

LOWE'S
Companies, Inc.

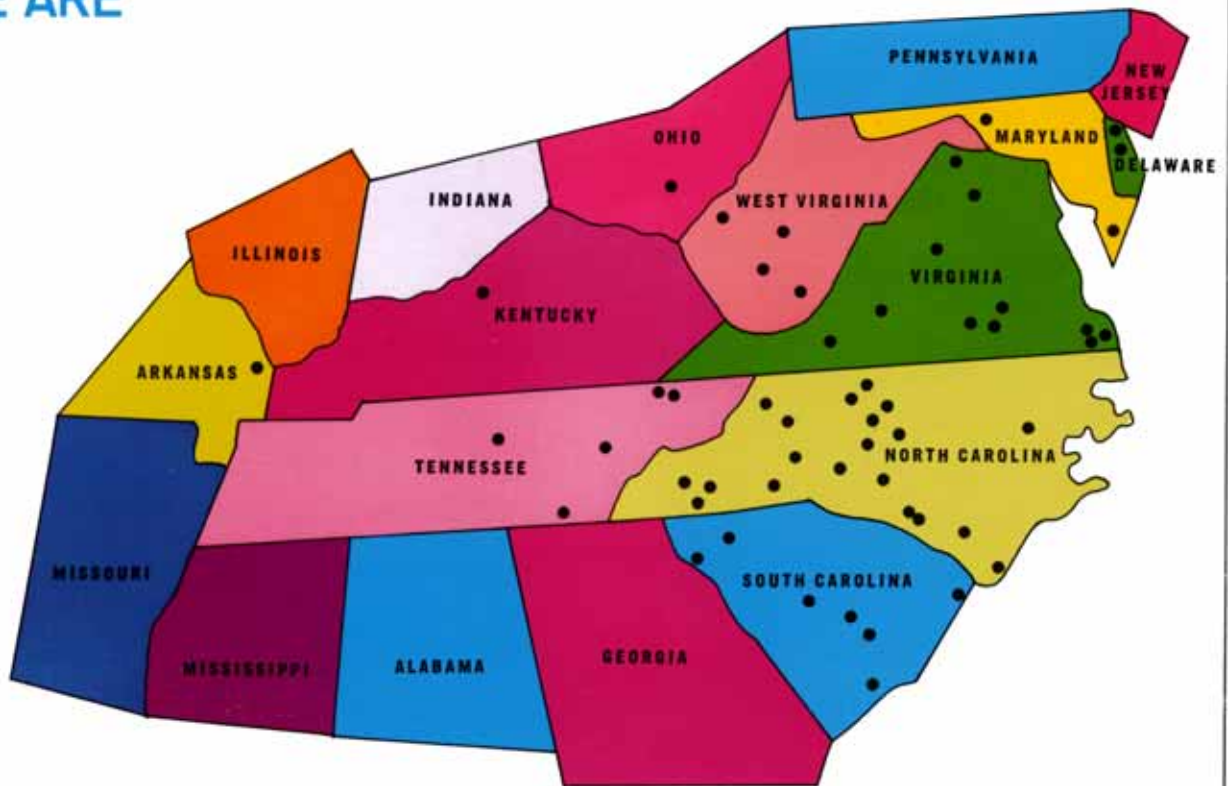
1968

Annual Report

WHERE WE ARE

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.
 Oak Hill, W. Va.
 Richmond, Va.
 Staunton, Va.
 Bristol, Tenn.
 Shelby, N. C.
 Hagerstown, Md.
 Nashville, Tenn.
 Chattanooga, Tenn.
 Hickory, N. C.
 Huntington, W. Va.
 Princeton, W. Va.
 Kingsport, Tenn.
 Norfolk, Va.
 Wilmington, Del.
 Woodbridge, Va.
 Newport News, Va.
 Suffolk, Va.
 Charlottesvile, Va.
 Lumberton, N. C.
 Anderson, S. C.
 Columbia, S. C.
 Myrtle Beach, S. C.



Whiteville, N. C.
 Charlotte, N. C.
 Charleston, W. Va.
 Salisbury, Md.
 Greenville, S. C.

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.

Manning, S. C.
 Sumter, S. C.
 Frankfort, Ky.
 Blytheville, Ark.
 Hopewell, Va.

WHAT WE ARE

Lowe's low prices, on high quality merchandise, and specialized customer-oriented service, pull millions of shoppers and buyers into Lowe's 53 retail stores in the ten states shown above.

From a single cash and carry building supply store in 1946, Lowe's growth has been generated by successive, successful innovations in mass merchandising and volume distribution. Lowe's retail product line now encompasses six major categories: Building Materials, Lumber, Building Hardware, House and Yard Products, Home Appliances, and Home Entertainment Products.

Aggressive, balanced expansion is the policy of management. Lowe's has been listed in 101 GROWTH STOCKS by Merrill Lynch, 33 SUPER GROWTH STOCKS by Standard and Poor's, and BABY BLUE CHIPS by Forbes.

About the cover: The story of Lowe's, 1968, is the return of our sales growth, indicated by the line graph. After the plateau-like 1967, caused by the credit crunch on mortgage funds, sales surged this year to a \$21,000,000 increase.

The wood grain is representative of two of the fastest growing segments of our product line—prefinished wood paneling, rapidly becoming the new standard interior wall; and the fine furniture cabinetry of color television. The Lowe's merchandise story is discussed further on pages eight through eleven.

TABLE OF CONTENTS

Highlights of the Year	1
President's Letter	2
A Financial Review	3
Purchasing and Expansion	4
Operations	5
Marketing	6
Merchandise for Home Construction	8
Merchandise for Home Enjoyment	10
Sales	12
The Lowe's Store	13
The Opportunities and the Challenge	14
Performance Graphs	16
Consolidated Statement of Earnings and Retained Earnings	17
Consolidated Balance Sheet	18
Notes to Financial Statements	20
Report of Auditors	20
Statement of Source and Application of Funds ..	21
13 Year Statistical Review	22
Lowe's Corporate History	24

HIGHLIGHTS OF THE YEAR Ended July 31

	1968	1967	Percent of Change
Net Sales	\$97,031,083	\$75,694,746	+28.2
Income Tax Provisions	\$ 3,609,445	\$ 2,381,467	+51.6
Net Earnings	\$ 3,592,519	\$ 2,769,944	+29.7
Earnings Per Common Share	\$ 1.71	\$ 1.34	
Dividends Paid	\$ 755,686	\$ 660,771	+14.4
Dividends Per Common Share	\$.36	\$.32	
Working Capital	\$13,706,919	\$11,660,526	+17.5
Net Property and Equipment	\$ 6,545,559	\$ 5,729,346	+14.2
Capital Expenditures	\$ 1,642,990	\$ 1,465,141	+12.1
Depreciation	\$ 826,777	\$ 794,242	+ 4.1
Funded Debt	\$ 3,434,298	\$ 3,526,660	- 2.6
Shareholders' Equity	\$17,022,003	\$13,959,092	+21.9
Number of Employees	1,223	1,017	+20.3
Number of Customers	2,034,158	1,754,569	+15.9
Common Shares Outstanding	2,101,414	2,062,421	
Shareholders of Record	1,976	2,154	

OFFICERS and 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
Partner G. H. Walker & Company,
Boston, Mass. Director

Rex L. Shumate
Assistant Treasurer

OFFICIAL INFORMATION

Annual Meeting: November 12, 1968, 2:00 p.m.
The Northwestern Bank Building,
North Wilkesboro, N. C. 28659

Headquarters: Lowe's General Office, Highway 268 East,
Box 1111, North Wilkesboro, N. C. 28659

Stock Listing: Lowe's Common stock has been listed
since October, 1961, on the
National Over-The-Counter market.

Dividend Disbursing Agent: Wachovia Bank & Trust Company,
Box 1951, Raleigh, N. C. 27602

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,
New York, N. Y. 10015
One Chase Manhattan Plaza,
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

TO OUR STOCKHOLDERS



Edwin Duncan
President
Chairman of the Board

Fiscal 1968 was a landmark year for Lowe's, a year of renewed growth in sales, earnings, dividends, and net worth.

Sales: Lowe's sales growth pattern was vigorously reestablished. Total sales of \$97,031,083 included a \$21,336,337 increase over 1967 sales. Both the total and the increase are all time highs. The nine new stores contributed to this growth, but the primary increase came from the 44 older stores. Although the mortgage market for housing still lacks long range stability, and although interest rates remain high, the basic demand in our markets for the materials we sell and the services we render has enabled these stores to post solid sales gains. Also, Lowe's marketing programs to strengthen demand for our product lines, and to broaden and diversify our customer appeal, have produced additional sales growth this year.

Earnings: Net earnings after taxes were \$3,592,519, a gain of \$822,575 and 29.7% over the previous year. Earnings per share were \$1.71 in 1968, compared to \$1.34 in 1967. Here too, both the total earnings figure and the yearly increase are historical high points for Lowe's.

Performance Objectives: Management's performance objectives are to maintain company growth, and to continue to exceed three percent on sales and twenty per cent on stockholders' equity after taxes. As shown in the review on pages 22 and 23, the 3.7% return on sales is a record high, and the return on equity increased to 23.19%.

Dividends: During this fiscal year, the cash dividends paid to stockholders totalled \$755,686, up from \$660,771 paid in fiscal 1967, and the seventh consecutive annual increase in dividend payout.

Financial Comments: Your attention is invited to the improved financial strength of Lowe's. As shown on the Consolidated Balance Sheet on pages 18 and 19, Net Worth increased from \$13,959,092 to \$17,022,003. The ratio of Current Assets to Current Liabilities is 1.92 to 1, indicating that liquidity is being maintained during this period of rapid expansion of sales and stores.

Growth: A record nine new stores were opened in fiscal 1968, and all start-up costs and operating expenses incident to these openings have been included in Total Expenses listed in the 1968 Income Statement on page 17.

The new Lowe's stores are located in Lumberton, North Carolina; Anderson, Columbia, Myrtle Beach, Manning, and Sumter, South Carolina; Frankfort, Kentucky; Hopewell, Virginia; and our first store west of the Mississippi—Blytheville, Arkansas.

We remain dedicated to continued geographical expansion of our stores in the future. It is the surest way to maintain the growth performance of Lowe's. It gives added opportunities for sales in new markets, and simultaneously provides the men and women of Lowe's with opportunities for advancement in their personal careers with the company.

A Note of Appreciation: We acknowledge with thanks the continued motivation, skill, and hard work of our people at Lowe's. This support, along with that of our customers, our suppliers, and our stockholders; and also the achievements of this year, give management even greater confidence in the future growth and prosperity of Lowe's.

A FINANCIAL REVIEW

Leonard G. Herring

Secretary-Treasurer, Member
Executive Committee, Director

Credit Policy and Accounts Receivable:

Our stores offer credit terms in both major areas of our business. Retail purchases of consumer goods may be charged on a Lowe's credit card. This is a revolving charge account like those offered at most department stores. These installment sales contracts are sold daily to a finance company, and from a cash flow standpoint are the same as cash sales to Lowe's.

About 70% of total sales are made to builders, contractors, and other professional buyers on credit terms of 30, 60, and 90 days. This 70% figure has not fluctuated substantially during the past few years. The average age of accounts receivable on our books varies from 40 to 60 days, depending on the season, since home building work completion and loan closing takes longer in the winter months than in summer. Losses from bad debts have been approximately 1/2 of 1% of sales in recent years.

Store Office Management: Responsibility for day to day administration of credit policies, and maintenance of accounts receivable is delegated to the Office and Credit Manager at each Lowe's store. These men and women, with an average of 4 1/2 years of Lowe's service, make the necessary daily decisions on credit and general office management. They are guided by one of Lowe's four staff auditors whose visits provide weekly contact between Lowe's store offices and top staff supervision. They are aided by their well trained, financially oriented office workers who provide a ready source for future office managers.

Finances: In recent years working capital requirements for expansion of store operations has been financed generally by retained earnings. Occasionally, seasonal working capital is needed, and is secured from local banking sources. Funded debt has been used to finance land and improvements for new facilities where land is purchased and the building constructed. This, of course, is not necessary where an existing facility is leased. During the year ending July 31, 1968, no outside funded debt was acquired except for a long term note in the amount of \$400,000, placed for a portion of the purchase price of three new store operations. The amount of funds expended for real estate was substantially less in fiscal 1968 than during the past few years and less than the amount anticipated for fiscal 1969. At the present time Lowe's has obligated \$650,000 for construction of new store facilities, and it is believed that this amount may reach \$1,500,000 prior to the end of fiscal 1969. Lowe's will secure long term debt financing for this purpose. We do not anticipate the need for additional funded debt



for working capital during the next few months.

On this point, we feel it noteworthy that although the company has tripled its sales since 1961, it has not been necessary to finance this growth with the issuance of warrants, convertible debentures, or other devices which would dilute future earnings. Thus we have reserved for shareholders during this period the full effect of the growth of our earnings, which have almost quadrupled since 1961.

Taxes: The surtax on Federal income tax has decreased Lowe's earnings after tax in fiscal 1968 by approximately 11¢ per share. Since the surtax was in effect for just one half of 1968, and will probably be in effect for all of fiscal 1969, it will have twice the relative impact on per share earnings. Also, other taxes including county, city, and state, have been rising constantly through increased rates, re-evaluation, and municipal annexations. These trends present additional challenges to Lowe's effort to maintain and improve operating ratios.

Stockholder Composition: Lowe's made its initial public offering of stock in October, 1961, of 410,000 shares at \$12.25 per share. Adjusted for the 100% stock dividend in May, 1966, the initial offering price would be equivalent to \$6.12 1/2 per share. Lowe's has 1976 stockholders of record, and this has remained relatively constant. Also there are 500 to 600 additional shareholders in accounts held by brokerage firms, nominees and others. Lowe's Companies Employees' Profit-Sharing Plan and Trust owns approximately 46% of the outstanding stock, and many employees also own stock individually. The proportion of stock ownership in institutional hands has increased along with the investment stature of Lowe's stock. There are 8 institutions with significant holdings, and others in a nominee status.

Dividend Policy: Lowe's began a cash dividend policy in 1961, just prior to the public offering of Lowe's common stock. The cash payout has been increased each year. Management believes that as long as Lowe's can return more than 20% per year on stockholders' equity, as has been done for 12 of the last 13 years, that it is in the specific best interests of the stockholders to retain the major portion of earnings in the company for expansion and growth, allowing stockholders to enjoy maximum participation in this high rate of return.

PURCHASING TRENDS and EXPANSION PLANS

Petro Kulynych

Executive Vice President, Chairman,
Executive Committee, Director

Inventory Trends: Lowe's ended fiscal 1968 with an inventory of \$12,475,035, up almost 3 million from the previous year. This increase was dictated by the sales increase in both new and existing stores. The price increases discussed below also affected inventory values, and would have had more effect, had we not been successful in our efforts to improve turnover and shorten replenishment lead time.

Lowe's is a business of heavy and bulky commodities to the greatest extent. Research is constantly being done on methods of improving transportation and packaging so that we can distribute these products to a 10-state area at lowest cost, and yet with the greatest speed to maintain our inventory turnovers.

Continuing evaluation of inventory is a must at Lowe's, as it is not economically feasible to inventory items that require special handling and are not good sellers in most locations. We have actually reduced the number of stock items in 1968, enabling us to have more depth in other products. Management through the use of the computer has instituted a system to flag slow-turning items each month so that no dead inventory accumulates in warehouse corners.

Probably the most significant trend in Lowe's inventory management has been that of planning and forecasting our needs further in advance than ever before. Almost without exception, each recent year of growth has seen availability of materials become scarcer at the height of the selling seasons, and shipping schedules become extended.

By forecasting and arranging for our needs with our suppliers as far as a year in advance, we have been able to improve merchandise availability at the point of sale at the time we want it. For some extremely seasonal items, we have utilized public warehouses for storage and distribution, and have been able to take advantage of manufacturers' "Off Season" pricing which enables them to ship in quantity directly off their assembly lines.

Price Trends: The fiscal year 1968 was a period of constant price increases in building materials. For example, in July, 1967, an eight foot 2 x 4 stud cost \$62.00 per thousand board feet F.O.B. the mill on the West Coast; in July, 1968, this product cost \$90.00. This is an extreme example, but all wood products as a group led the trend to higher prices. Metal product prices have increased, and with the actual and potential higher labor costs, we believe this trend will continue. Therefore, we forecast that our inventory replacement



costs will continue to increase during fiscal 1969. Your management will be very much aware of any potential slowdown in home construction, in order to maintain a balanced inventory in relation to sales, and dampen the effects of price decreases on our inventory.

Supplier Relations: Among Lowe's assets not shown on the balance sheet are the manufacturers of the merchandise we sell. Included among them are some of the best known names in American industry. Our business relationship with some of

them dates back to 1946.

However, our sales growth from a local to a regional and semi-national company has made it more difficult to maintain an adequate inventory at all times at the right price. Geographical franchises, limited production capacity, rising cost-price structures, and unmet commitments are just some of the factors that cause supplier evolution at Lowe's.

In the attempt to maintain the highest level of mutual confidence and cooperation, we have increased our visits with manufacturers. Our buyers call on them, to inspect production and shipping facilities, discuss mutual problems, and establish the rapport needed to handle outside influences, such as strikes, unusual climatic conditions, unusual price fluctuations, etc., with the least detriment to Lowe's.

Store Expansion: Contingent upon national market conditions remaining conducive to financially sound and balanced growth, we are projecting a new store growth rate, which will, along with increased market penetration by present stores, help us maintain our 20% return on stockholders' equity.

Besides present areas, we intend to grow concentrically through Ohio, Kentucky, Arkansas, Georgia, Florida, Alabama, Mississippi, and Louisiana, as market surveys turn up promising sites. This program will yield 8 to 10 new stores in 1969.

AN OPERATIONS REVIEW

Joe V. Reinhardt

Director of Operations. Member,
Executive Committee. Director

Data Processing: Since 1956, Lowe's has continued to broaden and improve its management controls through the use of computers. An IBM 360 system has been installed and all applications of this system are operating very satisfactorily. The new system gives us increased processing speed, and capacity to expand to 150 stores.

Our information flow begins at the point of sales with the automated sales ticket. A combination of IBM #402 computers and #526 key and summary punch machines have been placed in most Lowe's stores so that our automated point of sale recording has been expanded to 70% of total sales. In most Lowe's stores, the salesmen do not write sales tickets, but select pre-punched cards from a tub file for each item which is sold. The 402 computer in the store extends and totals, adds sales tax and prints the sales ticket. This gives the customer a legible itemized purchase record, and also serves as an accurate load sheet for the warehousemen. At the time the sales ticket is printed, information is being created to be forwarded to Lowe's Data Processing Center for updating of inventory control records. This has increased the accuracy of our perpetual inventory and has helped reduce our inventory shortages to a significantly low two-tenths of one per cent of sales.

Reports showing the performance and profit generated by merchandise item, by salesman, and by store are produced on a weekly basis. Weekly and monthly profit and loss statements are prepared, spotlighting any weaknesses in store operations. Sales forecasts by item, by salesman, and by store are prepared on a monthly and annual basis for budgeting. All company-owned vehicles can be supervised from the weekly vehicle report prepared by the data processing department. Cost per mile, total dollars delivered, and operational efficiency for each different type of equipment, and other vital information is provided by this report.

Our data processing department is now making a feasibility study of transmitting data control input information from our stores to the General Office instantaneously by closed circuit teletype. Thus, sales ticket extensions, inventory updating, and accounts receivable posting would take place at the same time the sale is made. This new transmission control system would be supervised by a free-standing computer, which would also process all other intra-company teletype messages.

Store Construction: A standard format has been evolved



for layout and design of new Lowe's stores which we build. The Columbia, South Carolina, store pictured on pages 12 and 13 is typical of this new format. An ideal site for a Lowe's store consists of four acres of land served by highway, street, and railroad. This land area is adequate for paved parking, outside storage, and a 40,000 to 50,000 square foot building which includes air-conditioned display floor, storage warehouse, loading and receiving docks, and specialized storage for lumber.

New store construction of this type is in process in Cumberland, Maryland, and Augusta, Georgia, with occupancy slated for October and November of 1968. A new store will be started in Morristown, Tennessee, by December, 1968.

Continuing our store modernization and improvement policy, three older Lowe's stores: Knoxville, Tennessee; Charleston, South Carolina; and Huntington, West Virginia, are being rebuilt for more sales and better customer service.

Warehousing: The warehousing accounting responsibility at Lowe's was measured in hundreds of millions of dollars in 1968, since merchandise was first received, then loaded on customer trucks or delivered on Lowe's trucks. Also, approximately 30% of merchandise sold was first received from suppliers into our central concentration warehouse in North Wilkesboro, then reloaded into individual shipments to stores based on sales needs. This central system has been so efficient that plans are being laid to double its present shipping capacity of 2,500,000 pounds per week.

Besides receiving and delivery, each Lowe's warehouse manager is responsible for the functions of storage, efficient operations, customer service, and inventory security. Four warehouse supervisors provide continual evaluation and improvement of material-handling methods, and weekly liaison with staff management. Lowe's 53 warehouse managers average six years of company service and experience.

A MARKETING REVIEW

Robert L. Strickland

Director of Marketing, Member,
Executive Committee, Director

There were five principal factors in marketing at Lowe's in 1968: The basic decision, product line refinement, research, advertising, and merchandising planning leadership.

The Basic Decision: For a retail company dedicated to growth, one marketing question overshadows all others. Since the same investment dollars can't go to two areas simultaneously, can we grow best by geographical expansion of our stores, or by adding major new product lines to our present stores? We have tried both, and we remain committed to store expansion as being the most productive use of our growth investment funds. The opportunities that exist for new Lowe's stores throughout North America, and our success with this policy, add confidence to this basic marketing decision.

Product Line Refinement: However, the merchandise picture at Lowe's is far from static. Products, like organisms, have life cycles, and it is necessary to continually add new merchandise selections to our product line, and drop those whose sales pace slows down. Our product sales managers, pictured on page 10, have this responsibility and they are aided by a staff of purchasing specialists. Our computer identifies the products which are selling slowly. Merchandise shows, manufacturers' salesmen, surveys, and their basic market judgment help them pick the hot new sellers.

This merchandise evolution, long a way of life in our lines of consumer goods, is quickening noticeably in pace in our professional lines of building materials. Home builders are reflecting the wishes of home buyers and becoming increasingly style and fashion conscious.

Research: Our marketing concepts require us to think first of the needs and desires of our customers, rather than our own. Various types of research are therefore necessary to determine our customers' wants, and to insure Lowe's continued success and future growth. Our research efforts take varied forms. We do not overlook the basic grass roots approach — listening to 7,000 buying customers per day, and deciding in conjunction with line and staff specialists, how we can meet customer needs in a manner satisfactory to them, and profitable to Lowe's. We have inaugurated systematic in-depth surveys of public attitudes about Lowe's, designed to register various levels of awareness of, and preference for Lowe's, segmented by age, sex, and product grouping in each store's market area. Another more specialized research project is being undertaken in the rather obscure area of advertising copy research, wherein we will attempt to identify and rank in order of importance, the significant facts which cause



buying decisions, and express them in clear convincing English, for each product we stock. Market research on prospective expansion locations receives individual attention from Lowe's staff management in the area of each man's respective specialty.

Advertising: We believe that Marshall McLuhan's thought that "the medium is the message," is largely correct, and particularly true of institutional advertising. We also believe that creative product advertising done with flair and impact is simultaneously the most

productive use of advertising funds, and the best possible institutional advertising. So Lowe's has inaugurated a multi-media approach to advertising in 1968, designed to sell more merchandise, and to create a more favorable and more accurate public image of Lowe's as a company of growing importance. This means a regular balanced advertising effort in each of the major media, coordinated to enhance their incremental impact.

Television is, of course, more than an advertising medium. It has become a constant companion to the American public, entertaining or boring, but always informing. In 1968, Lowe's began to bring the electronic excitement of this "now" medium to our advertising and merchandising efforts, and the results have been significant. We have found that on TV, we can combine the best quality features of national advertisements with the sales-getting impact of local advertisements. And the television medium is instrumental in our merchandising planning.

Merchandising Planning Leadership: We use the phrase "leadership" here to remind ourselves that Lowe's must lead our suppliers in product selection, features, design, and pricing. We are the retail marketers, and it is our job to interpret our customers' needs and wants forcefully to manufacturers, most of whom are one to two steps removed from the retail firing line.

This leadership responsibility also involves seeking out unsuspected merchandise sales opportunities for Lowe's, such as electric guitars and amplifiers.

But in 1968, we have launched an effort in merchandising planning leadership which is bringing dramatic sales increases. The three-fold approach includes: Merchandise with a Lowe's-owned trademark, endorsed by a national personality, and advertised on television. The pilot project with Arthur Smith, multi-talented musician and TV personality, led to further successes with Richard Petty and Roman Gabriel, pictured on the next page.

This program will continue, with the objective of an ever-wider consumer franchise being earned and owned by Lowe's.

WE SELL MERCHANDISE For Home Construction

BUILDING MATERIALS

Building materials, perennially the leading category of merchandise at Lowe's, accounted for 51% of our 1968 sales volume. Once a relatively staid, short line of staples, Lowe's line now includes the following product groupings.

Staple Commodities: This group is characterized by the need for large inventory investment and competitive pricing. It includes nails, asphalt roofing products; insulation materials, both fiberglass and polyethylene; "bag goods" — the different types of cement, mortar mix, and plaster; and thirty styles of brick for special order job — site delivery.

Structural Panels: Similar in marketing requirements to other staple commodities is this group of rectangular structural panels: Tileboard, hardboard, interior wall gypsum board, exterior wall sheathing of gypsum and impregnated fiber, and the various types of plywood. The ever-growing sales of plywood at Lowe's and its price volatility, are two reasons why we pay daily attention to this commodity.

Components: As labor costs rise, products that decrease on-the-job manhours become necessary to cost-conscious builders. We stock Lemco's factory pre-built aluminum windows, sliding doors, folding stairways, and we are establishing shops in our stores to custom-assemble complete door and window units of wood for our customers. Other labor-saving products are pre-primed or completely painted shutters, guttering, siding, and windows.

Styling and Finishing Products: Products in this group bring personality, flair, and architectural interest to the home. Many of them become "permanent furniture", and color, variety, and good style are of utmost importance, since these products are often specified or selected by the lady of the house. Lowe's line includes Armstrong flooring; Gold Bond ceilings; a colorful paint selection; Provincial and Early American kitchen cabinets; Colonial-styled mantels, louvered shutters, entrance frames, and porch columns; 35 exterior door designs; and all popular window and interior door styles.

Specialty Items: This product group includes Locke's popular iron porch railings, cedar lining for moth-proof closets, field fence, barbed wire, and Alcoa aluminum roofing for the farm trade. Each Lowe's store has a special order catalog for non-stock merchandise which is four feet wide and provides ready source information for 50,000 products.



New Standards: Two of the most exciting sales successes at Lowe's are being charted by two relatively new products at Lowe's — wall paneling, and wall-to-wall carpeting.

The new paneling, not the individual boards of pine or oak, but the new pre-finished hardwood veneer 4' by 8' panels on a plywood base, is revolutionizing the industry. Now paneling, once a luxury, may very well be replacing plaster and gypsum board as the "new standard" interior wall. The reasons are two-fold: beauty, and low cost. In wood veneer, or the new vinyl-clad process, the classic wood grain beauty of walnut, cherry, oak and rosewood is available in uniform quality. And the Lowe, low price of our best selling San Juan mahogany paneling, 10¢ per square foot, is less than the cost of a paint job in many areas.

The fast growing acceptance of carpeting as the "new standard" flooring material in homes, schools, and offices comes as no surprise to Lowe's. For five years we have seen our sales grow with Trend, Ozite, and Dan River carpeting. Gleaming oak floors, once a prized status symbol, have lost ground steadily, first to tile and linoleum, now to carpeting. Carpet is now competing strongly for kitchen and bath floors, even porches and terraces, as new developments in man-made fibers continue. Carpet's basic characteristics — color, warmth, quietness, and soft luxury — project continued growth for this product.



LUMBER

Responding to Lowe's innovations, one of the oldest construction materials in the world continues to be one of the fastest growing commodity groups we sell, 22% of 1968 sales. We have taken the mess and the guess out of lumber buying and selling. At Lowe's, each piece of framing, each board, and each moulding has an IBM data control number, clean, labelled storage bin areas, displays in air-conditioned showrooms, a forecasted sales rate, and a competitive selling price. Our lumber concentration yards feature ample storage, rail sidings, specialized equipment and modern lumber men.

Local lumber mills provide a portion of our stores' lumber requirements. One of these is the Buchan Lumber Company of North Wilkesboro, North Carolina, a wholly-owned subsidiary of Lowe's Companies, Inc. It is a planing mill and dry kiln and produces framing lumber, mouldings, and siding for the Lowe's stores in its market area.

But the greatest portion of our lumber sales needs are bought from the West Coast and Canada. To provide a constant flow and short lead times, rail carloads of Western White Spruce, White Fir, Hemlock, and Lodgepole Pine are rolling eastward to Lowe's, every day of the year, to be diverted to final store destinations by the Purchasing Department based on sales needs. Also, bulk West Coast lumber shipments are scheduled to East Coast ports via ocean cargo vessels to cut freight costs.

BUILDING HARDWARE

This product group, now 7% of annual sales, includes electrical, heating, and plumbing supplies, besides the normal hardware items of locks, hinges, and closet rods. These essential elements of new home building are installed, and often merchandised by, sub-contractors and licensed mechanics. Few homeowners can tackle a plumbing or wiring job. Building codes, interpretations, trade habits, and a shortage of qualified trainees in certain areas, make innovation and progress slow.

Lowe's objectives in this area are three-fold: First, we provide one-stop shopping for home builders by stocking a basic selection of this merchandise at attractive prices: Bath fixtures, pipe and fittings, electric cable, and furnaces.

Secondly, we develop and promote products that reduce the need for skilled installation labor. A prime example is our pre-fabricated home heating system including galvanized ducting, registers, grills, and controls. This package is now purchased with 65% of our central heating units. Another established seller at Lowe's is our line of pumps pre-mounted with the tank — a home water system.

Thirdly, we are making a strong effort on the products which are suitable for the do-it-yourself market. Among these are decorative light fixtures, vanity cabinets, shower doors and tub enclosures, cabinet hardware, styled door hardware, and deluxe colored sinks. We are helped in this effort by current trends toward more style and color.

WE SELL MERCHANDISE For Home Enjoyment



Lowe's Product Sales Managers



Robert Gresham



Edward Greene



Micheal Brown



Emmett Dugger

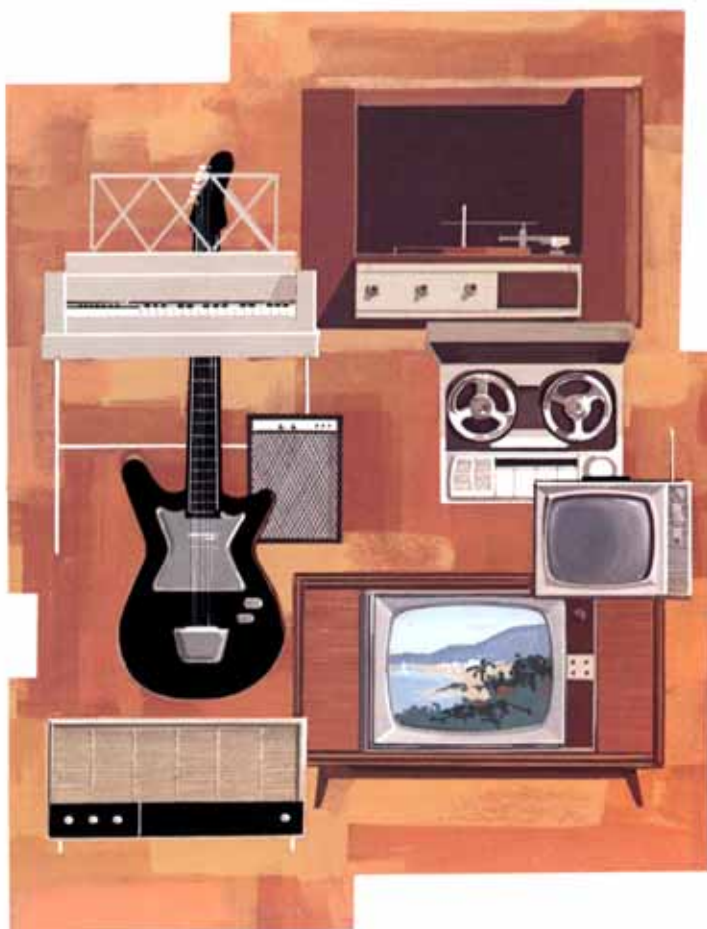
HOME APPLIANCES

Our major appliance sales continue to grow in significance, accounting for approximately 8% of our retail volume in 1968. Our building material business gives us a natural opportunity for built-in kitchen appliances and water heaters, and our principal suppliers of this equipment – Hotpoint, Modern Maid, and State Stove – help us make the continued strong sales effort necessary to serve this market successfully.

However, the homeowner, rather than the builder, is the customer for refrigerators, washers, and dryers, and different merchandising techniques are required.

Therefore, each Lowe's store has a major appliance sales department with its own sales quotas, display areas, and incentive compensation for the sales personnel.

Appliance manufacturers continue to improve their products' features and value. Many new ranges have ovens which are self-cleaning simply by turning the temperature so high that dirt and grease is oxidized away. Insulation makes this possible, and "thin wall" insulation for refrigerators and freezers allows a fourteen cubic foot capacity model to fit in the space of an eight. A lower-priced compressor has lowered air conditioner retail prices to \$99.00 for a bedroom model. Refrigerators on wheels, automatic ice makers, large capacity home laundry units and dishwashers, and color, color, color, are stimulating appliance sales at Lowe's.



HOUSE & YARD PRODUCTS

Here's a kaleidoscope of merchandise, 7% of Lowe's sales, designed both to help create leisure, and to aid in its enjoyment. Ladies shop Lowe's for small appliance values, in established good sellers like steam irons, toasters, and percolators; and also for new luxury items such as blenders and ice crushers.

The area of personal care is expanding rapidly. We sell hair curling outfits, salon-style hair dryers, massagers, manicure kits, clothes brushes, shoe polishers, even sonic denture cleaners — all electrically operated.

Moving from the home to the lawn, Lowe's has merchandise for every member of the family. Children enjoy our gym sets and swimming pool selection, but most particularly our wheel goods. We emphasize bicycle sales strongly, and maintain a wide variety of styles, particularly the new look multi-speed sports bikes.

Two other categories of merchandise warrant special mention. First is power lawn equipment. We have specialized in lawn mowers, riding mowers, and garden tillers for ten years of growing sales penetration. Allied to the desire for lovelier lawns is the success of our recent sales efforts in fencing. Redwood basket weave fence panels, and Western Red Cedar in rustic split rail, and stockade styles, are increasingly popular with our customers.

HOME ENTERTAINMENT

The growth of the leisure market, the fantastic new achievements of electronics' modern miracles, the renewed emphasis on the home as the family fun center — all these continue to create dramatic new sales opportunities for Lowe's in home entertainment products, now 5% of retail sales volume.

Color television is the unchallenged sales leader. New sizes for varying purposes — 10", 14" and 18" portables — at new attractive price levels, have stimulated sales volume. We sell a G.E. color portable for \$188.00, a Zenith color table model for \$348.00, and an RCA color console for \$388.00.

A tiny cartridge called "cassette" by North American Phillips who developed it is making rapid headway as the all-purpose tape recording system. No larger than a pack of cigarettes, and resembling Eastman's "Instamatic" film in concept, it can record and play back up to two hours of speech and music. It may eventually replace LP albums, 4 and 8 track stereo tapes, most reel to reel tapes, and expensive office dictating equipment.

Acoustic and electric guitars, electric amplifiers, and chord organs have joined tape recorders, stereo record players, walkie-talkies, intercoms, and a wide line of radios as established sellers in the Home Entertainment Centers at each Lowe's store.

SALES

John A. Walker

Vice President, Sales, Member,
Executive Committee, Director

We now have the "base" for continued growth and development of the company in future years. We now stand upon a \$17,000,000 net worth, 53 functioning and profitably operating stores, a substantial sales increase of \$21,000,000, 29% over the previous fiscal year, and we have access to additional long-term funds for continued store expansion when needed. We are hiring and training additional people to operate the projected new stores, and men to sell the merchandise. Our business is in balance and surging ahead.

We employ 279 salesmen and 17 salesmen trainees. These men average three years with the company, and are 31 years of age. Seventy-eight per cent of our salesmen are on a strictly commission basis and earn \$7,240 per year plus profit-sharing of 15%. They are young, aggressive, and recognize the opportunity for growth and development into managers within the company.

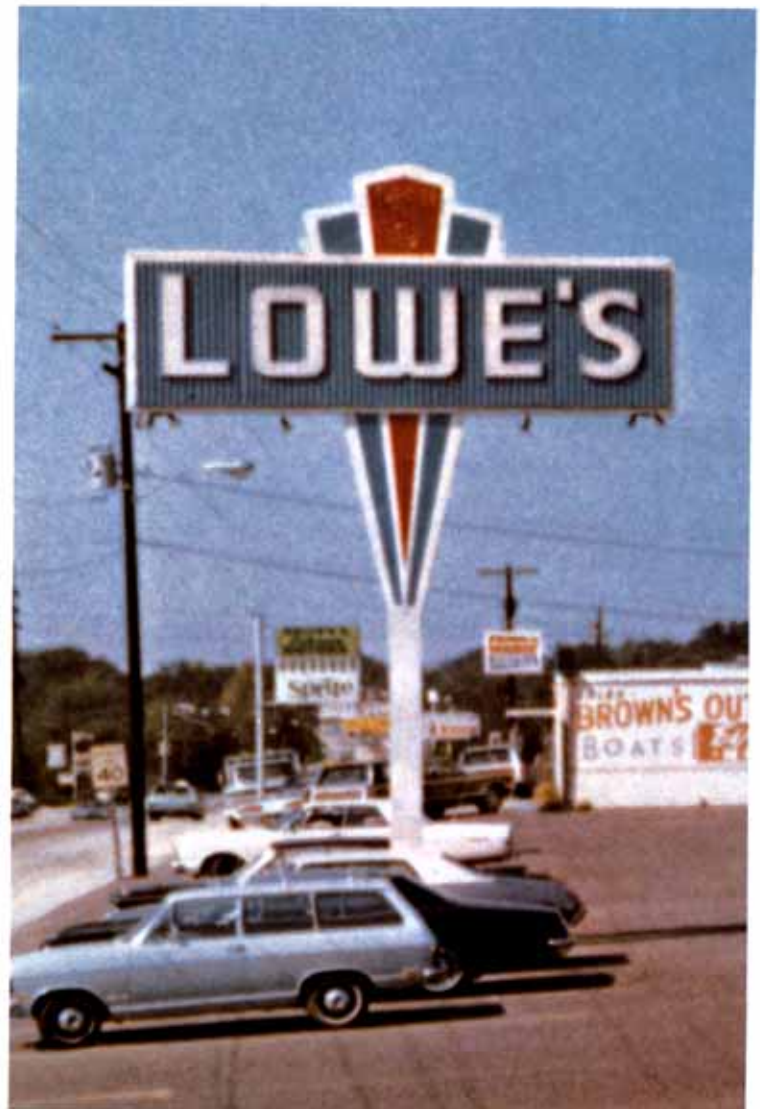
The store manager is the key executive in the field. Of our 53 managers presently employed, nine started as warehouse employees, four as office employees, three from the general office, seven from outside sources, and the remaining thirty were employed as salesman trainees; all have earned their way to management assignments. So the store manager, trained and promoted from within the company, knows his job. He has a single responsibility — that of achieving his store's budgeted net after tax in dollars and per cent to sales. He has complete authority over his total store operation, including hiring and firing, pricing, credit authority, and is the business and social leader within the store and the local housing industry.

You have seen examples of our marketing programs. The store must and does undertake to implement the many and varied promotions from point-of-sale to the professional buyer and retail customer. The merchandise is physically inventoried at store level in depth to support our marketing plans and advertising promotions.

At the store level, your company's success is predicated to high degree upon two types of incentives. The first is monetary: Incentives for managers to increase their performance in the form of money, incentives to salesmen to sell specialized products and earn more money, incentives to warehousemen and office employees to reduce cost and improve services with more money. Secondly, incentives with the intangible rewards of honor: Cups, plaques, trips, promotions, and personal acknowledgements are used to fulfill people's desires for recognition and give them a sense of personal accomplishment for their successful daily tasks.



Lowe's Profit-Sharing Program is our single most effective incentive. *All* employees are eligible to receive 15% of their total wages and salaries on a non-contributory basis; these funds are placed in the plan in their behalf. The plan has enabled Lowe's to establish and maintain employee stability, low turnover, and genuine enthusiasm in assisting company growth and profit development, as all personnel share in Lowe's Profit-sharing Plan and Trust. Lowe's sales and profits are created at the store level; therefore, a great deal of attention is extended to the store function, direction, and physical facilities. We take pride in showing you on these pages a typical "New Image" Lowe's store—Columbia, South Carolina.





THE LOWE'S STORE...A NEW IMAGE



THE OPPORTUNITIES AND THE CHALLENGE

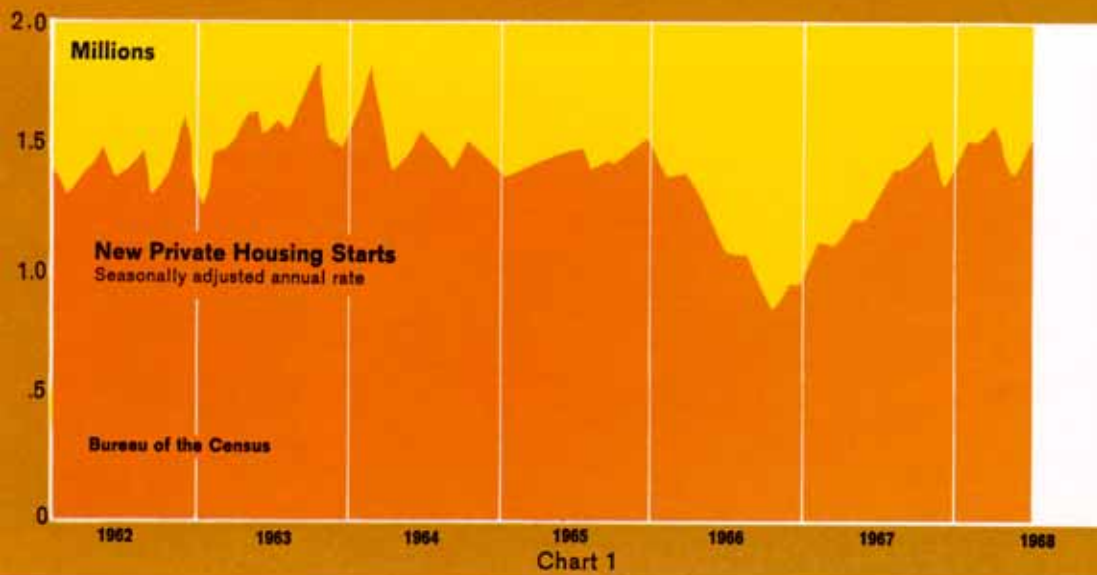


Chart 1

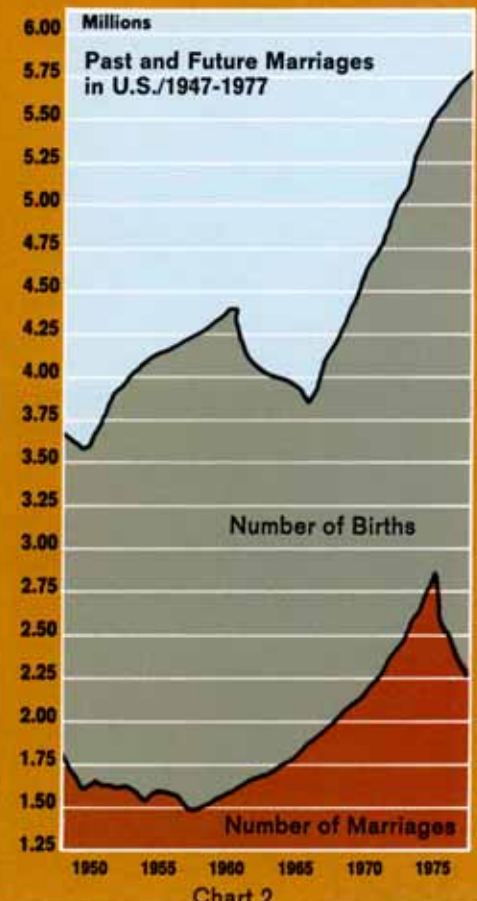


Chart 2

Sources of Housing Demand					
	1950-1960	1960-1964	1965-1969	1970-1974	1975-1980
Household Formations ^a	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

a—Series B projections.

Chart 6

Sources:

Chart 1 — U.S. Dept. of Commerce

Chart 2 — U.S. Dept. of Commerce

Chart 3 — U.S. Dept. of Commerce

Chart 4 — U.S. Dept. of Commerce

Chart 5 — U.S. Dept. of Commerce

Chart 6 — U.S. Dept. of Commerce, National Assoc. of Home Builders

Future estimates for Chart 4: Lowe's

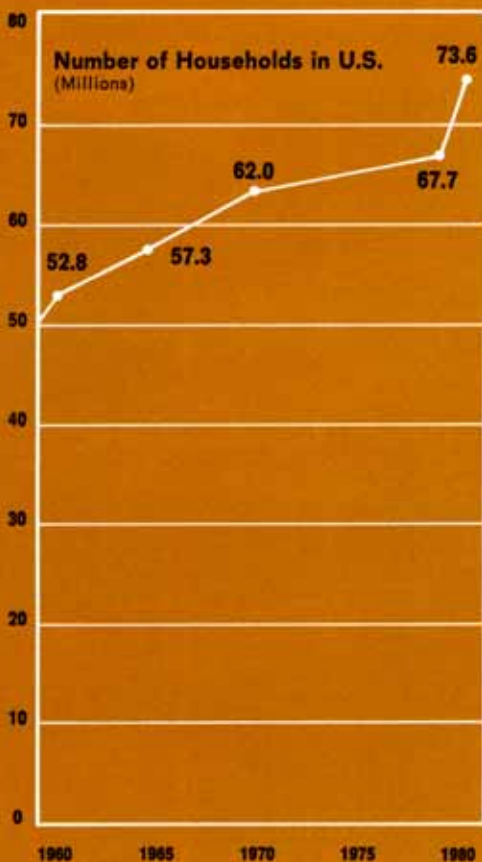


Chart 3

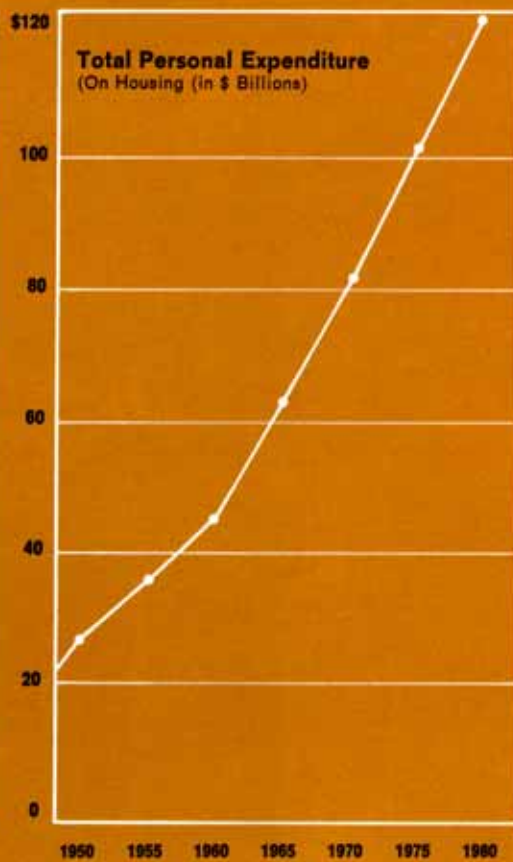


Chart 4

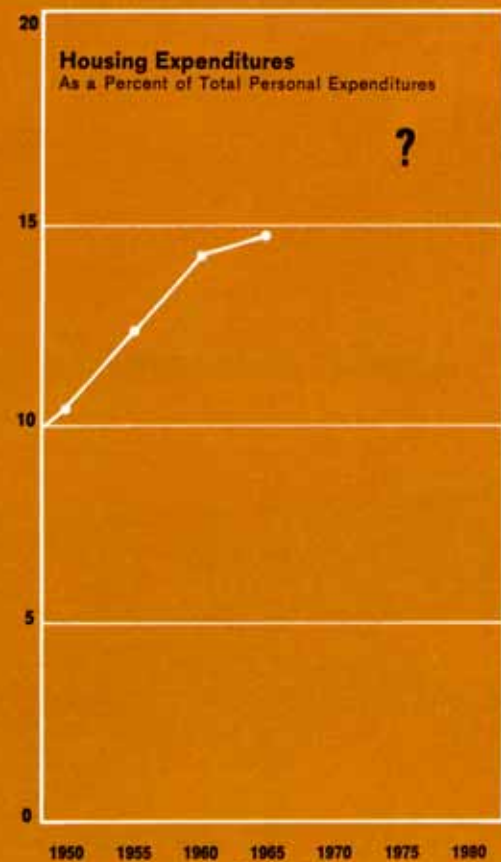


Chart 5

The dilemma our nation faces in a turbulent political year has not completely over-shadowed the positive and growing demand for housing throughout the nation. The vast opportunity for new and better housing for America has been enhanced by the Housing Act of 1968. Families of modest income can now obtain long-term financing monies for new homes. Also, funds are being made available for the medium income family group through this program. Savings and loan associations are in a much more liquid position than in the past several years, and have funds available for new construction and home remodeling requirements.

Today's professional builder-contractor buyers, and consumer purchasers demand, and are receiving more services than ever before. Product quality, job delivery, customer financing, and service after the sale are being considered in lieu of price alone. Your company over the past ten years has established competitive credit programs for our professional and consumer buyers. We have developed a truck delivery fleet of over 400 vehicles, and upgraded the quality of our product lines available from store inventories.

The continuing challenge is to increase market penetration in each store location. We study industry product sales as compiled by the U. S. Department of Commerce for each store's trading area. We determine store percentage of the available business, in order to know our market penetration and direction. In store trade areas of \$5 million or under, we achieve 25% of market; \$5 to \$10 million, 20% of available market; \$10 to \$15 million, 17% of available market; \$15 to \$20 million, 12% of available market; and \$20 million and over, 11% of available market. Therefore, the opportunity and challenge we accept is to achieve our "share" of each

market we enter, and grow as the nation and industry increases each year.

People desire to shop in modern, functional stores with immediate product availability at accessible store locations. At Lowe's we provide prompt, courteous, personalized salesman service, and have minimized the use of impersonal checkout systems. Today's marketers must have a "feel" for customer trends and product requirements, and this can only be determined by talking to people.

We are constantly searching for new products that will upgrade our store marketing image, and enhance our profit opportunity. People have more spendable dollars. It is our challenge to induce customers to spend their money buying the products and using the services that Lowe's provides. Our new stores are successful examples of how your management is solving this marketing problem and still maintaining expense ratios to sales profitably low.

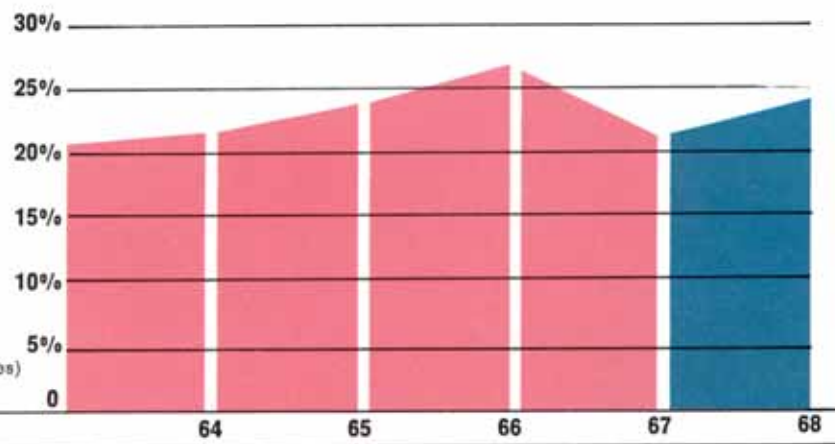
As market conditions justify, your company is planning to double its sales volume and number of operating stores in the next four to five years, thus achieving sales in excess of \$200,000,000 with after-tax profits in excess of 3% to sales.

Your company has announced our national expansion goals, criteria of performance are established, monies and people have been acquired and trained, and we are on the threshold of the decade of the 70's whose hallmark might be termed "The Re-Building of America."

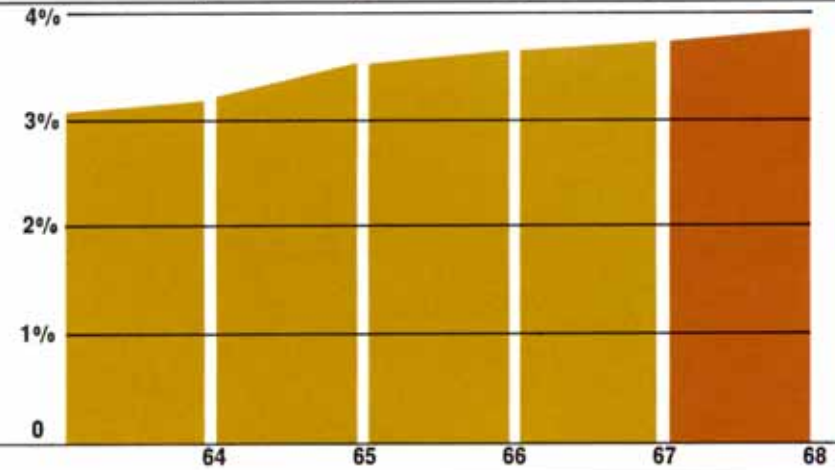
Your company is ready to meet this challenge! We will grow and prosper together!

/s/ John A. Walker

% RETURN ON STOCKHOLDERS EQUITY (After Taxes)



% NET INCOME—NET SALES (After Taxes)



% SALES BY QUARTER:

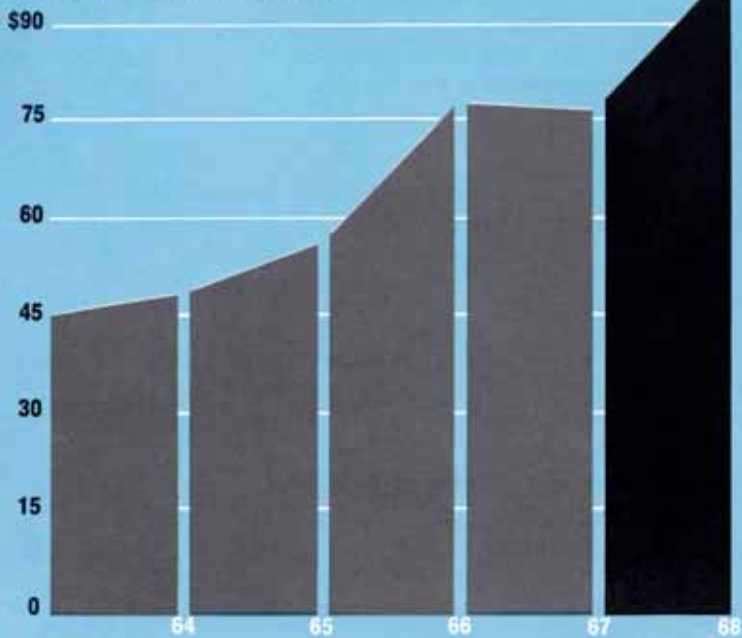


% EARNINGS BY QUARTER:

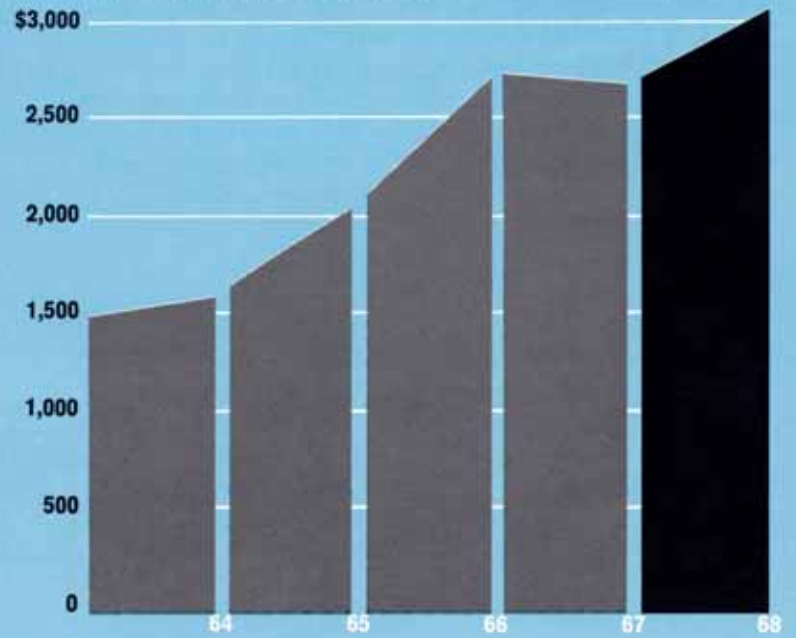


*All federal surtax for year reflected in fourth quarter.

SALES (In Millions of Dollars)



EARNINGS AFTER TAXES (In Thousands of Dollars)



	Year ended July 31,	
	1968	1967
EARNINGS:		
Net Sales	\$97,031,083	\$75,694,746
Other Income	17,320	25,594
Totals	<u>\$97,048,403</u>	<u>\$75,720,340</u>
Costs and Expenses:		
Cost of Sales, Selling, Administrative and General Expenses	\$87,618,652	\$68,615,281
Rents	392,167	354,981
Depreciation and Amortization	826,777	794,242
Contribution to Employees' Profit Sharing Trust	740,688	621,403
Interest and Loan Expenses	268,155	183,022
Total Costs and Expenses	<u>\$89,846,439</u>	<u>\$70,568,929</u>
Pre-tax Earnings	\$ 7,201,964	\$ 5,151,411
Provision for Income Taxes	<u>3,609,445</u>	<u>2,381,467</u>
Net Earnings	<u>\$ 3,592,519</u>	<u>\$ 2,769,944</u>
Net Earnings Per Share	<u>\$ 1.71</u>	<u>\$ 1.34</u>
RETAINED EARNINGS:		
Balance at Beginning of Year	\$11,516,483	\$ 9,407,310
Net Earnings	3,592,519	2,769,944
Totals	\$15,109,002	\$12,177,254
Less Cash Dividends (Per Share: 1968—\$.36 1967—\$.32)	<u>755,686</u>	<u>660,771</u>
Balance at End of Year	<u>\$14,353,316</u>	<u>\$11,516,483</u>

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

ASSETS

	July 31	
	1968	1967
Current Assets:		
Cash	\$ 4,129,242	\$ 4,813,584
Accounts Receivable Less Allowance for Doubtful Accounts—1968, \$684,497; 1967, \$566,629	11,880,341	9,674,781
Inventories at the Lower of Cost (First-in, First-out) or Market	12,475,035	9,532,220
Prepaid Expenses and Other Current Assets	132,936	143,187
Total Current Assets	\$28,617,554	\$24,163,772
Property Improvements and Equipment:		
At Cost Less Accumulated Depreciation— 1968—\$2,808,379; 1967—\$2,028,109	6,545,559	5,729,346
Other Assets and Deferred Charges:		
Unamortized Loan Expense	13,187	18,642
Other Assets at Cost	191,308	79,806
Total Assets	\$35,367,608	\$29,991,566

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	July 31	
	1968	1967
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$11,080,955	\$ 9,389,715
Long Term Debt Due Within One Year	494,682	432,367
Provisions for Employees' Profit Sharing Trust	628,606	503,792
Provisions for Income Taxes	<u>2,706,392</u>	<u>2,177,372</u>
Total Current Liabilities	\$14,910,635	\$12,503,246
Long Term Debt:		
Notes Payable and Debenture Bonds	3,434,298	3,526,660
Deferred Credits:		
Unamortized Premium on Debenture Bonds	<u>672</u>	<u>2,568</u>
Total Liabilities	<u>\$18,345,605</u>	<u>\$16,032,474</u>
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— 1968, 2,104,414 Shares; 1967, 2,062,421 Shares	2,101,414	2,062,421
Capital Surplus	522,273	335,188
Retained Earnings	<u>14,353,316</u>	<u>11,516,483</u>
Total Shareholders' Equity	<u>\$17,022,003</u>	<u>\$13,959,092</u>
Total Liabilities and Shareholders' Equity	<u>\$35,367,608</u>	<u>\$29,991,566</u>


LOWE'S
Companies, Inc.

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. Nine subsidiaries were organized during the current year.

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 \$1,050,000 and two notes secured by Deeds of Trust on certain real estate in the amount of \$1,438,862. Interest rates on the notes range from 5 $\frac{1}{8}$ % to 6%. Maturities during the next three years will be \$307,082, \$312,128 and \$287,467. 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 amount of \$19,756 maturing within the next year.
- (c) A 5 $\frac{3}{4}$ % note for \$813,947 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) Three 6 $\frac{1}{2}$ % notes in the aggregate amount of \$400,806 incurred by subsidiaries in the purchase of assets from former owners maturing annually to 1972.
- (e) Various notes in the aggregate amount of \$205,609 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-seven rental leases expiring more than three years after July 31, 1968, with aggregate minimum annual rentals of approximately \$259,000. None of these leases extend beyond 1978 except by option of the Company.

Note 4—Employees' Stock Option Plan:

At July 31, 1968, 2,300 shares of authorized and unissued common stock were reserved for issuance to key employees of the Company under a stock option plan adopted in July 1961. All of these shares are exercisable at \$5.50 per share (95% of the market value at date of grant) at any time prior to May 20, 1969.

During the year options were exercised on 38,993 shares by officers and other key employees at option prices of \$5.50 and \$5.82 per share. The market value of the shares acquired during the year varied from \$23.00 to \$48.00 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:

	7-31-68	7-31-67
Cost of sales, buying, warehousing and occupancy expense	\$80,612,062	\$63,041,460
Selling, administrative and general expenses ..	8,405,112	6,891,698
Provisions for bad debts	561,110	452,748
Interest and loan expenses	268,155	183,022
Total costs and expenses	<u>\$89,846,439</u>	<u>\$70,568,928</u>

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 \$187,085 represents the excess on the 38,993 shares acquired by the employees under the plan 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, 1968, and the related statements of consolidated earnings and retained earnings and source and application of funds 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 statements mentioned above present fairly the consolidated financial position of Lowe's Companies, Inc., and subsidiary companies at July 31, 1968, the consolidated results of their operations and the use of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRISSETTE AND BEACH
Certified Public Accountants

Lenoir, North Carolina
September 24, 1968

	5 Year	Year Ended				
	Totals	7-31-68	7-31-67	7-31-66	7-31-65	7-31-64
Source of Funds:						
Net Earnings for the Year . . .	\$12,766,984	\$3,592,519	\$2,769,944	\$2,790,484	\$2,046,268	\$1,567,769
Depreciation and Amortization of Fixed Properties	<u>2,671,342</u>	<u>826,777</u>	<u>794,242</u>	<u>548,520</u>	<u>304,701</u>	<u>197,102</u>
Total Funds from Operations .	\$15,438,326	\$4,419,296	\$3,564,186	\$3,339,004	\$2,350,969	\$1,764,871
Proceeds from Sale of Stock Under Employees'						
Stock Options	727,864	226,078	56,161	128,699	255,234	61,692
Increase (Decrease) in Long Term Debt	1,295,421	(92,362)	399,296	750,692	(238,825)	476,620
Life Insurance Proceeds	<u>263,272</u>					<u>263,272</u>
Total Funds Available	<u>\$17,724,883</u>	<u>\$4,553,012</u>	<u>\$4,019,643</u>	<u>\$4,218,395</u>	<u>\$2,367,378</u>	<u>\$2,566,455</u>
Funds Applied:						
Fixed Assets Acquired—Net .	\$ 7,686,132	\$1,642,990	\$1,465,141	\$1,774,901	\$1,755,721	\$1,047,379
Dividends Paid	3,010,711	755,686	660,771	615,726	518,648	459,880
Other Funds Applied	<u>173,790</u>	<u>107,943</u>	<u>(836)</u>	<u>35,507</u>	<u>15,783</u>	<u>15,393</u>
Total Funds Applied	<u>\$10,870,633</u>	<u>\$2,506,619</u>	<u>\$2,125,076</u>	<u>\$2,426,134</u>	<u>\$2,290,152</u>	<u>\$1,522,652</u>
Balance Added to						
Working Capital	<u>\$ 6,854,250</u>	<u>\$2,046,393</u>	<u>\$1,894,567</u>	<u>\$1,792,261</u>	<u>\$ 77,226</u>	<u>\$1,043,803</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ending July 31	1968	1967	1966	1965	1964
Net sales	\$97,031,083	\$75,694,746	\$77,042,837	\$57,043,741	\$48,680,295
Earnings before taxes	\$ 7,201,964	\$ 5,151,411	\$ 5,286,327	\$ 3,941,907	\$ 3,085,530
Taxes on income	\$ 3,609,445	\$ 2,381,467	\$ 2,495,843	\$ 1,895,639	\$ 1,517,761
Net earnings	\$ 3,592,519	\$ 2,769,944	\$ 2,790,484	\$ 2,046,268	\$ 1,567,769
Earnings per common share (1)(2)	\$ 1.71	\$ 1.34	\$ 1.36	\$ 1.00	\$.79
Earnings as per cent of sales	3.70%	3.66%	3.62%	3.59%	3.22%
Earned on shareholders' equity (3)	23.19%	21.51%	26.22%	23.80%	22.34%
Cash dividends declared	\$ 755,686	\$ 660,771	\$ 615,726	\$ 518,648	\$ 459,880
Cash dividends per common share	36¢	32¢	30¢	25 ¹ / ₄ ¢	23 ¹ / ₄ ¢
Shares outstanding	2,101,414	2,062,421	2,052,652	2,030,416	1,986,500
Shareholders' equity	\$17,022,003	\$13,959,092	\$11,793,757	\$ 9,490,301	\$ 7,707,448
Shareholders' equity per common share (2)	\$ 8.08	\$ 6.75	\$ 5.72	\$ 4.65	\$ 3.86
Cash	\$ 4,129,242	\$ 4,813,584	\$ 3,024,175	\$ 3,801,418	\$ 3,374,168
Accounts receivable (net of reserve)	\$11,880,341	\$ 9,674,781	\$ 9,309,439	\$ 7,164,877	\$ 5,586,293
Inventories (lower of cost or market)	\$12,475,035	\$ 9,532,220	\$10,931,386	\$ 8,155,561	\$ 6,336,653
Depreciation and amortization	\$ 826,777	\$ 794,242	\$ 548,520	\$ 304,701	\$ 197,102
Net fixed assets	\$ 6,545,559	\$ 5,729,346	\$ 5,058,446	\$ 3,832,066	\$ 2,381,046
Net working capital	\$13,706,919	\$11,660,526	\$ 9,765,957	\$ 7,973,696	\$ 7,896,470
Total assets	\$35,367,608	\$29,991,566	\$28,559,208	\$23,095,800	\$17,804,577
Long term debt	\$ 3,434,298	\$ 3,526,660	\$ 3,127,364	\$ 2,376,672	\$ 2,615,497
Number of employees	1,223	1,017	891	762	636
Customers served	2,034,158	1,754,569	1,835,702	1,283,729	1,141,168
Shareholders of record (4)	1,976	2,154	1,985	1,871	1,967
Number of stores	53	44	39	35	28
Approximate high-low bid price range, Lowe's Common Stock (2)	\$48-23	\$23-11	\$20-13	\$15-10	\$11-6

(1) After deducting \$2,250 dividends per year on preferred stock. For the years 1956 through 1961 the earnings are based on 2,000,000 shares, the outstanding shares at 10-10-61.

(2) All per share figures have been adjusted to give effect to the 100% stock dividend at 5-2-66.

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

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

LOWE'S
Companies, Inc.

1963	1962	1961	1960	1959	1958	1957	1956
\$39,011,836	\$32,716,336	\$31,127,776	\$30,679,449	\$27,005,459	\$20,443,908	\$18,232,770	\$17,389,620
\$ 2,438,292	\$ 2,054,177	\$ 1,890,426	\$ 1,359,248	\$ 1,515,781	\$ 832,878	\$ 810,696	\$ 831,442
\$ 1,232,889	\$ 1,033,606	\$ 956,000	\$ 641,037	\$ 759,702	\$ 428,593	\$ 418,262	\$ 424,403
\$ 1,205,403	\$ 1,020,565	\$ 934,426	\$ 718,211	\$ 756,079	\$ 404,285	\$ 392,434	\$ 407,039
\$.61	\$.51	\$.46	\$.36	\$.37	\$.20	\$.20	\$.20
3.09%	3.12%	3.00%	2.34%	2.80%	1.98%	2.15%	2.34%
20.11%	19.07%	21.51%	21.84%	29.67%	20.77%	25.78%	36.59%
\$ 411,229	\$ 402,250	\$ 102,250					
20 ³ / ₄ ¢	20¢	5¢					
1,975,900	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
\$ 6,325,695	\$ 5,661,332	\$ 5,043,017	\$ 3,646,393	\$ 2,931,431	\$ 2,164,762	\$ 1,729,082	\$ 1,315,834
\$ 3.18	\$ 2.81	\$ 2.50	\$ 1.80	\$ 1.45	\$ 1.06	\$.84	\$.64
\$ 2,734,572	\$ 1,955,691	\$ 1,299,603	\$ 441,833	\$ 365,145	\$ 583,004	\$ 467,982	\$ 523,569
\$ 4,967,831	\$ 3,768,654	\$ 3,107,550	\$ 2,858,041	\$ 2,112,343	\$ 1,323,913	\$ 679,911	\$ 583,911
\$ 6,213,839	\$ 5,867,733	\$ 4,800,834	\$ 4,755,421	\$ 3,163,800	\$ 2,655,214	\$ 2,071,648	\$ 2,304,203
\$ 150,950	\$ 124,570	\$ 133,219	\$ 136,712	\$ 105,560	\$ 72,945	\$ 40,963	\$ 26,384
\$ 1,530,769	\$ 1,261,329	\$ 1,228,542	\$ 1,252,919	\$ 1,280,932	\$ 629,874	\$ 549,788	\$ 158,670
\$ 6,852,667	\$ 6,036,730	\$ 4,383,599	\$ 3,197,540	\$ 2,606,613	\$ 2,104,914	\$ 1,465,317	\$ 1,332,662
\$15,629,698	\$13,096,562	\$11,834,941	\$ 9,382,368	\$ 7,047,730	\$ 5,266,787	\$ 3,798,733	\$ 3,593,265
\$ 2,138,877	\$ 1,679,864	\$ 1,791,652	\$ 862,076	\$ 985,895	\$ 589,063	\$ 292,167	\$ 176,200
555	491	399	360	334	273	215	197
882,593	703,350	650,506	581,084	N/A	N/A	N/A	N/A
2,034	2,047						
22	18	15	15	13	9	6	6
\$6-5	\$9-5						

13 YEAR STATISTICAL REVIEW

LOWE'S CORPORATE HISTORY

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. 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 expansion of the building materials business, while his partner became more committed to the 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.

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.

LOWE'S
Companies, Inc.

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