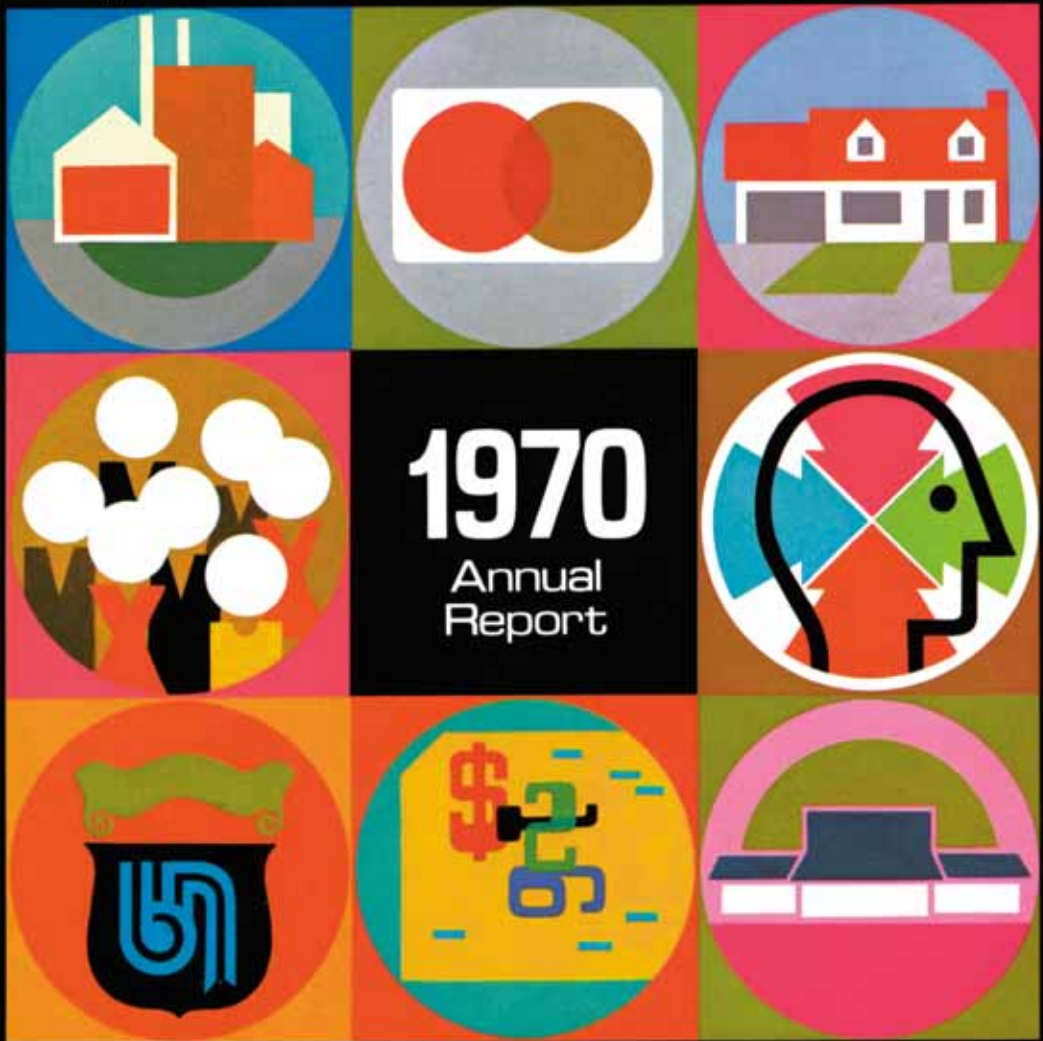


LOWE'S

Companies, Inc.












Lowe's Profile

We sell merchandise to home builders and to home owners, from 64 retail stores in 10 states. Our customers like our Lowe's low prices, the specialized service, and the high quality merchandise in seven major categories: Lumber, Building Materials, Building Hardware, House and Yard, Home Appliances, Home Entertainment Products, and Mobile Homes.

Lowe's management believes in aggressive balanced expansion in sales and profits. Lowe's has been listed in 101 GROWTH STOCKS and A NEW LOOK AT GROWTH by Merrill Lynch, 33 SUPER GROWTH STOCKS by Standard and Poor's, and BABY BLUE CHIPS by Forbes.

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Highlights



Year Ended July 31:	1970	1969	Change %
Customers Served	2,728,618	2,290,346	+ 19.1
Customer Purchases (Total Sales)	\$128,491,284	\$119,052,889	+ 7.9
Pre-Tax Earnings	\$ 9,938,072	\$ 9,514,202	+ 4.5
Earnings Paid to Government (Taxes)	\$ 5,068,261	\$ 4,905,850	+ 3.3
Net Earnings For Stockholders	\$ 4,869,811	\$ 4,608,352	+ 5.7
Earnings Per Common Share	\$ 1.16	\$ 1.10	
Earnings Paid to Stockholders in Cash	\$ 843,735	\$ 780,191	+ 8.2
Cash Dividends Per Common Share	20¢	18-1/2¢	
Earnings Reinvested For Future Growth	\$ 4,026,076	\$ 3,828,161	+ 5.2
Percent Return on Average Shareholders' Equity	21.23	24.33	

Where We Are:

Present Stores

DELAWARE

DOVER
WILMINGTON

GEORGIA

ALBANY
AUGUSTA
COLUMBUS
MOULTRIE
SAVANNAH

KENTUCKY

FRANKFORT
LEXINGTON

MARYLAND

CUMBERLAND
HAGERSTOWN
SALISBURY

NORTH CAROLINA

ASHEBORO
ASHEVILLE
BOONE
BURLINGTON
CHARLOTTE (2)
DURHAM
GREENSBORO
HENDERSONVILLE
HICKORY
HIGH POINT
LUMBERTON
NORTH WILKESBORO
RALEIGH
ROCKINGHAM
SHELBY
SPARTA
WASHINGTON
WAYNESVILLE
WHITEVILLE
WILMINGTON
WILSON
WINSTON-SALEM

OHIO

BELPRE
CIRCLEVILLE

SOUTH CAROLINA

ANDERSON
CHARLESTON
COLUMBIA
GREENVILLE
MANNING
MYRTLE BEACH
SUMTER

TENNESSEE

BRISTOL
CHATTANOOGA
KINGSFORT
KNOXVILLE
MORRISTOWN
NASHVILLE

VIRGINIA

CHARLOTTESVILLE
HOPEWELL
NEWPORT NEWS
NORFOLK
RICHMOND
ROANOKE
STAUNTON
SUFFOLK
VIENNA
WOODBIDGE

WEST VIRGINIA

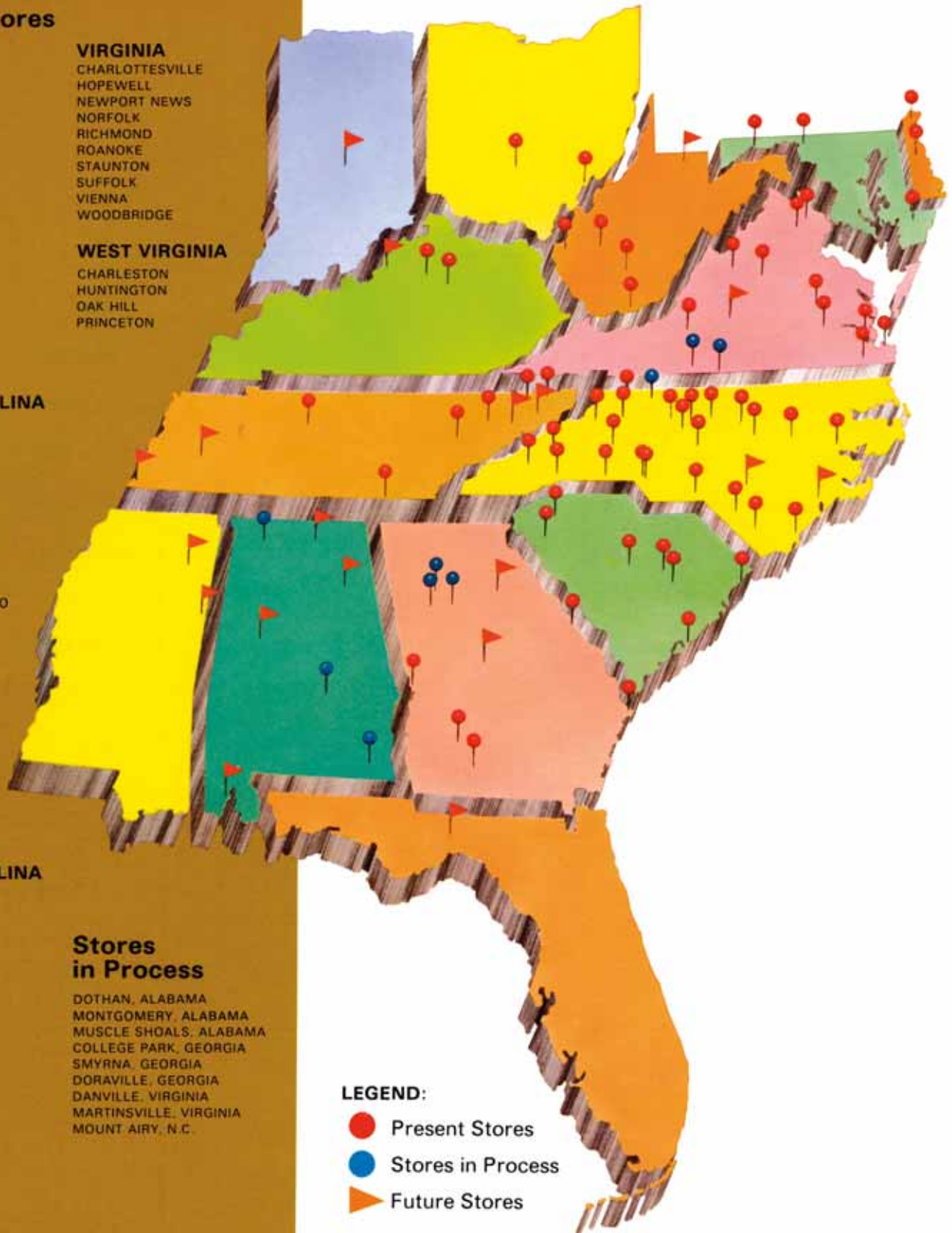
CHARLESTON
HUNTINGTON
OAK HILL
PRINCETON

Stores in Process

DOTHAN, ALABAMA
MONTGOMERY, ALABAMA
MUSCLE SHOALS, ALABAMA
COLLEGE PARK, GEORGIA
SMYRNA, GEORGIA
DORAVILLE, GEORGIA
DANVILLE, VIRGINIA
MARTINSVILLE, VIRGINIA
MOUNT AIRY, N.C.

LEGEND:

- Present Stores
- Stores in Process
- ▶ Future Stores



To Our Shareholders



Edwin Duncan
Chairman of the Board

Fiscal 1970 will be seen in retrospect, as one of the most successful and significant years in the history of Lowe's as a public corporation. Successful, because of the achievements in a year of relatively adverse marketing opportunity. Significant, because of the changes instituted by Lowe's to perform more effectively in the changing market. This report presents these accomplishments and changes for your evaluation.

Sales: Again this year, Lowe's posted a sales increase, with a total sales volume of \$128,491,284, an increase of 7.9% and \$9,438,395 over 1969. This total is a company record sales volume.

Earnings: Our net earnings after taxes also increased to an all time high this year, up 5.7% to \$4,869,811. Earnings per share increased from \$1.10 to \$1.16, on 4,207,428 shares for both years. The compound growth rate in earnings per share in the 1960's has exceeded 20%.

Taxes: These record earnings were reduced by the Federal income surtax by approximately 8¢ per share, as compared to a reduction of 5-1/2¢ per share in fiscal 1968, and 9-1/2¢ per share in fiscal 1969.

The closing dates of our fiscal years have caused the impact of the surtax on Lowe's earnings not to coincide with the calendar time span of the legislation. However, it is not expected to materially affect our 1971 earnings.

Dividends: In November, 1969, a 2 for 1 stock split was distributed. Also, during this fiscal year, quarterly cash dividends totaling \$843,735 were paid to shareholders. This was the ninth consecutive annual increase in dividend payout, both per share and in total dollars. Since becoming a public company in 1961, our indicated annual cash dividend rate has doubled—from 10¢ to 20¢ per share. Those of you, and there are quite a few, who bought Lowe's stock in 1961 at the offering price, adjusted for splits, of \$3.06, are now receiving an annual yield of more than 6% on that investment, and at the current market price, its value has increased tenfold.

Financial Comments: Lowe's prudent financial planning has never been so important as during these last few years. With tight money and liquidity problems becoming household phrases, Lowe's financial position continues to strengthen. Net Worth (Shareholder Equity) has more than doubled during this time, from \$11,793,757 in 1966 to \$24,888,889 in 1970. This increase has come solely from retained earnings as no new public stock offerings, nor any acquisitions or mergers have been made. This increase has helped provide the capital to finance Lowe's expansion of stores and sales, both with compound growth rates exceeding 15%. More importantly for the future, financial sources and plans are in readiness for our continuing expansion program.

Expansion: Lowe's opened seven new stores and closed one in fiscal 1970, for a net gain of six. The new locations are: Morristown, Tennessee; High Point, Burlington, and Washington, North Carolina; Savannah, and Columbus, Georgia; and Lexington, Kentucky. The sub-standard market response led us to close the store in Blytheville, Arkansas and to transfer

the personnel and the investment to other Lowe's stores. As is our practice, all opening costs and expenses for these new stores have been charged against the 1970 Income Statement.

The nine new store operations already in various stages of completion are indicated on the map on the adjacent page. We will open more new stores in fiscal 1971 than any previous year.

Changes: During this year it became evident to me that an important stage in the growth and development of Lowe's had been reached, and that it was time to reorganize our management structure. This reorganization has been accomplished. Specific names and titles are listed on page 32, but three elements are noteworthy: First, the reaffirmation of the Executive Committee of the Board of Directors as the full time policy making top management committee of Lowe's. Secondly, the establishment of the Office of the President, which brings joint efforts and complementing talents to the job of proper policy execution. Third, the selection of two Regional Managers for decentralization of field leadership and supervision. Already we are seeing evidence that this reorganization has strengthened confidence, competence and esprit de corps.

Other: I express management's appreciation to all the Lowe's people—our employees, our customers, our suppliers, and our shareholders—for the dedicated work and contribution they make to Lowe's continuing success.

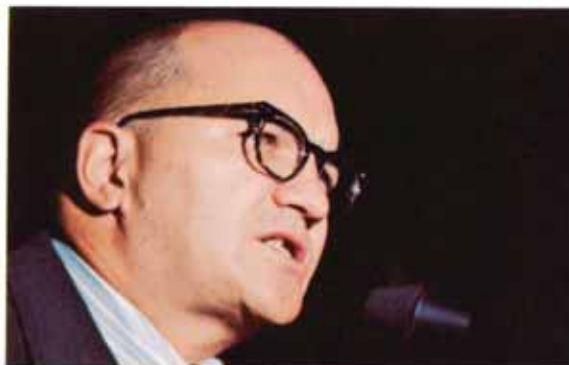
Executive Committee Report



Leonard G. Herring



Joe V. Reinhardt



Petro Kulynych



Robert L. Strickland



John A. Walker

**LOWE'S BOARD OF DIRECTORS
EXECUTIVE COMMITTEE**
*now in its 13th year
of unchanged composition.*

A Review of the Year: As forecast in these pages last year, 1970 has been a year of challenge. The anti-inflationary monetary policies of the Federal Reserve Board had a major depressionary effect on home building activity in eleven of the twelve months, as detailed in Table A below.

Housing Starts, United States TABLE A

Seasonally Adjusted Annual Rates

	12 Months Lowe's Fiscal 1969	12 Months Lowe's Fiscal 1970	Change Same Month Previous Year
Aug. 68	: 1,518,000	Aug. 69 : 1,384,000	- 9%
Sept. 68	: 1,592,000	Sept. 69 : 1,542,000	- 3%
Oct. 68	: 1,570,000	Oct. 69 : 1,392,000	-11%
Nov. 68	: 1,733,000	Nov. 69 : 1,295,000	-25%
Dec. 68	: 1,507,000	Dec. 69 : 1,252,000	-17%
Jan. 69	: 1,878,000	Jan. 70 : 1,166,000	-38%
Feb. 69	: 1,686,000	Feb. 70 : 1,321,000	-22%
Mar. 69	: 1,584,000	Mar. 70 : 1,384,000	-13%
Apr. 69	: 1,563,000	Apr. 70 : 1,181,000	-24%
May 69	: 1,533,000	May 70 : 1,242,000	-19%
June 69	: 1,507,000	June 70 : 1,375,000	- 9%
July 69	: 1,429,000	July 70 : 1,585,000	+11%

Our basic strategy has been to concentrate our merchandising and operating emphasis on sales to retail customers. These efforts to offset lower sales to home builders with higher sales to home owners were successful. As shown on page 11, our retail sales grew from 33% to 41.5% of the total, an increase of \$13,800,000. This enabled Lowe's to post increases in sales and earnings for this fiscal year. For the quarters ending October 31, January 31, April 30, and July 31, sales comparisons with the previous year's figures were +9%, +7%, flat, and +13% respectively. A review of these quarterly trends together with Table A shows that while there is still correlation between Lowe's total sales and housing starts as a measure of our marketing opportunity, our changing customer and product mix is giving us a broader base, less dependent on new construction. Reflecting these varying sales patterns, the average purchase per customer declined almost 10%, from \$51.98 to \$47.09, back to the levels of 1968 and 1966. However, this decline was offset by a surge in customer transactions of 19%, from 2,290,000 to 2,729,000.

Price Patterns: With lumber and building materials still providing 68.6% of our total volume, as detailed on page 20, price movements can have a significant effect on sales volume and operating margins. As Table B indicates, the patterns in 1970 have been more stable than in the two prior years, particularly in Lumber and Plywood. The basic trend has been slightly downward, with the latest available composite figure 118.0 compared with 120.2 twelve months earlier.

Wholesale Price Index Ranges TABLE B

Lowe's Fiscal Years		1957-1959=100			
	Open	Low	High	Close	Latest*
All Construction Materials					
1968:	105.3	105.3	110.9	110.9	
1969:	111.3	111.3	121.6	115.9	120.2*
1970:	115.7	115.7	118.0		118.0*
Lumber					
1968:	109.0	109.0	127.7	127.7	
1969:	129.8	129.8	164.9	133.4	164.9*
1970:	131.1	123.3	131.1		123.5*
Plywood					
1968:	90.9	87.8	101.3	101.3	
1969:	102.3	93.9	146.9	93.9	111.0*
1970:	93.6	94.4	99.6		97.2*
Millwork					
1968:	112.6	112.6	118.3	118.3	
1969:	118.8	118.8	136.0	135.6	132.3*
1970:	135.1	130.7	135.1		130.8*
Gypsum					
1968:	100.7	100.7	105.1	105.0	
1969:	106.6	104.9	108.7	104.9	106.2*
1970:	103.2	103.2	109.8		105.6*
Plumbing					
1968:	110.1	110.1	114.6	114.1	
1969:	114.2	114.2	119.4	119.4	116.6*
1970:	119.4	119.4	124.0		123.2*

*April figures—both years Source: Department of Labor

Appliances and Home Electronics prices are also basically flat or declining on a historical basis. The significance is that although there are exceptions in certain product groups, the highly publicized inflationary trends in America do not exist at present in our major product lines, and Lowe's past sales growth and future projections depend very little on price increases.

Store Performance: Again this year our store sales results reflected a balanced performance. The 57 stores opened prior to July 31, 1969, achieved increased market penetration averaging 4% each during fiscal 1970. Their sales increase of \$4,700,000 provided 45% of the new sales volume achieved this year, with 55% or \$5,850,000 coming from the seven new stores.

Lowe's Store Sales

	Average Sales Per Store ^o	Total Sales [#]
1969: 57 Stores.....	\$ 2,069,100	\$117,940,000*
1970: 57 Old Stores.....	\$ 2,151,600	\$122,640,000
7 New Stores.....	835,700	5,850,000
1970 Totals.....		\$128,490,000

^oRounded figures

[#] 1969 restated to reflect closing of one store

Programs: Certain programs, instituted early in 1970 have contributed greatly to the success of Lowe's during this year. To serve each basic segment of our customers, professional buyers and retail consumers, more effectively, we departmentalized our sales force into two separate groups for the first time. Both groups of customers, with their varying buying habits, have felt that this move enabled Lowe's to serve them better. Although this step was taken primarily to cope with the market environment we foresaw for 1970, its success has earned it a permanent place in our store sales organization.

A wider variety of retail credit was made available during this year. The two leading bank credit cards—Master Charge and BankAmericard—which were added, have also become a permanent factor at Lowe's for the credit convenience offered our customers.

During 1970, Lowe's began to participate in the mobile home sales boom. We trademarked the name "Ranchette" for our mobile home line, and although we offered them for sale in less than 1/4 of our store markets, we attained a retail sales volume of \$1,315,000. Although the industry seems to be undergoing some current problems, the basic value and low price of these homes seem certain to insure the long range future of this type housing. We will maintain and increase our marketing efforts in mobile homes during 1971.

Promotions, and merchandising programs for the do-it-yourself market sparked Lowe's home improvement product sales to record levels.

A potentially significant sales and merchandising program will be introduced during

the first quarter of fiscal 1971. This is Lowe's "Homestead" house, an architect designed small home with floor space of about 1,000 square feet. Complete lists of Lowe's materials, including various alternates, have been prepared and converted to computer card decks. These decks will allow the computers at each Lowe's store to give accurate and up-to-the-minute price quotations, and also to sort the materials into seven delivery packages aggregated in chronological building sequence. The objective is to offer our customers a better home at a lower price than modular housing, while retaining many of the flexibilities and advantages of on-site construction. Preliminary price estimates show that we can deliver the total material package needed to build the basic home for less than \$4,500.

Current Directions & Outlook: The year closed strongly, with sales increases being posted in July to both major groups of customers, professional and retail. This momentum has carried over into the first quarter of fiscal 1971.

The Federal Reserve's policy shift toward an increase in the rate of growth in the money supply has already begun to contribute to our store sales activity, and a continuance will further our marketing opportunities.

As outlined above, we have shifted our stance during 1970. This has resulted in more keen awareness of the opportunities and challenges in both the two major segments of our business, and a better balance between the two. Our objective in the coming year will be to maximize results from both areas.

The longer range future must bring the long-awaited housing boom. We invite your attention to the charts and tables on pages 14 and 15 for detailed trends on housing and on economic growth in our geographical area. And pages 22 and 23 deal further with our plans for the future.

Lowe's Sources and Resources



Suppliers of Goods

For a merchandising company, it all begins with manufacturers of the products we sell, whose giant productive capacity constitutes one of Lowe's major resources.

It has always looked easier than it really is. Years ago, a business publication ran an article called "How Lowe's Low Prices Make Profits." But prices alone do not make profits. And low selling prices cannot exist long without low buying prices.

Our kind of marketing requires us to have the right quality products at the right price at the right place at the right time. It demands an orchestration of suppliers:

- Major manufacturers, who offer long-range production scheduling, multiple plants and shipping points, advertising and promotional programs, after-sale parts and service arrangements.
- Smaller suppliers, including hundreds of regional producers, who provide specialty merchandise on a custom order basis.

We treat our suppliers as partners, not as marketplace adversaries. Many have been with us for 15 years or more; we do not change or drop a supplier without giving him every opportunity to meet the competition of the marketplace. We collaborate on distribution plans that reduce their costs as well as ours. We also collaborate on plans for products that meet the needs of a changing market.

This year, our search has been for more goods that appeal directly to the consumer. While the supply of construction money remains tight and the demand for better living remains boundless, Lowe's has expanded its selection of:

- Mobile homes. Last year, we market-tested them. This year we are continuing our sales efforts for two reasons: First to supply this product to the many people who want finished housing *now*; secondly, for research in manufactured housing.



- “Lowe’s It Yourself” products. Our suppliers are introducing materials that are especially easy and satisfying for the homeowner to install. For example, a pair of scissors is the only tool he needs to install Armstrong Castilian vinyl roll flooring or Ozite Val-Aire carpeting.
- More household, decorative, and leisure time products. The customer who postpones the purchase of a new home can come to Lowe’s in the meantime, to enrich his present home.

With our staffs of purchasing agents and product specialists, with our electronic data processing and teleprinter networks, we are organized for fast response to the changes in market demand. And our supplier relations objective remains the same—to structure a relationship as mutually satisfactory long range business partners.

Suppliers of Services

Specialized services are becoming increasingly more important to Lowe’s, to our customers, and to the successful sale and merchandising of our product line. Two of the most important categories of services are those of communication and transportation.

Communication: For fifteen years, Lowe’s has utilized a closed circuit teletype system from AT&T. Each of our 64 store offices has a teletype console providing instant communication with Lowe’s General Office and with other stores on the circuit. And telephone is still alive and well at Lowe’s. For our professional sales force and their client customers, it is the most important medium of communication in the company. Finally, computers are the heart of our communication control system. The combination of an IBM 360 control center at our General Office and IBM 402 computers in most Lowe’s stores creates the sales ticket, and simultaneously provides information for inventory analysis, stock control and sales and profitability analyses by product, by store, and by salesman.

Transportation: A flexible, efficient and dependable transportation network is vital to Lowe’s success. From the company’s early days, transportation and the allied fields of packaging and storage have been the subject of consistent study, research, and cost-improving innovations. Transportation specialists, both within and outside the company, help us maintain the efficiency of our various systems.

When customer delivery from our stores is added to incoming shipments, trucks are our most important transportation system, with railroads a strong second. Imports, and cargo lumber from the West Coast are increasing the significance of ocean freight to Lowe’s.



Lowe's Sources and Resources



Suppliers of Money

Lowe's Professional Financing: Lowe's provides interim financing to our professional customers. About 58.5% of sales were made to contractors, builders, and commercial accounts on credit terms of 30, 60, and 90 days. This percentage is down again this year due to lower home building activity, and our increased retail business. Accounts receivable on July 31 totaled \$14,887,000, 11.6% of the year's volume still "on the books," compared with 12.3% last year. The year-end receivables have an average age of 47 days, versus 50 days in 1969. Bad debt losses continue to be less than $\frac{1}{2}$ of 1% of sales.

Savings and Loans: America's Savings and Loan institutions are the most important suppliers of permanent funds for home building. Table 1 clearly depicts the impact of tight money on housing funds in recent months. Three fourths of our stores are located in the Fourth District, where the trends were similar, but not quite so unfavorable, Table 2. July's upturn was coincident with an increase in our professional customer sales activity.

Washington: The various Federal and semi-public agencies headquartered in Washington, D. C. are becoming increasingly active and important in the housing funds area. HUD, FHA, FNMA, Congress, etc. are all attempting to help solve the nation's housing shortage. The Farmers' Home Administration's vastly increased budgets for direct rural housing mortgages is expected to have particularly beneficial impact in our marketing areas.

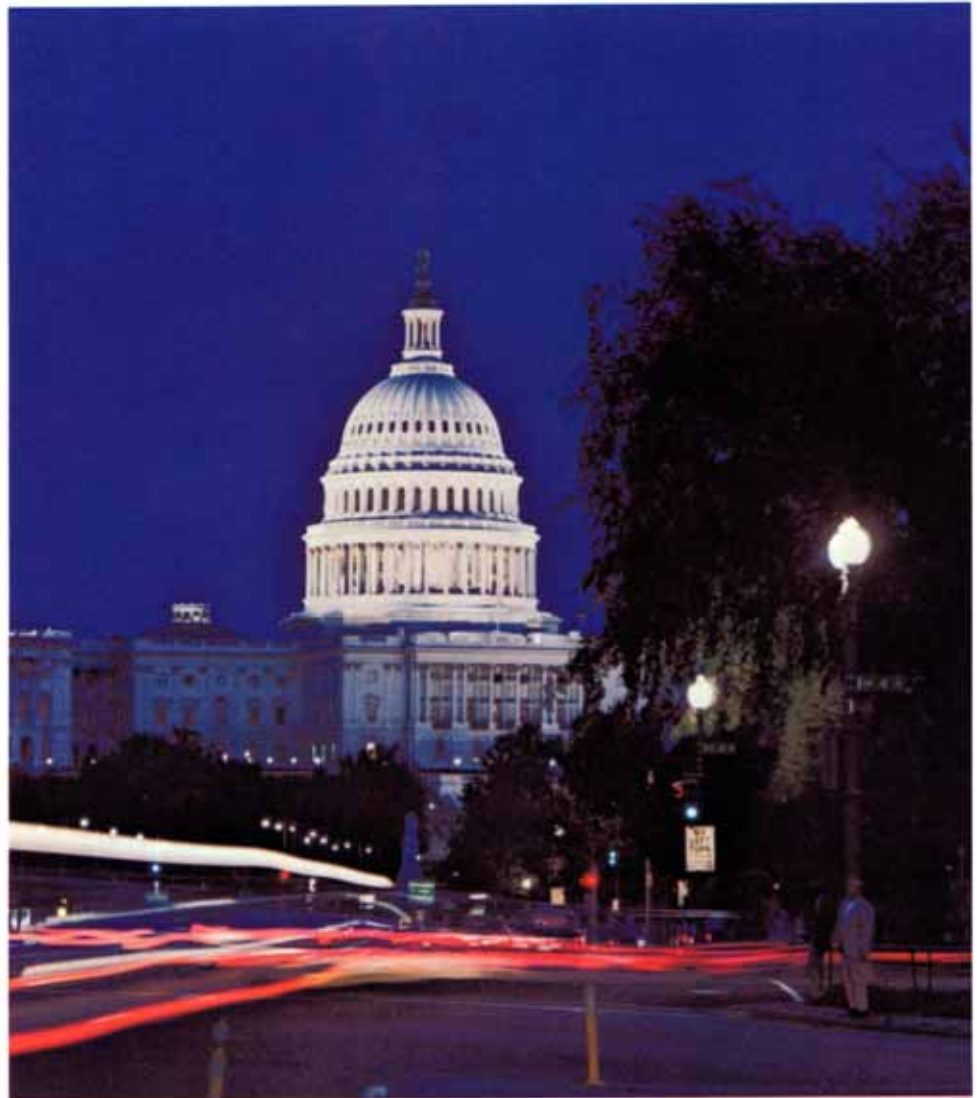
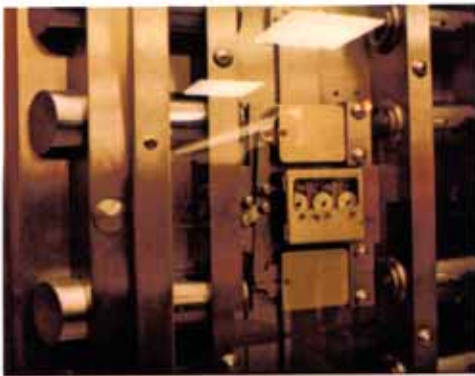
Retail Financing: As the graph shows, after a first quarter dip, America's consumers are continuing to increase their credit buying. Lowe's "Charger" cards, Master Charge, and BankAmericard provided more credit to Lowe's customers, during 1970 than ever before. With mobile home financing, Lowe's total non-recourse retail credit volume approximated 8% of total sales, and continues to grow.



Lowe's Finances: The primary sources of funds for expansion of our stores continues to be from operations, with \$19,316,000 being added in the last five years, after the payment of \$3,656,000 in cash dividends. So our stores and our stockholders are the principal suppliers of money to Lowe's.

Funded debt from Metropolitan Life Insurance Company is used to finance a portion of fixed assets, primarily the purchase of real estate and improvements.

Seasonal working capital is secured from local banking sources, usually the Northwestern Bank in North Wilkesboro, North Carolina, our central banking connection. The commercial banks in each town in which we operate serve our stores in many ways; as daily depositories, retail credit information sources, and valued business advisors.



Flow of Savings and Mortgage Lending Activity, All Operating Savings and Loan Associations

(AMOUNTS IN MILLIONS OF DOLLARS)

	Savings Flow		Mortgage Loans Made		
	1969	1970	1969	1970	Change
January	\$ -91	\$ -1,420	\$ 1,592	\$ 1,064	-33%
February	605	205	1,580	1,042	-34%
March	1,370	1,653	1,870	1,262	-33%
April	-516	239	2,073	1,400	-32%
May	642	753	2,146	1,586	-26%
June	1,359	1,814	2,415	2,086	-14%
July	-1,110	567	1,974	2,069	+ 5%
	\$2,259	\$3,811	\$13,650	\$10,509	-23%

Source: Federal Home Loan Bank Board

TABLE 1

Fourth District—Federal Home Loan Bank of Greensboro

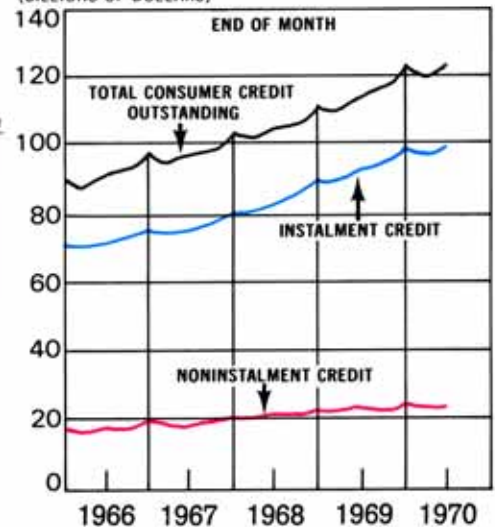
(AMOUNTS IN MILLIONS OF DOLLARS)

	Loan Commitments		
	1969	1970	Change
January	\$ 583	\$ 450	-23%
February	639	479	-25%
March	662	512	-23%
April	709	579	-18%
May	744	618	-17%
June	687	652	- 5%
July	659	697	+ 6%
	\$4,683	\$3,987	-15%

TABLE 2

Consumer Credit Trends

(BILLIONS OF DOLLARS)



Lowe's Sources and Resources



Lowe's Customers

Our customers, both present and potential, give primary focus, direction, and reason for being, to our total marketing and operating efforts. Although our products and services appeal to a wide cross-section of shoppers, our customers have certain attributes in common. They want to be noticed and treated courteously. They want to shop in pleasant surroundings, and they expect value and service.

"My builder can get his materials here real easily," said a woman who was picking out paneling during one of our recent surveys. "Wayne Matherly (one of the salesmen) is available and he knows the product real well; he knows what you carry, and he seems to know just what we need. He works with the builder. He knows us."

Another woman liked our location—"You don't have to come into town." A man told us, "This Lowe's is new to us—we used to go to Lowe's in Newport News when we lived there. Charlie Pugh and the rest of those fellows take good care of you, and the prices are right. When you get acquainted with those fellows on a first-name basis, you've got to do all right."

Several builders told us why they like to trade at Lowe's. "You can buy most anything you want." "You can buy stuff cheaper here." "They're good people to deal with."



We classify our customers into two basic categories—Professional Buyers, and Retail Customers.

Professional Buyers: We define professional buyers as those who purchase the products we sell in the course of their business, for non-personal use. Included in this group are home builders, developers, contractors, carpenters, electricians, painters, plumbers, and industrial and institutional purchasing agents. Within the 64 basic marketing areas served by the present Lowe's stores, these professional buyers number approximately 75,000.



Retail Customers: Our retail customers are primarily home owners or "householders", buying for personal or family use. Since our merchandise line is composed basically of products for homes, then the number of households in each Lowe's market provides the best census of marketing opportunity. The present 64 store marketing areas serve 3,400,000 households, an average of 53,000 each.

The Mix: Through increased emphasis on marketing to retail customers, purchases by this group accounted for approximately 41.5% of total sales during this fiscal year. Professional buyers' purchases were 58.5%



The table below shows that Lowe's sales volume has a broader retail customer base than the average lumber and building material dealer in our volume category. (Lowe's average annual sales volume for established stores was \$2,152,000 in 1970). The principal reasons for this are our broader retail product line, and our experience in merchandising these products to the mass market.

Customer Sales Profile, 13,543 Lumber and Building Material Dealers*

Annual Dollar Volume:	United States				South Atlantic Region			Lowe's Customer Sales Profile		
	Up to \$500,000	\$500,000 To \$3,000,000	Over \$3,000,000	Weighted Average	Up To \$500,000	\$500,000 To \$3,000,000	Over \$3,000,000	Weighted Average	Lowe's 1969 #	Lowe's 1970
Wholesale	% 0.5	1.4	3.1	0.9	0.9	0.8	3.5	1.0		
Contractors	% 37.2	52.4	52.5	41.7	45.4	59.6	59.9	51.1		
Industrial	% 10.0	12.6	11.8	10.8	10.9	13.1	12.7	11.7		
Total Professional	% 47.7	66.4	67.4	53.4	57.2	73.5	76.1	63.8	67	58.5
Retail Consumer	% 52.3	33.6	32.6	46.6	42.8	26.5	23.9	36.2	33	41.5
	100	100	100	100	100	100	100	100	100	100

*Reprinted by permission Building Materials Merchandiser, 300 West Adams Street, Chicago, Illinois 60606
 #Restated to include direct shipments to customers

Lowe's Sources and Resources

Lowe's People

Lowe's organization has two principal objectives—to serve our customers properly, and to provide a system for qualified men and women to continue their personal growth. For as our company grows, so must we.

At the top is the Office of the President, whose five members have managed our day-to-day affairs since 1958. Our tactical staff, established last year, continues to provide close liaison between departments and between headquarters and the field. And now we have two regional managers, to whom the store managers report. Our policy is to promote from within, and our people know that they have the opportunity to grow professionally and financially.

With our division of sales people into "pro" (contractor) and consumer specialists, we now have pro and consumer sales managers, a merchandising manager and five product managers, as well as a training manager. The product manager is an especially important communicator. He works closely with purchasing to see that we are buying the right product at the right price; and he sees that it is serviced properly by the manufacturer, merchandised and promoted properly by our advertising and our salesmen. The training manager, too, is a key man. As big and as impressive as Lowe's is getting to be, the main thing that impresses the customer is our knowledge of what we are selling.

The store manager is the key executive in the field, whose primary job responsibility is to achieve his store's net after tax dollar budget. 52 of the present 64 store managers began as a Lowe's salesman, warehouseman or office employee.

Last year we had eight meetings of store managers, four meetings of office and credit managers and three meetings of warehouse managers—of all stores—to discuss our techniques of sales and service. We had frequent sales training meetings



throughout the organization. And we had our once-a-year inspirational and product knowledge spectacular, the Lowe's Hootenanny, a two-day convocation of 900 dedicated Lowe's men and women at the Winston-Salem Convention Center.

From Lowe's beginning in 1946, it took until 1967, 21 years, for the company's employees to number 1,000. We expect Lowe's people to be 2,000 strong in 1971, just four years later.



Lowe's Stockholders

Market: Lowe's common stock is traded fairly actively over the counter. Prices are quoted by the National Association of Securities Dealers and published daily in the Over-the-Counter Markets section of various financial publications. Several brokers "make a market" in Lowe's, regularly buying, inventorying, and selling the stock.

Communication: From the beginning, Lowe's management has believed in aggressive balanced growth, and has attempted both to communicate this story to its stockholders and to translate this policy into action and a sustained growth performance record in sales and earnings. Based on formal studies such as proxy tallies and the annual stockholder surveys, and on informal feedback through various channels, we believe that the large majority of our stockholders are on the same growth wavelength as management.

Lowe's 1969 Annual Report has received a silver "Oscar of Industry" award from Financial World, for excellence in management-stockholder communication. The report was selected as one of 11 best reports in the nation from among 5,000 entries.

Stockholder Composition: The number of stockholders increased about 10% this year to 2,117 from 1,916. An additional 500 to 600 stockholders are in nominee accounts of various brokerage firms. Our stockholder geography is interesting, 65% of our stockholders live in the ten states where we operate stores, and the group includes many suppliers, employees, and customers—those who know us best. However, 43 of the 50 states and 5 foreign countries are represented. Lowe's Employees Profit Sharing Plan and Trust continues to be the largest stockholder, with approximately 940,000 shares.



Mr. T. Rowe Price, discussing Lowe's 1969 Annual Report with Mr. Curran W. Harvey, President, New Horizons Fund.



The 1970's / New Perceptions... New Dimensions

Marketing research at Lowe's focuses first on the broad markets we serve, attempting to perceive opportunities, forecast changes, and measure performance. These graphs and charts summarize the basic market dimensions, both as presently constituted, and as projected by astute outside observers.

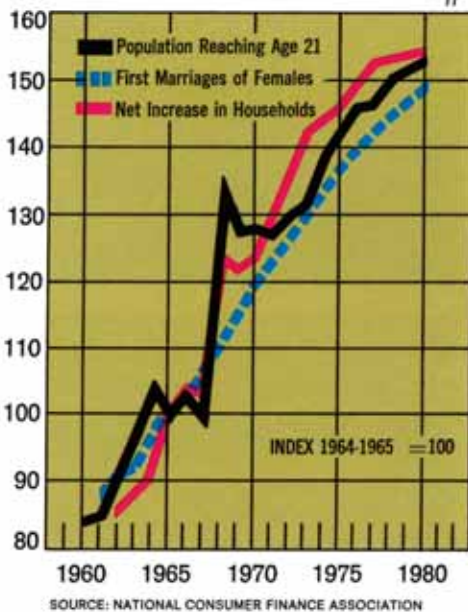
Strong growth trends in Household Formation, Chart 1, are expected through 1980. Lowe's merchandise line, increasingly homeowner-oriented, will benefit strongly from the 21% increase in households projected by 1980, Chart 2. The majority of our stores are in the South Atlantic region, which had growth rates in

the 1960's in Population, Effective Buying Income, and Retail Sales, far outstripping national averages, Chart 3.

We expect these trends to continue in the 1970's. Continued industrial growth in the region is one reason. The more youthful population, Chart 4, is another.

Regional totals and national trends and

Factors and Trends in Household Formation (1960-1980) #1



Population and Number of Households, United States (1960-1980) #2

	Projected*					
	1960	1968	1969	1970*	1975*	1980*
Population	180.7	201.2	203.2	204.9	215.4	227.7
Households**	52.8	50.4	61.8	63.3	70.0	77.3
Families**	44.9	49.7	50.4	52.0	57.0	62.7
Individuals**	7.9	10.7	11.4	11.3	13.0	14.6

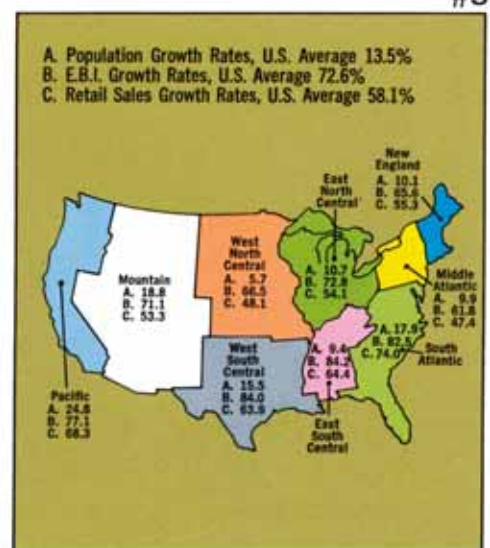
Note: Parts may not add to totals due to rounding.

*Projected 1970, 1975 and 1980 figures assume the lowest birth rate of four Census Bureau projections for population. Estimates for households for 1960 are as of March Projections of number of households are the higher of two projections by the Census Bureau.

**A household consists of a person or group of persons who occupy a house, an apartment, or other group of rooms, or a room that constitutes a housing unit. A family is defined as a group of two or more persons related by blood, marriage, or adoption and residing together. Individuals include those persons not living with any relatives and inmates of institutions.

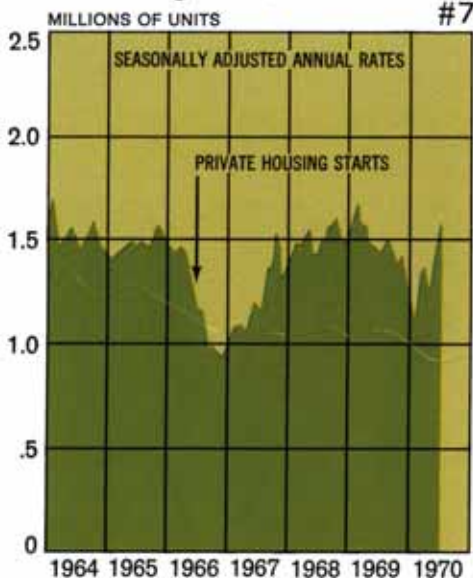
SOURCE: NATIONAL CONSUMER FINANCE ASSOCIATION

Growth Rates in Population, Effective Buying Income, and Retail Sales (1960-1969) #3

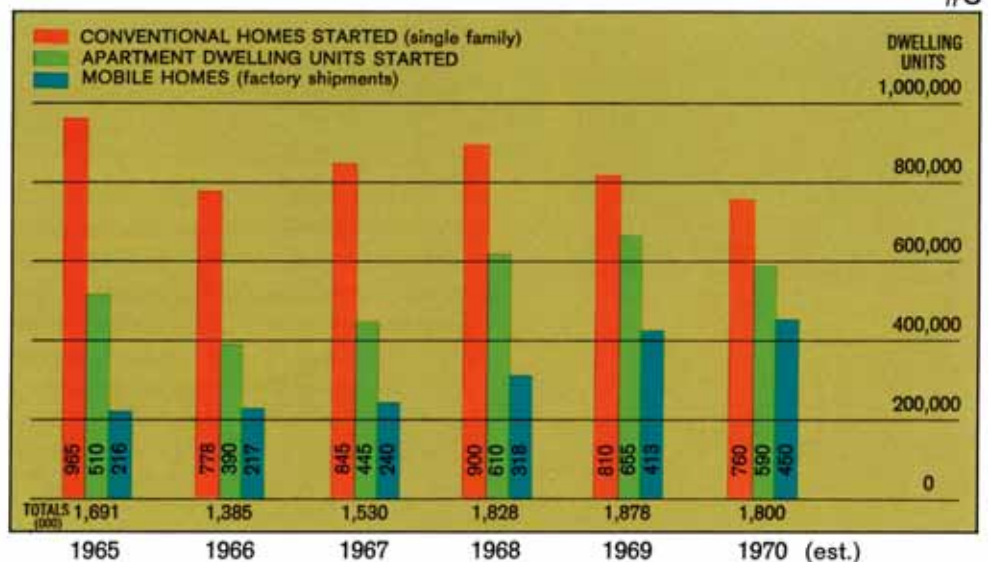


SOURCE FOR CHARTS #3, #4, #6 AND #11: SALES MANAGEMENT MAGAZINE. COPYRIGHT 1970 SALES MANAGEMENT SURVEY OF BUYING POWER; FURTHER REPRODUCTION IS FORBIDDEN.

U.S. Housing Starts #7



Housing: The Changing Mix #8



totals of consumer income are treated in Charts 4 and 5. Chart 6 estimates 1970 Consumer Spending to be \$615 billion. The goods and services offered by Lowe's allow us to compete in the Housing and non-automotive Durable Goods sectors, with a national total of \$129 billion.

Housing Starts, Chart 7, show the ef-

fects of tight money during the last 12 months. The changing mix in the Housing Market is depicted in Chart 8. Lowe's will continue to be active in each of these segments.

Charts 9 and 10 forecast strong housing growth rates through 1975. And Chart 11 projects Consumer Spending in 1980 at

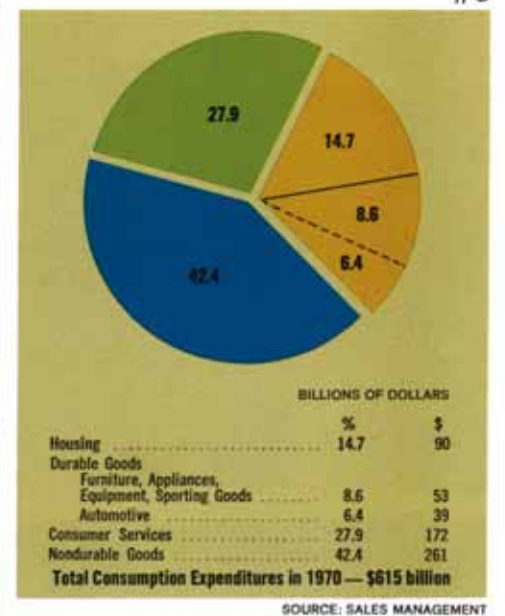
\$1,150 billion. This forecast increase of 87% is exceeded by the projected 125% increase in Lowe's marketing sectors of Housing and non-automotive Durable Goods to a total of \$281 billion.

These vast new dimensions of the market present great challenges and opportunities. Lowe's is gearing for growth.

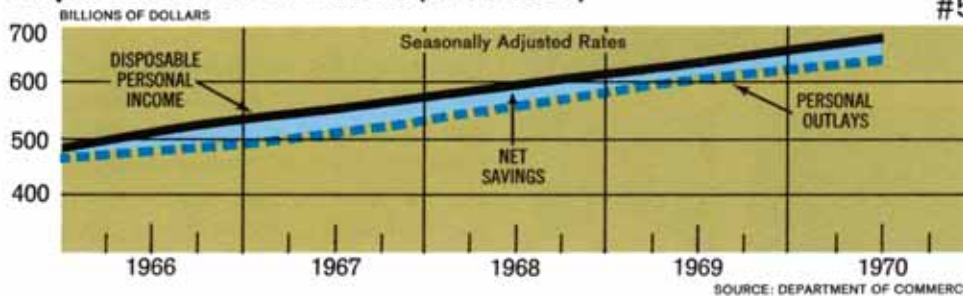
Regional Demographics (1970) #4

	Population (000,000)	Effective Buying Income (000,000)	Retail Sales (000,000)	AGE GROUPS:				
				0-17	18-24	25-34	35-49	50 & Up
				Percentages of Total				
New England	11.6	\$ 39.0	\$ 21.0	33.7	11.6	11.5	17.2	26.0
Middle Atlantic	37.5	128.3	64.7	32.5	11.1	11.3	18.1	27.0
South Atlantic	30.6	83.2	49.4	35.4	12.6	12.6	17.3	22.1
East South Central	13.2	29.8	17.8	35.3	13.2	13.0	16.1	22.4
West South Central	19.6	51.7	31.0	36.2	12.5	12.5	16.7	22.1
Mountain	8.1	22.6	13.6	37.9	12.3	12.5	16.8	20.5
Pacific	26.5	91.0	49.6	34.9	17.6	11.9	18.3	23.3
West North Central	16.3	48.2	28.9	34.6	12.5	11.7	16.2	25.0
East North Central	40.0	132.5	71.6	35.3	11.9	11.6	17.2	24.0
United States	203.5	\$626.2	\$347.6	34.8	12.0	11.9	17.4	23.9

Consumer Spending (1970) #6



Disposable Personal Income (1966-1970) #5



A Housing Forecast—Units #9

MILLIONS OF UNITS	1970	1971	1972	1973	1974	1975
1. New Demand	1.95	2.10	2.30	2.50	2.70	2.90
2. Carry-over Demand	0.92	0.89	0.71	0.55	0.39	0.23
3. TOTAL DEMAND	2.87	2.99	3.01	3.05	3.09	3.13
4. Estimated Conventional Supply	1.50	1.73	1.86	2.00	2.15	2.30
5. Mobile Homes	0.48	0.55	0.60	0.66	0.71	0.77
6. TOTAL AVAILABLE SUPPLY	1.98	2.28	2.46	2.66	2.86	3.07
7. Unsatisfied Demand (next year's carry-over)	0.89	0.71	0.55	0.39	0.23	0.06

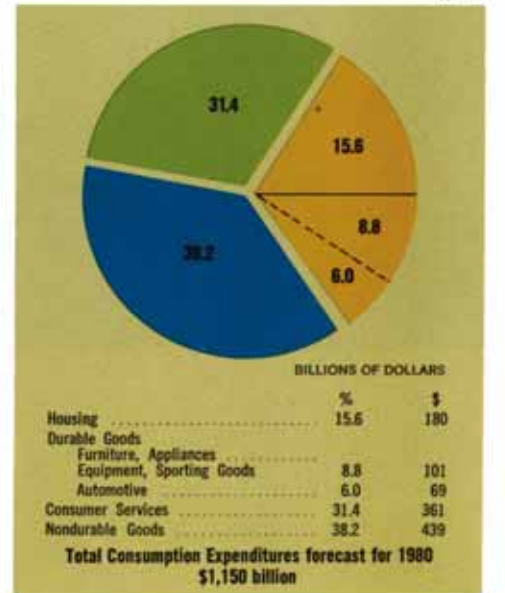
SOURCE: HUD, LAIRD ESTIMATES

A Housing Forecast—Dollars #10

BILLION OF DOLLARS	1970	1971	1972	1973	1974	1975
1. New Residential Construction (excluding land)	\$24.8	\$30.0	\$33.1	\$37.0	\$41.6	\$45.5
Percentage Change Over Preceding Year	5.5%	21.0%	10.3%	11.8%	12.4%	9.4%
2. Repairs and Alterations	\$14.2	\$15.0	\$15.9	\$16.9	\$17.9	\$19.0
Percentage Change Over Preceding Year	6.0%	5.6%	6.0%	6.3%	5.9%	6.1%
3. TOTAL, ALL RESIDENTIAL	\$39.0	\$45.0	\$49.0	\$53.9	\$59.5	\$64.5
Percentage Change Over Preceding Year	5.7%	15.4%	8.9%	10.0%	10.4%	8.4%
4. Non-Residential Construction	\$32.9	\$35.2	\$37.7	\$40.4	\$43.2	\$46.2
Percentage Change Over Preceding Year	6.8%	7.0%	7.1%	7.2%	6.9%	6.9%
5. TOTAL, ALL CONSTRUCTION	\$71.9	\$80.2	\$86.7	\$94.3	\$102.7	\$110.7
Percentage Change Over Preceding Year	6.2%	11.5%	8.1%	8.8%	8.9%	7.8%

SOURCE: F. W. DODGE, LAIRD ESTIMATES

Consumer Spending A 1980 Forecast #11



Lowe's: How We Grow



Motivating The Personnel

A basic in Lowe's philosophy is Management's belief in incentives. First, we concern ourselves with the working environment and atmosphere, mental and emotional as well as physical, to help each employee enjoy his work and responsibility, and achieve personal satisfaction in a job well done. Our people have confidence that their personal performance is appreciated, and their contribution of loyalty, sincerity and hard work is acknowledged throughout the year.

We prefer to employ young aggressive people who show qualities of enthusiasm and attitude that will assist in the growth and prosperity of Lowe's. Our policy is to promote from within, and our people know that they have an opportunity to grow professionally and financially and will not be overlooked when Lowe's growth creates new job opportunities, such as the new regional manager posts.

Money, and the incentive to earn more, is the foundation for our motivational program. We pay all employees by the week; salesmen are paid weekly commissions; and for superior performance, we pay a quarterly bonus. For achieving company goals, budgets, and objectives, annual bonuses are paid, Incentives of every type



are in constant use throughout the year, including contests, new cars, trips, and awards. These incentives lend zest and enthusiasm to the accomplishment of our corporate objectives.

With salary as our short term financial incentive, during 1970, management has extended its stock option program more deeply into the ranks of key profit producers in the company, giving them additional medium range incentive to increase the profitability of Lowe's.

The long range incentive par excellence at Lowe's is the Profit Sharing Plan and Trust. Every employee with one year's service is eligible for membership, provided the profit center to which he is assigned achieves the profit objectives set by management. This significant program gives each employee an individual sense of ownership responsibility and participation in the long term advantages of creative capitalism. A substantial financial base has already been earned by many employees under this program.

The Lowe's Low Down, a bimonthly newspaper mailed to all employees' homes, acquaints the family members with company activities and progress.

Personal letters to wives concerning their husband's superior performance, local store parties, fishing trips, dances and other company social occasions develop rapport between all members of the store personnel.

In summary, we pay money, we promote from within, and we establish creative incentive plans through all facets of our company. Yet with all these motivational things going for us, it is still the self-starters, the self-motivated people who become the leaders at Lowe's.



Lowe's store managers on tour of Europe, as winners of a company sales contest.

A Profit Sharing Plan retiree at the new homesite which profit sharing made possible.



Lowe's: How We Grow

Motivating the Market

The artwork shown contains symbols of two important elements of our ability to motivate the markets we serve. The shield is the new logo of the Brand Names Foundation. We wish we had written their motto of "Consumer Confidence—Satisfaction". However, we have always believed that our objective was to obtain a consumer franchise through satisfying our customers and earning their confidence. And so, during 1970, we became an Associate Member of the Foundation, for mutual benefit, we believe.

The banner comes from our most enduringly successful advertising theme: Lowe's Low Prices—a Living Legend. The two elements of Low Prices and Brand Merchandise have been the foundation for our customer acceptance and resulting sales growth, through the years.

With the goods and services discussed earlier, motivating the market next depends upon advertising. Therefore, we heartily concur with Bill Lyon's definition which says, "Advertising is communication, done to increase the rate of profit".

On the front page of a million of our full-color, eight page newspaper advertising

supplements, a home handyman on a ladder is placing a 2x4-foot acoustic ceiling panel into a suspended metal grid. His thought, at this moment: "It really does fit!" And homeowners in ten states identify with him.

In 1965, our ad capability was limited to newspaper material. Today we regularly produce advertising for newspaper, radio, television, billboards, highway signs, Yellow Pages and direct mail. We have "hot-line" mailings to our list of professional buyers, plus saturation mailings of catalogs and tabloids five times a year. The mailings go into areas where newspaper coverage is relatively light.



Fiscal 1970 was our most ambitious advertising year. Using more full color than ever, we published a 112-page Buyers Guide catalog, four 36-page mailers, five 8-page tabloid newspaper inserts, and three 4-page newspaper insert "spectaculars." We call them spectaculars because of their results. Our "Freedom Sale" last July 4th brought in a crowd that smashed Lowe's previous sales records.

The performance may have been the cumulative effect of our four previous Fourth of July promotions. They are holiday celebrations, with free refreshments and balloons, and they help us increase our consumer franchise, just as our grand opening promotions do. They establish Lowe's as a good place to go.

Our advertising people get plenty of input from the marketplace. Salesmen and managers pass along information at meetings, in reports and on the teleprinter wires. Data processing shows patterns of customer behavior toward particular products and product groups. Surveys determine attitudes and the effect of our marketing programs.

One interesting result of this research has been our glamorization of the mundane 2x4 stud. Noticing from data processing reports that many consumers would come in to buy just one or two studs at a time, we decided to mass display on the sales floor, give them a brand name: "Paul Bunyan 2x4 studs," and advertise them. The results have been spectacular.

Perhaps the Paul Bunyan stud symbolizes the effect that Lowe's has had on the old-time lumber yard. It is comparable to the effect of the supermarket on the old-time corner grocery.

Lowe's Super Sale featured Stock Car Super Star Richard Petty and a free Super Bird for a customer-winning endorsement of Lowe's.



Roman Gabriel, Los Angeles Ram quarterback and the Most Valuable Player in the NFL, tells why "Pro's Shop Lowe's."



Lowe's: How We Grow



Writing the Business

Lowe's Stores: Here's where it all comes together—the goods, the services, the customers and their money, our people and their motivations. These pictures are typical of scenes at Lowe's on a busy Saturday, a holiday sales event, or a Grand Opening of a new store. As these photographs indicate, the value and interesting variety of our product line, and the flair of our merchandising draw attention from a wide cross section of shoppers. And these customers see us as a local business because our store personnel are active community-minded people. Known products, optimum service, low prices, known people. It does make a customer comfortable, and it makes Lowe's grow.



Promotions: Grand Opening and local promotions vary from store to store, and by season, but include free refreshments, Buyer's Guide Catalogs, how-to-do-it product demonstrations by manufacturer's representatives, carnival rides in the parking lot for children and live music entertainment. Of all the hundreds of different sales promotions we have used, however, none has been as universally successful and popular as Lowe's "Heart's Desire" Grand Prize Drawing. Customers are invited to choose what the Grand Prize will be. We ask them to look over all the products on display and to write on the entry card the one that they would most like to win as their "Heart's Desire". Then if their name is drawn, they have selected their own award, from shopping our product line.

Product Line Sales Analysis: The products we sell are grouped in seven major categories, listed here. Also shown in the table is the changing mix of product sales.

- (1) *Lumber:* Dimensional lumber, framing, studs, flooring, mouldings, siding, and shelving.
- (2) *Building Materials:* Plywood, gypsum board, roofing, paneling, carpeting, components, cement, plaster, brick, tile flooring, paint, doors, windows and nails.

- (3) *Building Hardware:* Plumbing materials, electrical supplies, heating equipment, locks, hinges, lighting fixtures, home water systems.

- (4) *Home Appliances:* Ranges and refrigerators, washers and dryers, freezers, air-conditioners, water heaters, dishwashers, disposals, and kitchen cabinets.

- (5) *House and Yard:* Power lawn mowers, riding mowers, garden tillers, power tools, hand tools, electric housewares, bicycles,

gymsets, swimming pools, lawn furniture, outdoor living equipment, mini-bikes, and campers.

- (6) *Home Entertainment:* Color and black and white television, tape recorders, stereophonic record players, AM/FM radio equipment, walkie-talkies, intercoms, guitars, amplifiers, tapeplayers, and cartridge tapes.

- (7) *Mobile Homes.*

Category	Fiscal 1968		Fiscal 1969			Fiscal 1970		
	Sales Volume ^a	% of Total	Sales Volume ^a	% Change	% of Total	Sales Volume ^a	% Change	% of Total
1. Lumber	\$21,150,000	21.8	\$ 27,650,000	+ 30.7	23.2	\$ 25,760,000	— 6.8	20.0
2. Building Materials	49,000,000	50.5	60,040,000	+ 22.5	50.4	62,565,000	+ 3.5	48.6
3. Building Hardware	7,960,000	8.2	9,010,000	+ 13.2	7.6	10,880,000	+ 20.7	8.5
4. Home Appliances	7,760,000	8.0	10,100,000	+ 30.1	8.5	12,050,000	+ 19.3	9.4
5. House and Yard	6,500,000	6.7	7,130,000	+ 9.7	6.0	8,760,000	+ 22.8	6.8
6. Home Entertainment	4,660,000	4.8	5,120,000	+ 9.9	4.3	7,170,000	+ 40.0	5.6
7. Mobile Homes						1,315,000		1.0
Totals:	\$97,030,000	100.0	\$119,050,000	+ 22.6	100.0	\$128,500,000	+ 7.9	100.0

^aRounded Figures



Lowe's: How We Grow



Growth and Expansion

Growth: Lowe's management believes in growth. Not only sales growth, but also profit growth, and specifically (since becoming a public company in 1961) growth in earnings per share.

Sales & Store Growth Rates: From 1961 through 1970, Lowe's sales volume has increased at a 17% annual compound rate. During this same period, sales volume in the 15 original 1961 markets has grown at a 4.2% annual rate. The balance, of course, came from new stores, which have been opened at a compound rate of 17.5%. A direct comparison of this 17.5% new store growth rate and the total sales increase rate of 17% is not completely valid because of differences in timing of new store openings during the year, and differing sales volume maturation rates. However, it does show the basic importance of store expansion to our growth. And the long-term 4.2% growth rate in established stores indicates additional sales growth potential in the present 64 markets.



Earnings Growth: From 1961 through 1970, net earnings have grown from \$934,426 to \$4,869,811, an annual growth rate of 20.2%. The compound growth rate in earnings per share, shown in the table from a 1960 base for a ten-year comparison, has been 20.48%.

Performance: Our objective is also to post a balanced performance. In that regard, we believe that an important measure of a company's performance is the rate of return on stockholders' equity. As shown in the 15-year review on pages 30 and 31, Lowe's has consistently achieved management's objective of 20% on average equity. This best measures a company's top management, because its policies on capital composition and the debt-equity ratio, have a significant effect on rate of return on equity.

Perhaps a better measurement of operating management is return on assets, and we believe that beginning assets is the more relevant figure. In a sense, the Board of Directors, at the beginning of each fiscal year, entrusts the assets of the company to operating management to use and to increase. Lowe's record in this measurement is also shown in the 15-year review.

A Comparison: Shown in the table are various performance measurements of the nation's ten largest non-food retailers, the largest company similar to Lowe's, and our own five year record. At least two conclusions may be drawn. One is that size is not the determinant on performance. The second is that Lowe's should continue to invest its resources of time, energy, and growth investment funds into additional stores, as our basic growth policy.

Expansion Department: Determining suitable store locations on a priority basis is the job assignment of Lowe's Expansion Department. It was formed in January, 1969, to bring specialized full-time attention to this vitally important aspect of Lowe's growth. Two executives have been assigned to staff this department for expansion activity.

Latest Annual Figures	Sales (000,000)	Net Income (000,000)	% Return on Sales	Ending Assets (000,000)	Sales Per Asset \$	% Return on Assets	Ending Stockholders' Equity (000,000)	Sales Per Equity \$	% Return on Equity	10 Year Compound Growth Rate Earnings-Per Share %
Sears	\$8,863	\$441	5.0	\$7,079	\$1.25	6.22	\$3,440	\$2.58	12.8	8.04
Penney	3,756	111	3.0	1,361	2.76	8.15	656	5.73	16.9	7.53
Marcor	2,715	67	2.5	2,779	.98	2.41	859	3.16	7.8	6.27
Woolworth	2,273	71	3.1	1,301	1.75	5.46	795	2.86	8.9	5.64
Kresge	2,185	54	2.5	798	2.74	6.77	368	5.94	14.7	15.17
Federated	1,998	86	4.3	1,102	1.81	7.80	653	3.06	13.2	7.18
Gamble Skogmo	1,258	13	1.1	714	1.76	1.82	186	6.76	7.1	0.31
Grant	1,215	42	3.4	713	1.70	5.89	291	4.18	14.4	10.91
Allied	1,202	22	1.8	880	1.37	2.50	308	3.90	7.2	2.31
May	1,134	29	2.5	884	1.28	3.28	401	2.82	7.2	1.43
Wickes	489	11.5	2.4	234	2.09	4.91	103	4.75	11.1	10.11
Lowe's 1970	128.5	4.9	3.79	49.4	2.60	9.92	24.9	5.16	19.7	20.48
1969	119.1	4.6	3.87	41.4	2.86	11.06	20.9	5.70	22.0	
1968	97.0	3.6	3.70	35.4	2.74	10.17	17.0	5.71	21.2	
1967	75.7	2.8	3.66	30.0	2.53	9.33	14.0	5.41	20.0	
1966	77.0	2.8	3.62	28.6	2.69	9.79	11.8	6.53	23.7	

Source of figures for other companies: Reprinted from the Fortune Directory by special permission; © 1970 Time Inc. Figures may vary slightly due to rounding. Figures for Lowe's are computed on ending Assets and Equity for comparison purposes. See pages 30 and 31 for amplified treatment.



Choosing Markets: Growing concentrically, and expanding our merchandising influence in gradually larger circles has much to recommend it. One reason is that efficiency in logistics is most likely to be maintained. Another is that Lowe's job of getting acquainted with the public may be easier because of spill-over of previous advertising and other promotional efforts. So growing concentrically has been our basic growth pattern.

However, these same benefits and reasons apply even more strongly to new locations within Lowe's present perimeter, or sphere of influence. And as our product line has expanded, and as the economic activity of our market area has increased, (See pages 14 & 15 for a measure of this), we find that towns that previously have been passed over in favor of higher-priority areas, are prime prospects in today's business climate for new Lowe's stores.

Criteria: The Expansion Department has an extensive check-off list for prospective stores. Some of the important considerations are: the population and size of the market, its general proximity to other Lowe's stores, the accessibility of the location to retail traffic, the zoning, rail siding availability, adequate size (about four acres) for warehouse, sheds, sales floor and parking, etc., etc. Leads are being followed up, and locations evaluated on a systematic basis.

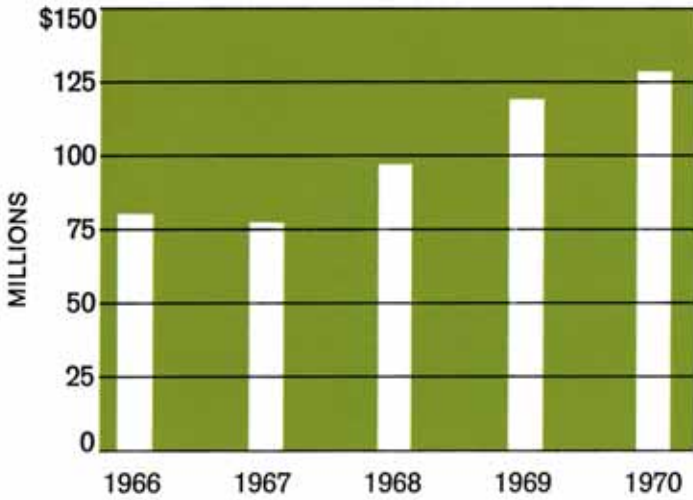
New Store Locations—Fiscal 1971: Pictured here is the design for the new Lowe's stores for 1971 and beyond. The prototype is under construction in Montgomery, Alabama, and Atlanta, Georgia. Its new features: larger sales display areas; express checkout counters; covered loading docks; specialty storage and delivery equipment; represent our response to higher standards of our customers.

Our expansion plans for fiscal 1971 and 1972 call for 28 new stores, a 20% compound increase over the present 64. Nine of these are listed on page 2, and are already in process. Although takeover of existing facilities accounted for about half of our new store locations in the early 1960's, in recent years our higher store standards have made this source less dependable. Therefore, a positive planned approach of new land acquisition and store construction is the foundation of our stepped-up expansion program.

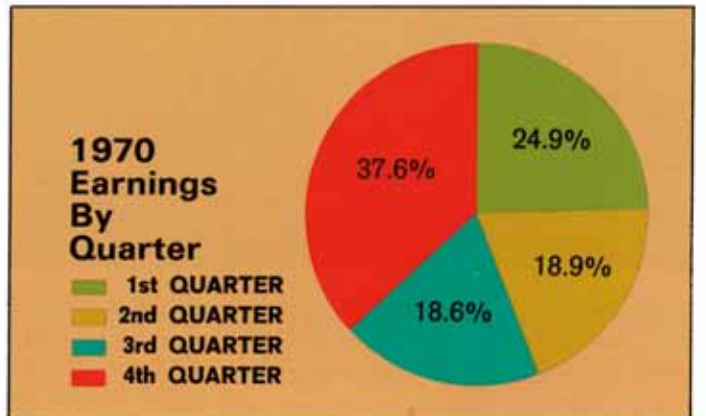
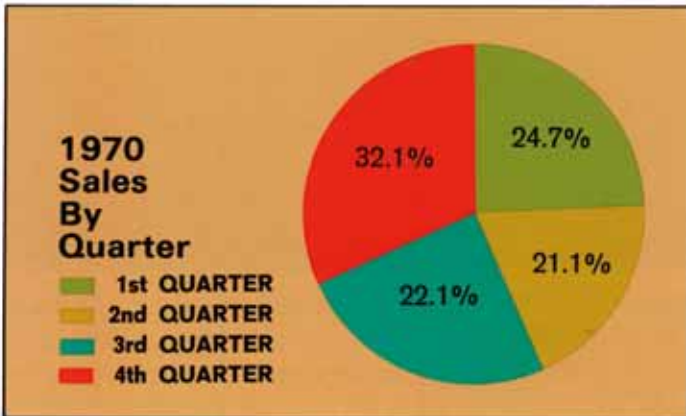
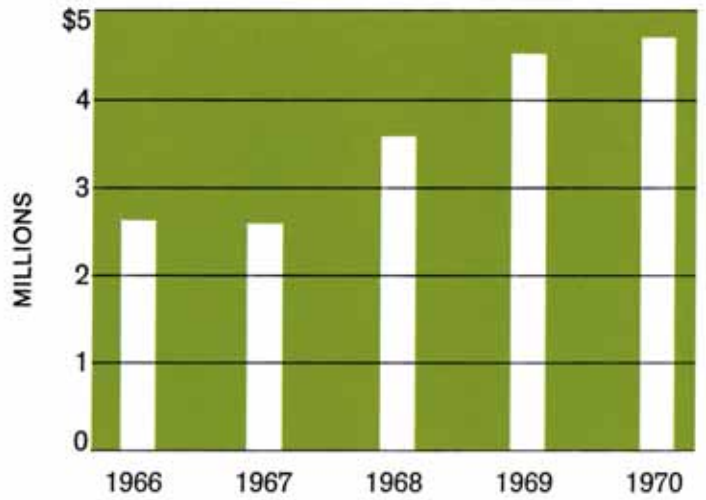


Sales and Earnings Performance Graphs

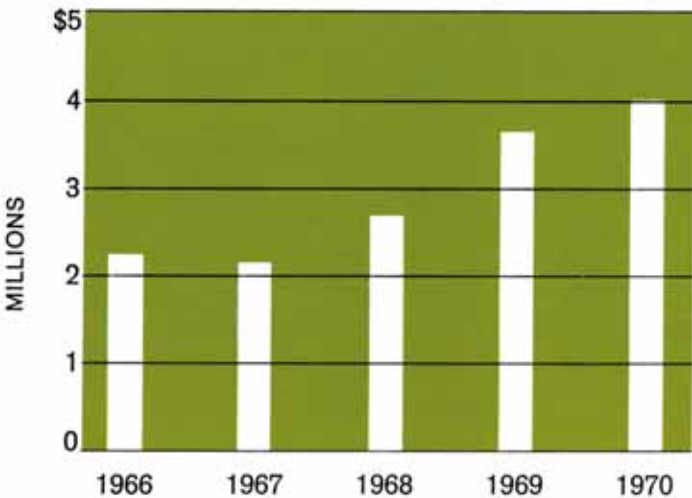
Net Sales



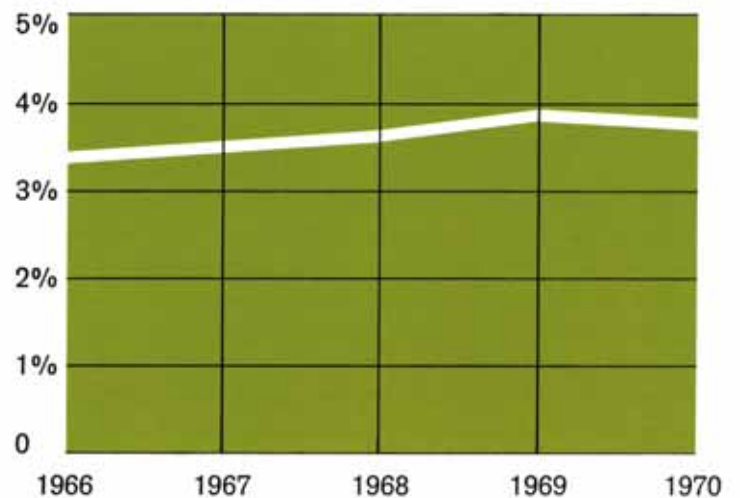
Earnings After Taxes



Additions to Retained Earnings



% Net Income—Net Sales



Consolidated Statement of Current and Retained Earnings

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

Year ended July 31, 1970 with comparative figures for 1969

1970

1969

CURRENT EARNINGS

Income:		
Net Sales	\$ 128,491,284	\$ 119,052,889
Other Income	1,800	119,917
Total Income	<u>\$ 128,493,084</u>	<u>\$ 119,172,806</u>
Costs and Expenses:		
Cost of Sales, Selling, Administrative and General Expenses	\$ 115,370,586	\$ 106,945,500
Rents	436,110	448,187
Depreciation and Amortization	1,220,867	950,817
Contribution to Employees' Profit-Sharing Plan	1,199,946	1,046,666
Interest and Loan Expense	327,503	267,434
Total Costs and Expenses	<u>\$ 118,555,012</u>	<u>\$ 109,658,604</u>
Pre-Tax Earnings	\$ 9,938,072	\$ 9,514,202
Provision for Income Taxes	5,068,261	4,905,850
Net Earnings	<u>\$ 4,869,811</u>	<u>\$ 4,608,352</u>
Per Share:		
Shares Outstanding at End of Year	4,207,428	4,207,428
Net Earnings	<u>\$ 1.16</u>	<u>\$ 1.10</u>

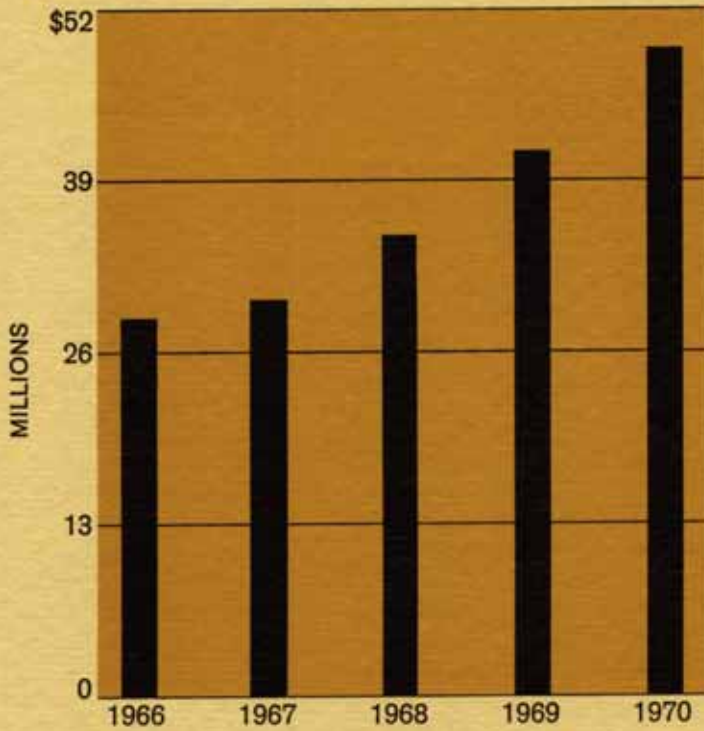
RETAINED EARNINGS

Balance at Beginning of Year	\$ 18,181,477	\$ 14,353,316
Net Earnings	4,869,811	4,608,352
Total	\$ 23,051,288	\$ 18,961,668
Less Dividends to Shareholders		
(\$.20 and \$.18½ Per Share Respectively)	843,735	780,191
Balance at End of Year	<u>\$ 22,207,553</u>	<u>\$ 18,181,477</u>

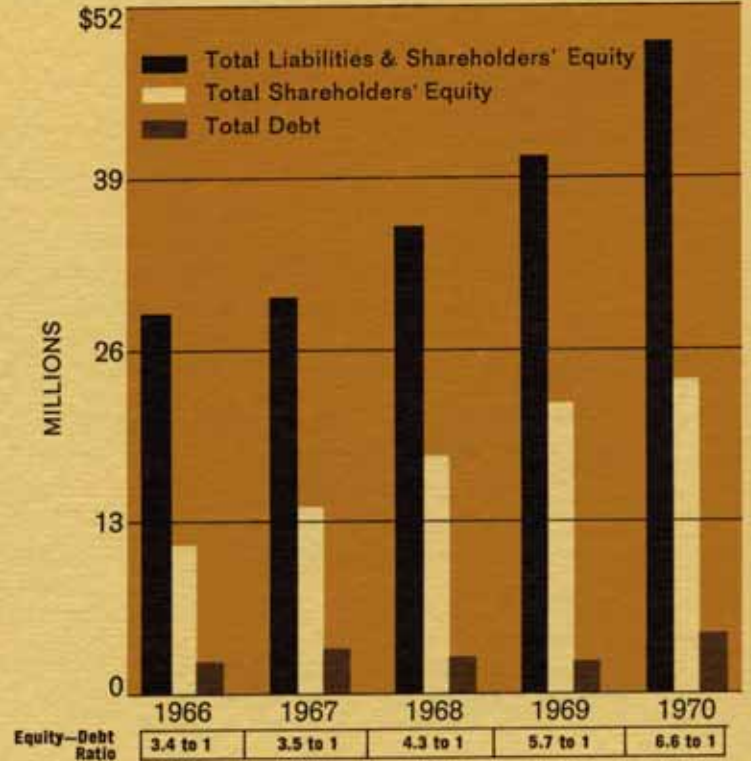
SEE NOTES TO FINANCIAL STATEMENTS ON PAGE 28.

Balance Sheet Graphs

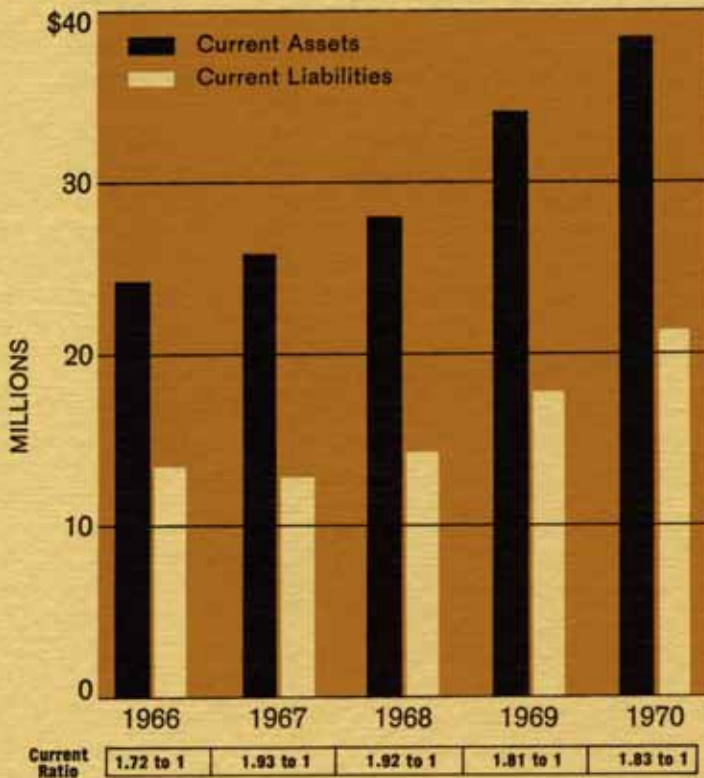
Total Assets



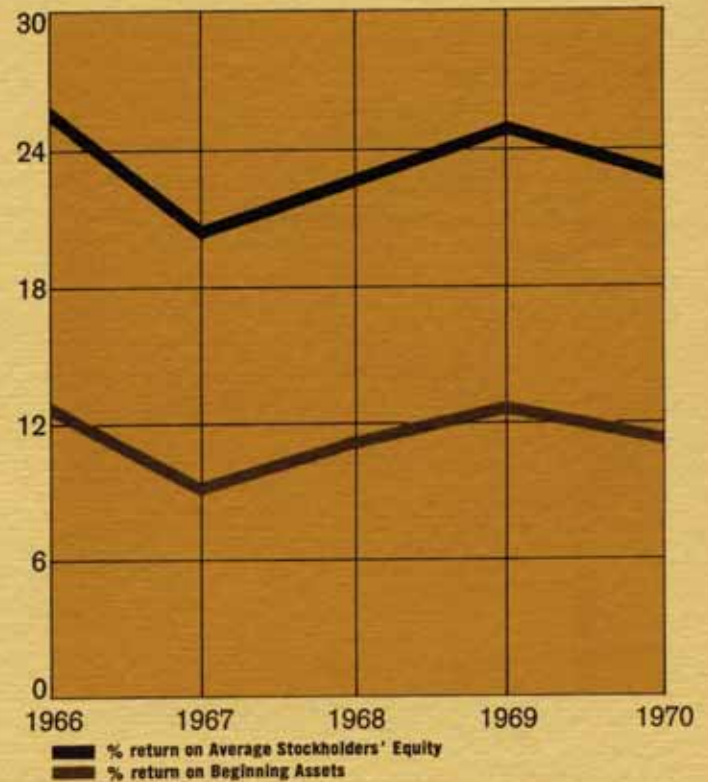
Total Liabilities and Shareholders' Equity



Current Assets and Liabilities



Return Percentages



Consolidated Balance Sheet

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

July 31, 1970 with comparative figures at July 31, 1969

1970

1969

ASSETS

Current Assets:

Cash	\$ 4,657,958	\$ 4,639,678
Accounts Receivable Less Allowance for Doubtful Accounts— 1970, \$727,541; 1969, \$707,486	14,887,120	14,559,507
Inventories at the Lower of Cost (First-In, First-Out) or Market	19,040,313	14,183,505
Prepaid Expenses and Other Current Assets	292,870	50,703
Total Current Assets	\$38,878,261	\$33,433,393
Property, Improvements and Equipment: At Cost Less Accumulated Depreciation— 1970, \$4,445,568; 1969, \$3,560,591	10,389,480	7,917,932
Other Assets:		
Unamortized Loan Expense	9,830	11,860
Sundry Assets At Cost	138,194	197,393
Total Assets	<u>\$49,415,765</u>	<u>\$41,560,578</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts Payable and Accrued Expenses	\$17,064,392	\$12,963,315
Long-Term Debt Due Within One Year	475,162	1,454,334
Provisions for Employees' Profit-Sharing	839,046	707,585
Provisions for Income Taxes	2,832,929	3,379,728
Total Current Liabilities	\$21,211,529	\$18,504,962
Long-Term Debt:		
Notes Payable	\$ 3,315,347	\$ 2,192,803
Total Liabilities	<u>\$24,526,876</u>	<u>\$20,697,765</u>
Shareholders' Equity:		
5% Preferred Stock—\$100 Par Value Authorized 500 Shares; Issued and Outstanding 450 Shares	\$ 45,000	\$ 45,000
Common Stock—\$.50 Par Value Authorized 10,000,000 Shares; Issued and Outstanding 4,207,428 Shares	2,103,714	2,103,714
Capital Surplus	532,622	532,622
Retained Earnings	22,207,553	18,181,477
Total Shareholders' Equity	\$24,888,889	\$20,862,813
Total Liabilities and Shareholders' Equity	<u>\$49,415,765</u>	<u>\$41,560,578</u>

SEE NOTES TO FINANCIAL STATEMENTS ON PAGE 28

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, 1970, and the related consolidated statements of earnings and retained earnings and source and use 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, 1970, 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 & BEACH
Certified Public Accountants

Lenoir, North Carolina
September 30, 1970

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. Six subsidiaries were organized during the current year but only five of these began operations before July 31, 1970. Two subsidiaries organized during 1969 began operations during the current year.

Note 2—Long-Term Debt:

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

(a) Five loans from a life insurance company—two unsecured notes in the amount of \$610,000 and three notes secured by Deeds of Trust on certain real estate in the amount of \$2,077,112. Interest rates on the notes range from 5-5/8% to 8%. Final payment on the loans will be in 1984. 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) An 8½% note for \$600,000 secured by Deeds of Trust on certain real estate due in quarterly payments of \$20,000 including interest, with a final payment due August 1, 1973.

(c) Various notes in the aggregate amount of \$503,397 incurred by subsidiaries in the purchase of business assets from former owners or for the improvement of real estate at store locations. Of this amount \$240,270 is secured by Deeds of Trust on the applicable properties.

(d) The total maturities during the next three years are as follows: 1971, \$475,162; 1972, \$374,546; 1973, \$287,488.

Note 3—Commitments and Contingent Liabilities:

Lowe's Companies, Inc., and its subsidiaries have thirty-three rental leases expiring more than three years after July 31, 1970, with aggregate minimum annual rentals of approximately \$359,000. One of the leases expires in 1990; none of the others extend beyond 1979 except by option of the Company.

The records of the Company and its subsidiaries are currently being examined by agents of the Internal Revenue Service. In general the examination includes the last four years for each company. The Company does not anticipate any major adjustments from the examination.

Note 4—Investment Tax Credit:

The Company has consistently taken the investment tax credit as a reduction and the recaptures of prior credits as an addition to the current year income taxes. The net effect for each of the past two years has been a small recapture of prior year credits.

Note 5—Employees Stock Option Plan:

There is in effect the 1968 Qualified Employee Stock Option Plan approved by the stockholders on November 12, 1968, effective October 1, 1968. The plan provides for the reservation of 200,000 shares of the unissued common stock of the Company to be issued to employees pursuant to options to be granted under the plan. Options may be issued for a period of five years at 100% of the fair market value of the stock on the date the option is granted and may be exercised for 25% of the total number of shares granted during the second year from the date of the grant and for 25% of such total within each of the following three years. If all or a portion of an option is not exercised in the years it becomes exercisable it may be carried over and exercised at any time during the remainder of the option period.

At July 31, 1970 options had been granted for 157,088 shares at \$29.50 per share or a total of \$4,634,096, which was the fair market value of the stock on September 2, 1969, the date the options were granted. None of the options were exercisable during the year. No charges with respect to the options are reflected in income.

Note 6—Employees' Profit-Sharing Plan:

There is in effect a qualified noncontributory 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 shareholder.

Note 7—Cost and Expenses:

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

	<u>7-31-70</u>	<u>7-31-69</u>
Cost of sales, buying, warehousing and occupancy expense	\$ 104,506,196	\$ 98,485,758
Selling, administrative and general expenses	13,005,114	10,379,034
Provisions for bad debts	716,199	526,378
Interest and loan expenses	327,503	267,434
Total costs and expenses	<u>\$ 118,555,012</u>	<u>\$ 109,658,604</u>

Note 8—Change in Authorized Capital Stock and Stock Split:

On November 21, 1969 the charter of the Company was amended, pursuant to approval of the shareholders on November 10, 1969, to change the authorized common stock of the Company from 5,000,000 shares of \$1.00 par value to 10,000,000 shares of \$.50 par value. The shareholders were issued one share for each share held before the change to effect a 2 for 1 stock split. The figures for the current and prior years in this report have been adjusted to reflect this change.

Consolidated Statement of Source and Use of Funds

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

Year ended July 31, 1970 with comparative figures for four prior years

	Five Year		Year Ended									
	Totals		7-31-70	7-31-69	7-31-68	7-31-67	7-31-66					
SOURCE OF FUNDS:												
(Amounts in Thousands)		%		%		%		%		%		%
Net Earnings for the Year	\$18,631	76.6	\$4,870	67.5	\$4,608	106.4	\$3,592	78.9	\$2,770	68.9	\$2,791	66.2
Depreciation and Amortization of Fixed Properties	4,341	17.8	1,221	16.9	951	22.0	827	18.2	794	19.8	548	13.0
Total Funds from Operations	22,972	94.4	6,091	84.4	5,559	128.4	4,419	97.1	3,564	88.7	3,339	79.2
Proceeds from Sale of Stock Under Employees' Stock Options	424	1.7			13	.3	226	4.9	56	1.4	129	3.1
Increase (Decrease) in Long-Term Debt	938	3.9	1,122	15.6	(1,242)	(28.7)	(92)	(2.0)	400	9.9	750	17.7
Total Funds Available	24,334	100.0	7,213	100.0	4,330	100.0	4,553	100.0	4,020	100.0	4,218	100.0
USE OF FUNDS:												
Dividends Paid	3,656	15.0	844	11.7	780	18.0	756	16.6	660	16.4	616	14.6
Added to Working Capital	9,693	39.8	2,738	37.9	1,222	28.2	2,046	44.9	1,895	47.1	1,792	42.5
Fixed Assets Acquired—Net	10,898	44.8	3,692	51.2	2,323	53.7	1,643	36.1	1,465	36.5	1,775	42.1
Other Funds Applied	87	.4	(61)	(.8)	5	.1	108	2.4			35	.8
Total Funds Used	24,334	100.0	7,213	100.0	4,330	100.0	4,553	100.0	4,020	100.0	4,218	100.0

Fifteen Year Statistical Review

Year Ended July 31	1970	1969	1968	1967	1966
Stores and People					
Number of Stores	64	58	53	44	39
Number of Employees	1,670	1,450	1,223	1,017	891
Customers Served	2,728,618	2,290,346	2,034,158	1,754,569	1,635,702
Average Customer Purchase	\$ 47.09	\$ 51.98	\$ 47.70	\$ 43.14	\$ 47.10
Comparative Income Statement (Thousands)					
Total Sales	\$ 128,491	\$ 119,053	\$ 97,031	\$ 75,695	\$ 77,043
Pre-Tax Earnings	\$ 9,938	\$ 9,514	\$ 7,202	\$ 5,151	\$ 5,286
Taxes on Income	\$ 5,068	\$ 4,906	\$ 3,609	\$ 2,381	\$ 2,496
Net Earnings	\$ 4,870	\$ 4,608	\$ 3,593	\$ 2,770	\$ 2,790
Cash Dividends Paid	\$ 844	\$ 780	\$ 756	\$ 661	\$ 616
Dollars Per Share:					
Earnings (1) (2)	\$ 1.16	\$ 1.10	\$.86	\$.67	\$.68
Cash Dividends (2)	\$.20	\$.185	\$.18	\$.16	\$.15
Performance Measurements*					
#1 Sales Per Beginning Asset Dollar	\$ 3.09	\$ 3.36	\$ 3.24	\$ 2.65	\$ 3.34
#2 Sales Per Average Shareholder Equity Dollar	\$ 5.62	\$ 6.29	\$ 6.27	\$ 5.88	\$ 7.24
#3 Earnings as Percent of Sales	3.79%	3.87%	3.70%	3.66%	3.62%
#4 Percent Return on Beginning Assets	11.72%	13.00%	11.99%	9.70%	12.09%
#5 Percent Return on Average Shareholders' Equity	21.23%	24.33%	23.19%	21.51%	26.22%
#6 Compound Growth Rate in Earnings Per Share—Base year 1960	20.48%	22.45%	21.64%	20.87%	24.82%
Comparative Balance Sheet (Thousands)					
Current Asset Totals	\$ 38,878	\$ 33,433	\$ 28,617	\$ 24,164	\$ 23,396
Cash	\$ 4,658	\$ 4,640	\$ 4,129	\$ 4,814	\$ 3,024
Accounts Receivable (Net of Reserve)	\$ 14,887	\$ 14,559	\$ 11,880	\$ 9,675	\$ 9,310
Inventories (Lower of Cost or Market)	\$ 19,040	\$ 14,183	\$ 12,475	\$ 9,532	\$ 10,931
Other Current Assets	\$ 293	\$ 51	\$ 133	\$ 143	\$ 131
Fixed Assets	\$ 10,390	\$ 7,918	\$ 6,546	\$ 5,729	\$ 5,058
Other Assets	\$ 148	\$ 209	\$ 205	\$ 99	\$ 105
Total Assets	\$ 49,416	\$ 41,560	\$ 35,368	\$ 29,992	\$ 28,559
Current Liabilities Totals	\$ 21,212	\$ 18,505	\$ 14,911	\$ 12,503	\$ 13,630
Accounts Payable	\$ 17,064	\$ 10,997	\$ 9,703	\$ 8,425	\$ 9,496
Income Tax Provisions	\$ 2,833	\$ 3,380	\$ 2,706	\$ 2,177	\$ 2,182
Other Current Liabilities	\$ 1,315	\$ 4,128	\$ 2,502	\$ 1,901	\$ 1,952
Long-Term Debt	\$ 3,315	\$ 2,192	\$ 3,434	\$ 3,527	\$ 3,127
Deferred Credits			\$ 1	\$ 3	\$ 8
Total Liabilities	\$ 24,527	\$ 20,697	\$ 18,346	\$ 16,033	\$ 16,765
Shareholders' Equity	\$ 24,889	\$ 20,863	\$ 17,022	\$ 13,959	\$ 11,794
Shareholders and Shares					
Shareholders of Record (3)	2,117	1,916	1,976	2,154	1,985
Shares Outstanding (2), (4)	4,207,428	4,207,428	4,202,828	4,124,842	4,105,304
Stock Price Range (2)	\$ 36 - 19	\$ 36 - 23	\$ 24 - 12	\$ 12 - 6	\$ 10 - 7

(1) After deducting \$2.250 dividends per year on preferred stock for the years 1956 through 1961, the earnings are based on 4,000,000 shares, the outstanding shares at October 10, 1961.

(2) As adjusted to give effect to a 100% stock dividend at May 2, 1966 and a 2 for 1 stock split at November 21, 1969.

(3) Public offering of stock October 10, 1961.

(4) Variation in the outstanding shares is the result of transactions under employee stock option plans. No shares have been issued for acquisitions.

* For clarification: #1 times #3 = #4 Figures may vary slightly due to rounding.
#2 times #3 = #5.

#4 may also be computed by dividing Net Earnings by previous year's Total Assets, which are Beginning Assets for the current year. #5 may also be computed by dividing Net Earnings by the average of previous year's and current year's Shareholders' Equity.

1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
35	28	22	18	15	15	13	9	6	6
762	636	555	491	399	360	334	273	215	197
1,283,729	1,141,168	882,593	703,350	650,506	581,084	N/A	N/A	N/A	N/A
\$ 44.44	\$ 42.66	\$ 44.20	\$ 46.52	\$ 47.85	\$ 52.80				
\$ 57,044	\$ 48,680	\$ 39,012	\$ 32,716	\$ 31,128	\$ 30,679	\$ 27,005	\$ 20,444	\$ 18,233	\$ 17,390
\$ 3,942	\$ 3,086	\$ 2,438	\$ 2,054	\$ 1,890	\$ 1,359	\$ 1,516	\$ 833	\$ 811	\$ 831
\$ 1,896	\$ 1,518	\$ 1,233	\$ 1,034	\$ 956	\$ 641	\$ 760	\$ 429	\$ 418	\$ 424
\$ 2,046	\$ 1,568	\$ 1,205	\$ 1,020	\$ 934	\$ 718	\$ 756	\$ 404	\$ 393	\$ 407
\$ 519	\$ 460	\$ 411	\$ 402	\$ 102					
\$.50	\$.40	\$.32	\$.26	\$.23	\$.18	\$.19	\$.10	\$.10	\$.10
\$.128	\$.116	\$.105	\$.10	\$.025					
\$ 3.20	\$ 3.11	\$ 2.98	\$ 2.76	\$ 3.32	\$ 4.35	\$ 5.13	\$ 5.38	\$ 5.07	\$ N/A
\$ 6.63	\$ 6.94	\$ 6.51	\$ 6.11	\$ 7.17	\$ 9.33	\$ 10.60	\$ 10.49	\$ 11.99	\$ 15.64
3.59%	3.22%	3.09%	3.12%	3.00%	2.34%	2.80%	1.98%	2.15%	2.34%
11.49%	10.01%	9.21%	8.61%	9.96%	10.18%	14.36%	10.65%	10.90%	N/A
23.80%	22.34%	20.11%	19.07%	21.51%	21.84%	29.67%	20.77%	25.78%	36.59%
22.75%	22.05%	21.23%	20.21%	27.77%					
\$ 19,187	\$ 15,350	\$ 13,976	\$ 11,702	\$ 9,305	\$ 8,071	\$ 5,737	\$ 4,618	\$ 3,243	\$ 3,434
\$ 3,801	\$ 3,374	\$ 2,735	\$ 1,956	\$ 1,299	\$ 442	\$ 365	\$ 583	\$ 468	\$ 524
\$ 7,165	\$ 5,586	\$ 4,968	\$ 3,769	\$ 3,108	\$ 2,858	\$ 2,112	\$ 1,324	\$ 680	\$ 584
\$ 8,156	\$ 6,337	\$ 6,214	\$ 5,868	\$ 4,801	\$ 4,755	\$ 3,164	\$ 2,655	\$ 2,072	\$ 2,304
\$ 65	\$ 53	\$ 59	\$ 109	\$ 97	\$ 16	\$ 96	\$ 56	\$ 23	\$ 22
\$ 3,832	\$ 2,381	\$ 1,531	\$ 1,261	\$ 1,229	\$ 1,253	\$ 1,281	\$ 630	\$ 550	\$ 158
\$ 77	\$ 73	\$ 123	\$ 134	\$ 1,301	\$ 58	\$ 30	\$ 19	\$ 6	\$ 1
\$ 23,096	\$ 17,804	\$ 15,630	\$ 13,097	\$ 11,835	\$ 9,382	\$ 7,048	\$ 5,267	\$ 3,799	\$ 3,593
\$ 11,213	\$ 7,454	\$ 7,123	\$ 5,696	\$ 4,922	\$ 4,874	\$ 3,130	\$ 2,513	\$ 1,778	\$ 2,101
\$ 7,913	\$ 5,149	\$ 5,036	\$ 4,255	\$ 3,187	\$ 2,827	\$ 1,562	\$ 1,724	\$ 1,068	\$ 1,480
\$ 1,671	\$ 1,142	\$ 1,073	\$ 855	\$ 716	\$ 521	\$ 642	\$ 371	\$ 384	\$ 395
\$ 1,629	\$ 1,163	\$ 1,014	\$ 586	\$ 1,019	\$ 1,526	\$ 926	\$ 418	\$ 326	\$ 226
\$ 2,377	\$ 2,615	\$ 2,139	\$ 1,680	\$ 1,791	\$ 862	\$ 986	\$ 589	\$ 292	\$ 176
\$ 16	\$ 28	\$ 42	\$ 59	\$ 79					
\$ 13,606	\$ 10,097	\$ 9,304	\$ 7,435	\$ 6,792	\$ 5,736	\$ 4,116	\$ 3,102	\$ 2,070	\$ 2,277
\$ 9,490	\$ 7,707	\$ 6,326	\$ 5,662	\$ 5,043	\$ 3,646	\$ 2,932	\$ 2,165	\$ 1,729	\$ 1,316
1,871	1,967	2,034	2,047						
4,060,832	3,973,000	3,951,800	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
\$ 8 - 5	\$ 6 - 3	\$ 3 - 2	\$ 5 - 3						

Edwin Duncan

Chairman of the Board of Directors

Petro Kulynych

Vice Chairman of the Board of Directors
Executive Committee Member
Executive Vice President, Office of the President

John A. Walker

Board of Directors
Executive Committee Member
Executive Vice President, Office of the President

Leonard G. Herring

Board of Directors
Executive Committee Chairman
Senior Vice President, Office of the President

Robert L. Strickland

Board of Directors
Executive Committee Member
Senior Vice President, Office of the President

Joe V. Reinhardt

Board of Directors
Executive Committee Member
Senior Vice President, Office of the President

William H. McElwee

Board of Directors
Senior Vice President
General Counsel

Gordon E. Cadwgan

Board of Directors
Partner, G. H. Walker & Co.

Rex L. Shumate

Assistant Treasurer

Dwight E. Pardue

Manager, Northern Region

Albert E. Plemmons

Manager, Southern Region

Annual Meeting:

November 23, 1970, 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

Common Stock:

Lowe's common stock price is quoted
and published daily in the National
Over-The-Counter Market.

Dividend Disbursing Agent:

Wachovia Bank & Trust Company, N.A.
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, N.A.
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 & Herring
Box 1054, North Wilkesboro, N.C. 28659

Auditors:

Grisette & Beach,
Certified Public Accountants,
Box 759, Lenoir, N.C. 28645

Credits

Theme development and copywriting by Robert L. Strickland, LOWE'S COMPANIES Inc.

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