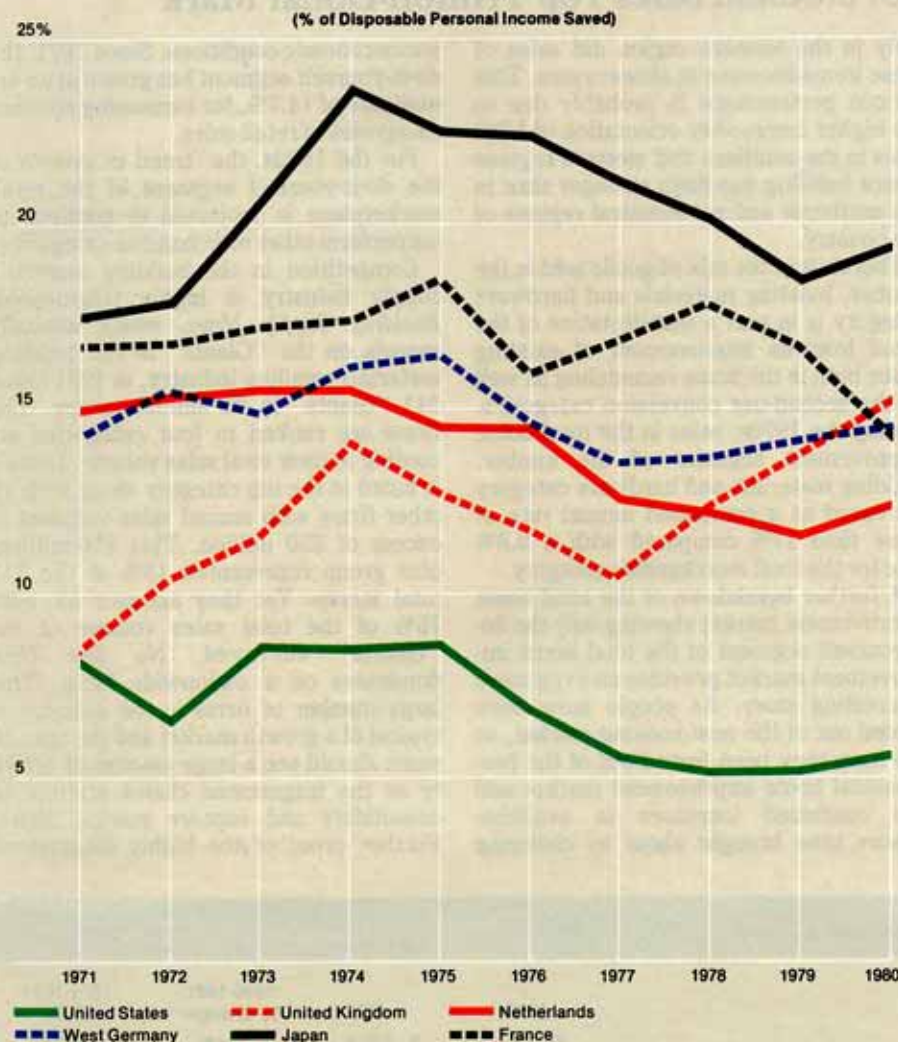
Regional Household Buying Power

26

	1981 Total EBI* (Billions)	1980 Total EBI* (Billions)	% Change 1980-1981	Number of Households by Effective Buying Income* Group				
				Under \$8,000 (000)	\$8,000- 9,999 (000)	\$10,000- 14,999 (000)	\$15,000- 24,999 (000)	\$25,000 & Over (000)
New England	\$ 101.2	\$ 92.4	+ 9.5%	729.1	192.4	555.0	1,314.2	1,633.0
Middle Atlantic	306.8	282.9	+ 8.4	2,295.5	588.9	1,674.3	3,848.1	4,820.4
Northeast	408.0	375.3	+ 8.7	3,024.6	781.3	2,229.3	5,162.3	6,453.4
South Atlantic	271.1	241.7	+ 12.2	3,055.7	802.9	2,105.4	3,809.1	3,710.5
East South Central	96.1	87.1	+ 10.3	1,447.4	320.4	785.3	1,360.3	1,239.0
West South Central	180.2	158.6	+ 13.6	1,962.1	462.9	1,134.4	2,158.7	2,761.5
South	547.4	487.4	+ 12.3	6,465.2	1,606.2	4,025.1	7,327.1	7,710.0
Mountain	84.8	74.8	+ 13.4	826.9	220.5	599.6	1,232.7	1,243.1
Pacific	284.6	252.1	+ 12.9	2,091.4	545.2	1,412.0	3,161.5	4,641.6
West	369.4	326.9	+ 13.0	2,917.3	765.7	2,011.6	4,394.2	5,884.7
West North Central	137.4	124.9	+ 10.0	1,305.1	326.5	821.0	1,770.9	2,084.9
East North Central	351.5	318.3	+ 10.4	2,570.6	624.5	1,740.0	4,409.8	5,513.6
Midwest	488.9	443.2	+ 10.3	3,875.7	951.0	2,561.0	6,180.7	7,598.5
United States	\$1,813.7	\$1,632.8	+ 11.1%	16,283.8	4,084.2	8,761.0	23,065.3	27,647.6

* Effective Buying Income equals income minus taxes, levies, etc.

SOURCES: Editor & Publisher Market Guide



(faster than either GNP or DPI).

As a result of this growth in consumption, the amount of money left over for savings has fallen consistently from its 1971 level of 8.1% to the final 1981 level of 5.3% of disposable income saved. This 5.3% rate is roughly half that of many of the Far Eastern and European industrialized nations. The resulting smaller reserves of capital decreased the supply and increased the demand for funds to invest in new plants and equipment to fuel the continued growth of the gross national product.

The continued erosion of savings in this country has special implications for the housing industry. With smaller and smaller amounts available to save, people are no longer content with the relatively safe but lower returns on their savings paid by traditional savings institutions. They have instead turned to money market funds and other investment instruments with potentially higher yields. The result has been a net decrease in the amount of funds available to fuel the continued growth of the housing industry, thus homeowners and potential homebuyers are forced out of the market by high rates caused by short supply and heavy demand. The solution to this problem is not just around the corner and in the short term, at least, the problem will not disappear.

The bright spot in the income scenario is the South. The growth of incomes in the South has been surpassed only by those in the West and both areas significantly outperform the rest of the country. The South, however, accounts for more than 30% of the total effective buying income of the country which is more than any other region.

Gross National Product Component Trends (Billions) Except Index Numbers

28

	1971		1981		1991		2001	
	Volume	Index	Volume	Index	Volume	Index	Volume	Index
Real GNP (Billions of 1972\$)	\$1,122.4	74.4	\$1,508.7	100.0	\$1,988.9	131.8	\$2,611.0	173.1
Personal Consumption Expenditures	696.8	72.6	960.2	100.0	1,251.8	130.4	1,655.1	172.4
Consumer Durables	98.2	70.7	138.9	100.0	188.0	135.3	253.6	182.6
(Auto Sales—Millions of Units)	10.3	118.1	8.7	100.0	13.0	150.2	15.3	176.3
Consumer Nondurables	288.7	78.3	368.7	100.0	459.5	124.6	570.9	154.8
Consumer Services	309.9	68.5	452.6	100.0	604.3	133.5	830.6	183.5
Gross Private Domestic Investment	173.9	81.5	213.4	100.0	311.3	145.9	425.3	199.3
Fixed Investment	165.8	80.3	206.6	100.0	302.4	146.4	415.8	201.3
Residential	53.6	117.0	45.8	100.0	67.6	147.6	70.2	153.3
(Housing Starts—Millions)	2.0	183.0	1.1	100.0	2.0	175.9	1.9	169.6
Nonresidential	112.2	69.8	160.8	100.0	234.8	146.0	345.6	214.9
Structures	42.8	84.8	50.5	100.0	70.6	139.8	103.7	205.3
Producer Durables	69.4	62.9	110.3	100.0	164.2	148.9	241.9	219.3
Business Inventories (Change)	8.1	119.1	6.8	100.0	8.9	130.9	9.5	139.7
Exports	71.0	44.3	160.4	100.0	216.6	135.0	298.5	186.1
Imports	69.3	59.8	115.9	100.0	163.4	141.0	247.7	213.7
Government	\$ 250.1	86.1	\$ 290.5	100.0	\$ 372.5	128.2	\$ 477.6	164.4

SOURCE: *Turning Points*

Retailing and Competition—U. S. Retail Sales Top Trillion-Dollar Mark

U. S. retail sales for 1981 surpassed the one trillion dollar mark for the first time. The biggest gains were in the retail hardware store category which recorded a 14% increase in sales followed by automotive sales which edged ahead 12% due primarily to increases in sticker prices rather than real unit sales increases. At the other end of the spectrum, liquor store sales increased by only 1% during 1981.

In those categories which are pertinent to Lowe's business, sales of appliances increased by 8.3% reflecting lower general rates of inflation in the prices of those items. In the lumber/building materials category, the more commodity-oriented retailers experienced only a 5% increase in sales while more retail-oriented hardware stores turned in the strongest performance of any merchandise category as measured by the Department of Commerce.

The southern region recorded the strongest increase in retail store sales with an 11% gain, although this rate is off slightly from its 11.5% annual growth rate from 1972 through 1981. The southern region, however, recorded the second-lowest level of retail sales increases in lumber, building materials and hardware.

Only in the western region did sales of these items increase at slower rates. This curious performance is probably due to the higher commodity orientation of LBH sales in the southern and western regions where building has been stronger than in the northeast and northcentral regions of the country.

This shift in the mix of goods sold in the lumber, building materials and hardware category is in part a manifestation of the trend towards improvement of existing space both in the home remodeling as well as the second-use conversion categories. During the 1970s, sales in the total home improvement segment of the lumber, building materials and hardware category increased at a compound annual rate of more than 11% compared with a 9.8% rate for the total merchandise category.

A further breakdown of the total home improvement market showing only the do-it-yourself segment of the total home improvement market provides an even more interesting story. As people have been forced out of the new housing market, so too have they been forced out of the professional home improvement market and the continued increases in available leisure time brought about by changing

socioeconomic conditions. Since 1971, the do-it-yourself segment has grown at an annual rate of 14.7%, far surpassing all other categories of retail sales.

For the 1980s, the trend in growth of the do-it-yourself segment of the retail marketplace is projected to continue to outperform other merchandise categories.

Competition in the building materials supply industry is highly fragmented. *Building Supply News*, which annually reports on the "Giants" in the building materials retailing industry, in 1981 listed 341 "Giants" in its annual survey. The firms are ranked in four categories according to their total sales volume. Lowe's is listed in the top category along with all other firms with annual sales volumes in excess of \$50 million. This \$50-million-plus group represented 18% of the 341 total stores. Yet they account for over 75% of the total sales volume of the "Giants" surveyed. No one firm dominates on a nationwide basis. This large number of firms in the industry is typical of a growth market and the next 10 years should see a large amount of activity as the fragmented chains attempt to consolidate and capture market share. Further proof of the highly fragmented

U. S. Retail Sales (with Pertinent Categories Highlighted) (\$ Billions)

29

	1971	1980	1981	1980-1981 % Change	1971-1981 CGR *
1. Food	\$ 92.6	\$217.5	\$ 237.9	+ 9.4%	+ 9.9%
2. Eating/Drinking Places	32.9	86.6	95.1	+ 9.8	+11.2
3. General Merchandise	55.5	116.3	126.6	+ 8.9	+ 8.6
4. Apparel Group	22.1	44.5	47.8	+ 7.4	+ 8.0
5. Furniture and Appliance Group	18.9	43.9	46.2	+ 5.2	+ 9.3
A. Furniture, Home Furnishings Stores	11.6	26.2	27.6	+ 5.3	+ 9.1
B. Household Appliances, TV, Radio	6.1	13.2	14.3	+ 8.3	+ 8.9
C. Other	1.2	4.5	4.3	- 4.4	+13.6
6. Automotive	77.4	167.0	187.3	+12.2	+ 9.2
7. Gasoline Stations	30.9	94.5	102.8	+ 8.8	+12.8
8. Drug and Proprietary Stores	14.4	31.6	34.5	+ 9.2	+ 9.1
9. Liquor Stores	9.2	16.6	16.7	+ 1.0	+ 6.1
10. Lumber, Building Materials, Hardware and Mobile Homes	20.2	48.2	51.3	+ 6.4	+ 9.8
A. Lumber Yards, Building Materials Dealers, Paint, Plumbing and Electrical Stores	12.9	33.7	35.5	+ 5.3	+10.7
B. Hardware Stores	3.4	7.7	8.8	+14.3	+10.0
C. Mobile Homes and Other	3.9	6.8	7.0	+ 2.9	+ 6.0
11. Durable Goods	128.8	297.9	328.3	+10.2	+ 9.8
12. Nondurable Goods	277.4	658.7	716.3	+ 8.7	+14.2
13. Total U. S. Retail Sales	\$406.2	\$956.7	\$1,044.7	+ 9.2%	+ 9.9%
Total Pertinent Categories (5B, 10A, 10B)	\$ 22.4	\$ 54.6	\$ 58.6	+ 7.3%	+10.1%

* Compound Growth Rate

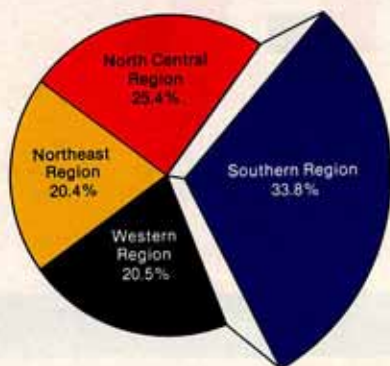
SOURCE: Department of Commerce, Retail Trade

nature of the lumber, building materials and hardware industry is the fact that the top 25 "Giants" accounted for only 19% of the total lumber, building materials and hardware supply sales in the U.S. in 1981. Large chains, however, have increased their share of market from 11% in 1972 to the 19% rate in 1981.

Lowe's base of operation is the geographic region known as the South and since 1972, Lowe's sales as a percent of the total lumber, building materials and hardware sold in the South has increased from 2.9 to 4.9%. It is interesting to note the ever-increasing importance of Lowe's retail sales in this penetration increase.

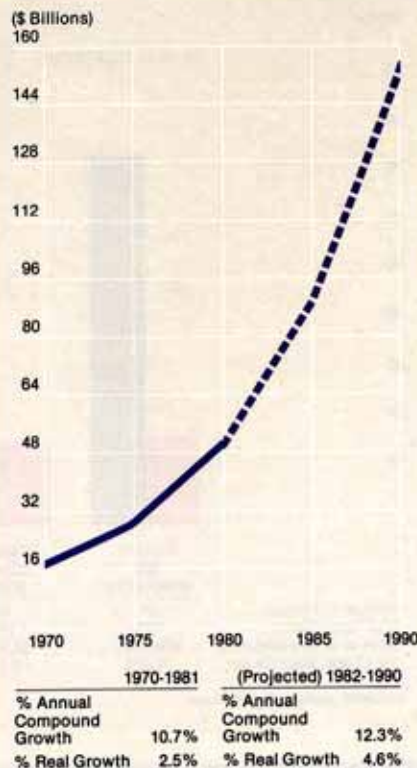
All Stores Sales

30



Home Improvement Market

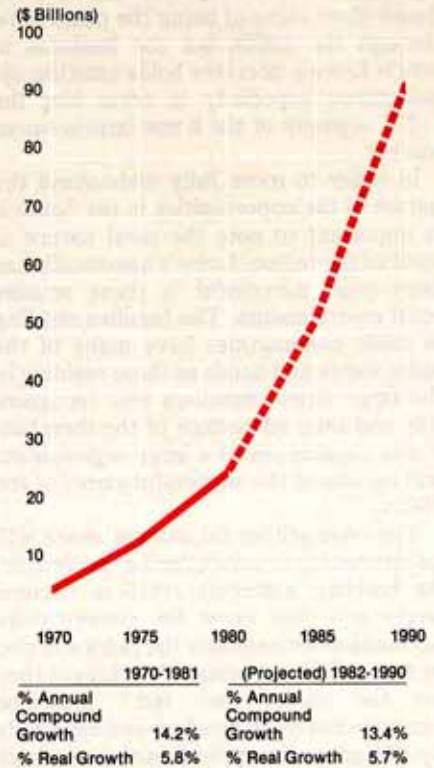
31



SOURCE: Bureau of Building Marketing Research, *Building Supply News*; Data Resources, Inc. and D.I.Y. Research Institute

Do-It-Yourself Home Improvement Market

32



SOURCE: Bureau of Building Marketing Research, *Building Supply News*; Data Resources, Inc. and D.I.Y. Research Institute

Regional Retail Sales (\$000,000)

33

	1972	1980	1981	1980-1981 % Change	1972-1981 CGR *
Northeast Region					
All Stores	\$104,806	\$197,766	\$213,018	+ 7.7%	+ 8.2%
All Durables	27,743	53,826	58,745	+ 9.1	+ 8.7
General Merchandise, Apparel, Furniture, Home Furnishings (GAF)	29,518	49,885	53,789	+ 7.8	+ 6.9
Lumber, Building Materials, and Hardware (LBH)	4,139	6,613	7,255	+ 9.7	+ 6.4
North Central Region					
All Stores	127,571	246,818	264,884	+ 7.3	+ 8.5
All Durables	38,852	76,060	81,907	+ 7.7	+ 8.6
General Merchandise, Apparel, Furniture, Home Furnishings (GAF)	33,582	59,645	63,567	+ 6.6	+ 7.3
Lumber, Building Materials, and Hardware (LBH)	9,570	12,827	13,704	+ 6.8	+ 4.1
Southern Region					
All Stores	132,899	317,184	352,760	+ 11.2	+ 11.5
All Durables	41,128	103,768	117,636	+ 13.4	+ 12.4
General Merchandise, Apparel, Furniture, Home Furnishings (GAF)	34,171	74,282	82,351	+ 10.9	+ 10.3
Lumber, Building Materials, and Hardware (LBH)	8,188	17,108	18,067	+ 5.6	+ 9.2
Western Region					
All Stores	82,898	194,887	213,986	+ 9.8	+ 11.1
All Durables	24,091	64,272	70,017	+ 8.9	+ 12.6
General Merchandise, Apparel, Furniture, Home Furnishings, (GAF)	20,823	50,256	53,910	+ 7.3	+ 11.1
Lumber, Building Materials, and Hardware (LBH)	\$ 4,795	\$ 11,662	\$ 12,246	+ 5.0	+ 11.0

* Compound Growth Rate

SOURCE: Department of Commerce, *Retail Trade*

The environment created by the merging of the competitive and the retail environments is exciting. Not only does the South show signs of being the place to be through the 1980s but the business in which Lowe's operates holds exciting opportunities especially in areas like the D-I-Y segment of the home improvement market.

In order to more fully understand the nature of the opportunities in the South it is important to note the rural nature of most of the region. Lowe's historically has been most successful in these smaller rural environments. The families residing in these communities have many of the same wants and needs as those residing in the large cities. Retailers who recognize this and take advantage of the merchandising capabilities of a large organization will be among the successful giants of the 1990s.

The competition for market share will be interesting to watch during the decade. As building materials retailers become larger and their quest for market share becomes more intensive the risks will also increase. The old adage, "the bigger they are the harder they fall," must be remembered by all retailers and especially by companies in cyclical businesses such as the building materials supply segment. This means that those companies who are to be successful must recognize the pitfalls and opportunities of cyclicity and make plans accordingly. Perhaps the most overused example of how a business in a cyclical environment can be affected is the auto industry.

Looking ahead at the next decade for Lowe's penetration in the South several interesting extrapolations can be made. Assuming that LBH sales in the South, Lowe's total sales and Lowe's retail sales continue their historical growth paths then the following information might be reported in 1991:

LBH SALES Southern region
\$43.6 billion

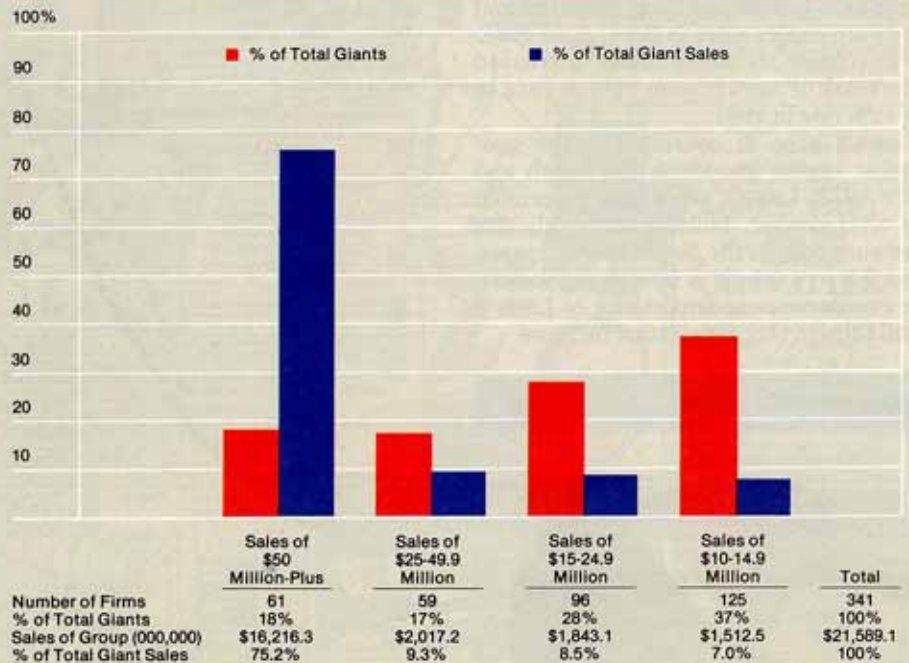
Lowe's total sales \$5.6 billion
Lowe's retail sales \$2.9 billion

Lowe's total sales % to South 12.8%
Lowe's retail sales % to South 6.7%

But the preceding figures assume a holding constant of all present assumptions. They could (and probably will) be better.

Fragmentation of the Competition

34



SOURCE: Building Supply News

The Growth of the Chains

35

The 25 Largest Building Supply Retailers (000,000s) Except Percents

	1972	1980	1981	1972-81 CGR*
Lumber, Building Materials, Hardware Sales— Total U.S.	\$18,820	\$41,585	\$44,491.0	+ 10.0%
Sales of the Top 12 Building Supply Giants	\$ 1,538	\$ 5,886	\$ 6,449.9	+ 17.3%
% of Total LBH	8.2%	14.2%	14.5%	
Sales of Remaining 13 Giants	\$ 546	\$ 2,032	\$ 2,060.6	+ 15.9%
% of Total LBH	2.9%	4.9%	4.6%	

*Compound Growth Rate

Source: Building Supply News

The Penetration of Lowe's

36

(000,000s) Except Percents

(Millions)	1972	1980	1981	1972-81 CGR
Annual Sales of Lumber, Building Materials, Hardware— Southern Region *	\$8,188	\$17,108**	\$18,067**	9.2%
Lowe's Total Sales ***	\$ 235	\$ 884	\$ 888	15.9%
Lowe's Retail Sales	\$ 88	\$ 420	\$ 461	20.2%
Lowe's Sales as % of total LBH in South	2.9%	5.2%	4.9%	
Lowe's Retail Sales as % of total LBH in South	1.1%	2.5%	2.6%	

* LBH figures for 1972 are unrevised and include farm equipment

** LBH figures for 1980 and 1981 also include mobile home sales

*** 1972 Lowe's annual sales are based on fiscal year ending 7-31-72

SOURCE: Department of Commerce Retail Trade

Housing and Construction—1981 Monthly Rates Never Reached Annualized Million Mark

During 1981, the single family private starts never broke the one million mark on a monthly annualized basis. And the final start rate for that highly desired single family home in 1981 was only slightly more than the 700,000 mark.

Sales of existing homes showed similar downward plunges in 1981 and at the 2.4 million level are far below the decade high of 1978 when nearly 3.9 million existing single family homes changed hands in the United States.

While population demographics indicate that these trends should not be happening in the country, a look at the pricing of new homes helps to explain why housing has run upon such hard times. Since 1971 the price of a new single family home has more than doubled and nearly reached a point where slightly more than 11% of U.S. families had incomes large enough to meet monthly shelter expenses. While starts around the country ended the year at only slightly above the one million level, the South accounted for nearly 52% of those starts. In 1971, for example, the South accounted for only 43% of total U.S. private housing starts.

The current affordability crisis coupled

with the present economic situation combine to create a very challenging set of marketing conditions for Lowe's. These problems are not going to disappear overnight just as they did not appear overnight.

With the large demand for housing which will exist for the decade of the '80s, new solutions are being found to solve housing needs. Gentrification of downtown areas, conversion of existing space to second use, repairing, remodeling and additions to existing residences are just a few examples of how American ingenuity is overcoming the problems of housing in today's market.

Construction Spending Components (Billions)

	1971	1980	1981	71-81 CGR*
Government	\$ 29.9	\$ 55.4	\$ 53.5	6.0%
New Housing	35.1	63.1	62.0	5.9
Private Additions and Alterations	6.8	21.1	20.0p	11.4
Commercial and Industrial	17.0	43.8	50.4	11.5
Other Private	21.5	47.3	51.1	9.0
Total	\$110.3	\$230.7	\$237.0	7.9%

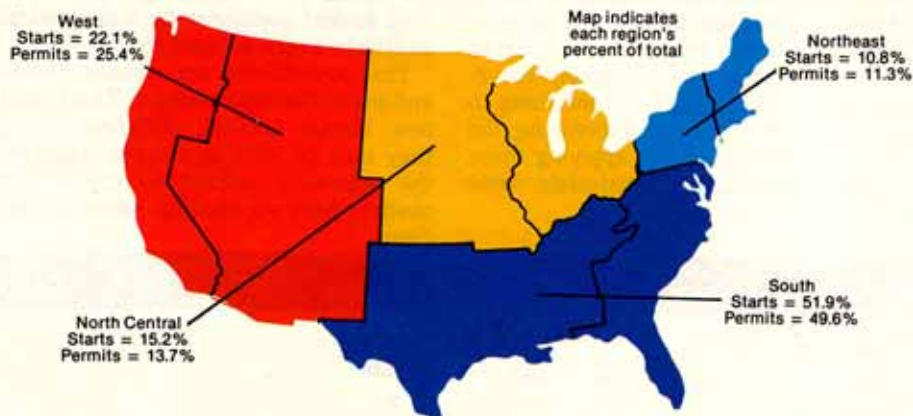
*Compound Growth Rate

P = Preliminary

SOURCES: Economic Indicators, Construction Review

Regional Housing Starts and Permits (Private Housing Starts Only) (000)

37



Year	U.S.		Northeast		North Central		West		South	
	Starts	Permits	Starts	Permits	Starts	Permits	Starts	Permits	Starts	Permits
1971	2,052	1,981	271	308	440	430	490	478	884	737
1980*	1,292	1,191	125	118	218	192	306	319	643	562
1981P	1,087	981	117	111	166	134	240	249	564	487

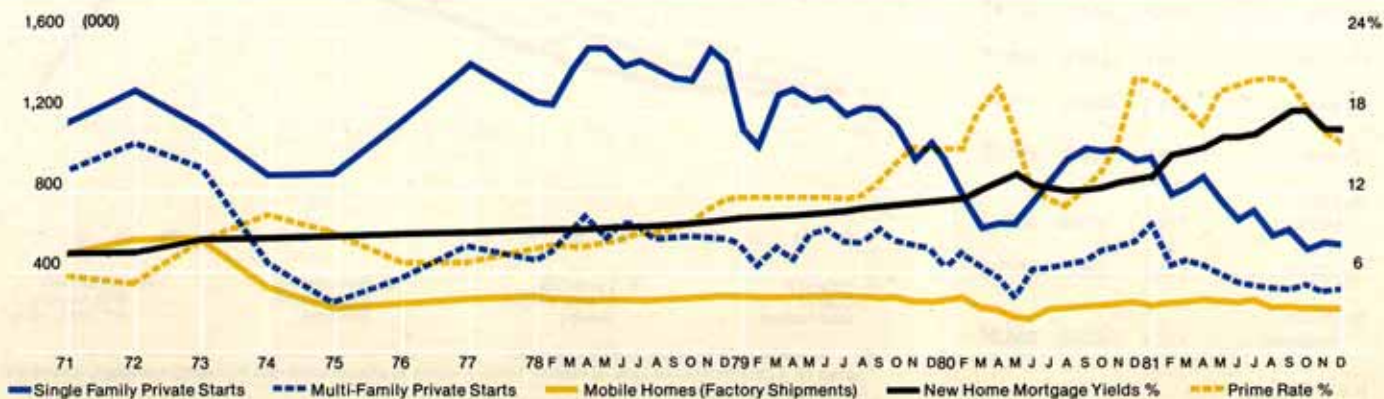
* Permit figures for 1980 and 1981 are for 16,000 permit-issuing places and are not, therefore, directly comparable to permit figures in prior years which reflect 14,000 permit-issuing places.

P = Preliminary

SOURCE: Construction Review, Construction Reports

Housing: The Changing Mix

38



SOURCES: NAHB Housing Starts Bulletin; Economic Indicators

	U.S.		Northeast Units Sold (000)	North Central Units Sold (000)	West Units Sold (000)	South	
	Units Sold (000)	Dollar Volume (Billions)				Units Sold (000)	% of U.S. Total
1971	2,018	\$ 56.5	311	538	389	735	36%
1980	2,881	209.7	384	797	547	1,154	40
1981	2,351	184.1	336	626	420	969	41
1971-81 CGR**	1.54%	12.5%	.8%	1.5%	.8%	2.8%	

* Reflective of sales of previously owned homes, does not include new housing.

** Compound Growth Rate

SOURCE: National Association of Realtors

The companies which serve the housing and construction industry must be just as innovative as the American public in responding to the changes in the market. Building materials retailers must be constantly searching for new materials and technologies that will aid the baby boomers in solving their housing needs.

Some of these adaptations will come as recognition of the opportunities created by the emerging Do-It-Yourself movement which shows signs of continuing to gain speed. Perhaps by minimizing the role of the contractor and applying those savings to purchase of materials some solutions can be found.

Other avenues include the successful marketing of downsized homes, multi-family dwellings and new construction materials. The latter may hold some remarkable possibilities. Underground construction, plastic bubbles and blown-plastic over chicken wire frames are but a few of the new technologies already finding limited popularity both domestically and in the overseas markets.

The possibilities are almost limitless and so are the opportunities. There will be new homes created, different through they may be, and aggressive retailers of the materials utilized to create these shelters have an exciting future ahead of them.

Construction Costs and Prices

Index 1967 = 100

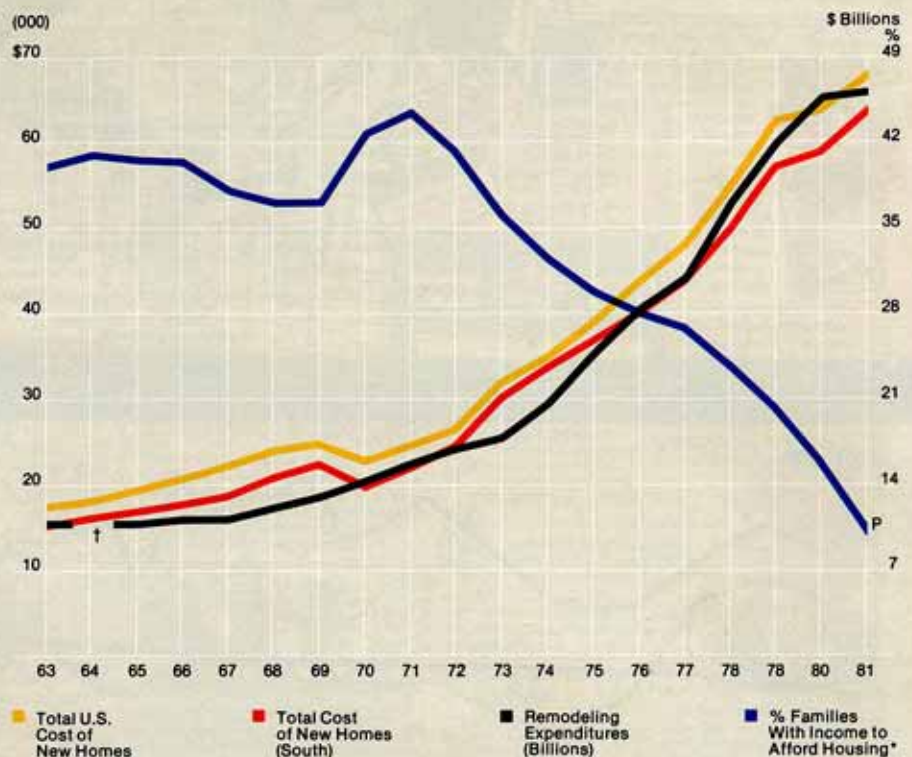
	1971	1980	1981
Consumer Price Index...	121.3	246.8	272.4
Producer Price Index...	114.0	247.0	269.8
All Durable Goods.....	116.5	210.4	227.1
Food.....	118.4	254.6	274.6
All Construction Materials...	119.5	266.4	283.0 ^P
Southern Pine.....	133.8	297.4	291.4 ^P
Plywood.....	114.7	246.5	245.7 ^P
Millwork.....	120.7	260.4	273.4 ^P
Gypsum.....	106.8	256.3	256.2 ^P
Roofing Asphalt.....	126.5	372.6	358.4 ^P
Plumbing.....	116.4	246.7	267.4 ^P
Builder's Hardware...	117.7	229.5	255.5 ^P

P = Preliminary

SOURCE: Economic Indicators, Construction Review

Cost of New Homes

40



(P) = Preliminary † Data not available for 1964.

*Based on a commitment of 25% of median family income to shelter expenses including mortgage, insurance, operating expenses and repairs.

SOURCE: Construction Reports; NAHB Economics Division

Consolidated Statements of Changes in Financial Position

Lowe's Companies, Inc. and Subsidiaries
Fiscal years ended January 31, 1982, 1981, and 1980
(Thousands of dollars)

	Fiscal 1981	Fiscal 1980	Fiscal 1979
Funds provided:			
Net earnings	\$ 17,859	\$ 18,891	\$ 24,955
Charge not requiring funds—depreciation	10,522	10,320	10,064
Funds from operations	28,381	29,211	35,019
Long-term debt borrowings	1,883	—	10,553
Disposals of property	902	561	857
Other—net	52	(282)	957
Total funds provided	31,218	29,490	47,386
Funds applied:			
Dividends paid	9,376	7,813	6,511
Properties acquired	30,698	13,585	19,520
Current maturities and repayment of long-term debt	4,948	4,183	19,402
Total funds applied	45,022	25,581	45,433
Changes in working capital components:			
Accounts receivable	(20,065)	1,730	(394)
Merchandise inventories	(11,575)	6,593	7,263
Other current assets	751	(2,088)	2,096
Current maturities of long-term debt	(259)	(64)	(1,654)
Accounts payable	4,044	(6,436)	(734)
Employee retirement benefits payable	1,429	(687)	(3,670)
Accrued salaries and wages	644	186	461
Other current liabilities	(1,782)	(2,634)	115
Income taxes payable	(3,494)	14,701	(15,127)
Working capital changes before cash	(30,307)	11,301	(11,644)
Increase (decrease) in cash (cash and cash equivalents)	16,503	(7,392)	13,597
Cash, beginning of year	15,567	22,959	9,362
Cash, end of year	\$32,070	\$15,567	\$22,959

See accompanying notes to consolidated financial statements.

Report of Independent Certified Public Accountants

The Board of Directors and Shareholders
Lowe's Companies, Inc.

We have examined the consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 31, 1982, 1981, and 1980, and the related consolidated statements of current and retained earnings and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Lowe's Companies, Inc. and subsidiaries as of January 31, 1982, 1981, and 1980, and the consolidated results of their operations and changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the changes, with which we concur, in the methods of accounting for depreciation of Fiscal 1981 property additions and capitalization of interest costs and after restatement for the change in the method of accounting for vacation pay, as described in Note 2 to the consolidated financial statements.

J. A. Grisette & Co.

J. A. Grisette & Co.

Lenoir, North Carolina
March 5, 1982

Management Analysis: Lowe's Financial Strategies

On the preceding page, we have chosen to begin this year's Financial Statements Presentation with the Statement that many analysts consider the most important of all—the Statement of Changes in Financial Position—historically known as the “Sources and Uses of Funds” document.

We have also chosen to change the format in this report to one which we believe is supportive of new standards proposed by the Financial Accounting Standards Board, and one which is favored by the Financial Executives Institute, and the Listed Company Advisory Committee of the New York Stock Exchange.

This format reconciles to Cash rather than to changes in Working Capital. As such it quickly highlights liquidity trends, or the lack thereof, and whether the company's operations and activities for the year were a net user or a net generator of Cash. So we invite your attention to a “Bottom Line” which is different from the cliché one, and the intermediate lines which produced it.

Dramatically different sales trends are presented graphically in Chart A for Lowe's sales to retail customers and to the builder. Total sales have averaged a growth rate of 8% per year from 1977 through 1981, however, retail sales have accelerated at a 17% average annual increase, while sales at wholesale have increased at an average of 1% annually. These trends are a result of the adverse economic circumstances plaguing the housing industry since late 1979 and the company's increased emphasis upon penetrating the retail do-it-yourself market. The growth of retail sales and the persistent long range growth rate shown in line 5, pages 60-62 are attributable to the marketplace acceptance of Lowe's merchandise and services and to the company's continued geographic expansion. The sales trends are in part influenced by inflation, but in 1981 the rate of inflation for our merchandise was less than one-fourth that registered by the Consumer Price Index. Indeed, the inflation in our merchandise was at the lowest rate ex-

perienced since the company adopted LIFO in Fiscal 1978.

Net earnings as a percentage of sales during the last five years are delineated in Chart B. This net return on sales is a measure of productivity which is affected by sales volume, customer and product mix, and income statement factors—margin rates, fixed and variable expenses, and tax rates. The rates shown here for 1978, 1979, 1980, and 1981 reflect the change to LIFO Inventory accounting. A restated, historical comparison is presented in line 19, pages 60-62. The constant challenge to management when expenses generally inflate at rates comparable to the Consumer Price Index and prices of our merchandise increase at a rate of only one-fourth to one-half that rate is to increase productivity so that the falling trend of net earnings to sales will be reversed.

Funds from operations (Cash Flow) as portrayed in Chart C, result from net earnings and non-cash charges against earnings, principally depreciation. Such funds are used for two purposes: first, providing the source of dividends to be paid to shareholders; with the balance being reinvested in the business for future growth. Lowe's policy in the past five years has been to provide a steady increase in cash flow to shareholders in the form of cash dividends in spite of cyclical earnings fluctuations. Our long term Cash Flow growth rates are shown in line 9, pages 60-62.

We have discovered an easy way to compare the real internal Cash Flow during years of LIFO inventory accounting, with years of FIFO inventory accounting, of which some of both are presented in the 21 year review. The Formula is:

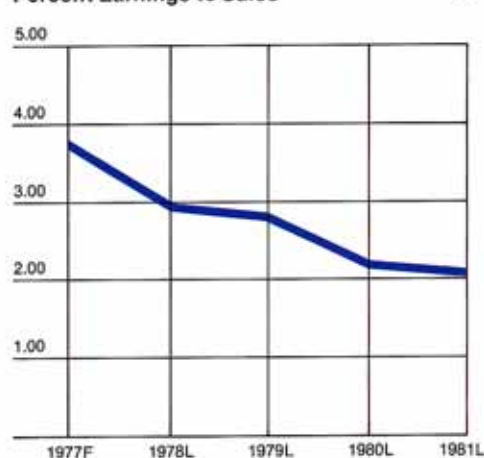
From: FIFO Net Earnings Before Taxes,
 Subtract: Actual Taxes (from the Audited Financials),
 Add: Depreciation
 Result: Real Cash Flow

The reason this Formula is valid is that all the Cash Flow that was present under FIFO still flowed in under LIFO, and was augmented by decreased tax liability.

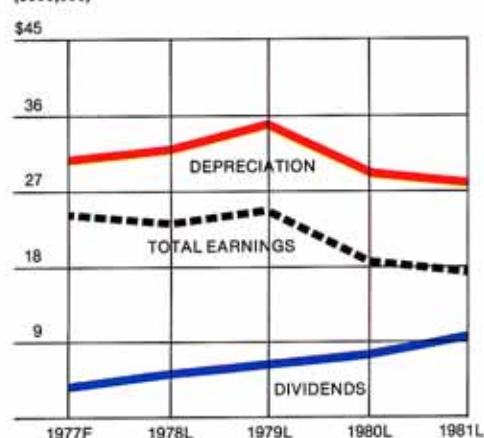
Total Sales Trends
(\$000,000)



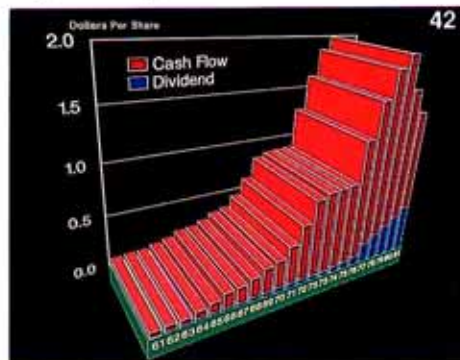
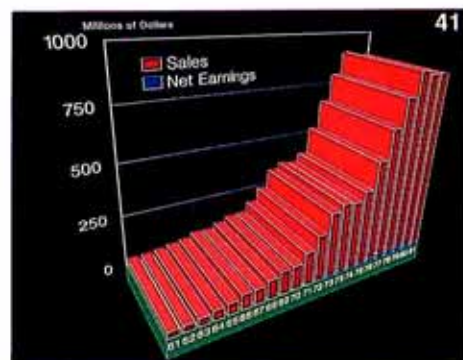
Percent Earnings to Sales



Total Cash Flow (LIFO)
(\$000,000)



F: FIFO Accounting
 L: LIFO Accounting



Consolidated Statements of Current and Retained Earnings

Lowe's Companies, Inc. and Subsidiaries
(In thousands, except per share data)

	Year ended January 31, 1982		Year Ended January 31, 1981		Year Ended January 31, 1980	
	Fiscal 1981	% of Sales	Fiscal 1980	% of Sales	Fiscal 1979	% of Sales
Current earnings:						
Net sales	\$888,042	100.0	\$883,614	100.0	\$904,651	100.0
Cost of sales	667,610	75.2	677,974	76.7	693,976	76.7
Gross profit	220,432	24.8	205,640	23.3	210,675	23.3
Expenses:						
Selling, general, and administrative	164,786	18.6	144,312	16.3	136,037	15.1
Depreciation (Note 2)	10,522	1.2	10,320	1.2	10,064	1.1
Employee retirement benefits (Note 8)	8,932	1.0	10,528	1.2	10,226	1.1
Interest and loan expense (Notes 2 and 12)	2,966	.3	4,203	.5	7,017	.8
Total expenses	187,206	21.1	169,363	19.2	163,344	18.1
Pre-tax earnings	33,226	3.7	36,277	4.1	47,331	5.2
Provision for income taxes (Note 7)	15,367	1.7	17,386	2.0	22,376	2.5
Net earnings	\$ 17,859	2.0	\$ 18,891	2.1	\$ 24,955	2.7
Earnings per share	\$.91		\$.97		\$ 1.28	
Dividends per share	\$.48		\$.40		\$.33	
Shares outstanding	19,533		19,533		19,533	
Retained earnings:						
Beginning of year, as previously reported	\$158,400		\$147,322		\$128,878	
Less adjustment (Note 2)	(1,157)		(1,157)		(1,157)	
Beginning of year, as restated	157,243		146,165		127,721	
Net earnings	17,859		18,891		24,955	
Less cash dividends	9,376		7,813		6,511	
Less 3-for-2 stock split (Note 9)	3,256		-0-		-0-	
End of year	\$162,470		\$157,243		\$146,165	

See accompanying notes to consolidated financial statements.

Management Analysis: Lowe's Financial Strategies

Let us now consider Balance Sheet (page 49) Strategies and Management. Historically, two major strategies for Balance Sheet Management, one for each side of the Balance Sheet, have helped to make this a dynamic document. First, on the Assets side, we concern ourselves with the structural balance of the various Asset components which contribute to our profits and growth. Since Fixed Assets provide no direct return on investment, we maintain the major portion of our Assets in items that "turn" around sales, specifically, Inventory and Accounts Receivable. In recent years, Inventory and Receivables have been maintained at an average of 62% of total Assets, but careful management during Fiscal 1981 brought their total to 53% on January 31.

It is important to note that our major Current Asset, Inventory, has been valued using the LIFO method of accounting since 1978. The effect on the Balance Sheet is that during inflationary periods, the LIFO method tends to reduce the stated value of similar units of Inventory, thus reducing Inventory as a percentage of total Assets.

Inventory is the single most important Asset to a company like Lowe's. Our fundamental mission is the merchandising of hard goods, not retail financing and not real estate investment. Because it is the raw material of profitability, continuing attention is given to managing Inventory properly. Lowe's Sales to Inventory ratio—Total Sales divided by Average Inventory at cost—was 6.3 times in 1981, and the \$11.6 million decline in total was a reduction in both units and dollars.

Accounts Receivable occupy the next largest portion of total Assets and are an essential marketing service to our professional customers. The Accounts Receivable balance is comprised almost entirely of receivables from sales to our professional customers and their average tenure on the ledgers varies seasonally. Our retail customer tends either to pay in cash or to use our private-label credit card or one of the nationally known credit

cards, with the resulting receivables being sold on a non-recourse basis. These credit card sales are therefore like cash to Lowe's—from the dual standpoints of risk and cash flow—and do not represent Accounts Receivable.

Our Receivables decreased \$20.1 million, or by 29.5% during Fiscal 1981. The \$48 million on January 31, 1982 was equal to 63% of sales to professional buyers during the preceding 90 days, compared to 60% one year ago, and 63% two years ago. Reflecting good management, the allowance for doubtful accounts was \$2.8 million this year compared to \$3.5 million one year ago.

Fixed Assets, principally store buildings, fixtures and equipment, increased to 36% of total Assets this year reflecting the addition of 15 new stores opened in the fiscal year, and a continuing existing-store retrofitting program.

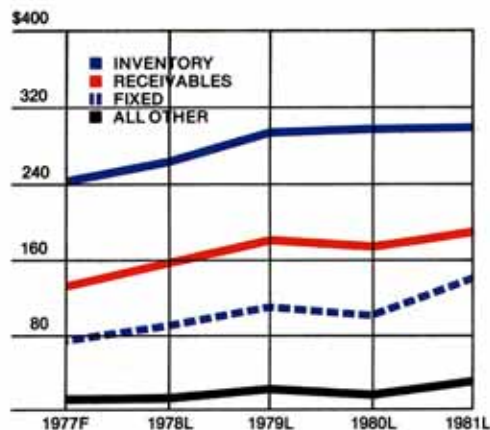
All Other Assets increased to 11% of the total, primarily constituted by an increase in short-term investments. These funds, which fluctuate seasonally, are made available by the company's cash management system and our effective control of other Current Assets.

The second major strategy in Balance Sheet management deals with the Liabilities and Shareholders' Equity side, where we are specifically concerned with the financing of Assets. The most important components here are Shareholders' Equity, Accounts Payable, Long-Term Debt, and Other Liabilities.

Equity was financing 58% of total Assets on January 31, 1982. We believe this illustrates conservative financial policies and a strong balance sheet. However, Equity cannot finance the total Assets required to maximize Lowe's operations and opportunities. Other funds are needed and obtained, some on a short-term basis and some long-term.

Leverage, as used here, is computed by dividing total Assets by Shareholders' Equity. Trends in Leverage are shown in the small table at right, and on lines 21 and 39 on pages 60-62.

Assets Trends & Composition
In Millions



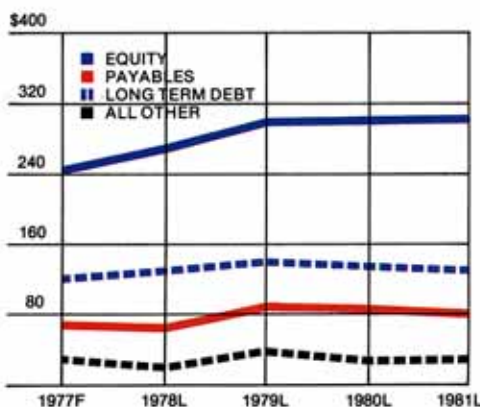
Balance Sheet Trends
% of Total*

	1977F	1978L	1979L	1980L	1981L
Inventory:	43%	41%	39%	41%	37%
Receivables:	25%	25%	22%	23%	16%
Fixed Assets:	27%	30%	30%	30%	36%
All Other:	5%	4%	9%	6%	11%
Totals:	100%	100%	100%	100%	100%

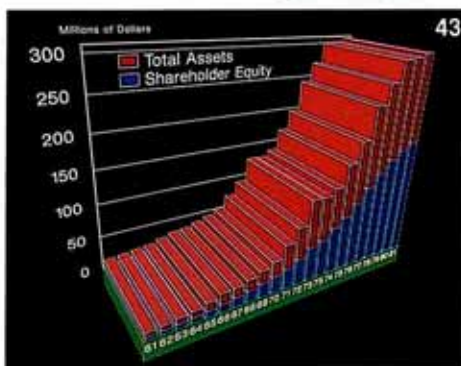
Equity:	51%	52%	53%	56%	58%
Payables:	16%	17%	15%	17%	16%
Debt:	21%	24%	19%	17%	16%
All Other:	12%	7%	13%	10%	10%
Totals:	100%	100%	100%	100%	100%

*Totals Rounded Equity + Debt Ratio	3.63	3.25	2.81	2.15	2.38
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Equity and Liabilities Trends and Composition
In Millions



F: FIFO Accounting
L: LIFO Accounting



Consolidated Balance Sheet

Lowe's Companies, Inc. and Subsidiaries
(Thousands of dollars)

	January 31, 1982		January 31, 1981		January 31, 1980	
	Fiscal 1981	% of Total	Fiscal 1980	% of Total	Fiscal 1979	% of Total
ASSETS:						
Current assets:						
Cash	\$ 6,781	2.2	\$ 8,567	2.8	\$ 22,959	7.7
Short-term investments	25,289	8.3	7,000	2.3	-0-	-0-
Accounts receivable less allowance for doubtful accounts (Note 12)	48,107	15.7	68,172	22.6	66,442	22.2
Merchandise inventories (Note 3)	113,529	37.0	125,104	41.5	118,511	39.5
Other current assets	1,664	.5	913	.3	3,001	1.0
Total current assets	195,370	63.7	209,756	69.5	210,913	70.4
Property, improvements, and equipment less accumulated depreciation (Notes 2, 4, 6, and 10)						
	110,673	36.1	91,399	30.3	88,695	29.6
Other assets	521	.2	573	.2	291	-0-
Total assets	\$306,564	100.0	\$301,728	100.0	\$299,899	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current maturities of long-term debt (Note 6)	\$ 4,416	1.4	\$ 4,157	1.4	\$ 4,093	1.4
Accounts payable	47,959	15.7	52,003	17.2	45,567	15.2
Employee retirement benefits payable (Note 8)	9,043	3.0	10,472	3.5	9,785	3.3
Accrued salaries and wages	5,655	1.8	6,299	2.1	6,485	2.2
Other current liabilities	10,328	3.4	8,546	2.8	5,912	1.9
Income taxes payable (Note 7)	2,798	.9	(696)	(.2)	14,005	4.6
Total current liabilities	80,199	26.2	80,781	26.8	85,847	28.6
Long-term debt, excluding current maturities (Note 6)						
	48,864	15.9	51,929	17.2	56,112	18.7
Total liabilities	129,063	42.1	132,710	44.0	141,959	47.3
Commitments, contingencies, and litigation (Notes 10 and 11)						
Shareholders' equity (Notes 2, 6 and 9):						
Common stock — \$.50 par value	9,767	3.2	6,511	2.2	6,511	2.2
Capital in excess of par value	5,264	1.7	5,264	1.7	5,264	1.8
Retained earnings	162,470	53.0	157,243	52.1	146,165	48.7
Total shareholders' equity	177,501	57.9	169,018	56.0	157,940	52.7
Total liabilities and shareholders' equity	\$306,564	100.0	\$301,728	100.0	\$299,899	100.0

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lowe's Companies, Inc. and Subsidiaries
Fiscal years ended January 31, 1982, 1981, and 1980

Note 1—Summary of Significant Accounting Policies:

The company is a specialty retailer of building materials and related products for home construction and remodeling markets serving both the professional builder and the do-it-yourself retail consumer. The accounting policies of Lowe's Companies, Inc., and subsidiaries are in accordance with generally accepted accounting principles. Below are those policies considered particularly significant.

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated.

SHORT-TERM INVESTMENTS—The company has a cash management program which provides for the investment of excess cash balances in short-term instruments which generally mature within 30 days. These investments are stated at cost which approximates market. Interest is accrued when earned.

ACCOUNTS RECEIVABLE—Allowance for doubtful accounts is based on historical experience coupled with a review of existing receivables. Installment receivables arising from consumer sales are sold, without recourse, to outside finance companies.

MERCHANDISE INVENTORIES—Inventories are stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method.

PROPERTY, IMPROVEMENTS AND EQUIPMENT—Property, improvements, and equipment are recorded at cost. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are expensed. Upon disposal, cost of properties and related accumulated depreciation are removed from the accounts. Gains and losses on items disposed of are reflected in earnings.

The provision for depreciation is based generally on accelerated methods for both financial reporting and income tax purposes except for depreciation on Fiscal 1981 additions (Note 2).

LEASES—Assets under capital leases are amortized in accordance with the company's normal depreciation policy for owned assets. The charge to earnings resulting from amortization of these assets is included in depreciation expense in the consolidated financial statements (Note 10).

INCOME TAXES—Income taxes are provided on pre-tax earnings as reported in the consolidated financial statements. Deferred income taxes result from timing differences between pre-tax earnings reported in the consolidated financial statements and taxable income. Investment tax credits are accounted for as a reduction of income tax expense in the year in which the credits are utilized.

EMPLOYEE RETIREMENT PLANS—Since 1957 the company has maintained retirement plans for its employees as described in Note 8. The plans provide for employer contributions only and are funded annually.

OTHER ASSETS—Intangible assets are amortized over their estimated useful lives on the straight-line method.

SERVICE CHARGES—Service charges arising from certain classes of customer accounts are treated as a reduction of selling, general, and administrative expenses in the consolidated statements of earnings.

START-UP EXPENSES—Expenses associated with the opening of new stores and service facilities are charged to earnings as incurred.

RECLASSIFICATION—Effective February 1, 1981, the company reclassified buying, warehousing and occupancy costs to include these items in Selling, General, and Administrative expenses rather than in Cost of Sales. The company believes these items are more properly classified as part of operating expenses, rather than as items affecting gross profit. Also, the provision for bad debts is now included in Selling, General, and Administrative expenses. The accompanying consolidated statements of earnings for Fiscal 1980 and 1979 reflect these reclassifications.

INTEREST COSTS—Beginning in Fiscal 1981, interest costs associated with new store construction are capitalized and charged to earnings over the lives of the related assets. In years prior to Fiscal 1981, all interest costs were expensed as incurred. Statement of Financial Accounting Standards (SFAS) No. 34 prohibits restatement of prior years.

EARNINGS PER SHARE—Earnings per share are calculated on the weighted average shares of common stock outstanding during each year. Earnings per share have been retroactively adjusted to reflect the three-for-two stock split described in Note 9.

Note 2—Accounting Changes:

The provision for depreciation is based generally on accelerated methods for both financial reporting and income tax purposes. However, the Economic Recovery Tax Act of 1981 precludes this consistency for assets placed in service after December 31, 1980. Therefore, the company has elected to record depreciation on a straight-line basis for financial reporting purposes beginning with assets placed in service in Fiscal 1981 inasmuch as the company believes the straight-line method more properly matches depreciation costs with revenue. This change increased net earnings for the year ended January 31, 1982, by \$524 thousand or 3 cents per share.

Effective February 1, 1981, the company adopted the policy of capitalizing interest costs related to the financing of new store construction. Prior to Fiscal 1981 all interest was expensed as incurred. This accounting change, made in accordance with Statement of Financial Accounting Standards No. 34, resulted in the capitalization of interest of \$544 thousand, which increased net earnings by \$276 thousand or 1 cent per share. Such policy was not applicable in Fiscal 1980 (the first effective year of SFAS No. 34) since the amount involved was not material.

Prior to Fiscal 1981, the company followed the common practice of accounting for the costs of employees' vacation pay benefits in the period they were paid. Effective February 1, 1981, as required by Statement of Financial Accounting Standards No. 43, the company began accruing such benefits as they are earned. Financial statements for years prior to Fiscal 1981 have been restated as required by the statement, resulting

in a decrease in retained earnings at February 1, 1979, of \$1.157 million (after \$1.122 million deferred income tax charge). Net earnings as previously reported for Fiscal 1980 and 1979 were not affected by the change and the effect on net earnings for Fiscal 1981 was not significant.

Note 3—Merchandise Inventories:

The company adopted the LIFO method of inventory accounting in Fiscal 1978. If the FIFO method had been used, inventories would have been \$23.556 million, \$22.636 million, and \$15.950 million higher at January 31, 1982, 1981, and 1980, respectively. Net earnings would have been increased \$467 thousand or 2 cents per share, \$3.394 million, or 17 cents per share, and \$3.817 million, or 19 cents per share in Fiscal 1981, 1980, and 1979, respectively.

Note 4—Properties and Accumulated Depreciation:

Properties are summarized below by major classes with estimated lives in years as follows: buildings, 20 to 30; store and office equipment, 5 to 10; transportation equipment, 3 to 7; and leasehold improvements, generally over the remaining life of the lease.

	January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Cost:			
Land	\$ 16,272	\$ 14,159	\$ 12,569
Buildings	75,938	62,603	57,014
Store and office equipment	29,145	24,545	22,075
Transportation equipment	30,021	25,859	25,210
Leasehold improvements	17,185	14,494	14,029
Total	168,561	141,660	130,897
Accumulated depreciation	57,888	50,261	42,202
Net properties	\$110,673	\$ 91,399	\$ 88,695

Note 5—Short-Term Borrowings and Line of Credit:

The company has a line of credit agreement with a bank which provides for short-term unsecured borrowings up to \$30 million at prime or money market rates, which may be lower, none of which was used at January 31, 1982, 1981, or 1980.

The following information relates to aggregate short-term bank borrowings:

	Year ended January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Maximum amount outstanding at any month-end	\$14,000	\$15,000	\$25,000
Average amount outstanding (based on weighted daily average)	\$ 3,468	\$ 1,192	\$ 7,408
Weighted average interest rate (ratio of actual interest expense to average amount outstanding) ...	15.9%	18.9%	11.6%

Note 6—Long-Term Debt:

Long-term debt, including current maturities, is summarized as follows:

	January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Insurance company loans:			
Unsecured notes maturing annually, through 1992, interest rates of 8 1/4%	\$18,000	\$19,500	\$21,000
Secured notes maturing quarterly through 1993, interest rates of 5 5/8% to 9%	28,343	30,997	33,103
Bank loans:			
Secured notes maturing quarterly through 1994, interest rates of 7% to prime plus 2%	2,656	3,001	3,351
Mortgage company loans:			
Secured notes maturing monthly through 2004, interest rates of 8% to 10 3/4%	107	—	—
Other loans:			
Unsecured notes maturing 1982, interest rates of 8%	18	35	55
Obligations under capital leases:			
Maturing annually through 1991, interest rates of 7% to 7 1/2% ..	1,275	1,390	1,495
Maturing monthly through 1994, interest rates of 10.6% to 64% of prime	2,881	1,163	1,201
Total long-term debt	53,280	56,086	60,205
Less current maturities	4,416	4,157	4,093
Long-term debt, less current maturities	\$48,864	\$51,929	\$56,112

Debt maturities (in millions) for the next five fiscal years exclusive of obligations under capital leases (see Note 10), are as follows: 1982—\$4.112; 1983—\$4.972; 1984—\$5.142; 1985—\$5.203; 1986—\$5.454.

The agreement covering the insurance company loans places certain requirements as to the financial condition to be maintained, restricts other borrowing, and limits the payment of dividends. After giving effect to the most restrictive provisions, approximately \$34.8 million of consolidated retained earnings are available for payment of dividends.

Certain store, general office, and warehouse properties with a depreciated cost of \$33 million have been pledged as collateral for secured insurance company loans. Store properties having a depreciated cost of \$3.4 million are pledged as collateral for secured bank loans.

Under terms of a revolving credit agreement with a bank, the company may borrow up to \$10 million with interest at 1/4% above prime. Such borrowings are unsecured with interest payable quarterly. There were no borrowings outstanding under this agreement at January 31, 1982, 1981, or 1980. Terms of the insurance company loan agreement restrict maturities of borrowings under this agreement to not more than three years after date incurred.

The company also has a proposed sale-leaseback arrangement for \$10 million which, if consummated, will result in a capitalized lease obligation with an effective interest rate of 10.2%.

Note 7—Income Taxes:

The provision for income taxes shown in the consolidated statements of current and retained earnings consists of the following:

	Current	Deferred	Total
	(Thousands of dollars)		
Fiscal 1981:			
Federal	\$12,549	\$809	\$13,358
State	1,896	113	2,009
Total	\$14,445	\$922	\$15,367
Fiscal 1980:			
Federal	\$15,038	\$220	\$15,258
State	2,098	30	2,128
Total	\$17,136	\$250	\$17,386
Fiscal 1979:			
Federal	\$19,747	\$ —	\$19,747
State	2,629	—	2,629
Total	\$22,376	\$ —	\$22,376

Deferred income taxes arise principally because depreciation is treated differently for financial reporting than for income tax purposes. The cumulative effect of all timing differences is not material and therefore all income taxes are shown as currently payable in the consolidated balance sheets. Actual provisions for income tax expense are more than amounts computed by applying applicable federal tax rates to pre-tax earnings. The reasons for these differences are principally that state income taxes and investment tax credits are included in the tax provision as follows:

	Year ended January 31,					
	1982		1981		1980	
	(Thousands of dollars)					
	Amount	Percent	Amount	Percent	Amount	Percent
Federal tax at statutory rates . . .	\$15,284	46.0	\$16,688	46.0	\$21,772	46.0
State income taxes—net of federal tax benefit	1,085	3.3	1,149	3.2	1,420	3.0
Investment tax credits	(993)	(3.0)	(519)	(1.4)	(816)	(1.7)
Other	(9)	—	68	.1	—	—
Provision for income taxes. . .	\$15,367	46.3	\$17,386	47.9	\$22,376	47.3

Note 8—Employee Retirement Plans:

In 1957, the company established Lowe's Companies Profit-Sharing Plan and Trust, a qualified noncontributory employee profit-sharing plan, for all employees meeting minimum length of service requirements. The plan provided generally for a contribution of 15% of eligible compensation for participating employees. Contributions were discontinued effective December 31, 1977. Accounts of members in the plan became fully vested at that time, and the trust remains in effect for the benefit of those members. The trust holds approximately 12% of the outstanding shares of the company as of January 31, 1982.

On December 19, 1977, the Board of Directors adopted an Employee Stock Ownership Plan (ESOP) effective January 1, 1978. This plan, like the profit-sharing plan, is a multi-

employer plan, and one trust serves the parent and the subsidiaries. The amount contributed to the plan is determined annually by the Board of Directors. The Board authorized a contribution of 12% for Fiscal 1981 and a contribution of 15% for Fiscal 1980 and 1979 of eligible compensation, as defined.

Provisions for payments to the ESOP amounted to \$8.932 million, \$10.528 million, and \$10.226 million, respectively, for the years ended January 31, 1982, 1981, and 1980.

On February 1, 1982, the company issued 466,811 Lowe's common shares to the ESOP with a market value of \$12.75 per share, totaling \$5.952 million as part of the company's Fiscal 1981 contribution. With these shares the ESOP now holds approximately 14% of the outstanding stock of the company and becomes the largest shareholder.

Note 9—Common Stock:

A three-for-two stock split was declared by the Board of Directors on July 31, 1981, effective October 12, 1981. All share and per share amounts in the consolidated financial statements have been adjusted accordingly. The three-for-two stock split, although shown as a decrease in the consolidated statement of current and retained earnings, is not in fact a decrease to total shareholders' equity, but merely a capitalization of retained earnings resulting in a transfer to common stock. It therefore did not decrease the shareholders' equity balance.

On September 22, 1981, shareholders voted to increase the number of authorized shares of common stock from 20 million to 50 million. The following summarizes the company's common stock:

	Year ended January 31,		
	1982	1981	1980
	(In thousands)		
Common stock of \$.50 par value:			
Beginning of year	\$ 6,511	\$ 6,511	\$ 6,511
Three-for-two split	3,256	—	—
End of year.	\$ 9,767	\$ 6,511	\$ 6,511
Shares issued and outstanding:			
Beginning of year	13,022	13,022	13,022
Three-for-two split	6,511	—	—
End of year.	19,533	13,022	13,022

On February 1, 1982, shares issued and outstanding reached 20 million due to the issuance of shares to the ESOP as described in Note 8.

Note 10—Long-Term Leases:

The following summarizes the company's store locations at January 31, 1982:

	Leased	Owned	Total
Land only	29	—	29
Land and buildings	51	149	200
Total store locations.	80	149	229

The company has erected substantially all improvements for the leases involving land only. Four locations are leased from Lowe's Companies Profit-Sharing Plan and Trust.

Generally, all real estate leases expire during the next 10 years. In the normal course of business, it is anticipated that a majority of these leases will be renewed at expiration by company option or replaced by other properties. Purchase options available for leased properties at 11 of the store locations would approximate \$3.4 million if exercised under current provisions of the leases.

Seven leases, one for a merchandise distribution center, one for a lumber distribution yard, and five for store locations, are classified as capital leases. The following is an analysis of assets under these leases which are included in property, improvements, and equipment in the consolidated financial statements.

	January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Land	\$ 537	\$ 67	\$ 67
Buildings	4,267	2,702	2,702
Store and office equipment	38	38	47
Transportation and other equipment	65	65	144
Total capitalized leases	4,907	2,872	2,960
Less accumulated amortization	1,020	868	750
Net property under capital leases	<u>\$3,887</u>	<u>\$2,004</u>	<u>\$2,210</u>

The company also leases certain data processing and communications equipment. Purchase options available under these leases would amount to approximately \$701,000 if exercised at the present time.

The future minimum rental payments required under capital and operating leases having initial or remaining noncancelable lease terms in excess of one year are summarized as follows:

Year ended January 31,	Operating leases			Total
	Real estate	Equipment	Capital leases	
	(Thousands of dollars)			
1983	\$1,872	\$1,043	\$ 637	\$ 3,552
1984	1,565	874	750	3,189
1985	1,217	397	724	2,338
1986	830	362	696	1,888
1987	630	360	674	1,664
Later years	2,136	90	2,807	5,033
Total minimum lease payments	<u>\$8,250</u>	<u>\$3,126</u>	<u>\$6,288</u>	<u>\$17,664</u>
Less amount representing interest			2,132	
Present value of minimum lease payments under capital leases			4,156	
Less current maturities			304	
Present value of minimum lease payments, less current maturities			<u>\$3,852</u>	

Gross rental expenses charged to earnings are as follows:

	Year ended January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Real estate	\$2,182	\$2,141	\$1,988
Equipment	1,245	1,037	830
Total	<u>\$3,427</u>	<u>\$3,178</u>	<u>\$2,818</u>

Note 11—Commitments, Contingencies and Litigation:

The company has purchase commitments as of January 31, 1982, of approximately \$2.7 million for land, buildings, and construction of store facilities, and \$2.5 million for equipment. A letter of credit has been issued for \$1.7 million to the company's insurance carrier to secure deferred premiums. The company is defendant in various lawsuits incurred in the normal course of business. There is no material litigation pending not covered by insurance.

Note 12—Other Information:

An analysis of the allowance for doubtful accounts is as follows:

Year ended Jan. 31	Balance at beginning of period	Additions charged to costs and expenses	Deductions	Balance at end of period
	(Thousands of dollars)			
1982	\$3,504	\$1,720	\$2,424	\$2,800
1981	3,717	2,529	2,742	3,504
1980	4,102	2,262	2,647	3,717

Interest and loan expense is comprised of the following:

	Year ended January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Short-term debt	\$ 553	\$ 225	\$ 860
Long-term debt	4,856	5,270	6,138
Amortization of debt expense	19	20	19
Short-term interest income	(1,918)	(1,312)	—
Interest capitalized	(544)	—	—
Total	<u>\$2,966</u>	<u>\$4,203</u>	<u>\$7,017</u>

Reportable expenses in excess of 1 percent of sales are as follows:

	Year ended January 31,		
	1982	1981	1980
	(Thousands of dollars)		
Advertising	\$14,967	\$14,490	\$13,231

Selected Financial Data

Lowe's Companies, Inc. and Subsidiaries
(In thousands, except per share data)

Year ended January 31,

Selected Income Statement Data:⁽¹⁾

	1982	1981	1980	1979 ⁽²⁾	1978 ⁽³⁾
Net sales	\$888,042	\$883,614	\$904,651	\$793,125	\$661,625
Cost of sales	667,610	677,974	693,976	603,794	494,947
Gross profit	220,432	205,640	210,675	189,331	166,678
Selling, general, and administrative expenses	164,786	144,312	136,037	121,662	99,223
Depreciation	10,522	10,320	10,064	8,714	6,744
Employee retirement benefits	8,932	10,528	10,226	7,488	7,721
Interest and loan expense	2,966	4,203	7,017	5,602	4,436
Total expenses	187,206	169,363	163,344	143,466	118,124
Pre-tax earnings	33,226	36,277	47,331	45,865	48,554
Provision for income taxes:					
State	2,009	2,128	2,629	2,593	2,782
Federal	13,358	15,258	19,747	19,548	21,079
Total income taxes	15,367	17,386	22,376	22,141	23,861
Net earnings	\$ 17,859	\$ 18,891	\$ 24,955	\$ 23,724	\$ 24,693
Earnings per common share	\$.91	\$.97	\$ 1.28	\$ 1.21	\$ 1.26
Weighted average shares outstanding	19,533	19,533	19,533	19,533	19,533
Dividends paid per share	\$.48	\$.40	\$.33	\$.27	\$.20
Investment tax credit recognized	\$ 993	\$ 519	\$ 816	\$ 1,165	\$ 842
Selected Balance Sheet Data:⁽⁴⁾					
Current assets	\$195,370	\$209,756	\$210,913	\$189,228	\$176,640
Current liabilities	80,199	80,781	85,847	65,238	68,076
Working capital	\$115,171	\$128,975	\$125,066	\$123,990	\$108,564
Total assets	\$306,564	\$301,728	\$299,899	\$269,695	\$241,525
Long-term debt, including current maturities	\$ 53,280	\$ 56,086	\$ 60,205	\$ 67,400	\$ 53,183
Shareholders' equity	\$177,501	\$169,018	\$157,940	\$139,496	\$122,138

(1) Fiscal years ended January 31, 1981, 1980, 1979, and 1978 have been reclassified for buying, warehousing, and occupancy costs as explained in Note 1 of Notes to the Consolidated Financial Statements.

(2) For the year ended January 31, 1979, the company adopted

the LIFO method of inventory valuation. This change had the effect of reducing net earnings for the year ended January 31, 1979, by \$4.138 million or \$.21 per share.

(3) Effective January 31, 1978, the company changed its fiscal year from July 31 to January 31. The year ended January 31,

1978 has been recast for comparative purposes only.

(4) Selected balance sheet data at January 31, 1981, 1980, and 1979 have been restated for vacation pay benefits as explained in Note 2 of Notes to Consolidated Financial Statements.

Selected Quarterly Data:

Three months ended

	January 31	October 31	July 31	April 30
Fiscal 1981				
Net sales	\$173,501	\$227,910	\$268,560	\$218,071
Gross profit	\$ 47,146	\$ 57,484	\$ 65,373	\$ 50,429
Net earnings ⁽¹⁾	\$ 3,128	\$ 4,859	\$ 7,697	\$ 2,175
Earnings per share ⁽²⁾	\$.16	\$.25	\$.39	\$.11
Fiscal 1980				
Net sales	\$205,798	\$248,181	\$246,805	\$182,830
Gross profit	\$ 48,220	\$ 57,579	\$ 56,857	\$ 42,984
Net earnings	\$ 2,471	\$ 6,976	\$ 7,474	\$ 1,970
Earnings per share ⁽²⁾	\$.13	\$.36	\$.38	\$.10
Fiscal 1979				
Net sales	\$190,908	\$257,568	\$267,086	\$189,089
Gross profit	\$ 44,319	\$ 59,972	\$ 61,053	\$ 45,331
Net earnings	\$ 3,325	\$ 8,432	\$ 9,303	\$ 3,895
Earnings per share ⁽²⁾	\$.17	\$.43	\$.48	\$.20

(1) Four major adjustments made in the last quarter, relating to prior quarters of the fiscal year, had a favorable impact on fourth quarter pre-tax earnings of \$8.693 million. In accordance with requirements of Accounting Principles Board Opinion No. 28 relating to disclosure of material accounting estimate adjustments, the following information is furnished:

a) The actual LIFO charge for the year was determined to be \$920 thousand (primarily because of a lower inflation effect than had earlier been predicted) of which \$718 thousand was allocated to the three prior quarters and \$202 thousand for the fourth quarter. The company had previously charged \$5.166 million at October 31, 1981, and the over-accrual of \$4.448 million was adjusted in the fourth quarter.

b) The Board of Directors at its January 22, 1982 meeting approved a 12% ESOP contribution rate on eligible compensation (calculated to be \$8.932 million) retroactive to the beginning of the fiscal year. Of the \$8.932 million, \$7.146 million was allocated to the first three quarters and \$1.786 million to the fourth quarter. The company had recorded \$8.931 million as an ESOP accrual at October 31, 1981, (based on the historical 15% contribution rate) and the over-accrual of \$1.785 million was adjusted in the fourth quarter.

c) At January 31, 1982, \$2.802 million of management bonuses had been paid and/or accrued (management bonuses are predicated upon attainment of certain sales and earnings objectives) of which \$2.186 million was allocated to the first three

quarters and \$616 thousand to the fourth quarter. At October 31, 1981, \$3.507 million had been paid and/or accrued, and the over-accrual of \$1.321 million was adjusted in the fourth quarter.

d) Actual bad debts, net of recovery, for the fiscal year totaled \$1.720 million (which was less than expected) of which \$1.342 million was allocated to the first three quarters and \$378 thousand to the fourth quarter. At October 31, 1981, bad debts had been estimated to be \$2.481 million, and the over-accrual of \$1.139 million was adjusted in the fourth quarter.

(2) Earnings per share have been adjusted for the three-for-two stock split which resulted in 19,533 million shares outstanding.

Management Analysis: Summary of Operations

Results of Operations. In contrast with historical growth rates of more than 20 percent, the company experienced a slight decline in sales from Fiscal 1979 to Fiscal 1980, and a year of minimal growth in Fiscal 1981. This interruption of the company's pattern of growth was due to the highest level of mortgage interest rates and the lowest level of housing starts since World War II, which caused the company's Builder sales to decline 9% from Fiscal 1979 to 1980, and 8% from Fiscal 1980 to 1981. To compensate for this decline, the company intensified its marketing efforts toward Retail Customers. Retail sales increased 7% from Fiscal 1979 to 1980, and 10% from Fiscal 1980 to 1981. For further sales analysis, see tables 1, 2, and 3 on Page 58.

As discussed in Note 1 to the financial statements, certain costs have been reclassified from "Cost of Sales" to "Selling, General, and Administrative Expenses," in order to present what the company feels is a clearer picture of its margins and their movement over time. The prior year statements have also been recast in the new form. Gross Profit, presented in this manner, remained constant as a percent of sales from Fiscal 1979 to 1980, and then increased from Fiscal 1980 to 1981. The increase was caused partly by the company's increased commitment this year to improve its margin rates, particularly on sales to the retail market, in the face of stiff competitive pressure on prices and partly by adjustments to the LIFO inventory brought about by deflationary lumber and commodity prices.

The main factors in the Selling, General, and Administrative expense increase for the three-year period were personnel costs, which reflect the new store expansion during the period, repair costs, which resulted from the retrofitting of existing stores with the new retail-oriented sales floor design (RSVP), and the total expenses of the twenty stores opened in the last two years. A higher level of advertising expenditure beginning in Fiscal 1980, and the costs of the new Lowe's Credit Card program also contributed to the increase. Both of these were a part of the company's response to the current downturn in the business cycle; their effect is reflected in the strong retail sales performance during the period.

The decline in Employee Retirement Benefits expense for

Fiscal 1981 was caused by reduction of the annual contribution to the Employee Stock Ownership Plan from the previous 15% of eligible compensation to 12%. See Note 8 to the financial statements.

Depreciation expense remained nearly flat from Fiscal 1979 to Fiscal 1980 due to a relatively low level of fixed asset purchases. In Fiscal 1981, the company constructed fifteen new stores and purchased larger amounts of equipment. However, depreciation increased only 2%, which was due to the effect of an accounting change as described in Note 2 to the financial statements.

Interest expense decreased 40% and then 30% from Fiscal 1979 to 1980 and from Fiscal 1980 to 1981. Analyses of these decreases are found in Note 12 to the financial statements.

Liquidity and Capital Resources. Due to the seasonal nature of its business, the company has established a yearly pattern of short-term borrowings during the winter and spring months, when Inventory and Receivables increase. This debt is normally repaid in the summer and fall, when sales and collections are at their peak. Sufficient lines of credit are maintained to cover this borrowing. Because of the tight control maintained over its levels of Receivables and Inventory, the company needs these lines of credit less in a time of slower economic activity. During Fiscal 1980 and 1981, short-term debt was necessary only briefly, and for the remainder of these years excess cash was invested in short-term instruments, earning interest of \$1.9 million in Fiscal 1981 and \$1.3 million in Fiscal 1980.

New stores have normally been financed with 15-year mortgages, but financial management has postponed long-term borrowing for the past three years, awaiting more attractive interest levels. Currently, alternative financing methods are being pursued, including Industrial Revenue Bonds, and a sale-leaseback arrangement with a state employees' retirement fund.

For discussion of the effects of inflation on the company's financial statements, see the "Supplemental Information on the Effects of Changing Prices," Pages 56 and 57.

Effects of Changing Prices

Statement of earnings adjusted for changing prices:

	Historical dollars	Constant dollars (Thousands of dollars)	Current cost dollars
Net sales	\$888,042	\$888,042	\$888,042
Cost of Sales	667,610	672,207	672,207
Gross profit	220,432	215,835	215,835
Expenses:			
Selling, general, and administrative	164,786	164,786	164,786
Depreciation	10,522	14,367	14,260
Employee retirement benefits	8,932	8,932	8,932
Interest and loan expense	2,966	2,966	2,966
Total expenses	187,206	191,051	190,944
Pre-tax earnings	33,226	24,784	24,891
Provision for income taxes	15,367	15,367	15,367
Net earnings	\$ 17,859	\$ 9,417	\$ 9,524
Effective income tax rate	46.3%	62.0%	61.7%

Other Information:

Purchasing power gain from holding net monetary liabilities during the year	\$ 3,759	\$ 3,759
*Increase in specific prices (current costs) of inventories and property, improvements, and equipment held during the year		\$ 12,017
Effect of increase in general price level of inventories and property, improvements, and equipment		23,398
Excess of increase in the general price level over increase in specific prices		\$ 11,381

*At January 31, 1982, current cost of inventory was \$137,616 (historical amount, \$113,529) and current cost of property, improvements, and equipment, net of accumulated depreciation, was \$157,593 (historical amount, \$110,673).

Five-year comparison of selected supplementary financial data adjusted for effects of changing prices (in average 1981 constant dollars):

	Year ended January 31,				
	1982	1981	1980	1979	1978
	(Dollars in thousands, except per share data)				
Net sales:					
Historical dollars	\$888,042	\$883,614	\$ 904,651	\$ 793,125	\$661,625
Constant dollars	\$888,042	\$972,186	\$1,129,786	\$1,104,703	\$994,330
Net earnings:					
Historical dollars	\$ 17,859	\$ 18,891	\$ 24,955		
Constant dollars	\$ 9,417	\$ 16,572	\$ 27,526		
Current Cost dollars	\$ 9,524	\$ 16,546	\$ 27,444		
Earnings per share: ⁽²⁾					
Historical dollars	\$.91	\$.97	\$ 1.28		
Constant dollars	\$.48	\$.85	\$ 1.41		
Current Cost dollars	\$.49	\$.85	\$ 1.40		
Net assets (shareholders' equity) at year-end:					
Historical dollars	\$177,501	\$169,018	\$ 157,940		
Constant dollars	\$270,235	\$270,452	\$ 262,276		
Current Cost dollars	\$241,351	\$248,727	\$ 249,052		
Purchasing power gain from holding net monetary liabilities during the year	\$ 3,759	\$ 5,876	\$ 8,134		
Excess of increase in the general price level over increase in specific prices	\$ 11,381	\$ 12,693	\$ 13,729		
Cash dividends declared per common share: ⁽²⁾					
Historical dollars	\$.48	\$.40	\$.33	\$.27	\$.20
Constant dollars	\$.48	\$.44	\$.41	\$.37	\$.30
Market price per common share at year-end: ⁽²⁾					
Historical dollars	\$ 14.00	\$ 13.25	\$ 11.33	\$ 12.92	\$ 13.25
Constant dollars	\$ 13.60	\$ 13.95	\$ 13.32	\$ 17.31	\$ 19.41
Average Consumer Price Index—					
Urban ⁽¹⁾	274.2	249.1	219.7	196.9	182.5

(1) Base period, 1967 = 100

(2) All per share amounts have been retroactively adjusted to reflect a three-for-two stock split effective October 12, 1981.

Explanatory Notes to Supplemental Information

BASIS OF PREPARATION—The above supplemental information which sets forth the effects of changing prices on the financial statements is presented as required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices." These disclosures are intended to present two methods of financial reporting giving effect to inflation: (1) the effect of an increase in the general price level (constant dollar) on the purchasing power of the dollar, and (2) specific price changes (current cost) in certain assets used by the company. Because of the uncertainty as to which method of inflation accounting is most appropriate, the FASB requires certain publicly held companies to disclose supplemental information setting forth both methods of inflation accounting.

The company believes that the following information is necessary and should be considered and understood by users of the financial statements for a proper evaluation of the data presented.

PARTIAL APPLICATION—The supplemental data includes the effect of both general inflation and specific price changes of inventories, properties, cost of sales, and depreciation expense, and the effect of general inflation on net monetary assets.

NET EARNINGS—The above supplemental statement of earnings presents earnings using three methods of measurement. Such methods are as follows:

1. **Historical cost basis**—Earnings reported on the historical cost basis of accounting are the same amounts as reported in the primary financial statements.
2. **Constant dollar accounting**—Earnings reported on the constant dollar method represent income and expenses stated in constant dollars adjusted for general inflation. General inflation has been measured by the average level of the Consumer Price Index-Urban (CPI-U) for the period February 1, 1981, through January 31, 1982. Under this measurement method, historical amounts of depreciation expense have been increased to give effect to the increase in the CPI-U level which has occurred since the date properties were acquired. In addition, cost of sales, under the LIFO method, has been increased to reflect prior year liquidated inventory layers into current year constant dollars. Such increase approximated \$4,597,000. Sales and expenses already reflect approximate average current year constant dollars and, accordingly, are

the same as amounts reported in historical financial statements.

3. **Current cost accounting**—Earnings reported under current cost accounting are intended to give effect to current cost measures of inventories and properties at their current cost as of the balance sheet date; cost of sales is measured at the current cost on the date of sale; and depreciation expense is computed on various indexes as described below. Cost of sales has been determined under the LIFO method to be the same as that for constant dollar accounting.

INCOME TAXES—Income tax expense is the same for constant dollar accounting and current cost accounting as that reported in the historical financial statements. Deduction for additional depreciation expense resulting from the effects of inflation is not allowable for income tax purposes, consequently, taxes are provided at rates in the supplemental statements greater than amounts provided in the historical statements. During periods of inflation and increasing prices, taxes provided in excess of the statutory rates in effect result in a tax on shareholders' equity.

PURCHASING POWER GAIN FROM HOLDING NET MONETARY LIABILITIES DURING THE YEAR—Purchasing power gain results where monetary liabilities exceed monetary assets, because the amount of money necessary to pay such net liabilities is represented by dollars of diminishing purchasing power. Purchasing power gain has been computed on average net monetary liabilities for the year multiplied by the change in the CPI-U for the year. Such gain does not represent earnings nor funds available for dividends.

CURRENT COST MEASUREMENTS—Current cost amounts of inventories were estimated by using FIFO values adjusted for price changes which were reflected in the company's perpetual inventory records. Current cost of sales was determined using the LIFO method (same method used in historical statements) adjusted for prior year layer liquidation, resulting in an increase in current cost of sales of \$4,597,000.

Current cost of properties was determined by the use of various indexes as follows:

Land—Consumer Price Index—U.S. Department of Labor.
Building and Leasehold Improvements—Composite Construction Cost Index—U.S. Department of Commerce.
Store and Office Equipment—Producer Price Index for Durable Consumer

Goods—U.S. Department of Labor.

Transportation Equipment—Commodity Price for Motor Vehicles—Bureau of the Census.

The above indexes were applied to the historical cost of properties and accumulated depreciation to determine current cost amounts and depreciation expense. The depreciation methods, primarily double declining balance, and useful lives are the same as those used in preparing the historical financial statements.

Data reported under current cost measurements is not intended to be a precise measurement of the assets and costs and expenses involved, rather such data is intended to present reasonable approximations of the effects of changing prices. In addition, the amounts of current costs of inventories and properties do not necessarily represent amounts at which the assets could be sold.

INCREASE IN CURRENT COSTS OF INVENTORIES AND PROPERTIES—Increases in specific prices of inventories and properties held during the year are not included in net earnings. Current cost increases in inventories and properties are reduced by the effect of general inflation measured by multiplying the beginning and end of the year current cost balances of inventories and properties by the ratio of the average CPI-U for the year ended January 31, 1982, to the year-end CPI-U for the respective periods. The increase in the general price level in excess of the increase in specific prices consists of the following:

	Inven- tories	Prop- erties	Total
	(Dollars in thousands)		
Current cost increases:			
Realized ..	\$ 4,598	\$ 3,738	\$ 8,336
Unrealized ..	1,073	2,608	3,681
Total	5,671	6,346	12,017
Less general inflation ...	11,739	11,659	23,398
Excess of general inflation over current cost increases	(\$ 6,068)	(\$ 5,313)	(\$11,381)

FASB No. 33 does not require a reduction in unrealized current cost increases for income taxes that would become payable if such increases were realized. Based on present state and federal tax rates, approximately \$35 million of income taxes would be applicable to unrealized current cost increases (\$71 million at January 31, 1982) of which \$1.9 million is applicable to the year ended January 31, 1982.

Sales Analysis

Sales Analysis By Product Group (\$000)

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	Years Ended											
	Jan. 31, 1982			Jan. 31, 1981			Jan. 31, 1980			Jan. 31, 1979		
	% Change ¹	% Retail	Amount	% Change ¹	% Retail	Amount	% Change ¹	% Retail	Amount	% Change ¹	% Retail	Amount
Structural Lumber	- 5.4%	35.2%	\$157.1	- 12.6%	31.0%	\$166.1	+ 13.1%	26.0%	\$190.1	+ 25.5%	24.8%	\$168.1
Building Commodities and Millwork	- 6.9	40.2	314.9	- 4.4	37.6	338.1	+ 11.3	35.2	353.5	+ 19.8	33.0	317.5
Home Decorating and Illuminating	+ 7.4	70.9	91.8	+ 11.6	66.2	85.5	+ 14.2	64.6	76.6	+ 14.9	64.7	67.1
Kitchen Bathrooms and Laundries	+ 7.0	69.6	93.3	+ 12.2	67.7	87.2	+ 20.5	66.5	77.7	+ 16.9	65.0	64.5
Heating, Cooling and Water Systems	+ 30.5	81.3	62.4	+ 15.5	78.5	47.8	+ 19.3	72.4	41.4	+ 11.2	70.6	34.7
Home Entertainment	+ 24.5	90.3	23.4	- 3.1	89.4	18.8	+ 10.9	89.0	19.4	+ 20.7	87.2	17.5
Recreation, Yard, Patio, Garden and Farm	+ 9.9	89.2	56.0	+ .8	88.3	51.0	+ 35.7	88.3	50.6	+ 16.6	89.1	37.3
Tools	+ 14.2	78.3	13.7	+ 15.4	77.4	12.0	+ 31.7	76.8	10.4	+ 33.9	76.1	7.9
Special Order Sales (SOS)	- 2.2	22.0	75.4	- 9.3	21.5	77.1	+ 8.3	20.3	85.0	+ 20.0	16.2	78.5
Totals	+ .5%	51.9%	\$888.0	- 2.3%	47.5%	\$883.6	+ 14.1%	43.5%	\$904.7	+ 19.9%	40.9%	\$793.1

¹Period to period change of dollar amounts

Sales Analysis By Customer Group (\$000)

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	Years Ended									
	Jan. 31, 1982		Jan. 31, 1981		Jan. 31, 1980		Jan. 31, 1979		Jan. 31, 1978	
	% Change ¹	Amount	% Change ¹	Amount	% Change ¹	Amount	% Change ¹	Amount	% Change ¹	Amount
Retail Customers	+ 10%	\$461,212	+ 7%	\$419,775	+ 21%	\$393,179	+ 30%	\$324,142	+ 25%	\$250,012
Builder Customers	- 8%	426,830	- 9%	463,839	+ 9%	511,472	+ 14%	468,983	+ 14%	411,613
Totals	+ 1%	\$888,042	- 2%	\$883,614	+ 14%	\$904,651	+ 20%	\$793,125	+ 20%	\$661,625

¹Period to period change of dollars to nearest whole percent.

Sales Analysis By Stores: Established Stores vs New Stores (\$000)

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	Years Ended				
	Jan. 31, 1982	Jan. 31, 1981	Jan. 31, 1980	Jan. 31, 1979	Jan. 31, 1978
Number of Stores Open	229	214*	209*	199*	180*
Total Sales	\$888,042	\$883,614	\$904,651	\$793,125	\$661,625
% Change Total Sales	+ .5%	- 2.3%	+ 14.1%	+ 19.9%	+ 27.4%
Number of Established Stores ¹	214	208*	196*	179*	153*
Sales of Established Stores	\$875,876	\$871,122	\$893,656	\$777,340	\$632,413
Sales of Same Stores Previous Year	\$883,614	\$904,651	\$793,125	\$661,625	\$519,395
% Change Established Store Sales	- .9%	- 3.7%	+ 12.7%	+ 17.5%	+ 21.8%
Number of New Stores	15	6	13	20	27
Sales of New Stores	\$ 12,166	\$12,492	\$10,995	\$ 15,785	\$ 29,212
% Added by New Store Sales	- 1.4%	- 1.4%	+ 2.8%	+ 2.4%	+ 5.6%

¹Established Stores are stores which have been open more than a year.

*Six stores have been closed: in December 1977, December 1978, May 1979, September 1979, January 1980, and June 1980.

Cost and Earnings Analysis

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	Years Ended									
	Jan. 31, 1982		Jan. 31, 1981		Jan. 31, 1980		Jan. 31, 1979		Jan. 31, 1978	
	% Change ¹	% of Total ²	% Change ¹	% of Total ²	% Change ¹	% of Total ²	% Change ¹	% of Total ²	% Change ¹	% of Total ²
Net Sales	+ 1%	100.00%	- 2%	100.00%	+ 14%	100.00%	+ 20%	100.00%	+ 27%	100.00%
Cost of Sales (FIFO) ³	- 1	75.08	- 2	75.97	+ 15	75.88	+ 20	75.06	+ 24	74.81
LIFO Charge	- 86	.10	- 11	.76	- 12	.83	NA	1.07	NA	NA
Cost of Sales (LIFO) ³	- 2	75.18	- 2	76.73	+ 15	76.71	NA	76.13	NA	NA
Gross Profit	+ 7	24.82	- 2	23.27	+ 11	23.29	+ 14	23.87	+ 23	25.19
Expenses:										
S, G & A	+ 14	18.56	+ 6	16.33	+ 12	15.04	+ 23	15.34	+ 24	14.99
Depreciation	+ 2	1.18	+ 3	1.17	+ 15	1.11	+ 29	1.10	+ 29	1.02
Employee benefits	- 15	1.01	+ 3	1.19	+ 37	1.13	- 3	.94	- 3	1.17
Interest expense ⁴	- 29	.33	- 40	.48	+ 25	.78	+ 26	.71	+ 26	.67
Total expenses	+ 11	21.08	+ 4	19.17	+ 14	18.06	+ 21	18.09	+ 21	17.85
Pre-Tax earnings	- 8	3.74	- 23	4.10	+ 3	5.23	- 6	5.78	- 6	7.34
Provision for income taxes ⁵	- 12	46.25	- 22	47.93	+ 1	47.28	- 7	48.27	- 7	49.14
Net Earnings	- 5%	2.01%	- 24%	2.14%	+ 5%	2.76%	- 4%	2.99%	- 4%	3.73%

¹Period to period change of dollars to nearest whole percent.

²Percent of total sales, rounded to the nearest hundredth of a percent.

³The company adopted the LIFO method of inventory accounting on February 1, 1978.

⁴See Note 12 to the Financial Statements.

⁵Tax rate—taxes as a percent of pre-tax earnings.

Quarterly Review of Performance

1981 Sales and Earnings

Dollars in Thousands and % of Total Year

	Sales	Quarter	Earnings	Earnings Per Share
10	\$218,071	First	\$2,175	11c
20	24.6%	April 30	12.2%	
30	\$268,560	Second	\$7,697	39c
40	30.2%	July 31	43.1%	
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60	\$227,910	Third	\$4,859	25c
70	25.7%	October 31	27.2%	
80	\$173,501	Fourth	\$3,128	16c
90	19.5%	January 31	17.5%	
100%				

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Quarterly Earnings Statement Changes

(Change from same quarter previous year to nearest tenth %)

	Quarter Ended				
	Jan 31	Oct 31	Jul 31	Apr 30	Jan 31
	1982	1981	1981	1981	1981
Net sales	-15.7%	-8.2%	8.8%	19.3%	7.8%
Cost of sales (FFO)	-16.4%	-10.1%	7.0%	19.4%	7.3%
LIFO charge	-398.2%	-65.8%	6.7%	66.9%	36.9%
Cost of sales (LIFO)	-19.8%	-10.6%	7.0%	19.9%	7.5%
Gross profit	-2.2%	-2%	15.0%	17.3%	8.8%
Expenses:					
S, G, & A	.5%	14.4%	22.3%	20.7%	17.6%
Depreciation	4.1%	-4.6%	12.2%	-3.8%	6.0%
Emp. benefit	-100.0%	3.0%	19.7%	18.1%	13.5%
Int. expense	-30.4%	-65.9%	-38.5%	2.7%	-49.9%
Total	-5.9%	11.0%	19.8%	18.3%	13.9%
Pre-tax earnings	32.9%	-36.3%	1.0%	6.6%	-23.8%
Income tax provision	40.5%	-42.5%	-1.1%	1.8%	-21.4%
Net earnings	26.6%	-30.3%	3.0%	10.4%	-25.7%

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Quarterly Earnings Statement Analysis

(% total sales to nearest hundredth, income tax is % of pre-tax earnings)

	Quarter Ended				
	Jan 31	Oct 31	Jul 31	Apr 30	Jan 31
	1982	1981	1981	1981	1981
Net sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales (FFO)	75.28%	74.51%	74.84%	75.79%	75.88%
LIFO charge	(2.45%)	27%	82%	1.08%	69%
Cost of sales (LIFO)	72.83%	74.78%	75.66%	76.87%	76.57%
Gross profit	27.17%	25.22%	24.34%	23.13%	23.43%
Expenses:					
S, G, & A	21.72%	18.92%	16.40%	18.31%	18.23%
Depreciation	1.66%	1.04%	1.03%	1.15%	1.34%
Emp. benefit	0	1.33%	1.15%	1.29%	1.28%
Interest expense	.31%	.13%	.28%	.64%	.37%
Total	23.69%	21.42%	18.86%	21.39%	21.22%
Pre-tax earnings	3.48%	3.80%	5.48%	1.74%	2.21%
Income tax provision	48.29%	43.94%	47.70%	42.67%	45.69%
Net earnings	1.80%	2.13%	2.87%	1.00%	1.20%

Lowe's Customer Sales Profile

(Dollars in thousands, rounded totals)

	Fiscal 1978		Fiscal 1979		Fiscal 1980		Fiscal 1981		
Category	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	% of Total
1st Qtr.									
RC	\$ 62,450	37%	\$ 78,483	42%	\$ 87,994	48%	\$101,356	+15%	46%
BC	104,890	63%	110,607	58%	94,836	52%	116,715	+23%	54%
Totals	\$167,340	100%	\$189,090	100%	\$182,830	100%	\$218,071	+19%	100%
2nd Qtr.									
RC	\$ 93,778	41%	\$112,665	42%	\$125,021	51%	\$137,118	+10%	51%
BC	134,059	59%	154,421	58%	121,784	49%	131,442	+8%	49%
Totals	\$227,837	100%	\$267,086	100%	\$246,805	100%	\$268,560	+9%	100%
3rd Qtr.									
RC	\$ 94,311	42%	\$116,943	45%	\$114,704	46%	\$125,687	+10%	55%
BC	128,107	58%	140,625	55%	133,477	54%	102,223	-23%	45%
Totals	\$222,418	100%	\$257,568	100%	\$248,181	100%	\$227,910	-8%	100%
4th Qtr.									
RC	\$ 73,603	42%	\$ 85,013	45%	\$ 92,056	45%	\$ 97,051	+5%	56%
BC	101,927	58%	105,895	55%	113,742	55%	76,450	-33%	44%
Totals	\$175,530	100%	\$190,908	100%	\$205,798	100%	\$173,501	-16%	100%

"BC" denotes Lowe's builder customer (charge) sales.

"RC" denotes Lowe's retail customer (cash) sales.

Fiscal years end on January 31 of following year.

*Percent change from same quarter previous year, to nearest whole percent.

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Lowe's Product Sales Profile

(Dollars in thousands, rounded totals)

	Fiscal 1978		Fiscal 1979		Fiscal 1980		Fiscal 1981		
Category	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	% of Total
1st Qtr.									
A	\$116,947	70%	\$127,423	67%	\$118,483	65%	\$142,515	+20%	65%
B	50,393	30%	61,667	33%	64,347	35%	75,556	+17%	35%
Totals	\$167,340	100%	\$189,090	100%	\$182,830	100%	\$218,071	+19%	100%
2nd Qtr.									
A	\$154,273	68%	\$178,734	67%	\$157,538	64%	\$164,429	+4%	61%
B	73,564	32%	88,352	33%	89,267	36%	104,131	+17%	39%
Totals	\$227,837	100%	\$267,086	100%	\$246,805	100%	\$268,560	+9%	100%
3rd Qtr.									
A	\$155,713	70%	\$175,618	68%	\$170,296	69%	\$144,237	-15%	63%
B	66,705	30%	81,950	32%	77,885	31%	83,673	+7%	37%
Totals	\$222,418	100%	\$257,568	100%	\$248,181	100%	\$227,910	-8%	100%
4th Qtr.									
A	\$114,653	65%	\$125,179	66%	\$130,465	63%	\$ 95,317	-27%	56%
B	60,877	35%	65,729	34%	75,333	37%	78,184	+4%	44%
Totals	\$175,530	100%	\$190,908	100%	\$205,798	100%	\$173,501	-16%	100%

"A" denotes sales of lumber, building materials and hardware.

"B" denotes all other sales.

Fiscal years end on January 31 of following year.

*Percent change from same quarter previous year, to nearest whole percent.

Lowe's Store Sales Profile (Dollars in thousands, rounded totals)

	Fiscal 1979					Fiscal 1980					Fiscal 1981				
Category	Stores	Sales	Per Store Average	% Change ¹	% of Total ²	Stores	Sales	Per Store Average	% Change ¹	% of Total ²	Stores	Sales	Per Store Average	% Change ¹	% of Total ²
1st Qtr.															
ES ³	181	\$177,640	\$ 981.4	NC	94%	197	\$175,042	\$ 888.5	-9%	96%	211	\$215,243	\$1,020.1	+15%	99%
NS ⁴	19	11,450	602.6	+20%	6%	15	7,788	519.2	-14%	4%	5	2,828	565.6	+9%	1%
Totals	200	\$189,090	\$ 945.5	+3%	100%	212	\$182,830	\$ 862.4	-9%	100%	216	\$218,071	\$1,009.6	+17%	100%
2nd Qtr.															
ES	183	\$250,875	\$1,370.9	+8%	94%	199	\$236,822	\$1,190.1	-13%	96%	212	\$264,624	\$1,248.2	+5%	99%
NS	19	16,211	853.2	+28%	6%	13	9,983	767.9	-10%	4%	5	3,936	787.2	+3%	1%
Totals	202	\$267,086	\$1,322.2	+7%	100%	212	\$246,805	\$1,164.2	-12%	100%	217	\$268,560	\$1,237.6	+6%	100%
3rd Qtr.															
ES	186	\$243,133	\$1,307.2	+8%	94%	202	\$239,774	\$1,187.0	-9%	97%	213	\$223,446	\$1,049.0	-12%	98%
NS	18	14,435	801.9	+40%	6%	11	8,407	764.2	-5%	3%	7	4,464	637.8	-17%	2%
Totals	204	\$257,568	\$1,262.6	+7%	100%	213	\$248,181	\$1,165.2	-8%	100%	220	\$227,910	\$1,036.0	-11%	100%
4th Qtr.															
ES	196	\$186,287	\$ 950.4	+1%	98%	208	\$201,485	\$ 968.7	+2%	98%	214	\$167,691	\$ 783.6	-19%	97%
NS	13	4,621	355.5	-1%	2%	6	4,313	718.8	+102%	2%	15	5,810	387.3	-46%	3%
Totals	209	\$190,908	\$ 913.4	4%	100%	214	\$205,798	\$ 961.7	+5%	100%	229	\$173,501	\$ 757.6	-21%	100%

Fiscal years end on January 31 of the following year.

¹Per Store Average change to nearest whole percent.

²Portion of Total Sales, to nearest whole percent.

³Established Stores, stores which have been open for one year or more.

⁴New Stores, stores which have been open less than a year.

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21-Year FIFO Supplemental Information Review

Fiscal Years Ended January 31, of Following Calendar Year, 1973-1977 Restated

		20 Year Compound Growth Rates	10 Year Compound Growth Rates	1981	1980 (2)	1979 (2)	
		1961-1981 (1)	1971-1981 (1)				
Stores and People							
1	Number of Stores	14.2%	11.2%	229	214	209	
2	Number of Employees	14.7%	12.9%	6,003	5,950	5,804	
3	Customers Served (Thousands)	15.6%	14.6%	11,973	11,376	11,024	
4	Average Customer Purchase			\$ 74.17	\$ 77.67	\$ 82.02	
Comparative Income Statement (Thousands)							
5	Total Sales	17.8%	17.1%	\$888,042	\$883,614	\$904,651	
6	Pre-Tax Earnings	15.2%	9.6%	\$ 34,146	\$ 42,964	\$ 54,815	
7	Taxes on Income	14.7%	8.9%	\$ 15,820	\$ 20,679	\$ 26,043	
8	Net Earnings	15.6%	10.3%	\$ 18,326	*\$ 22,285	\$ 28,772	
9	Cash Flow (3)	17.5%	12.8%	\$ 28,848	\$ 32,605	\$ 38,836	
10	Cash Dividends Paid (1)	24.7%	24.9%	\$ 9,376	\$ 7,813	\$ 6,511	
11	Earnings, Minus Dividends, Reinvested	12.3%	4.5%	\$ 8,950	\$ 14,472	\$ 22,261	
Dollars Per Share (Nearest Cent) (4) (5)							
12	Sales	17.3%	16.7%	\$ 45.46	\$ 45.24	\$ 46.31	
13	Earnings	15.4%	9.9%	\$.94	\$ 1.14	\$ 1.47	
14	Cash Flow (3)	16.9%	12.5%	\$ 1.48	\$ 1.67	\$ 1.99	
15	Cash Dividends (1)	20.8%	24.0%	\$.48	\$.40	\$.33	
16	Earnings Retained and Reinvested	11.4%	4.2%	\$.46	\$.74	\$ 1.14	
17	Shareholders' Equity	18.9%	18.6%	\$ 9.69	\$ 9.23	\$ 8.49	
Strategic Profit Model*							
18	Asset Turnover (Sales per Asset Dollar)			\$ 2.74	\$ 2.80	\$ 3.26	
19	Return on Sales (Earnings as % of Sales)			x 2.06%	x 2.52%	x 3.18%	
20	Return on Assets			= 5.64%	= 7.06%	= 10.38%	
21	Leverage Factor (Asset Dollars per Equity Dollar) ..			x 1.80	x 1.90	x 1.93	
22	Return on Shareholders' Equity			= 10.16%	= 13.41%	= 20.03%	
Comparative Balance Sheet (Thousands)							
23	Current Asset Totals	16.7%	14.1%	\$218,926	\$232,392	\$226,863	
24	Cash and Short-Term Investments	16.9%	16.8%	\$ 32,070	\$ 15,567	\$ 22,959	
25	Accounts Receivable—Net	14.3%	8.2%	\$ 48,107	\$ 68,172	\$ 66,442	
26	Inventories (Lower of Cost or Market)	17.8%	16.6%	\$137,085	\$147,740	\$134,461	
27	Other Current Assets	14.9%	16.6%	\$ 1,664	\$ 913	\$ 3,001	
28	Fixed Assets	24.6%	21.7%	\$110,673	\$ 91,399	\$ 88,695	
29	Other Assets	- 4.4%	18.5%	\$ 521	\$ 573	\$ 291	
30	Total Assets	17.6%	16.1%	\$330,120	\$324,364	\$315,849	
31	Current Liabilities Totals	15.4%	10.8%	\$ 91,939	\$ 92,068	\$ 93,842	
32	Accounts Payable	14.1%	7.7%	\$ 47,959	\$ 52,003	\$ 45,567	
33	Income Tax Payable	15.8%	12.3%	\$ 14,538	\$ 10,592	\$ 22,000	
34	Other Current Liabilities	12.0%	7.4%	\$ 29,442	\$ 29,473	\$ 26,275	
35	Long-Term Debt	17.5%	19.9%	\$ 48,864	\$ 51,929	\$ 56,112	
36	Total Liabilities	15.9%	13.2%	\$140,803	\$143,997	\$149,954	
37	Shareholders' Equity	19.4%	19.0%	\$189,317	\$180,367	\$165,895	
38	Ratio: Equity Long-Term Debt			3.87	3.47	2.96	
39	Year-End Leverage Factor: Assets ÷ Equity			1.74	1.80	1.90	
Shareholders and Shares							
40	Shareholders of Record, Year-End			5,415	4,620	5,147	
41	Shares Outstanding, Year-End (Thousands) (5) (6) .			19,533	19,533	19,533	
42	Stock Price Range During Year (5)						
	High			\$ 18.63	\$ 16.59	\$ 13.83	
	Low			\$ 10.63	\$ 8.92	\$ 10.84	

Explanatory Notes

(1) As detailed in the Notes to Audited Financial Statements, the company changed its inventory accounting method for Fiscal 1978 and subsequent years to the LIFO (last-in, first-out) method, from the FIFO (first-in, first-out) method used for the prior years shown in this review. On January 16, 1981, the Internal Revenue Service amended its financial statements conformity requirements for the LIFO method of inventory accounting. These amendments provide that "supplemental or explanatory financial disclosure" using another inventory method can be given. As supplemental disclosure, the figures in lines 6, 7, 8, 9, 11, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 26, 30, 31, 33, 36, 37, 38, and 39 for Fiscal 1978 through

Fiscal 1981 are shown above using the FIFO method of inventory accounting.

(2) Compound Growth Rates for 20.5 years and 10.5 years due to the change of official year-end from July 31 to January 31. Dividend Compound Growth Rates are from 1961, when dividend payments began.

(3) Here, Cash Flow is defined as the total of net earnings plus depreciation.

(4) As reported in the Notes to Consolidated Financial Statements, in Fiscal 1981, the company began accruing employees' vacation pay benefits as they are earned. The figures in lines 17, 21, 22, 31, 33, 34, 36, 37, 38, and 39 for Fiscal 1978 through Fiscal 1980 are restated to reflect the

Fiscal Years Ended July 31

1978 (2)	1977	1976	1975	1974		1973	1972	10 Year Compound Growth Rates 1961-1971	Base Year 1971	1970
199	180	154	141	125	1	105	86	17.5%	75	64
5,809	5,123	4,200	3,600	2,900	2	3,200	2,630	17.9%	2,071	1,670
10,013	8,817	7,611	6,324	5,349	3	5,201	3,820	17.2%	3,194	2,729
79.20	\$ 75.04	\$ 68.25	\$ 61.40	\$ 64.75	4	\$ 68.45	\$ 61.40		\$ 53.13	\$ 47.09
793,125	\$661,625	\$519,395	\$388,254	\$346,343	5	\$355,999	\$234,556	18.5%	\$169,723	\$128,491
54,331	\$ 48,554	\$ 38,430	\$ 24,483	\$ 26,255	6	\$ 26,999	\$ 18,143	21.3%	\$ 13,027	\$ 9,938
26,469	\$ 23,861	\$ 19,133	\$ 12,057	\$ 13,163	7	\$ 13,491	\$ 9,022	21.1%	\$ 6,479	\$ 5,068
27,862	\$ 24,693	\$ 19,297	\$ 12,426	\$ 13,092	8	\$ 13,508	\$ 9,121	21.5%	\$ 6,548	\$ 4,870
36,576	\$ 31,437	\$ 24,851	\$ 17,020	\$ 16,835	9	\$ 16,640	\$ 11,416	22.6%	\$ 8,174	\$ 6,091
5,209	\$ 3,907	\$ 1,706	\$ 1,215	\$ 1,098	10	\$ 1,020	\$ 946	24.4%	\$ 907	\$ 844
22,653	\$ 20,786	\$ 17,591	\$ 11,211	\$ 11,994	11	\$ 12,488	\$ 8,174	21.1%	\$ 5,641	\$ 4,026
40.60	\$ 33.87	\$ 26.59	\$ 19.88	\$ 17.87	12	\$ 18.63	\$ 12.33	17.9%	\$ 8.96	\$ 6.79
1.43	\$ 1.26	\$.99	\$.64	\$.68	13	\$.71	\$.48	21.5%	\$.35	\$.26
1.87	\$ 1.61	\$ 1.27	\$.87	\$.87	14	\$.87	\$.60	21.8%	\$.43	\$.32
.27	\$.20	\$.09	\$.06	\$.06	15	\$.05	\$.05	17.5%	\$.05	\$.04
1.16	\$ 1.06	\$.90	\$.57	\$.62	16	\$.65	\$.43	19.6%	\$.30	\$.21
7.35	\$ 6.25	\$ 5.20	\$ 4.29	\$ 3.73	17	\$ 3.02	\$ 2.06	19.1%	\$ 1.61	\$ 1.31
3.28	\$ 3.39	\$ 3.13	\$ 2.90	\$ 2.78	18	\$ 3.98	\$ 3.40		\$ 3.43	\$ 3.09
× 3.51%	× 3.73%	× 3.72%	× 3.20%	× 3.78%	19	× 3.79%	× 3.89%		× 3.86%	× 3.79%
= 11.49%	= 12.64%	= 11.64%	= 9.28%	= 10.15%	20	= 15.08%	= 13.20%		= 13.25%	= 11.72%
× 1.98	× 1.92	× 1.98	× 1.85	× 2.16	21	× 2.03	× 2.26		× 1.99	× 1.99
= 22.81%	= 24.27%	= 23.05%	= 17.17%	= 22.70%	22	= 30.61%	= 29.81%		= 26.31%	= 23.34%
196,817	\$176,640	\$139,505	\$117,383	\$ 89,136	23	\$ 89,517	\$ 70,110	19.4%	\$ 54,911	\$ 38,878
9,362	\$ 10,947	\$ 735	\$ 1,968	\$ 3,780	24	\$ 967	\$ 7,802	17.1%	\$ 6,304	\$ 4,658
66,836	\$ 61,468	\$ 45,876	\$ 35,467	\$ 23,779	25	\$ 28,564	\$ 27,440	21.0%	\$ 20,944	\$ 14,887
119,714	\$102,918	\$ 91,976	\$ 79,159	\$ 60,623	26	\$ 59,571	\$ 34,475	19.0%	\$ 27,332	\$ 19,040
1,782	\$ 1,307	\$ 918	\$ 790	\$ 955	27	\$ 415	\$ 393	13.1%	\$ 331	\$ 293
80,096	\$ 64,432	\$ 55,386	\$ 48,006	\$ 44,818	28	\$ 34,933	\$ 19,330	27.6%	\$ 14,087	\$ 10,390
371	\$ 453	\$ 414	\$ 420	\$ 146	29	\$ 86	\$ 45	-23.6%	\$ 88	\$ 148
277,284	\$241,525	\$195,304	\$165,809	\$134,101	30	\$124,536	\$ 89,485	19.3%	\$ 69,086	\$ 49,416
68,689	\$ 68,076	\$ 50,863	\$ 49,338	\$ 29,108	31	\$ 34,332	\$ 40,217	20.3%	\$ 31,198	\$ 21,212
44,833	\$ 38,948	\$ 23,856	\$ 30,810	\$ 18,834	32	\$ 18,966	\$ 27,684	21.3%	\$ 21,999	\$ 15,178
2,329	\$ 8,753	\$ 4,875	\$ 3,851	\$ 3,961	33	\$ 3,522	\$ 5,086	19.6%	\$ 4,293	\$ 2,833
21,527	\$ 20,375	\$ 22,132	\$ 14,677	\$ 6,313	34	\$ 11,844	\$ 7,447	17.0%	\$ 4,906	\$ 3,201
64,961	\$ 51,312	\$ 42,880	\$ 32,588	\$ 32,667	35	\$ 32,541	\$ 10,014	15.1%	\$ 7,296	\$ 3,315
133,650	\$119,388	\$ 93,743	\$ 81,926	\$ 61,775	36	\$ 66,873	\$ 50,231	18.9%	\$ 38,494	\$ 24,527
143,634	\$122,137	\$101,562	\$ 83,883	\$ 72,326	37	\$ 57,663	\$ 39,254	19.8%	\$ 30,592	\$ 24,889
2.21	2.38	2.37	2.57	2.21	38	1.77	3.92		4.19	7.51
1.93	1.98	1.92	1.98	1.85	39	2.16	2.28		2.26	1.99
4,750	4,688	4,110	3,686	3,335	40	3,718	3,038		2,463	2,117
19,533	19,533	19,533	19,533	19,376	41	19,113	19,025		18,944	18,935
					42					
17.34	\$ 17.84	\$ 22.01	\$ 22.46	\$ 23.12		\$ 29.35	\$ 29.57		\$ 15.34	\$ 8.00
11.01	\$ 13.01	\$ 15.84	\$ 12.45	\$ 8.45		\$ 16.01	\$ 13.34		\$ 6.45	\$ 4.22

vacation pay adjustment. However, income statement data has not been restated, in as much as the effect on any one year is deemed insignificant.

- (5) Number of shares has been adjusted to reflect a 100% stock dividend in May 1966, a 2-for-1 stock split in November 1969, a 50% stock dividend in December 1971, a 33 1/3 % stock dividend as of July 31, 1972, a 50% stock dividend in June 1976, and a 3-for-2 stock split in October 1981.

- (6) Variation in the outstanding shares is the result of a Treasury Stock purchase in 1963, and subsequent employee stock option transactions. As of January 31, 1982, no additional shares had been sold or issued for acquisitions.

*Strategic Profit Model

Line 22, Return on Shareholders' Equity, may be derived by dividing Net Earnings by Shareholders' Equity. But this approach provides no understanding of why and how this return was attained. It is better to "take it from the top" and think through each major variable, to facilitate understanding of their interrelationships.

Asset Turnover is affected by sales volume, sales mix and by the composition of assets. It is a right-side balance sheet factors. The amount of sales relative to inventory, accounts receivable, and other assets. Turnover rates of inventory and receivables. For every \$1.00 in assets at the end of 1981, Lowe's achieved \$2.74 in sales.

Base Year 1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	Base Year 1961	
75	64	58	53	44	39	35	28	22	18	15	1
2,071	1,670	1,450	1,223	1,017	891	762	636	555	491	399	2
3,194	2,729	2,290	2,034	1,755	1,636	1,284	1,141	883	703	651	3
\$ 53.13	\$ 47.09	\$ 51.98	\$ 47.70	\$ 43.14	\$ 47.10	\$ 44.44	\$ 42.66	\$ 44.20	\$ 46.52	\$ 47.85	4
\$169,723	\$128,491	\$119,053	\$ 97,031	\$ 75,695	\$ 77,043	\$ 57,044	\$ 48,680	\$ 39,012	\$ 32,716	\$ 31,128	5
\$ 13,027	\$ 9,938	\$ 9,514	\$ 7,202	\$ 5,151	\$ 5,286	\$ 3,942	\$ 3,086	\$ 2,438	\$ 2,054	\$ 1,890	6
\$ 6,479	\$ 5,068	\$ 4,906	\$ 3,609	\$ 2,381	\$ 2,496	\$ 1,896	\$ 1,518	\$ 1,233	\$ 1,034	\$ 956	7
\$ 6,548	\$ 4,870	\$ 4,608	\$ 3,593	\$ 2,770	\$ 2,790	\$ 2,046	\$ 1,568	\$ 1,205	\$ 1,020	\$ 934	8
\$ 8,174	\$ 6,091	\$ 5,559	\$ 4,419	\$ 3,564	\$ 3,339	\$ 2,351	\$ 1,765	\$ 1,356	\$ 1,145	\$ 1,067	9
\$ 907	\$ 844	\$ 780	\$ 756	\$ 661	\$ 616	\$ 519	\$ 460	\$ 411	\$ 402	\$ 102	10
\$ 5,641	\$ 4,026	\$ 3,828	\$ 2,837	\$ 2,109	\$ 2,174	\$ 1,527	\$ 1,108	\$ 794	\$ 618	\$ 832	11
\$ 8.96	\$ 6.79	\$ 6.29	\$ 5.13	\$ 4.08	\$ 4.17	\$ 3.12	\$ 2.72	\$ 2.19	\$ 1.82	\$ 1.73	12
\$.35	\$.26	\$.24	\$.19	\$.15	\$.15	\$.11	\$.09	\$.07	\$.06	\$.05	13
\$.43	\$.32	\$.29	\$.23	\$.19	\$.18	\$.13	\$.10	\$.08	\$.06	\$.06	14
\$.05	\$.04	\$.04	\$.04	\$.04	\$.03	\$.03	\$.03	\$.02	\$.02	\$.01	15
\$.30	\$.21	\$.20	\$.15	\$.11	\$.11	\$.08	\$.06	\$.04	\$.03	\$.05	16
\$ 1.61	\$ 1.31	\$ 1.10	\$.90	\$.75	\$.64	\$.52	\$.43	\$.36	\$.31	\$.28	17
\$ 3.43	\$ 3.09	\$ 3.37	\$ 3.24	\$ 2.65	\$ 3.34	\$ 3.20	\$ 3.11	\$ 2.98	\$ 2.76	\$ 3.32	18
× 3.86%	× 3.79%	× 3.87%	× 3.70%	× 3.66%	× 3.62%	× 3.59%	× 3.22%	× 3.09%	× 3.12%	× 3.00%	19
= 13.25%	= 11.72%	= 13.03%	= 11.98%	= 9.70%	= 12.09%	= 11.49%	= 10.03%	= 9.20%	= 8.62%	= 9.96%	20
× 1.99	× 1.99	× 2.08	× 2.15	× 2.42	× 2.43	× 2.31	× 2.47	× 2.31	× 2.34	× 2.57	21
= 26.31%	= 23.34%	= 27.07%	= 25.76%	= 23.49%	= 29.40%	= 26.55%	= 24.78%	= 21.28%	= 20.23%	= 25.60%	22
\$ 54,911	\$ 38,878	\$ 33,433	\$ 28,617	\$ 24,164	\$ 23,396	\$ 19,187	\$ 15,350	\$ 13,976	\$ 11,702	\$ 9,305	23
\$ 6,304	\$ 4,658	\$ 4,640	\$ 4,129	\$ 4,814	\$ 3,024	\$ 3,801	\$ 3,374	\$ 2,735	\$ 1,956	\$ 1,299	24
\$ 20,944	\$ 14,887	\$ 14,559	\$ 11,880	\$ 9,675	\$ 9,310	\$ 7,165	\$ 5,586	\$ 4,968	\$ 3,769	\$ 3,108	25
\$ 27,332	\$ 19,040	\$ 14,183	\$ 12,475	\$ 9,532	\$ 10,931	\$ 8,156	\$ 6,337	\$ 6,214	\$ 5,868	\$ 4,801	26
\$ 331	\$ 293	\$ 51	\$ 133	\$ 143	\$ 131	\$ 65	\$ 53	\$ 59	\$ 109	\$ 97	27
\$ 14,087	\$ 10,390	\$ 7,918	\$ 6,546	\$ 5,729	\$ 5,058	\$ 3,832	\$ 2,381	\$ 1,531	\$ 1,261	\$ 1,229	28
\$ 88	\$ 148	\$ 209	\$ 205	\$ 99	\$ 105	\$ 77	\$ 73	\$ 123	\$ 134	\$ 1,301	29
\$ 69,086	\$ 49,416	\$ 41,560	\$ 35,368	\$ 29,992	\$ 28,559	\$ 23,096	\$ 17,804	\$ 15,630	\$ 13,097	\$ 11,835	30
\$ 31,198	\$ 21,212	\$ 18,505	\$ 14,911	\$ 12,503	\$ 13,630	\$ 11,213	\$ 7,454	\$ 7,123	\$ 5,696	\$ 4,922	31
\$ 21,999	\$ 15,178	\$ 10,997	\$ 9,703	\$ 8,425	\$ 9,496	\$ 7,913	\$ 5,149	\$ 5,036	\$ 4,255	\$ 3,187	32
\$ 4,293	\$ 2,833	\$ 3,380	\$ 2,706	\$ 2,177	\$ 2,182	\$ 1,671	\$ 1,142	\$ 1,073	\$ 855	\$ 716	33
\$ 4,906	\$ 3,201	\$ 4,128	\$ 2,502	\$ 1,901	\$ 1,952	\$ 1,629	\$ 1,163	\$ 1,014	\$ 586	\$ 1,019	34
\$ 7,296	\$ 3,315	\$ 2,192	\$ 3,434	\$ 3,527	\$ 3,127	\$ 2,377	\$ 2,615	\$ 2,139	\$ 1,680	\$ 1,791	35
\$ 38,494	\$ 24,527	\$ 20,697	\$ 18,346	\$ 16,033	\$ 16,765	\$ 13,606	\$ 10,097	\$ 9,304	\$ 7,435	\$ 6,792	36
\$ 30,592	\$ 24,889	\$ 20,863	\$ 17,022	\$ 13,959	\$ 11,794	\$ 9,490	\$ 7,707	\$ 6,326	\$ 5,662	\$ 5,043	37
4.19	7.51	9.52	4.95	3.95	3.77	3.99	2.95	2.95	3.37	2.81	38
2.26	1.99	1.99	2.08	2.15	2.42	2.43	2.31	2.47	2.31	2.35	39
2,463	2,117	1,916	1,976	2,154	1,985	1,871	1,967	2,034	2,047	—	40
18,944	18,935	18,935	18,914	18,563	18,476	18,275	17,879	17,784	18,000	18,000	41
\$ 15.34	\$ 8.00	\$ 8.04	\$ 5.34	\$ 2.67	\$ 2.22	\$ 1.78	\$ 1.33	\$.67	\$ 1.11	—	42
\$ 6.45	\$ 4.22	\$ 5.12	\$ 2.67	\$ 1.33	\$ 1.55	\$ 1.11	\$.67	\$.45	\$.67	—	

Asset Turnover is affected by sales volume, by the cash-sales mix and by the composition and performance of a balance sheet factors. The amounts of assets allocated to inventory, accounts receivable, and fixed assets, and the rates of inventory and receivables, all affect Asset Turnover. For every \$1.00 in assets at the beginning of Fiscal 1981, Lowe's achieved \$2.74 in sales.

Return on Sales is the measurement of the efficiency of the sales organization. It is affected by sales volume, customer and product mix, and income statement factors—margin rates, fixed and variable expenses, and tax rates. Fiscal 1981's return on sales was 2.06%. This multiplied by Asset Turnover, gives Return on Assets of 5.64%. This is the same as dividing Net Earnings by Beginning Assets, although totals vary due to rounding.

Leverage introduces "right-side" balance sheet factors, and measures equity dollars versus total asset dollars. For every \$1.00 of Shareholders' Equity at the beginning of 1981, Lowe's had \$.80 in Liabilities, thus financing \$1.80 in Assets. This \$1.80 leverage factor times the 5.64% Return on Assets gives Return on beginning Shareholders' Equity of 10.15%. Totals vary due to rounding.

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Investor's Quick Reference Guide

Dividend Declaration Dates:

Usually the middle of each quarter to shareholders of record approximately the middle of April, July, October and January.

Dividend Payment Dates:

Usually the last of April, July, October and January.

Dividend Disbursing Agent:

Wachovia Bank & Trust Co., N. A.
Box 3001
Winston-Salem, N. C. 27102

Information Contact:

Kyle Royce
919-748-6400

Dividend Reinvesting Agent:

Citibank, N. A.
Box 3357, Grand Central Station
New York, N. Y. 10043

Dividend Policy:

Lowe's pays a cash dividend each quarter and since becoming a public company in 1961 has paid 84 consecutive quarterly dividends.

Lowe's Telephone:

919-667-3111

Lowe's Telex:

510-922-5737

Lowe's Mailing Address:

Box 1111
North Wilkesboro, N. C. 28656

Lowe's Street Address:

State Highway 268 East
(Elkin Highway)
North Wilkesboro, N. C. 28659

Annual Meeting Date:

May 28, 1982, 10 a.m.
at Wilkes Community College
Collegiate Drive
Wilkesboro, N. C.

Questions about Lowe's,**Shareholder Inquiries:** Call or write:

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Box 1111
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Wachovia Bank & Trust Co., N. A.
Box 3001
Winston-Salem, N. C. 27102

Information Contact:

Victor Winterflood
919-748-6447

Morgan Guaranty Trust Co.
9 West 57th Street
New York, N. Y. 10019

Stock Registrars:

The Northwestern Bank
Box 85
Winston-Salem, N. C. 27102

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, N. Y. 10005

Lowe's Common Stock:

Ticker symbol: LOW

Listed:

New York Stock Exchange
20 Broad Street
New York, N. Y. 10005

Pacific Stock Exchange

301 Pine Street
San Francisco, Calif. 94104

The Stock Exchange (London)

Old Broad Street
London, England EC2N 1HP

Quarterly Reports:

Mailed usually the fourth week after the end of the quarter, April 30, July 31, October 31 and January 31.

Annual Reports:

Mailed usually 100 days after fiscal year-end, January 31.

Disclosure Policy:

Lowe's Companies, Inc., for more than 20 years, has maintained a policy of complete and free disclosure of all information needed by investors to determine whether they should buy, sell or hold Lowe's stock. The company desires and intends not only to meet the

letter but the spirit of laws, regulations and rules. It follows and—in some cases—leads good practice and custom. Annually the company seeks new and fresh ways of presenting financial and other information about itself to better inform the investor.

Your comments are always welcome.

Company Profile: Lowe's Companies, Inc. is a specialty retailer of building materials and related products for the home construction and home remodeling markets. Lowe's has been a publicly owned company since October 10, 1961. Its stock has been listed on the New York Stock Exchange since December 19, 1979, on the Pacific Stock Exchange since January 26, 1981, and on The Stock Exchange (London) since October 6, 1981. The stock is listed under the ticker symbol of LOW.

Lowe's presently operates a total of 230 retail stores in 19 states, located principally in the South Atlantic and South Central regions of the United States. Each store combines the merchandise, service and functions of a lumber yard, a building materials supplier, an air conditioning, heating, plumbing and electrical supply center, a hardware store, an appliance and home electronics dealer, a hard goods discounter, and a professional marketing company. Merchandise items, many of which are nationally advertised brand names, are counted in stock-keeping units which currently number 12,000. The typical store stocks approximately 8,000 of these. These items are sold to two major customer groups—Retail Customers and Builder Customers—within the same store facility. The average store in Fiscal 1981 did \$4.1 million in business of which 52% was to the Retail Customer and 48% to the Builder Customer. The company employed 6,003 persons or an average of 26.2 per store at the end of the fiscal year.

Lowe's general office is located in North Wilkesboro, N.C. Regional offices are located there and in Lynchburg, Va., Charlotte, N.C., Louisville, Ky., and Montgomery, Ala.

LOWE'S
Companies, Inc.

Highway 268 East, Box 1111
North Wilkesboro, N. C. 28656