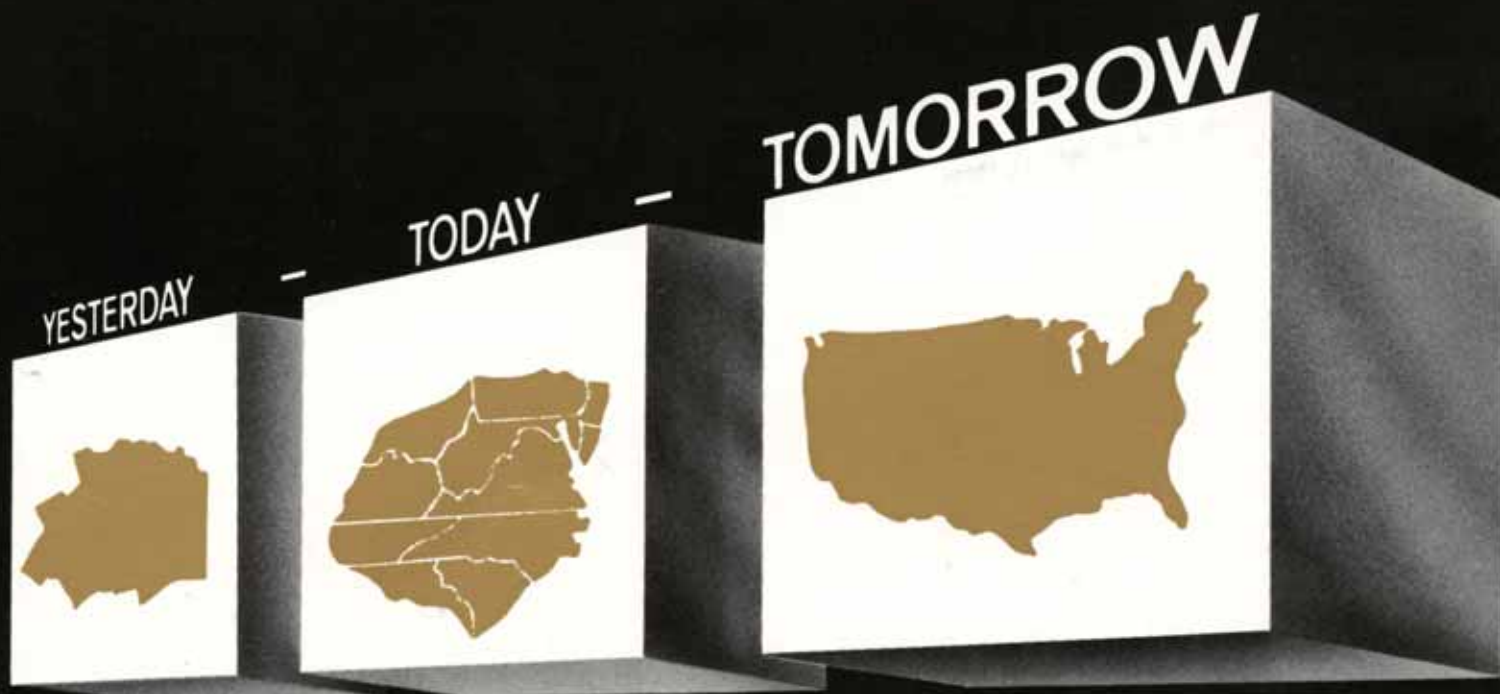


LOWE'S

Companies, Inc.



1967
Annual Report

Take A Spin Into Tomorrow with John A. Walker

Vice President—Sales

John A. Walker is a Member of the Board of Directors of Lowe's Companies, Inc.; Director of Lowe's Profit Sharing Plan and Trust; Director of Lowe's Charitable and Educational Foundation; Member of the Board of Directors of Northwester. Security Life Insurance Company; Director of Wilkes Development Corporation; Chairman, Wilkes County Planning Commission and Chairman of the Board of Deacons of the North Wilkesboro, N.C. Presbyterian Church.



THE SOUND OF LOWE'S
Side I—The Reality
Side II—The Vision

HIGHLIGHTS OF THE YEAR

	1967	1966	Per Cent of Change
Net Sales	\$75,694,746	\$77,042,837	- 1.75
Net Earnings	\$ 2,769,944	\$ 2,790,484	- .74
Per Common Share	\$ 1.34	\$ 1.36	
Cash Dividends Paid	\$ 660,771	\$ 615,726	+ 7.32
Per Common Share	\$.32	\$.30	
Net Working Capital	\$11,660,526	\$ 9,765,957	+19.40
Total Assets	\$29,991,566	\$28,559,208	+ 5.02
Shareholders' Equity	\$13,959,092	\$11,793,757	+18.36
Common Shares Outstanding	2,062,421	2,052,652	
Shareholders of Record	2,154	1,985	
Employees	1,017	891	+14.14
Customers Served	1,754,569	1,635,702	+ 7.26

Transfer Agents:	Morgan Guaranty Trust Company of New York	23 Wall Street, New York, N.Y. 10015
	Wachovia Bank & Trust Company	Box 1951, Raleigh, N.C. 27602
Registrars:	The Chase Manhattan Bank	One Chase Manhattan Plaza, New York, N.Y. 10015
	The Northwestern Bank	Box 311, North Wilkesboro, N.C. 28659
General Counsel:	McElwee & Hall	Box 1054, North Wilkesboro, N.C. 28659
Auditors:	Grisette & Beach, Certified Public Accountants, Box 759, Lenoir, N.C. 28645	
Annual Meeting:	Second Monday in November	Lowe's General Office, Highway 268 East, Box 1111, North Wilkesboro, N.C. 28659

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Board of Directors

Edwin Duncan
President, Chairman of the Board

Petro Kulynych
Executive Vice President, Chairman,
Executive Committee, Director

John A. Walker
Vice President, Sales, Member,
Executive Committee, Director

William H. McElwee
Vice President, General Counsel, Director

Leonard G. Herring
Secretary-Treasurer, Member,
Executive Committee, Director

Joe V. Reinhardt
Director of Operations, Member,
Executive Committee, Director

Robert L. Strickland
Director of Marketing, Member,
Executive Committee, Director

Gordon E. Cadwgan
Director, Partner, G. H. Walker &
Company, Boston, Mass.



Edwin Duncan



Petro Kulynych



Leonard G. Herring



William H. McElwee



Robert L. Strickland

John A. Walker

Joe V. Reinhardt



Gordon E. Cadwgan

To Our Stockholders

Fiscal 1967 was a significant year in the growth and development of Lowe's. Although we experienced a slight decrease in sales and earnings, when judged against the drastic decline in housing activity—economists have called it a building depression—management feels that great defensive strength has been shown in a year of economic adversity in the building material field.

As outlined at our stockholders meeting in November 1966, definite programs were instituted because of the changed business climate. These included a more diversified product selection, a remodeling program, a low-priced utility building package, and more intensive merchandising to consumers, and the do-it-yourself market. Also, more rigid reviews and controls were established on expenses and operating margins. All these programs helped, and Lowe's ended its year with a most successful campaign for sales and profits, participated in by every employee during the last fiscal quarter—May, June, and July. As a result of these actions, for the fifth consecutive year Lowe's attained a net profit of more than 20% after taxes on invested capital, after absorbing the opening costs of new stores and locations.

A selective expansion program increased the number of Lowe's stores to 44. (This does not include the 6 associate stores which are privately owned franchised operations.) Grand openings were held in 6 new locations—Greenville, South Carolina; Charlottesville, Virginia; a second store in Charlotte, North Carolina; Whiteville, North Carolina; Charleston, West Virginia; and Salisbury, Maryland. An unprofitable store in New Castle, Pennsylvania, was closed and the building sold. Also this year our stores in Durham, North Carolina, and Nashville, Tennessee were relocated to larger, more convenient facilities for better customer service.

Lowe's planned expansion for the coming year will bring the number of functioning stores to 50, and provide the operating base for our near-term sales volume objective of \$100,000,000.

The financial condition of Lowe's remains sound and liquid. The ratio of Current Assets to Current Liabilities is 1.93 to 1, and shareholders' equity reached an all time high of \$13,959,092. For several years the only long-term borrowing by Lowe's has been for the financing of land and buildings purchased for new store locations. We have financed our retail expansion from earnings, and it is anticipated that no long-term debt will be needed for working capital within the foreseeable future.

Cash dividends in the amount of \$660,771 have been paid to stockholders during this fiscal year. On August 25, 1967, the Board of Directors voted to raise the quarterly cash dividend from 8¢ to 9¢ per share, an increase of 12½%. This is the fifth increase in five years.

We are appreciative of the dedication, achievements, and hard work of all Lowe's employees during this year. With their continued support, and that of customers, our suppliers, and our stockholders, we have every confidence in the future of Lowe's.



Edwin Duncan

Edwin Duncan
President
Chairman of the Board

The Corporate History of Lowe's

Lowe's began very quietly. The original company was Mr. L. S. Lowe's North Wilkesboro Hardware, which was founded as a single proprietorship in 1921. It was going its quiet way in 1940, when Ruth Lowe, daughter of the founder, did two things that profoundly influenced the history of Lowe's Companies, Inc. She sold North Wilkesboro Hardware to her brother, James L. Lowe, for \$4,200. And she married H. Carl Buchan, Jr.

He was then employed in the traffic department of the Atlantic & East Carolina Railroad. He continued to work for the railroad until 1942, when he enlisted in the Army. Mr. Lowe joined the Air Corps; Mrs. Buchan and her mother operated North Wilkesboro Hardware.

Private Buchan was sent to Officer Candidate School and received a commission, but was injured and discharged in 1943. As he later recalled, "Jim Lowe told me if I would go home and inventory the stock and make enough money to pay him the amount of the inventory, I could have half interest in the business."

"I immediately proceeded to North Wilkesboro and took a physical inventory. It amounted to \$12,500 and consisted of notions, dry goods, snuff, produce, groceries, small miscellaneous hardware and building material. The business was located in a building 25 x 140 feet. After assuming management, I sold out all the stock except the heavy hardware and building materials. In a year or two," Buchan said, "our business began to prosper, and its future was limited only by our own imagination and ability."

As far as retailing was concerned, Buchan's imagination was innovative and bold. He envisioned the mass marketing of building materials even then. In 1949, Lowe's opened its first branch store, in Sparta, North Carolina; 40 miles from North Wilkesboro. Buchan and Lowe then acquired an automobile dealership and a cattle farm—but Buchan, in the next three years, devoted himself completely to the low-margin marketing of building materials, while his partner became more committed to automobiles and cattle. "In 1952," Carl Buchan recalled, "I was able to trade my interest in these two operations for his interest in the two stores. I was completely on my own for the first time in my life."

"Predictions were that I would fail; my trade connections said that I would not last beyond 90 days." But about 90 days later, he opened the Asheville, North Carolina store, and Lowe's was on its way. Sales zoomed from 1952 through 1959: \$4.1 million, \$6.4 million, \$9 million, \$11.9 million, \$17.4 million, \$18.2 million, \$20.4 million, \$27 million. The company added stores: one in 1954, two in 1955, three in 1958, four in 1959, and two in 1960.

A management team began to develop. Petro Kulynych, who had started as a clerk in 1946, became Vice President in charge of Pur-

chasing in 1954. Leonard Herring, with extensive experience in department store operation, joined the company in 1955 and became Secretary and Treasurer in 1956. Joe V. Reinhardt, a specialist in electronic data processing, joined in 1956 and began to develop an integration of warehousing, materials handling and data processing. Robert L. Strickland, a graduate of Harvard Business School, joined the company in 1957 and became Director of Marketing. John A. Walker, a sales executive of the Hotpoint Division of General Electric Company, joined in 1958 and became Lowe's Vice President in charge of Sales.

In the year ending July 31, 1960, sales volume rose to \$30.7 million; and this, to Carl Buchan, was only the beginning. "I now desire to build this business into the largest and most successful of its type in the world, owned and controlled by those who have built it," he wrote. But on the morning of October 22, 1960, the executive group, waiting for Mr. Buchan to attend their weekly meeting, learned that he was dead of a heart attack, at age 43.

Carl Buchan's future planning had called for the Lowe's Employees Profit Sharing Plan and Trust to buy blocks of his stock—periodically during his lifetime, and the balance at his death. So during the next trying months, the management group remained intact, and working with the executor of the estate, attempted to determine the best alternative for the future development of Lowe's in accordance with the plans of Mr. Buchan.

During 1961, a plan of action was agreed upon. Of 1,000,000 shares of Lowe's common stock, 110,820 were owned by employees and business associates of Buchan. The Profit Sharing Trust bought the remaining 889,180 shares of Lowe's common stock from the Buchan estate and family for \$4.3 million in cash and a series of notes totalling \$1 million. The cash payment was obtained from a short term loan; and the loan was repaid from the proceeds of a public offering of 410,000 shares of common stock, at a price of \$12.25. G. H. Walker & Company of New York, was managing underwriter for the offering, initiated and completed on October 10, 1961. The Profit Sharing Trust has retained the balance of the Lowe's common stock.

Mr. Edwin Duncan, President of The Northwestern Bank, who had been the company's financial advisor since 1952, became President and Board Chairman. Mr. William H. McElwee, Lowe's general counsel, became Vice President and Director. Mr. Gordon E. Cadwgan, general partner of G. H. Walker & Company, became a member of the Board along with the five members of the management staff.

Implementing and continuing the policy of aggressive balanced expansion, in the past six years, Lowe's present management has increased the merchandise and services offered to customers, and tripled the number of stores, building a foundation for even brighter future adventures in retailing.

Yesterday

The lines of Wilkes County, North Carolina formed the boundaries of Lowe's of "Yesterday". Here is captured the flavor of those exciting days of change and innovation when a "country store" was transformed into a building supply supermarket: The arrival of a shipment of still scarce supplies saw lines of customers queued up outside the doors. Materials were often taken from the shipper's trucks and loaded directly onto the buyer's vehicle. Goods moved at such a rapid pace that they were often sold while still in the original carton. And three of the founders: Carl Buchan, Hal Church and Pete Kulynych.

The Corporate History of Lowe's on the previous two pages is factual, but conveys neither the significant marketing elements of the time, nor the excitement, ambition, and hard work of the people involved.

In 1946, virtually all residential building materials were sold through the conventional distribution channels—manufacturer to wholesaler, to retailer, to builder or sub-contractor, then finally to the consumer. The price paid by the consumer reflected all these pricing levels. Restricted franchises helped perpetuate this costly and inefficient system. Plumbing, heating and electrical materials, needed in every home, were not sold by most building material retailers, requiring the customer to deal with other inefficient distribution systems also. The Lowe's idea was beautifully simple—to create one-stop shopping for the customer, and to buy directly from manufacturers at the same prices that wholesalers were paying, and to sell directly to the general public at the same prices the dealer had to pay. In many cases, "Lowe's Low Price" at retail was less than the dealers' buying price from the wholesalers. This caused confusion, anger, and sometimes chaos in the trade channels, but it built a reputation and was the foundation of a great business.

When the material shortages of the Korean War began to affect the business, Lowe's Low Prices were not raised, and efforts to acquire materials were intensified, with successful results. So when Lowe's had merchandise that no one else had, and the prices were still startlingly low, a new dimension was added to the growing legend. About this time, Lowe's began to sell major appliances in volume, a venture that would lead to a greatly expanded merchandise line, and help make Lowe's Low Prices a household word in the area.

Lowe's people were young, dedicated and aggressive. They were inspired by Buchan's drive and vision and spurred by the personal incentives which have become a hallmark of Lowe's. Many are still with the company in positions of responsibility.

Just as the supermarket concept revolutionized grocery retailing in the thirties, Lowe's—Yesterday—was to have far-reaching effects on the merchandising of building materials and hard goods.





Today

Lowe's Land of "Today" encompasses a greatly expanded market area—portions of twelve Eastern States—supported by a broad base of physical and financial facilities. Illustrated are some of the activities of Lowe's of "Today": Improved store design; computerized stock control; credit, delivery and other customer oriented services; and the aggressive merchandising of a wide range of products—from lumber to color TV sets.

Today at Lowe's we are making sales and ringing the cash register every working hour of every working day. As the montage indicates, we are busy.

Today at Lowe's we are building a foundation for a national chain, with stores and physical facilities, sales and service personnel to distribute goods and services to customers efficiently throughout this great land. The building blocks are sound business principles, seasoned executives and managers, Lowe's Low Prices and low expense ratios, and men and women who understand their business purpose—that of maintaining Lowe's competitive position in the market place and enhancing stockholders' equity.

Lowe's is tailoring a vast network of communications, transportation systems, electronic accounting, and adequate money sources. We are strengthening our product lines with additional franchises and stronger manufacturing sources. In the expansion of our merchandise selection, we are seeking products and implementing marketing plans that will attract younger buyers to our stores. A significant transformation of our people is occurring and people under 30 account for a growing share of Lowe's sales volume.

Today at Lowe's we are achieving marketing authority and an increasing customer franchise in the areas we serve. Increased market penetration is our criterion for maintaining sales and profits, with a balanced performance by product lines sold, a "must" for continued growth and development.

We are proud of our achievements, and we face the changing future with confidence and enthusiasm as today becomes tomorrow.



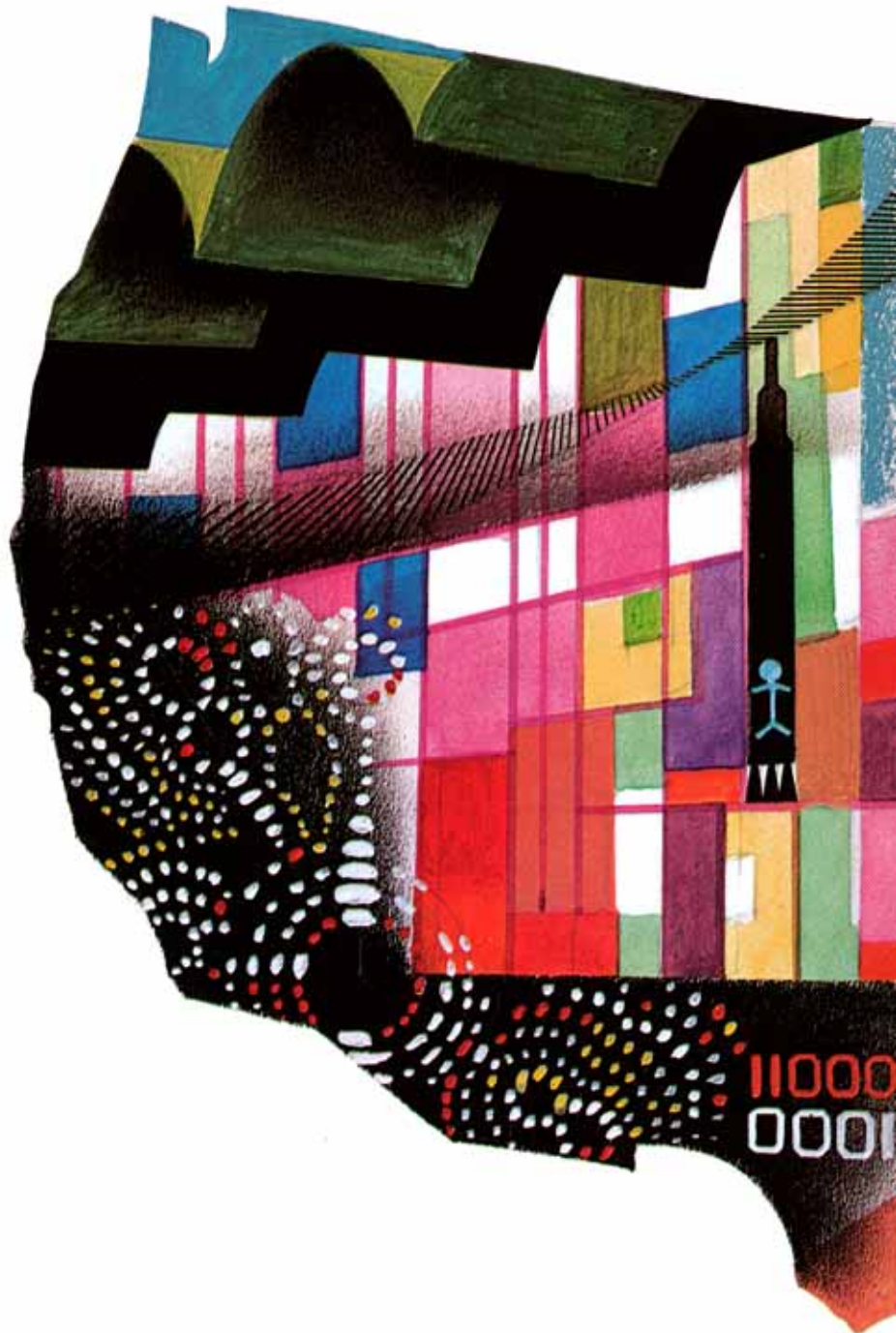


Tomorrow

"IF YOU DO NOT THINK ABOUT THE FUTURE, YOU CANNOT HAVE ONE." *John Galsworthy*

Lowe's management *is* thinking about the future, and we are excited about its prospects, particularly the nation-wide expansion of our operations.

"Tomorrow" . . . boldly imaginative, yet soundly based on the planning of today. Even now, the dreamers and planners of today are working to make tomorrow happen. In the illustration, we have attempted to depict a symbolic representation of the future and of Lowe's involvement in it.

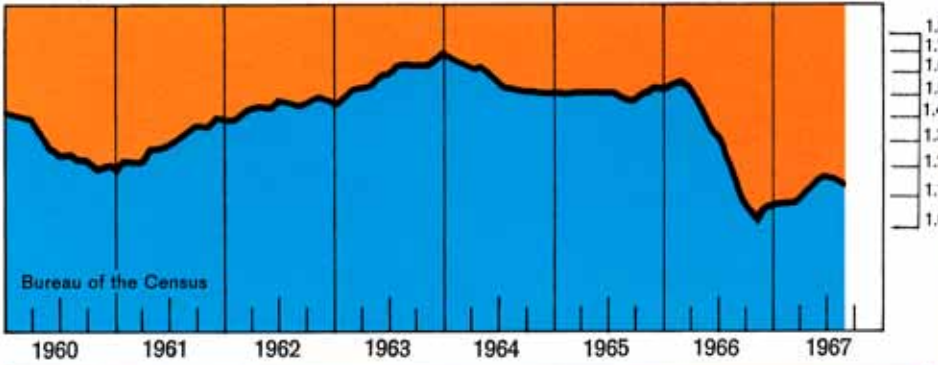


The Symbols of the Future: the prowess of the mind; the thrust of the starship carrying man to the planets and beyond; the unifying webs of transportation and communications; new products; new forms of present-day products; the punch-card representation of a computerized age; and the reminder that man will be the master of tomorrow. We have shown the future outlined within the boundaries of the continental United States. In truth, the world of tomorrow will be boundless.

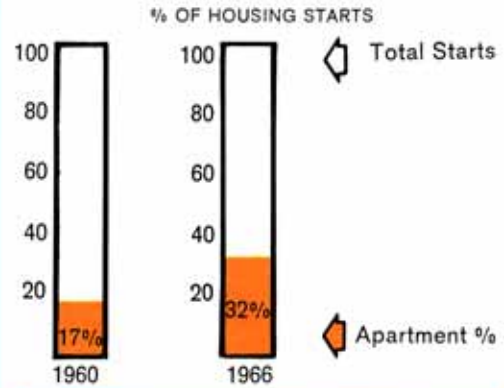


The Opportunities and the Challenge

New Private Housing Starts
Seasonally adjusted annual rate



Apartments



Sources of Housing Demand

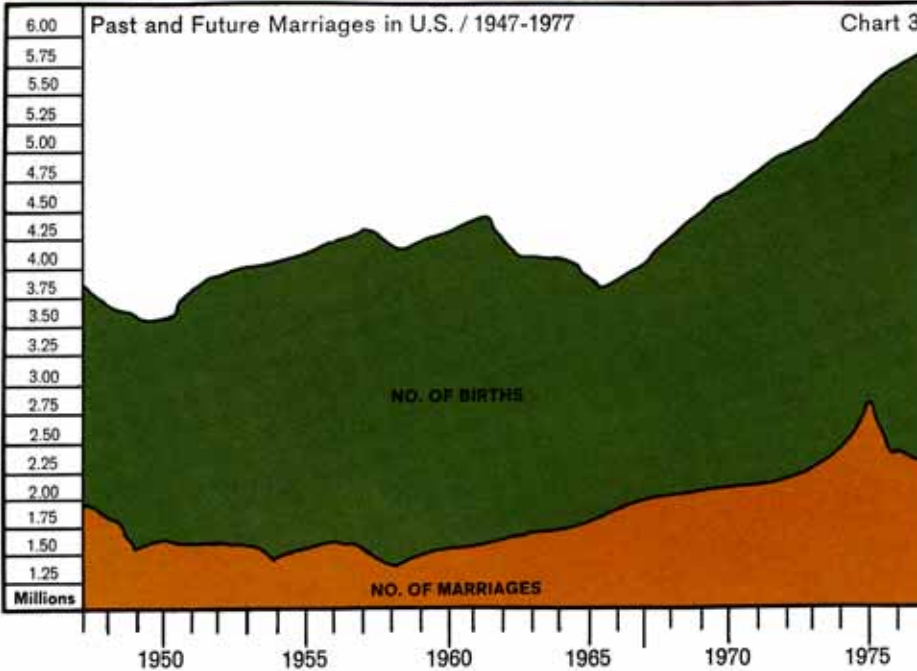
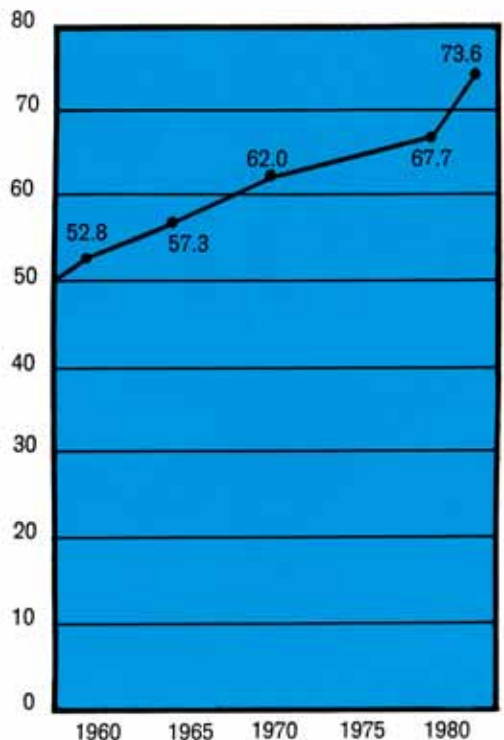
	1950-1960	1960-1964	1965-1969	1970-1974	1975-1980
Household Formations*	890,000	912,000	950,000	1,000,000	1,320,000
Demolitions and Other Losses	450,000	580,000	650,000	720,000	760,000
Increases in Number of Vacant Homes, Mobility and Migration	100,000	105,000	115,000	120,000	125,000
Increases in Secondary and Seasonal Housing	60,000	65,000	75,000	80,000	85,000
Total Potential Housing Demand	1,500,000	1,652,000	1,790,000	1,920,000	2,290,000

*—Series B projections

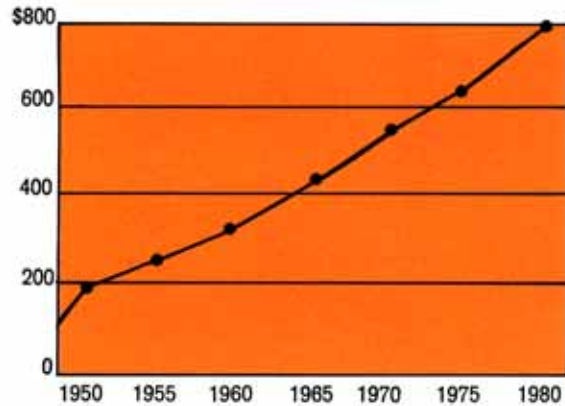
Mobile Homes

Year	Mobile Home Shipments	Shipments as % of New Housing Starts
1967	235,000	20%
1966	223,000	18%
1965	216,000	14%
1964	191,000	12%
1963	151,000	9%
1962	118,000	8%

Number of Households in U.S. (Millions)



Total Personal Consumption Expenditures (in \$ Billions) Chart 7

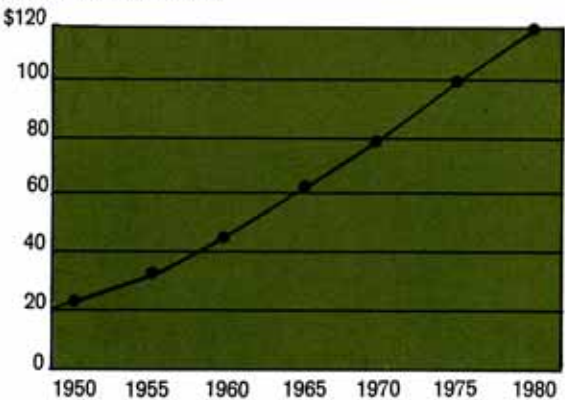


On the record inside the front cover, and on the preceding pages, you have heard and seen some of our ideas and plans for tomorrow at Lowe's. These graphs and charts are presented so you may evaluate our optimism quantitatively as well as qualitatively.

New private housing starts, in a depressed condition recently, Chart 1, are predicted to increase to new sustained high levels, Chart 2, by most industry analysts. These projections are supported by the expected increases in births and marriages, Chart 3. However, the composition of the market for single family dwellings is a changing mix. Apartments, Chart 4, and mobile homes, Chart 5, will continue to take large chunks of the market, and Lowe's will not ignore the total market potential.

While new home construction is of primary importance to Lowe's, the growing number of existing households, Chart 6, represents a vast secondary demand and after market for the merchandise we sell, because it is virtually all home-oriented.

Total Personal Expenditure On Housing (in \$ Billions) Chart 8



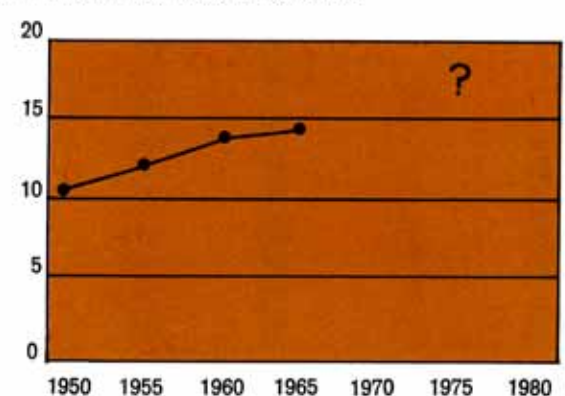
Charts 7, 8, and 9 summarize the opportunities and challenge for Lowe's future marketing. The *Morgan Guaranty Survey* of July, 1967, discusses this subject:

"There is nothing immutable, of course, about the ratio of consumer spending on housing to consumer income. The ratio—stable in recent years at a reading of 13%-14%—could move dramatically higher if some interesting breakthrough in housing were to arouse widespread excitement over the new product. At present, people generally do not exhibit any marked enthusiasm over newer houses. Today's typical offering seems to be regarded mainly in utilitarian terms, as something one has to have, rather than as a preferred object of expenditure. . . ."

"Many critics of the home-building industry argue that this . . . could be broken if builders showed more enterprise. With greater architectural innovation, it is asserted, a demand for new dwellings could be generated far bigger than anything forecast at present. Cited as precedent is the housing boom that occurred in the 1920's. In that period developers introduced and aggressively merchandised both high-rise apartments in the central cities and the concept of the suburb. An exceptional building boom ensued."

The challenge to Lowe's management is to help make this happen.

Housing Expenditures As a Percent of Total Personal Expenditures Chart 9



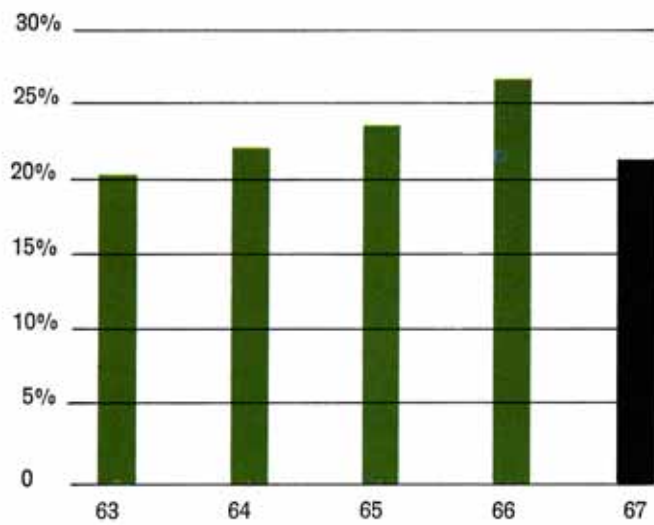
Sources:

- Chart 1 — U.S. Dept. of Commerce
- Chart 2 — U.S. Dept. of Commerce, National Assoc. of Home Builders
- Chart 3 — U.S. Dept. of Commerce
- Chart 4 — The Morgan Guaranty Survey, July 1967
- Chart 5 — U.S. Dept. of Commerce, Mobile Home Dealer
- Chart 6 — U.S. Dept. of Commerce
- Chart 7 — U.S. Dept. of Commerce
- Chart 8 — U.S. Dept. of Commerce
- Chart 9 — U.S. Dept. of Commerce

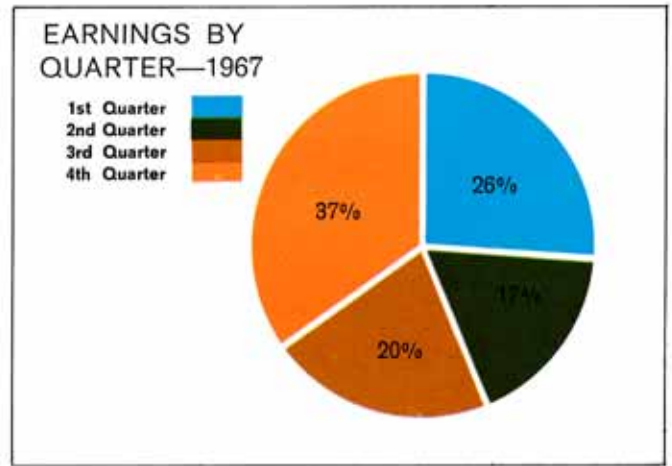
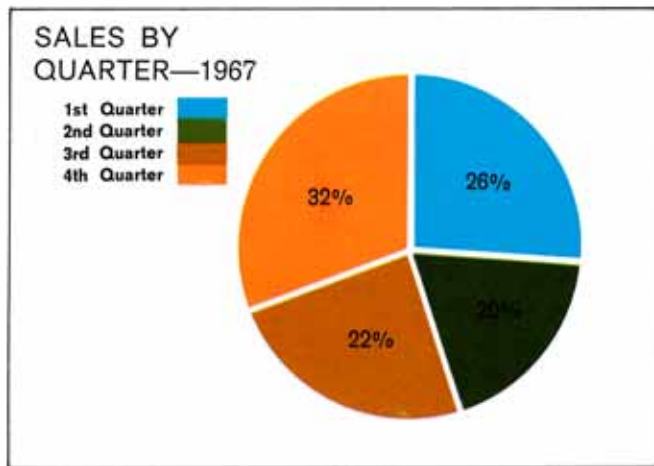
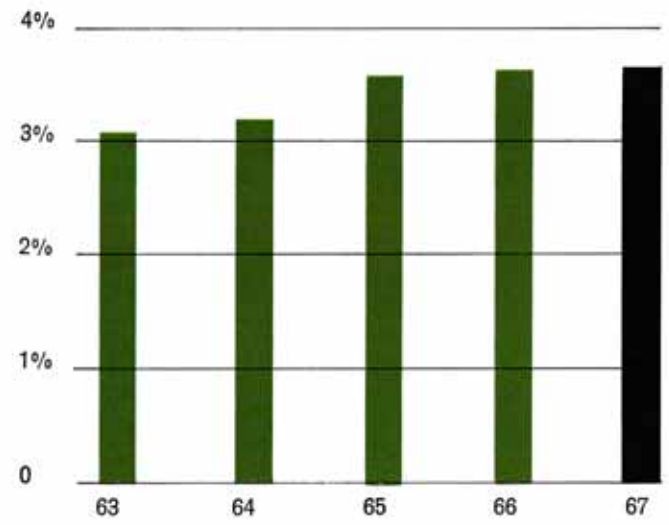
Future estimates for Charts 7 and 8: Lowe's

Performance Graphs

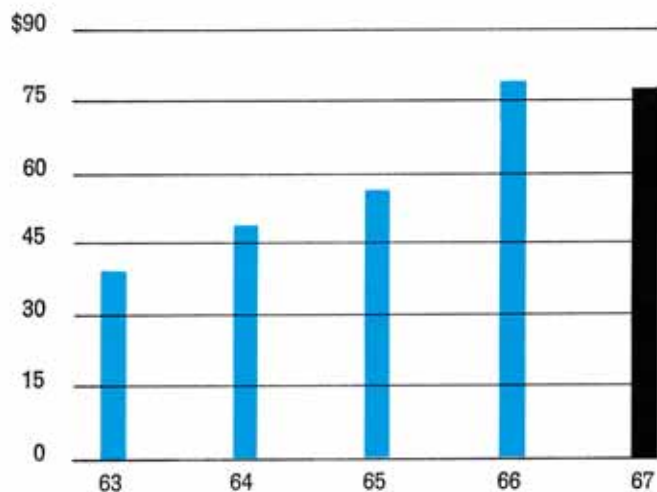
% Return on Stockholder Equity (After Taxes)



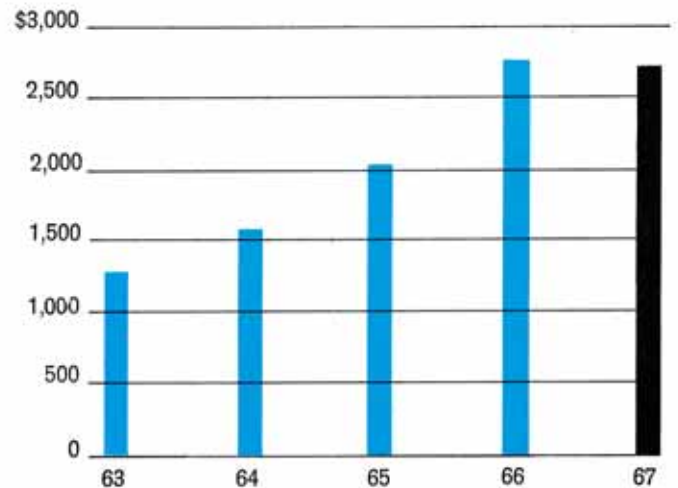
% Net Income-Net Sales (After Taxes)



Sales (In Millions of Dollars)



Earnings After Taxes (In Thousands of Dollars)



Consolidated Statement of Earnings and Retained Earnings

	Year Ended July 31	
	1967	1966
EARNINGS:		
Net Sales	\$75,694,746	\$77,042,837
Other Income	25,594	13,213
Totals	\$75,720,340	\$77,056,050
Cost and Expenses:		
Cost of Sales, Selling, Administrative and General Expenses	\$68,615,281	\$70,171,759
Rents	354,981	310,162
Depreciation and Amortization	794,242	548,520
Contribution to Employees' Profit Sharing Trust	621,403	538,245
Interest and Loan Expenses	183,022	201,037
Total Cost and Expenses	\$70,568,929	\$71,769,723
Pre-tax Earnings	\$ 5,151,411	\$ 5,286,327
Provision for Income Taxes	2,381,467	2,495,843
Net Earnings	\$ 2,769,944	\$ 2,790,484
RETAINED EARNINGS:		
Balance at Beginning of Year	\$ 9,407,310	\$ 8,258,186
Net Earnings	2,769,944	2,790,484
Totals	\$12,177,254	\$11,048,670
Less: Cash Dividends	660,771	615,726
100 Per Cent Stock Dividend		1,025,634
Balance at End of Year	\$11,516,483	\$ 9,407,310

Consolidated Balance Sheet

ASSETS

	July 31	
	1967	1966
Current Assets:		
Cash	\$ 4,813,584	\$ 3,024,175
Accounts Receivable Less Allowance for Doubtful Accounts — 1967, \$566,629; 1966, \$522,044	9,674,781	9,309,439
Inventories at the Lower of Cost (first-in, first-out) or Market	9,532,220	10,931,386
Prepaid Expenses	143,187	131,040
Total Current Assets	\$24,163,772	\$23,396,040
Property, Improvements and Equipment:		
At Cost Less Accumulated Depreciation — 1967 — \$2,028,109; 1966 — \$1,427,428	5,729,346	5,058,446
Other Assets and Deferred Charges:		
Unamortized Loan Expense	18,642	19,626
Other Assets at Cost	79,806	85,096
Total Assets	\$29,991,566	\$28,559,208

LIABILITIES AND SHAREHOLDERS' EQUITY

	July 31	
	1967	1966
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 9,389,715	\$10,718,088
Long Term Debt Due Within One Year	432,367	320,933
Provisions for Employees' Profit Sharing Plan	503,792	408,558
Provisions for Income Taxes	2,177,372	2,182,504
Total Current Liabilities	\$12,503,246	\$13,630,083
Long Term Debt:		
Notes Payable and Debenture Bonds	3,526,660	3,127,364
Deferred Credits:		
Unamortized Premium on Debenture Bonds	2,568	8,004
Total Liabilities	\$16,032,474	\$16,765,451
Shareholders' Equity:		
5% Preferred Stock — \$100.00 Par Value Authorized 500 Shares; Issued and Outstanding 450 Shares	\$ 45,000	\$ 45,000
Common Stock — \$1.00 Par Value Authorized 5,000,000 Shares; Issued and Outstanding — 1967, 2,062,421 Shares; 1966, 2,052,652 Shares	2,062,421	2,052,652
Capital Surplus	335,188	288,795
Retained Earnings	11,516,483	9,407,310
Total Shareholders' Equity	\$13,959,092	\$11,793,757
Total Liabilities and Shareholders' Equity	\$29,991,566	\$28,559,208

Notes to Financial Statements

Note 1 — Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly-owned. Four subsidiaries were organized during the current year and one was liquidated.

Note 2 — Long Term Debt:

The Company's long-term debt is summarized as follows:

(a) Four loans from a life insurance company—two unsecured notes in the amount of \$1,270,000 and two notes secured by Deeds of Trust on certain real estate in the amount of \$1,521,175. Interest rates on the notes range from 5 $\frac{1}{2}$ % to 6%. Maturities during the next three years will be \$302,313, \$307,082, and \$312,128. Final payment on the loans will be in 1981. Among other conditions these loan agreements place certain requirements on net current assets to be maintained, limit borrowing and place certain restrictions on payment of cash dividends. The company has complied with the restrictive clauses of the agreements.

(b) 4 $\frac{1}{2}$ % debenture bonds in the aggregate amount of \$54,529 maturing annually at the rate of \$34,773 with a final payment in 1968 of \$19,756.

(c) A 5 $\frac{3}{4}$ % note for \$850,000 secured by Deeds of Trust on certain real estate due in quarterly payments of \$20,000, including interest, with a final payment due July 31, 1970.

(d) Various notes in the aggregate amount of \$263,323 incurred in the purchase of and secured by real estate. All these notes mature in monthly or semi-annual installments with the final payments due in 1980.

Note 3 — Commitments and Contingent Liabilities:

Lowe's Companies, Inc. and its subsidiaries have twenty-three rental leases expiring more than three years after July 31, 1967, with aggregate minimum annual rentals of approximately \$234,619. None of these leases extend beyond 1977 except by option of the Company.

The tax returns of the Company and its subsidiaries have been examined by agents of the Internal Revenue Service for the fiscal years ending on and prior to October 31, 1964 and provisions have been made for the minor changes resulting from their examinations.

Note 4 — Employees Stock Option Plan:

Under the stock option plan approved by the stockholders in July 1961, 130,000 shares (65,000 adjusted for 100% stock dividend on May 2, 1966) of the Company's common stock were reserved for the granting of options at 95% of market value

at the date of grant. The following table sets forth the transactions that have taken place under the plan (all figures give effect to the 100% stock dividend):

	Granted 10-9-61	Granted 5-20-63	Total
Beginning exercisable date	1-1-63	5-20-64	
Option price per share	\$ 5.82	\$ 5.50	
Persons involved in original grantings	21	10	31
Number of options granted	118,500	10,514	129,014
Options forfeited	1,200		1,200
Options exercised prior to 8-1-66	73,400	3,352	76,752
Options exercised year-ended 7-31-67	7,600	2,169	9,769
Options outstanding 7-31-67	36,300	4,993	41,293

The options are exercisable at the rate of 20% per year beginning at the exercisable dates shown above and may be accumulated for one year except for the fifth year. Of the original 130,000 shares, options for 986 have not been granted and the time for granting has expired. The market value of the shares exercised during the year varied from \$11.00 to \$23.25 per share.

Note 5 — Employees' Profit Sharing Plan:

There is in effect a qualified non-contributory employee profit sharing plan established in June 1957. The Company and subsidiaries generally contribute to the plan the maximum amount allowed under the Internal Revenue Code, that is, 15% of the aggregate annual compensation paid to participating employees. The trust created by the plan is the Company's largest stockholder.

Note 6 — Cost and Expenses:

The Company's cost and expenses are classified as follows in its annual report to the Securities and Exchange Commission:

	7-31-67	7-31-66
Cost of sales, buying, warehousing and occupancy expense	\$63,041,460	\$64,844,723
Selling, administrative and general expenses	6,891,698	6,240,120
Provisions for bad debts	452,748	483,843
Interest and loan expenses	183,022	201,037
Total costs and expenses	\$70,568,928	\$71,769,723

Note 7 — Capital Surplus:

This represents the proceeds in excess of par or cost from the shares issued to the employees in their acquisition of stock under the stock option plan. The increase of \$46,393 represents the excess on 9,769 shares acquired by the employees during the year.

Report of Certified Public Accountants

The Board of Directors
Lowe's Companies, Inc.

We have examined the consolidated balance sheet of Lowe's Companies, Inc., and subsidiary companies at July 31, 1967, and the related statement of consolidated earnings and retained earnings for the year then ended. Our examination was 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 accompanying balance sheet and statement of earnings and retained earnings present fairly the consolidated financial position of Lowe's Companies, Inc., and subsidiary companies at July 31, 1967, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lenoir, North Carolina
September 21, 1967

GRISSETTE AND BEACH
Certified Public Accountants

Statement of Source and Application of Funds

	Year Ended	
	7-31-67	7-31-66
Source of Funds:		
Net Earnings for the Year	\$2,769,944	\$2,790,484
Depreciation and Amortization of Fixed Properties	794,242	548,520
Total Funds from Operations	\$3,564,186	\$3,339,004
Proceeds from Sale of Stock Under Employees' Stock Options	56,161	128,699
Increase in Long Term Debt — Net	399,296	750,692
Funds from Other Sources	836	
Total Funds Available	\$4,020,479	\$4,218,395
Funds Applied:		
Fixed Assets Acquired — Net	\$1,465,141	\$1,774,901
Dividends Paid	660,771	615,726
Other Funds Applied		35,507
Total Funds Applied	\$2,125,912	\$2,426,134
Balance Added to Working Capital	\$1,894,567	\$1,792,261

Historical Review: Twelve Year Comparison

Year Ending July 31	1967	1966	1965	1964	1963
Net Sales	\$75,694,746	\$77,042,837	\$57,043,741	\$48,680,295	\$39,011,836
Earnings Before Taxes	\$ 5,151,411	\$ 5,286,327	\$ 3,941,907	\$ 3,085,530	\$ 2,438,292
Taxes on Income	\$ 2,381,467	\$ 2,495,843	\$ 1,895,639	\$ 1,517,761	\$ 1,232,889
Net Earnings	\$ 2,769,944	\$ 2,790,484	\$ 2,046,268	\$ 1,567,769	\$ 1,205,403
Earnings per Common Share (1)	\$ 1.34	\$ 1.36	\$ 1.00	\$.79	\$.61
Earnings as Per Cent of Sales	3.66%	3.62%	3.59%	3.22%	3.09%
Earnings on Shareholders' Equity (2)	21.51%	26.22%	23.80%	22.34%	20.11%
Cash Dividends Declared	\$ 660,771	\$ 615,726	\$ 518,648	\$ 459,880	\$ 411,229
Cash Dividends Per Common Share	32¢	30¢	25 ¹ / ₄ ¢	23 ¹ / ₄ ¢	20 ¹ / ₄ ¢
Shares Outstanding	2,062,421	2,052,652	2,030,416	1,986,500	1,975,900
Shareholders' Equity	\$13,959,092	\$11,793,757	\$ 9,490,301	\$ 7,707,448	\$ 6,325,695
Shareholders' Equity per Common Share	\$ 6.75	\$ 5.72	\$ 4.65	\$ 3.86	\$ 3.18
Cash	\$ 4,813,584	\$ 3,024,175	\$ 3,801,418	\$ 3,374,168	\$ 2,734,572
Accounts Receivable (Net of Reserve)	\$ 9,674,781	\$ 9,309,439	\$ 7,164,877	\$ 5,586,293	\$ 4,967,831
Inventories (Lower of Cost or Market)	\$ 9,532,220	\$10,931,386	\$ 8,155,561	\$ 6,336,653	\$ 6,213,839
Depreciation and Amortization	\$ 794,242	\$ 548,520	\$ 304,701	\$ 197,102	\$ 150,950
Net Fixed Assets	\$ 5,729,346	\$ 5,058,446	\$ 3,832,066	\$ 2,381,046	\$ 1,150,769
Net Working Capital	\$11,660,526	\$ 9,765,957	\$ 7,973,696	\$ 7,896,470	\$ 6,852,667
Total Assets	\$29,991,566	\$28,559,208	\$23,095,800	\$17,804,577	\$15,629,698
Long Term Debt	\$ 3,526,660	\$ 3,127,364	\$ 2,376,672	\$ 2,615,497	\$ 2,138,877
Number of Employees	1,017	891	762	636	555
Customers Served	1,754,569	1,635,702	1,283,729	1,141,168	882,593
Shareholders of Record (3)	2,154	1,985	1,871	1,967	2,034
Number of Stores	44	39	35	28	22

(1) After deducting \$2,250 dividends per year on preferred stock. For the years 1966 through 1961 the earnings are based on 2,000,000 shares, the outstanding shares at 10-10-61. All per share figures have been adjusted to give effect to the 100% stock dividend at 5-2-66.

(2) Average of beginning and ending balance of shareholders' equity.

(3) Public offering of stock 10-10-61.

1962	1961	1960	1959	1958	1957	1956
\$32,716,336	\$31,127,776	\$30,679,449	\$27,005,459	\$20,443,908	\$18,232,770	\$17,389,620
\$ 2,054,177	\$ 1,890,426	\$ 1,359,248	\$ 1,515,781	\$ 832,878	\$ 810,696	\$ 831,442
\$ 1,033,606	\$ 956,000	\$ 641,037	\$ 759,702	\$ 428,593	\$ 418,262	\$ 424,403
\$ 1,020,565	\$ 934,426	\$ 718,211	\$ 756,079	\$ 404,285	\$ 392,434	\$ 407,039
\$.51	\$.46	\$.36	\$.37	\$.20	\$.20	\$.20
3.12%	3.00%	2.34%	2.80%	1.98%	2.15%	2.34%
19.07%	21.51%	21.84%	29.67%	20.77%	25.78%	36.59%
\$ 402,250	\$ 102,250					
20¢	5¢					
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
\$ 5,661,332	\$ 5,043,017	\$ 3,646,393	\$ 2,931,431	\$ 2,164,762	\$ 1,729,082	\$ 1,315,834
\$ 2.81	\$ 2.50	\$ 1.80	\$ 1.45	\$ 1.06	\$.84	\$.64
\$ 1,955,691	\$ 1,299,603	\$ 441,833	\$ 365,145	\$ 583,004	\$ 467,982	\$ 523,569
\$ 3,768,654	\$ 3,107,550	\$ 2,858,041	\$ 2,112,343	\$ 1,323,913	\$ 679,911	\$ 583,911
\$ 5,867,733	\$ 4,800,834	\$ 4,755,421	\$ 3,163,800	\$ 2,655,214	\$ 2,071,648	\$ 2,304,203
\$ 124,570	\$ 133,219	\$ 136,712	\$ 105,560	\$ 72,945	\$ 40,963	\$ 26,384
\$ 1,329	\$ 1,228,542	\$ 1,252,919	\$ 1,280,932	\$ 629,874	\$ 549,788	\$ 158,670
\$ 6,036,730	\$ 4,383,599	\$ 3,197,540	\$ 2,606,613	\$ 2,104,914	\$ 1,465,317	\$ 1,332,662
\$13,096,562	\$11,834,941	\$ 9,382,368	\$ 7,047,730	\$ 5,266,787	\$ 3,798,733	\$ 3,593,265
\$ 1,679,864	\$ 1,791,652	\$ 862,076	\$ 985,895	\$ 589,063	\$ 292,167	\$ 176,200
491	399	360	334	273	215	197
703,350	650,506	581,084	N/A	N/A	N/A	N/A
2,047						
18	15	15	13	9	6	6

To Our Stockholders:

Your assistance in this Annual Report Survey will be appreciated, and should help us communicate the "Story of Lowe's" more clearly in the future.

1. What section or feature did you like best?

2. Which section or feature seemed least useful?

3. What type of information would you like added, or amplified in future reports?

4. Please comment on the record, and any other comments.

5. I have been a stockholder of Lowe's:
 - Less than a year.
 - One to two years. Over two years.
6. I normally retain Lowe's Annual Report:
 - Long enough to read. Until the next Annual Report.
 - Until the next interim report. Annual Report.

Thank you for your participation.

LOWE'S

Companies, Inc.

General Office
Highway 268 East, Box 1111
North Wilkesboro, N.C. 28659

STORE LOCATIONS

North Wilkesboro, N.C.
Sparta, N.C.
Asheville, N.C.
Asheboro, N.C.
Charlotte, N.C.
Durham, N.C.
Winston-Salem, N.C.
Roanoke, Va.
Greensboro, N.C.
Raleigh, N.C.

Knoxville, Tenn.
Marion, N.C.*
Oak Hill, W. Va.
Richmond, Va.
Staunton, Va.
Bristol, Tenn.
Mayodan, N.C.*
Greeneville, Tenn.*
Newport, Tenn.*
Brevard, N.C.*

Middlesboro, Ky.*
Shelby, N.C.
Hagerstown, Md.
Nashville, Tenn.
Chattanooga, Tenn.
Hickory, N.C.
Huntington, W. Va.
Princeton, W. Va.
Kingsport, Tenn.
Norfolk, Va.

Charleston, S.C.
Dover, Del.
Vienna, Va.
Wilmington, N.C.
Boone, N.C.
Hendersonville, N.C.
Belpre, Ohio
Rockingham, N.C.
Waynesville, N.C.
Wilson, N.C.

Wilmington, Del.
Woodbridge, Va.
Newport News, Va.
Suffolk, Va.
Charlottesville, Va.
Whiteville, N.C.
Charlotte, N.C.
Charleston, W. Va.
Salisbury, Md.
Greenville, S.C.

*Associate Stores