Investor's Review

A summary of the past year
and a glimpse into the future

Lowe's 1983

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Lowe's Companies, Inc.
North Wilkesboro, North Carolina

This is an integral part of the 1983 Report of Lowe's Companies, Inc.

Company profile

Lowe's Companies, Inc. is a specialty retailer of building materials and related products for the home construction and home remodeling markets.

Lowe's has been a publicly owned company since October 10, 1961. Its stock has been listed on the New York Stock Exchange since Dec. 19, 1979, on the Pacific Stock Exchange since Jan. 26, 1981, and on The Stock Exchange (London) since Oct. 6, 1981. The shares are traded under the ticker symbol of LOW.

Lowe's presently operates a total of 238 retail stores in 19 states, located principally in the South Atlantic and South Central regions of the United States — the Eastern end of the Sun Belt.

Each stores combines the merchandise, service and functions of

- a lumber yard,
- a building materials supplier,
- an air conditioning, heating, plumbing and electrical supply center,
- a hardware store,
- an appliance and home electronics dealer,
- a hard goods discounter, and
- a professional marketing company.

Merchandise items, many of which are nationally advertised brand names, are counted in stock keeping units (SKUs) which currently number in excess of 19,000. The typical store stocks approximately 12,000 of these. These items are sold to two major customer groups — Retail Customers and Professional Customers — within the same store facility. The average store in Fiscal 1983 did $6.01 million in business of which 51% was to the Retail Customer and 49% to the Professional Customer.

The company employed 8,715 persons or an average of 36.6 per store at the end of the fiscal year.

Lowe's general offices are located in the western North Carolina town of North Wilkesboro where it began as a small hardware store in 1921 and began its present life when it was reorganized in 1946 by H. Carl Buchan, Jr. It was incorporated in 1952 under North Carolina statutes.

Contents

Financial highlights

In thousands; except per share data and percentages

	Change	Fiscal 1983	Fiscal 1982
For the year			
Sales of products and services	+ 38%	$1,430,576	$1,034,032
Net earnings	+101%	$ 50,615	$ 25,131
Cash flow[1]	+ 67%	$ 66,575	$ 39,794
At year-end			
Total capital invested	+ 32%	$ 520,910	$ 393,500
Shareholders' equity	+ 47%	$ 291,505	$ 198,783
Debt	− 7%	$ 57,749	$ 61,864
Number of shares	+ 9%	36,248	33,333
Per share[2]			
Earnings	+ 85%	$ 1.40	$ .75
Dividends	+ 9%	$ .32	$ .29
Shareholders' equity—year-end	+ 35%	$ 8.04	$ 5.96
Cash flow	+ 54%	$ 1.84	$ 1.19
Measurements			
Asset turnover (sales/asset dollar)		$ 3.64	$ 3.37
Return on sales (earnings as % of sales)		3.54%	2.43%
Return on assets		12.86%	8.20%
Leverage factor (asset dollars/equity dollars)		$ 1.98	$ 1.73
Return on beginning equity		25.46%	14.16%
FIFO Net earnings[3]		$ 53,510	$ 25,956
FIFO Earnings per share[2&3]		$ 1.48	$ .78

[1] Equivalent to "Funds From Operations" in the Consolidated Statements of Changes in Financial Position.
[2] To nearest whole cent. Change percentages calculated from unrounded amounts.
[3] The Internal Revenue Service amended its LIFO conformity regulations on January 16, 1981 so that supplemental or explanatory disclosure by a LIFO taxpayer of earnings on a basis other than historical LIFO cost, would not violate the Internal Revenue Code. In this regard, the supplemental information is shown above using the FIFO method of inventory accounting.

Letter to investors

Dear Investors:

As tempting as it is to use this opportunity to talk only about the accomplishments of the past we will refrain from chanting that litany alone. However a report on the past is in order.

It was Lowe's greatest year, 1983,in many and different ways.

Sales were up 38%. Earnings were up 101%. Earnings per share advanced 85%. Cash flow increased 67%. Dividends per share increased 10%. Dividends paid increased 18%. Each of these measurements was a record.

When General Eisenhower returned from Europe in 1946 he was being driven one day in Washington by a motor-pool sergeant who took him past the National Archives building on Pennsylvania Avenue where the Declaration of Independence and the Constitution are housed and on display.

Over the great doors is the inscription "What Is Past Is Prologue." The sergeant asked Ike if he knew what the inscription meant, and proceeded to answer his own question.

"Well it means, Ike," he said, "that you ain't seen nothing yet."

Lowe's 1983 and earlier are the prologue for Lowe's 1984 and beyond.

It was the year everything came together. It was the year that all the goals were reached—and some surpassed, all the dreams achieved—and new ones developed, it was the year that earnings doubled the previous best year, and a year when new equity put as much again into corporate coffers for even more growth.

It was the year when shareholders' value rose to the highest level in history on a per share and market capitalization basis—to more than $1 billion. Even today with share prices around $19-$20 the price is still higher than in any year other than last year.

Here are some highlights of key results for the last three years:

	Change	Fiscal '83	Fiscal '82	Fiscal '81
Sales				
Retail	+ 27%	$ 723,585,000	$ 570,774,000	$461,212,000
Professional	+ 53	706,991,000	463,288,000	426,830,000
Total sales	**+ 38**	**1,430,576,000**	**1,034,032,000**	**888,042,000**
Net earnings	+ 101	50,615,000	25,131,000	17,859,000
Earnings per share	+ 85	1.40	.75	.55
Cash dividends per share	+ 9	$ .32	$ .29	$ .29
Number of stores	+ 1	238	235	229
Retail square footage	+ 8	2,529,040	2,337,351	2,232,008
Number of employees	+ 23%	8,715	7,080	6,003

Most significant among these results are two factors which should be pointed out for their bearing on Lowe's future orientation.

First, sales to retail customers, for the third time in our history and the third time in a row, exceeded sales to professional customers. Not only are sales at retail more profitable and less cyclical, this accomplishment is most dramatic when viewed with the perspective that it was accomplished in a sensational housing year. Lowe's long-term and enduring commitment to retail is amply demonstrated through these results.

New home construction rebounded sharply on modestly improved mortgage rates—nowhere near the old salad days of 7% to 9% mortgage money. But nevertheless it was one of the best new home construction years ever and ranks only modestly below record levels. Lowe's professional sales shown above are well above record levels, both in total and in sales per store. So the second key factor is Lowe's continuing commitment to serving professional customers in what we believe is an inimitable manner.

Four years ago when we got rolling on our RSVP program of remodeling, remerchandising, and reorienting our old and new stores, we set as our goal a 50-50 mix between professional and retail sales and an average of $6 million in total sales per store by the end of 1984. We achieved both goals one year ahead of schedule.

In the quest for improvement in our own standard of measurement—competitive profitability—we continued to perform. We define competitive profitability as an act and an art. It means, simply, every year you increase your market share, and every year you increase your gross margin. Lowe's has been doing that on a sustained basis, as the table below shows:

	'80-'83 growth	1983	1982	1981	1980
Market shares (billions)					
United States	+18%	$59.9	$51.3	$52.4	$50.8
South	+34	22.7	18.1	17.3	16.9
Lowe's	**+62**	**1.430**	**1.034**	**.888**	**.884**
Lowe's FIFO gross margin	**+ 6%**	**25.5%**	**25.4%**	**24.9%**	**24.0%**

This means we are growing in the right way. When gross margin grows, and expenses stay controlled, then earnings grow faster than sales. It may not be possible to achieve each and every year, but we are encouraged by our progress.

RSVP was a program which was right and timely. Its timing was as correct as Jack Benny's timing was brilliant. In each case timing was the key ingredient of success. Benny got laughs, Lowe's got performance.

It was the strong lever that helped Lowe's pump out superior performance despite the worst recession in 50 years. It was also a teacher, a guide, a mentor, a force which pointed out unavoidable conclusions and new paths to follow. One thing it taught for certain was that Lowe's does not presently have sufficient sales floor square footage to do the kind of business we want to do nor do we have the capacity to fill our customers' needs as fully as they demand.

This year, as the highlighted numbers indicate, we stepped up our expansion program—which had been on "hold" for many months—and began to increase square footage at a faster rate than store units.

Today we operate eight stores each with more than 20,000 square feet of selling space—nearly twice the chain average. Three of these are 24,000-square-foot facilities, near to what the 1984 prototype store will be.

Elsewhere in this Report you will find a photographic tour of the new Mauldin, S.C. store, a new facility in a new market, and the new Winston-Salem, N.C. store, a retrofitted facility whose area was doubled to 24,000 square feet. Shareholders — institutional and individual — who have seen them have pronounced them spectacular.

The three "super retrofits" are in Louisville, Ky., and Wilmington, N.C., as well as Winston-Salem. In addition to Mauldin, the other new "super prototype" store in a new market is Douglasville, Ga.

Three other new stores — in Lumberton and Forest City, N.C., and in Wise County, Va. — are new or rebuilt stores in existing markets and each has a super-size sales floor.

These stores are the laboratory or the test bed — to use mechanical parlance — for the new Lowe's stores yet to come and the growth of 1983 sets the stage for 1984 and beyond. We have announced a bold new program, one designed to protect and enhance our leadership position.

It calls for an increase of 5% in new store units in 1984, plus 10% more space to be added to existing stores.

Using what we call "Lowe's new math": 5% + 10% = 20%, that is 5% in new units of 25,000 square feet, or 300,000 square feet, and 10% in space increases to existing stores equals 250,000 square feet. That 500,000-plus square feet is a 20% increase over the 2.5 million square feet of selling space at the end of the year.

In thinking of Lowe's future growth, the driving force for additional retail sales is square footage, so we are investing in at least a 20% growth capacity at retail. The driving force for additional professional sales is new store units, and we are investing in at least a 5% growth capacity here. If the past is prologue, then the combination of increased market share, increased sales productivity, and some inflation will augment the sales and margin growth yields from our expansion investment in new capacity beyond the 20% retail and the 5% professional growth rates.

In 1983, Lowe's recorded $299 of retail sales per square foot out of $590 total sales per square foot. The average Lowe's store in 1983 did $3 million in professional sales, and $3.1 million in retail sales. Although the new space will be opened late in the year, one can begin to dimensionalize the potential of Lowe's new expansion, both for 1984 and the years beyond.

Lowe's continued, all the while, to do these things, oriented to becoming something better — something better for our suppliers, better for our customers, better for our employees and better for our shareholders — while the competition continued to be as lively and healthy and interesting as ever.

We've noticed — who could have missed them — the new warehouse format building materials competitors.

We compete against these warehouse giants in Atlanta and Orlando. We compete against the fashionable department stores of our industry in the Washington Metro area, in Richmond and Tidewater, Virginia and here in North Carolina. And we'll compete against more of them as they grow and mutate.

We all seem to be expanding the markets where we go head to head. But we still maintain that the big-format companies will run out of big cities before we run out of small and medium cities and towns.

And if a 80,000 square foot store in Atlanta can draw from 75 miles away as is claimed, we know we can pull more dollars per square foot per available shopper through a store such as our new one in Wise County, Va., where we have 20,000 square feet — and less competition — than our Atlanta example. Wise County is in the far Southwestern part of that state, south of West Virginia, east of Kentucky and north of Tennessee. Stereotypical thinking would never have found this market. It's one thing to prosper when you are shooting fish in a barrel or even when you are hunting where most of the ducks are flying. It's quite a chore and significant accomplishment to build a market that conventional wisdom forgot or neglected.

Professor Robert Buzzell, professor of retailing at the Harvard Business School, speaking at a recent retailing seminar, laid out five common denominators for various new types of retailing which he termed outside the mainstream and worthy of watching near-term as potential investment opportunity markets.

These were:

1. Growing faster than mainstream retailing
2. In fragmented "industries"; no obvious giant
3. Lack of professional management systems

4. Susceptible to improvement in costs and quality
5. Deregulation opening up new possibilities.

While Professor Buzzell was identifying retailers of such things as optical goods and services, travel, home repairs, financial services, educational services, and the like, his common denominators also apply to many segments of this building materials industry.

The industry tends to continue in the investment spotlight (when it is turned on) and continues to be highly attractive not only for investors but also for customers who want and need our products.

We intend to continue to maintain our leadership position. With the continued loyal help and support of those who sell to us, those who buy from us, those who work with us and those who invest in us, we will do very well. We appreciate this support a great deal personally and professionally, and as individuals and as a company we intend to continue to merit your confidence and support.

Cordial good wishes,

Robert L. Strickland
Chairman of the Board

Leonard G. Herring
President and
Chief Executive Officer

April 25, 1984
North Wilkesboro, North Carolina

Mauldin store sets pace with new merchandising concept

Greater use of more realistic kitchen and bath vignettes highlights the primary impact area of the store. These are so coordinated as to suggest the purchase also of wallpaper, carpet and light fixtures as well as conventional bath and kitchen fixtures and cabinetry.

Mauldin, the first of Lowe's new over-size super stores, opened at Thanksgiving in that suburb of Greenville, S.C.

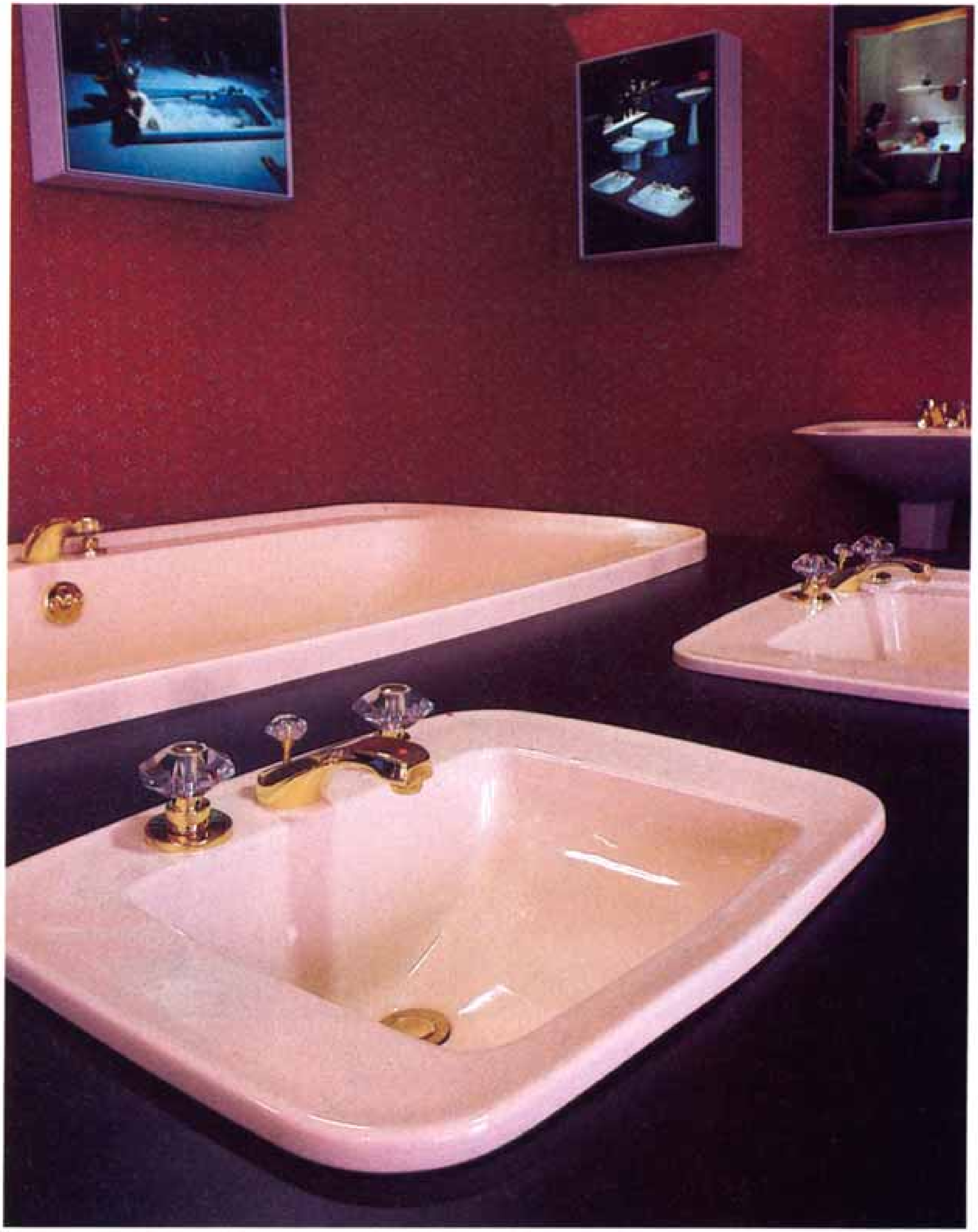
In the intervening several months more new stores of this configuration — a nearly square sales floor of 20,000 square feet — have been opened along with several "Super RSVP" stores — ones which had about 11,000 square feet and which have been dramatically enlarged to 24,000 square feet in a long rectangular shape.

Most dramatic about all the new stores is the increase in merchandise and the high-fashion stylishness of the shopping environment. All the lumber and hardware is still there — only more so — but there's a heightened awareness that the value-conscious, style-oriented, fashion-loving shopper can find what she wants and needs for today's contemporary home.

This portfolio of photographs was made in Mauldin and Winston-Salem by Bill Ray, III, of Clemmons, N.C.


Kitchen

Primary buying decisions on baths and kitchens are made by women shoppers. Lowe's makes its style and fashion presentation to this powerful and dynamic economic force in a full and positive manner.



High-fashion and good style, as well as obvious and exciting value, mark all of Lowe's attractive product offerings in this important area of today's home.

Color, color everywhere – the 1980s most powerful fashion statement is derived from and constructed with color. Lowe's Home Fashions section pulls all the components together, enabling anyone to build a beautiful interior environment.


HOME FASHIONS

Hardware

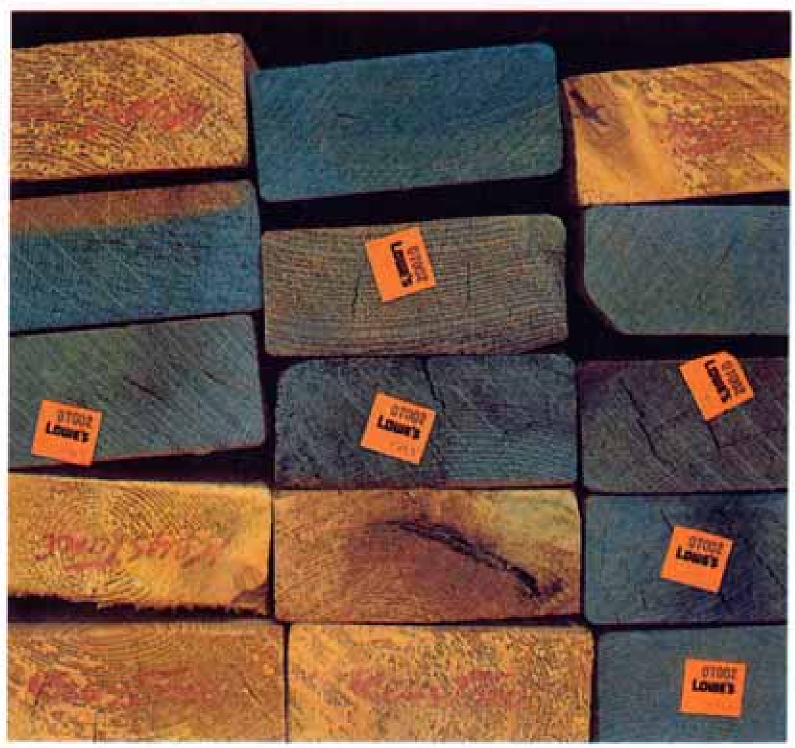

3¼in. PLANER
FINISHING SANDER


VERMONT AMERICAN
Black & Decker

Hardware traditionally has been Lowe's most popular cash-and-carry department. Nowhere is the expansion in new merchandise items better seen than in this new section in the Mauldin-type stores.

Millwork/lumber

Lowe's commitment to a full line of attractive and stylish millwork at good prices is well displayed for easy choice and convenience. Specialty wood products enjoy increased use.




Windows and Doors
Windows and Doors
Windows and Doors

'The Lumber Store'

Lumber, on the floor and ready to go—out the front door—is a hallmark of the new Mauldin-class stores, as indeed it is in all of Lowe's "super" stores. There's always plenty of related product needs nearby, too.


umber Store

White goods/home entertainment

A wide and comprehensive selection of white and brown goods, two outstanding product lines at Lowe's and traditionally highly popular with the Lowe's customer, has been augmented with new lines in the larger stores.

Yard & lawn

Fast assuming a major role in the sweepstakes for the most enjoyable part of the family home, the yard and lawn are receiving increased attention and time. Lowe's makes it easier and more pleasant whether "it" is a maintenance activity or just lounging.

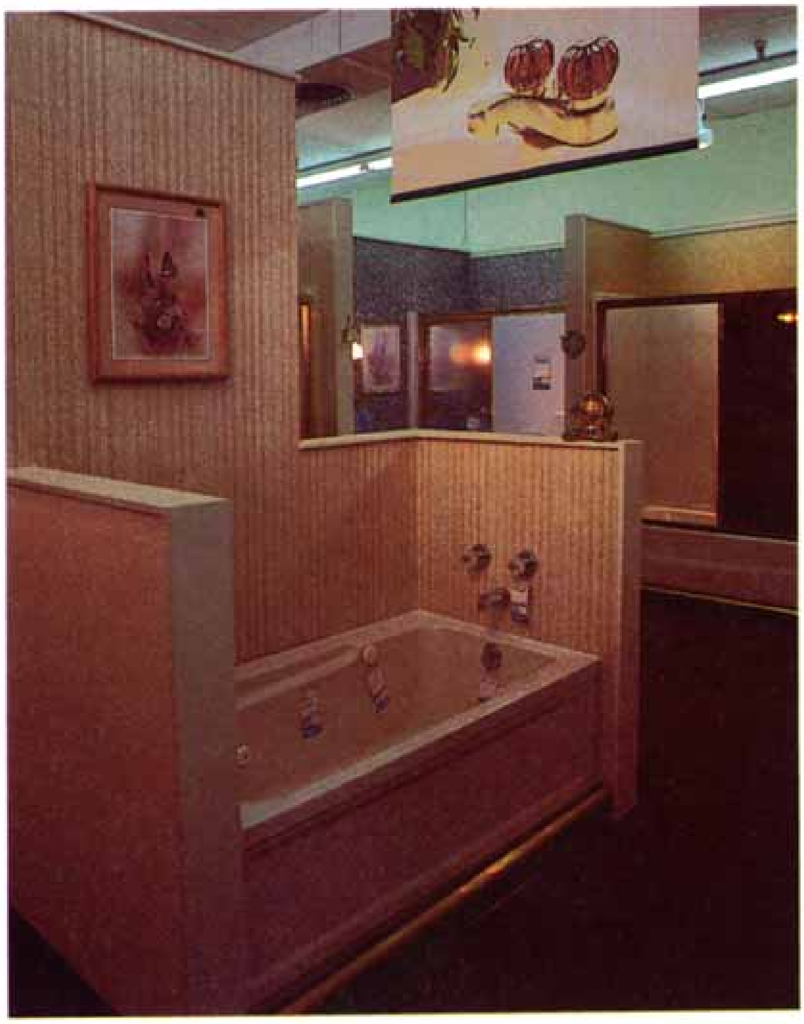
Unique new store derived from great old one in Winston-Salem

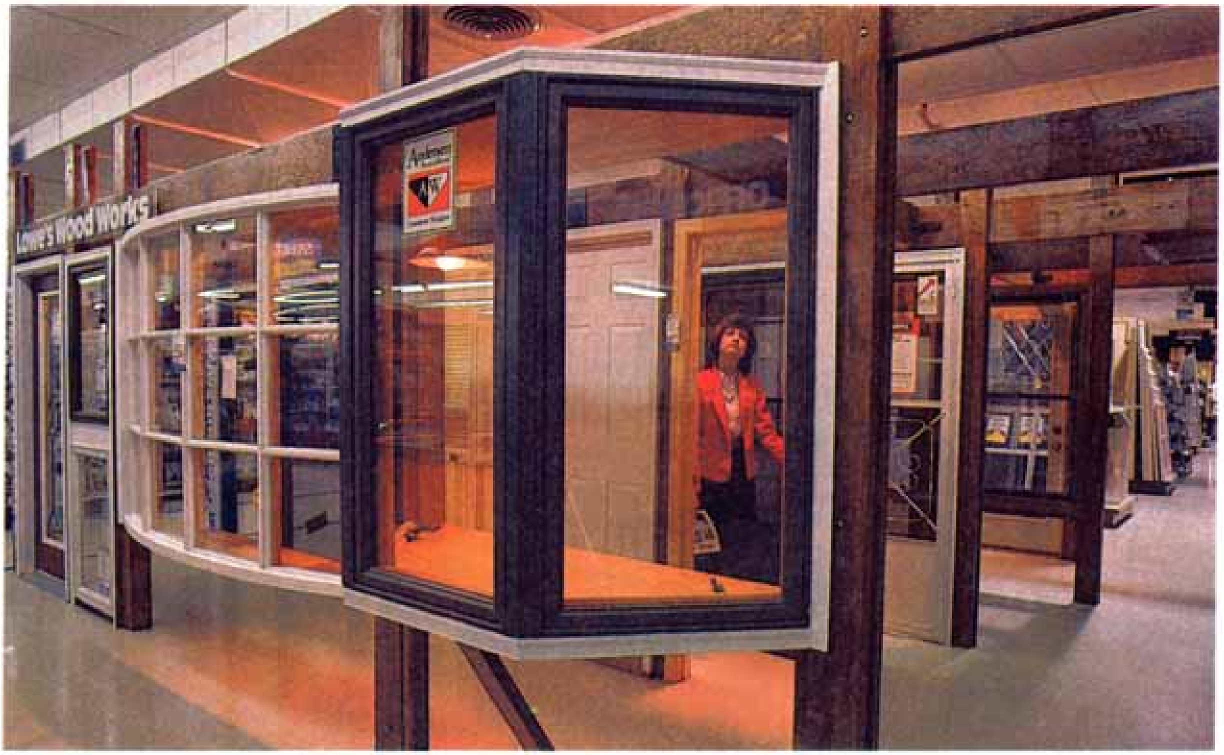
New Winston-Salem-type stores allow unique displays such as this exciting Home Entertainment Center.

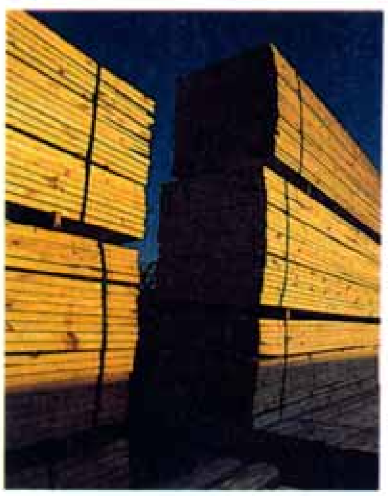

Armstrong
Tarkett
Energy efficient
Outdoor
Lighting Center
Outdoor
Lighting Center
Bath & Vanity
Lighting Center

Merchandise in each of the new types of new stores—in Mauldin and in Winston-Salem—is the same, but the physical presentation is different. The larger Winston-Salem store gives a more intimate, less open feeling.

Merchandise seems to be closer to the shopper, vistas are foreshortened and a more intimate shopping environment is created here, one which sometimes is more exciting because the unexpected is often around the next corner.




Lowe's Wood Works




Fashion Paneling

The drama and excitement continue at the far end of the Winston-Salem "Super RSVP" store, a near-identical companion to ones in Wilmington, N.C., and Louisville, Ky. Even outside the massive inventory commitment, so evident indoors, is obvious in lumber alone.

Sales

Service—on the floor or at the door—is a Lowe's hallmark. No Lowe's stores have ever been as service-oriented and service-committed as these new "super" stores—whether in Winston-Salem or Mauldin or elsewhere in Lowe's Land.

Report of independent certified public accountants

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

We have examined the consolidated balance sheets of Lowe's Companies, Inc. and subsidiary companies as of January 31, 1984, 1983 and 1982, and the related consolidated statements of current and retained earnings and of changes in financial position for each of the three fiscal years in the period ended January 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the consolidated financial position of Lowe's Companies, Inc. and subsidiary companies at January 31, 1984, 1983 and 1982, and the consolidated results of their operations and the changes in their financial position for each of the three fiscal years in the period ended January 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells
Lenoir, North Carolina
March 16, 1984

Lowe's Companies, Inc. and subsidiary companies

Consolidated statements of changes in financial position

Dollars in thousands

Funds provided:
Net earnings
Charges not requiring funds:
Depreciation
Deferred income taxes
Funds from operations
Deferred income
Long-term debt borrowings
Disposals of fixed assets
Stock issued to ESOP
Sale of common stock
Total funds provided
Funds applied:
Dividends paid
Fixed assets acquired
Current maturities and repayment of long-term debt
Redemption of fractional shares of common stock
Other
Total funds applied
Increase (decrease) in working capital
Changes in working capital components: () = Funds provided
Accounts receivable
Merchandise inventory
Other current assets
Current maturities of long-term debt
Accounts payable
Employee benefits payable
Accrued salaries and wages
Other current liabilities
Income taxes payable
Working capital changes before cash*
Increase (decrease) in cash*
Cash* beginning of year
Cash,* end of year

NM = not meaningful

*Cash and cash equivalents

See accompanying notes to consolidated financial statements

2-yr. growth rate	Fiscal 1983	Fiscal 1982	Fiscal 1981
+183%	$ 50,615	$25,131	$17,859
+14	12,034	11,178	10,522
NM	3,926	3,485	0
+135	**66,575**	**39,794**	**28,381**
NM	1,273	0	0
+521	11,699	14,501	1,883
+733	7,517	690	902
NM	0	5,951	0
NM	53,740	0	0
+352	**140,804**	**60,936**	**31,166**
+24	11,600	9,800	9,376
+28	39,383	22,601	30,698
+224	16,041	7,132	4,948
NM	33	0	0
NM	1,541	38	(52)
+53	**68,598**	**39,571**	**44,970**
NM	72,206	21,365	(13,804)
	19,270	27,281	(20,065)
	37,565	54,006	(11,575)
	294	1,607	751
	(227)	(1,215)	(259)
	(19,835)	(42,621)	4,044
	(6,421)	(1,828)	1,429
	(4,552)	(3,455)	644
	(3,192)	(3,009)	(1,782)
	396	(2,672)	(3,494)
	23,298	28,094	(30,307)
	48,908	(6,729)	16,503
	25,341	32,070	15,567
+132%	**$ 74,249**	**$25,341**	**$32,070**

Management analysis: Lowe's financial strategies

On the preceding page, we have begun this year's Financial Statements presentation with the statement that many analysts consider the most important of all — the Statement of Changes in Financial Position — historically known as the "Sources and Uses of Funds" document.

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

In 1983, the "Bottom Line" indicates a 132% increase in cash at the end of 1983 over 1981. Increased liquidity resulted from a 352% increase in Funds Provided from $31.2 million to $140.8 million and a mere 53% increase in Funds Applied from $45.0 million to $68.6 million.

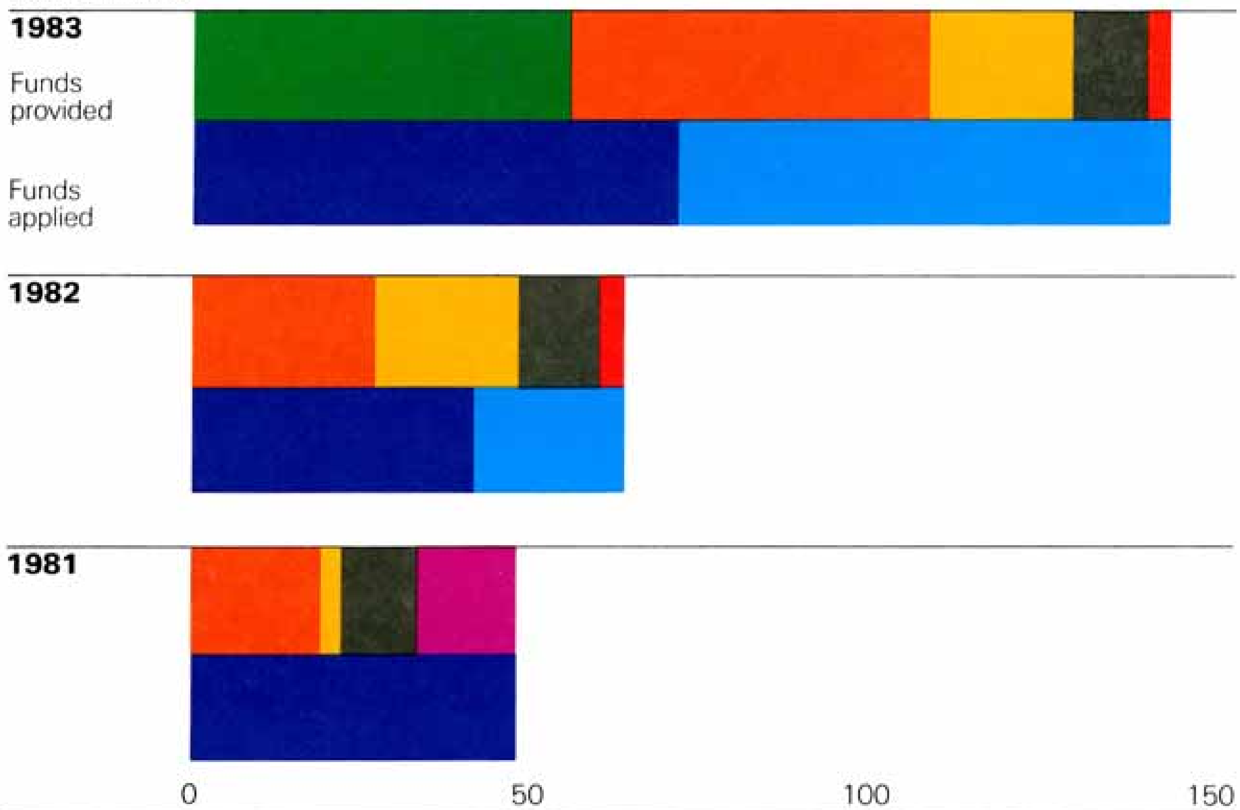
The increase in Funds Provided resulted from a 183% increase in net earnings from $17.9 million to $50.6 million, a 14% increase in depreciation from $10.5 million to $12.0 million and perhaps most significant was a one-time sale of common equity. Lowe's raised $60 million during the 1981-to-1983 period in non-traditional ways including a $54 million sale of common stock.

Working capital components themselves are dynamic, and usually changing, amounts. However, in reviewing the changes in 1983 compared to 1982, it is most interesting to note that although the sales gain in 1983 was 2.7 times the sales gain in 1982, the incremental investment in both inventory and receivables was less in 1983 than it was in 1982. This underscores the careful management of these assets.

In Fiscal 1978, Lowe's changed from FIFO to LIFO accounting. To achieve comparability in analy-

Changes in financial position

Dollars in millions



sis, we have discovered an easy way to compare the real internal Cash Flow during years of LIFO inventory accounting, with the years of FIFO inventory accounting, 1963 through 1977, as presented in the 21-year FIFO review. The formula for 1978 and subsequent years is:

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

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

Lowe's Companies, Inc. and subsidiary companies

Consolidated statements of current and retained earnings

In thousands except per share data

Current earnings	
Net sales	
Cost of sales	
Gross profit	
Expenses:	
Selling, general and administrative	
Depreciation	
Employee benefits (Note 7)	
Interest (Note 11)	
Total expenses	
Pre-tax earnings	
Income tax provision (Note 6)	
Net earnings	
Earnings per share	
Dividends per share (Note 8)	
Shares outstanding—weighted average (Note 8)	
Retained earnings (Note 8)	
Balance at beginning of year	
Adjustment for five-for-three stock split:	
On shares issued to ESOP February 1, 1982	
On shares sold on February 8, 1983	
Redemption of fractional shares	
Net earnings	
Cash dividends	
Balance at end of year	

See accompanying notes to consolidated financial statements.

Year ended January 31, 1984		Year ended January 31, 1983		Year ended January 31, 1982	
Fiscal 1983	**Percent sales**	**Fiscal 1982**	**Percent sales**	**Fiscal 1981**	**Percent sales**
$1,430,576	**100.0**	**$1,034,032**	**100.0**	**$888,042**	**100.0**
1,071,437	74.9	772,986	74.8	667,610	75.2
359,139	**25.1**	**261,046**	**25.2**	**220,432**	**24.8**
231,732	16.2	187,199	18.1	164,786	18.6
12,034	.8	11,178	1.1	10,522	1.2
17,114	1.2	10,666	1.0	8,932	1.0
1,368	.1	4,478	.4	2,966	.3
262,248	**18.3**	**213,521**	**20.6**	**187,206**	**21.1**
96,891	**6.8**	**47,525**	**4.6**	**33,226**	**3.7**
46,276	3.3	22,394	2.2	15,367	1.7
$ 50,615	**3.5**	**$ 25,131**	**2.4**	**$ 17,859**	**2.0**
$ 1.40		$ .75		$ .55	
$ .32		$ .29		$ .29	
36,193		33,333		32,555	
$ 171,134		$ 155,959		$ 147,476	
		(156)			
(583)					
(32)					
50,615		25,131		17,859	
(11,600)		(9,800)		(9,376)	
$ 209,534		**$ 171,134**		**$155,959**	

Financial condition: balance sheet management

Two major strategies influence financial management at Lowe's and our balance sheet shows these strategies as well as our financial strength. The first of these strategies is on the asset side, where we are concerned with the structural balance of various asset components which contribute to our profits and growth.

We maintain the major portion of our assets in items having the greatest "turnover" to sales—specifically, inventory and accounts receivable which are directly related to sales volume. In recent years, inventory and receivables have averaged 62% of total assets, as was experienced in 1982. The ending Fiscal 1983 cash and short term investment position was very strong resulting in a proportional shifting of the asset components. Consequently, the inventory and accounts receivable components were 58% of total assets.

Inventory, our major asset, has been valued using the LIFO method of accounting since 1978. The effect on the balance sheet is that during inflationary periods, the LIFO method tends to reduce the stated value of inventory, thus, reducing it as a percent of total assets. Inventory is the single most important asset to our company for it is the raw material of profitability. Consequently, its management receives continuous attention in terms of product composition, component turnover and of course, dollar value. Lowe's sales to inventory ratio—total sales divided by average inventory at cost—was a vigorous 6.9 times in 1983 versus 6.2 times in 1982. The additional $38 million in ending inventory for Fiscal 1983 versus 1982 was in direct response to increasing sales and preparation for additional growth in Fiscal 1984.

Accounts receivable represents the next largest component of current assets. The accounts receivable balance is generated almost entirely from sales to professional customers since our retail customers primarily pay cash or use non-recourse credit cards. Our ending receivables increased by $19.3 million or by 26% due to a 53% increase in sales to professional customers. The $95 million on January 31, 1984 was equal to 57% of sales to professional customers during the preceding 90 days, compared to 62% one year ago, and 63% two years ago. Thus, during a highly expansive period for the home building industry, we were able to reduce the number of days of sales outstanding in accounts receivable. Similarly, reflecting good management, the allowance for doubtful accounts was only 4.1% of gross accounts receivable in Fiscal 1983 versus 4.3% in Fiscal 1982.

We manage our fixed assets with the knowledge that whereas they form the infra-structure to facilitate sales, they are a more permanent investment. Thus, we subject fixed asset acquisitions to a discounted cash flow return-on-investment analysis prior to their inclusion in the annual capital budget. Net fixed assets, principally land, store buildings, fixtures and mobile equipment increased by $20 million this year reflecting the addition of 5 new stores opened in the fiscal year, and a continuing existing-store retrofitting program.

The remaining assets are principally comprised of cash and short-term investments. These key asset components, which may fluctuate seasonally, increased by $49 million, principally due to our $67 million cash flow from operations, as compared to $40 million for 1982, and an additional $65 million from external financings.

The second major balance sheet strategy is involved with the structuring and management of liabilities and shareholders' equity, which, of course, finance total assets. The most important components are shareholders' equity, accounts payable, long-term debt, and certain other liabilities.

Shareholders' equity was financing 56% of total assets on January 31, 1984. On February 8, 1983, the company sold 2.917 million shares of common stock (1.75 million before the adjustment for the 5-for-3 stock split described in Note 8). The net proceeds of $54 million were added to the general funds of the company and are being used principally to finance the cost of land, building and equipment for new and existing stores and to fund working capital requirements. Internally generated equity alone cannot always finance the total assets required to maximize Lowe's opportunities and growing operations. Other sources of financing are needed and obtained, some on a short-term basis and some long term.

Accounts payable are principally a function of inventory levels, payment terms upon purchase, and purchasing trends. Consequently, they fluctuate as a percent of inventory and as a source of financing. It should be noted here that payables are stated in current dollars even when the company is utilizing the LIFO method for inventory valuation.

Long-term debt has consistently been used by Lowe's as a method of financing a portion of our store expansion. During Fiscal 1983, we financed two new stores with industrial revenue bonds in the amount of $3.1 million. This newly placed long-term debt has a most attractive interest rate because this type of indebtedness is tax-exempt to the bond holder. We expect to finance several more stores in Fiscal 1984 by this method. In mid-February we concluded an eight-store $8.6 million sale / leaseback transaction having a 10.5% rent factor with a major pension fund. As with industrial revenue bonds, we think this form of long-term debt financing can be used creatively and result in obtaining funds at competitive rates.

Due to our continuing repayment of prior long-term indebtedness, the relatively small need in recent years for additional long-term debt, and the noteworthy increase in equity due to earnings and the $54 million stock sale, our long-term debt as percent of capital structure, has declined to well below our historical average. This is an important circumstance because it gives us significant borrowing reserve or future long-term borrowing capacity of several tens of millions of dollars without being too highly leveraged. This degree of borrowing reserve is a direct reflection of our financial strength and an indication of our financial flexibility to respond to business needs and opportunities.

The remaining liabilities represent various obligations including current and deferred income taxes payable, other current liabilities and accruals, and employee retirement benefits. Such liabilities were funding 13% of our assets on January 31, 1984.

In summary, balance sheet management is one of the most important of Lowe's corporate strategies and obviously essential to our growth. We are justifiably proud of the strength of our balance sheet at the close of this fiscal year.

Lowe's Companies, Inc. and subsidiary companies

Consolidated balance sheets

In thousands

Assets	
Current assets:	
Cash	
Short-term investments	
Accounts receivable – net (Note 11)	
Merchandise inventory (Note 2)	
Other current assets	
Total current assets	
Property, less accumulated depreciation (Notes 3 and 5)	
Other assets	
Total assets	
Liabilities and shareholders' equity	
Current liabilities:	
Current maturities of long-term debt (Note 5)	
Accounts payable	
Employee benefits payable (Note 7)	
Accrued salaries and wages	
Other current liabilities	
Income taxes payable	
Total current liabilities	
Long-term debt, excluding current maturities (Note 5)	
Deferred income taxes (Note 6)	
Total liabilities	
Deferred income (Note 9)	
Commitments, contingencies and litigation (Note 10)	
Shareholders' equity (Note 8):	
Common stock – $.50 par value; issued and outstanding	
1983 36,248,475; 1982 33,333,333; 1981 32,555,315	
Capital in excess of par	
Retained earnings	
Total shareholders' equity	
Total liabilities and shareholders' equity	

See accompanying notes to consolidated financial statements

January 31, 1984		January 31, 1983		January 31, 1982	
Fiscal 1983	**Percent**	**Fiscal 1982**	**Percent**	**Fiscal 1981**	**Percent**
$ 12,622	2.4	$ 2,035	.5	$ 6,781	2.2
61,627	11.8	23,306	5.9	25,289	8.3
94,658	18.2	75,388	19.2	48,107	15.7
205,100	39.4	167,535	42.6	113,529	37.0
3,565	.7	3,271	.8	1,664	.5
377,572	**72.5**	**271,535**	**69.0**	**195,370**	**63.7**
141,238	**27.1**	**121,406**	**30.9**	**110,673**	**36.1**
2,100	**.4**	**559**	**.1**	**521**	**.2**
$520,910	**100.0**	**$393,500**	**100.0**	**$306,564**	**100.0**
$ 5,858	1.1	$ 5,631	1.4	$ 4,416	1.4
110,415	21.2	90,580	23.0	47,959	15.7
17,292	3.3	10,871	2.8	9,043	3.0
13,662	2.6	9,110	2.3	5,655	1.8
16,529	3.2	13,337	3.4	10,328	3.4
5,074	1.0	5,470	1.4	2,798	.9
168,830	**32.4**	**134,999**	**34.3**	**80,199**	**26.2**
51,891	**10.0**	**56,233**	**14.3**	**48,864**	**15.9**
7,411	**1.4**	**3,485**	**.9**	**0**	**0**
228,132	**43.8**	**194,717**	**49.5**	**129,063**	**42.1**
1,273	**.2**	**0**	**0**	**0**	**0**
18,124	3.5	16,667	4.2	16,278	5.3
63,847	12.3	10,982	2.8	5,264	1.7
209,534	40.2	171,134	43.5	155,959	50.9
291,505	**56.0**	**198,783**	**50.5**	**177,501**	**57.9**
$520,910	**100.0**	**$393,500**	**100.0**	**$306,564**	**100.0**

Notes to consolidated financial statements

Fiscal years ended January 31, 1984, 1983 and 1982.

Note 1

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

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

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

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

Merchandise inventory—Inventory is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method.

Property and depreciation—Property is recorded at cost. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the lives of the respective assets are expensed. Upon disposal, cost of properties and related accumulated depreciation are removed from the accounts. Gains and losses on retired properties are reflected in earnings.

The provision for depreciation is based generally on accelerated methods for assets placed in service before January 1, 1981; subsequent additions are depreciated on the straight-line method.

Leases—Assets under capital leases are amortized in accordance with the company's normal depreciation policy for owned assets. The charge to earnings resulting from amortization of these assets is included in depreciation expense in the consolidated financial statements (Note 9).

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

Employee benefit plans—Since 1957 the company has maintained benefit plans for its employees as described in Note 7. The plans provide for employer contributions only and are funded annually.

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

Start-up expenses—Expenses associated with the opening of new stores and service facilities are charged to earnings as incurred.

Interest costs—Interest costs associated with new store construction are capitalized and charged to earnings over the lives of the related assets.

Earnings per share—Earnings per share are calculated on the weighted average shares of common stock outstanding each year. Earnings per share have been retroactively adjusted to reflect the five-for-three stock split described in Note 8.

Note 2

Merchandise Inventory:

The company uses the LIFO method to determine inventory costs. If the FIFO method had been used, inventories would have been \$30.866 million, \$25.183 million and \$23.556 million higher at January 31, 1984, 1983 and 1982, respectively. Net earnings would have been increased \$2.891 million or 8 cents per share, \$825 thousand or 2 cents per share and \$467 thousand or 1 cent per share in Fiscal 1983, 1982 and 1981 respectively.

Note 3

Property and Accumulated Depreciation:

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

	January 31,		
	1984	**1983**	**1982**
	Dollars in thousands		
Cost:			
Land	\$ 22,929	\$ 19,390	\$ 16,272
Buildings	95,016	81,225	75,938
Store and office equipment	37,045	32,907	29,145
Transportation equipment	39,231	34,839	30,021
Leasehold improvements	21,042	19,532	17,185
Total cost	**215,263**	**187,893**	**168,561**
Accumulated depreciation	74,025	66,487	57,888
Net property (Note 9)	**\$141,238**	**\$121,406**	**\$110,673**

Note 4

Short-Term Borrowings and Line of Credit:

The company has a line of credit agreement with a bank which provides for short-term unsecured borrowings of up to \$30 million with interest at the lower of prime or bank transaction rate, none of which was outstanding at January 31, 1984, 1983 or 1982. There were no short-term borrowings during the year ended January 31, 1984.

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

	Year ended January 31,	
	1983	**1982**
	Dollars in thousands	
Maximum amount outstanding at any month-end	$20,000	$14,000
Average amount outstanding (based on weighted daily average)	$ 4,238	$ 3,468
Weighted average interest rate (ratio of actual interest expense to average amount outstanding)	14.2%	15.9%

Long-Term Debt:

Note 5

Long-term debt is summarized as follows:

Debt category	Interest rates	Debt retirement		January 31,		
		Payment cycle	**Year of maturity**	**1984**	**1983**	**1982**
				Dollars in thousands		
Secured debt[1]:						
Insurance company notes	8% to 9%	quarterly	1993	$23,429	$25,990	$28,343
Bank notes	7% to prime + 2%	quarterly	1994	955	1,087	2,656
Industrial revenue bonds	7% to 7.5%	annually	1991	1,030	1,155	1,275
Industrial revenue bonds	64%-70% of prime	monthly	1998	8,159	5,650	1,760
Other notes	8% to 10.75%	monthly	2004	66	104	107
Unsecured debt:						
Insurance company[2]	8.25%	annually	1992	14,400	16,500	18,000
Bank notes[3]	9.25%	maturity	1984	0	10,000	0
Other notes	8%	annually	1982	0	0	18
Capital leases (Note 9)	10.3% to 16.5%	monthly	2018	9,710	1,378	1,121
Total long-term debt				57,749	61,864	53,280
Less current maturities[4]				5,858	5,631	4,416
Long-term debt, excluding current maturities				**$51,891**	**$56,233**	**$48,864**

[1] Real properties pledged as collateral for secured debt had net book values at January 31, 1984, as follows (in millions): Insurance company notes — $32.8; Bank notes — $1.8; Industrial revenue bonds — $8.0; and Other notes — $0.1

[2] The notes covering the insurance company loans place certain requirements as to the financial condition to be maintained, restrict other borrowing, and limit the payment of dividends. After giving effect to the most restrictive provisions, approximately $62.7 million of consolidated retained earnings is available for payment of dividends.

[3] Under terms of a revolving credit agreement with a bank, the company may borrow up to $10 million with interest at the lower of prime or bank transaction rate. Terms of the insurance company loan agreement restrict maturities of borrowings under this agreement to not more than three years after the date the debt is incurred.

[4] Debt maturities, exclusive of capital leases (see Note 9), for the next five fiscal years are as follows (in millions): 1984 — $5.635, 1985 — $5.789, 1986 — $6.319, 1987 — $6.079, 1988 — $5.884

Note 6

Income Taxes:

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

	Current	Deferred	Total
			Dollars in thousands
Fiscal 1983:			
Federal	$37,194	$3,463	$40,657
State	5,156	463	5,619
Total	**$42,350**	**$3,926**	**$46,276**
Fiscal 1982:			
Federal	$16,401	$2,997	$19,398
State	2,558	438	2,996
Total	**$18,959**	**$3,435**	**$22,394**
Fiscal 1981:			
Federal	$12,549	$809	$13,358
State	1,896	113	2,009
Total	**$14,445**	**$ 922**	**$15,367**

Deferred income taxes arise principally because depreciation is treated differently for financial reporting than for income tax purposes. The cumulative effect of all timing differences in Fiscal 1981 is not material and therefore all income taxes are shown as currently payable in the consolidated balance sheet for that year.

Actual provisions for income tax expense are different from amounts computed by applying applicable federal tax rates to pre-tax earnings. The reasons for these differences are as follows:

						Year ended January 31,
	1984		**1983**		**1982**	
	Amount	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
						Dollars in thousands
Federal tax at statutory rates	$44,570	46.0%	$21,862	46.0%	$15,284	46.0%
State income taxes – net of federal tax benefit	3,034	3.1	1,618	3.4	1,085	3.3
Investment tax credits	(1,328)	(1.4)	(1,086)	(2.3)	(993)	(3.0)
Other	0	0	0	0	(9)	0
Provision for income taxes	**$46,276**	**47.7%**	**$22,394**	**47.1%**	**$15,367**	**46.3%**

Employee Benefit Plans:

Note 7

Lowe's Companies Profit-Sharing Plan and Trust held approximately 9% of the outstanding shares of the company as of January 31, 1984. Contributions to this Plan were discontinued effective December 31, 1977, and accounts of members became fully vested at that time.

The Board of Directors adopted an Employee Stock Ownership Plan (ESOP) effective January 1, 1978. This plan is a multi-employer plan, with one trust serving the parent and the subsidiaries. The amount contributed to the plan is determined annually by the Board of Directors. The Board authorized a contribution of 15%, 12.5% and 12% of eligible compensation for Fiscal 1983, 1982 and 1981, respectively.

On February 1, 1982, the company issued 778,018 Lowe's common shares (after the five-for-three stock split described in Note 8) to the ESOP with an aggregate market value of $5.951 million, as part of the company's Fiscal 1981 contribution. At January 31, 1984, the ESOP held approximately 15% of the outstanding stock of the company and was its largest shareholder.

Shareholders' Equity:

Note 8

Authorized shares of common stock were 60 million at January 31, 1984 and 1983, and 50 million at January 31, 1982.

On February 8, 1983, the company sold 2.917 million shares of common stock (1.75 before the adjustment for the five-for-three stock split described below). The net proceeds of $53.74 million were added to the general funds of the company and are being used principally to finance the cost of land, buildings and equipment for new and existing stores and to fund working capital requirements.

On March 18, 1983, the Board of Directors declared a five-for-three stock split in the form of a dividend distributed to shareholders of record on April 14, 1983. Accordingly, in the accompanying financial statements, an amount equal to the par value ($6.511 million) of the additional shares issued has been transferred from Retained Earnings to Common Stock retroactive to January 31, 1981. Shares and per share amounts have been adjusted to give retroactive effect to the split.

Transactions affecting the Shareholders' Equity section of the consolidated balance sheets are summarized as follows:

	Shares			Shareholders' equity	
	Issued and outstanding	Common stock	Capital in excess of par value	Retained earnings	Total equity
	In thousands			Dollars in thousands	
Balance Jan. 31, 1981	**32,555**	**$16,278**	**$ 5,264**	**$147,476**	**$169,018**
Net earnings				17,859	17,859
Cash dividends				(9,376)	(9,376)
Balance Jan. 31, 1982	**32,555**	**16,278**	**5,264**	**155,959**	**177,501**
Shares issued to ESOP (after 5-for-3 split)	778	389	5,718	(156)	5,951
Net earnings				25,131	25,131
Cash dividends				(9,800)	(9,800)
Balance Jan. 31, 1983	**33,333**	**16,667**	**10,982**	**171,134**	**198,783**
Sale of common stock:					
Shares issued	1,750	875	52,865		53,740
Effect of 5-for-3 split	1,167	583		(583)	0
Redemption of fractional shares (5-for-3 split)	(2)	(1)		(32)	(33)
Net earnings				50,615	50,615
Cash dividends				(11,600)	(11,600)
Balance Jan. 31, 1984	**36,248**	**$18,124**	**$63,847**	**$209,534**	**$291,505**

Note 9

Leases:

In February 1983, the company entered into sale-leaseback arrangements for eight store properties, resulting in capital leases of $8.6 million and deferred gains of $1.3 million. Assets under capital leases, included in property in the consolidated balance sheets, are as follows:

	January 31,		
	1984	**1983**	**1982**
	Dollars in thousands		
Capital leases:			
Buildings	$9,884	$1,360	$1,360
Store and office equipment	371	371	0
Total capitalized leases	10,255	1,731	1,360
Less accumulated amortization	977	613	509
Net capital lease property	**$9,278**	**$1,118**	**$ 851**

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

	Operating leases			
Year ending January 31,	**Real estate**	**Equip-ment**	**Capital leases**	**Total**
			Dollars in thousands	
1985	$ 2,419	$2,133	$ 1,223	$ 5,775
1986	2,161	1,713	1,119	4,993
1987	1,875	1,397	1,066	4,338
1988	1,551	1,184	1,066	3,801
1989	1,005	172	1,066	2,243
Later years	6,501	0	27,065	33,566
Total minimum lease payments	**$15,512**	**$6,599**	**32,605**	**$54,716**
Less amounts representing interest			22,895	
Present value of minimum lease payments			9,710	
Less current maturities			223	
Present value of minimum lease payments, less current maturities			**$ 9,487**	

Rental expenses charged to earnings are as follows:

	Year ended January 31,		
	1984	**1983**	**1982**
	Dollars in thousands		
Rental expenses:			
Real estate	$2,386	$2,312	$2,182
Equipment	2,434	1,791	1,245
Total	**$4,820**	**$4,104**	**$3,427**

The company has a warehouse lease expiring on June 30, 1984 with Lowe's Companies Profit Sharing Plan and Trust.

Note 10

Commitments, Contingencies and Litigation:
The company had purchase commitments as of January 31, 1984 of approximately $3.4 million for land, buildings and construction of store facilities, and $3.8 million for equipment. Letters of credit have been issued for $2.0 million to the company's insurance carrier to secure deferred premiums. The company is defendant in various lawsuits incurred in the normal course of business. There is no material litigation pending not covered by insurance.

Note 11

Other Information:
The allowance for doubtful accounts, which is netted with accounts receivable in the consolidated balance sheets, is summarized as follows:

	Year ended January 31,		
	1984	**1983**	**1982**
	Dollars in thousands		
Allowance for doubtful accounts:			
Balance beginning of year	$3,397	$2,800	$3,504
Additions charged to expenses	2,469	2,730	1,720
Deductions for accounts charged off	(1,819)	(2,133)	(2,424)
Balance end of year	**$4,047**	**$3,397**	**$2,800**

Interest expense is comprised of the following:

	Year ended January 31,		
	1984	**1983**	**1982**
	Dollars in thousands		
Long-term debt	$5,216	$4,746	$4,856
Short-term debt	0	602	553
Amortization of loan costs	29	23	19
Short-term interest income	(3,540)	(712)	(1,918)
Interest capitalized	(337)	(181)	(544)
Net interest expense	**$1,368**	**$4,478**	**$2,966**

Advertising expenses were $21.577 million, $18.095 million and $14.967 million for Fiscal 1983, 1982 and 1981, respectively.

Supplemental information on the effects of changing prices

Statement of earnings adjusted for changing prices; dollars in thousands

Year ended January 31, 1984
Net sales
Cost of sales
Gross profit
Expenses:
Selling, general and administrative
Depreciation
Employee benefits
Interest
Total expenses
Pre-tax earnings
Income tax provision
Net earnings
Effective income tax rate
Other information:
Purchasing power gain from holding net monetary liabilities during the year

Five-year comparison of selected supplementary financial data adjusted for effects of changing prices

Average fiscal 1983 constant dollars in thousands, except per share data

Net sales	Historical dollars
	Constant dollars
Net earnings	Historical dollars
	Constant dollars
Net assets (shareholders' equity) at year-end	Historical dollars
	Constant dollars
Purchasing power gain from holding net monetary liabilities during the year	
Earnings per share [2]	Historical dollars
	Constant dollars
Net assets (shareholders' equity) at year-end per share[2]	Historical dollars
	Constant dollars
Cash dividends declared per common share [2]	Historical dollars
	Constant dollars
Market price per common share at year-end [2]	Historical dollars
	Constant dollars
Average consumer price index — urban[1]	

[1] Base period, 1967 = 100

[2] All per share amounts have been retroactively adjusted to reflect a five-for-three stock split effective April 14, 1983

	Historical	Constant
	$1,430,576	**$1,430,576**
	1,071,437	1,071,507
	359,139	**359,069**
	231,732	231,732
	12,034	15,415
	17,114	17,114
	1,368	1,368
	262,248	**265,629**
	96,891	**93,440**
	46,276	46,276
	$ 50,615	**$ 47,164**
	47.76%	**49.52%**
		$ 2,952

Year ended January 31,

1984	1983	1982	1981	1980
$1,430,576	$1,034,032	$888,042	$ 883,614	$ 904,651
1,430,576	1,066,587	971,822	1,061,533	1,233,616
50,615	25,131	17,859	18,891	24,955
47,164	21,989	10,282	18,095	30,056
291,505	198,783	177,501	169,018	157,940
404,941	316,305	295,071	295,307	286,380
2,952	2,032	4,104	6,416	8,882
1.40	.75	.55	.58	.77
1.30	.66	.32	.56	.92
8.04	5.96	5.45	5.19	4.85
11.17	9.49	9.06	9.07	8.80
.32	.29	.29	.24	.20
.32	.30	.31	.29	.27
20.75	19.27	8.40	7.95	6.80
$ 20.36	$ 19.68	$ 8.91	$ 9.14	$ 8.73
299.4	289.9	274.2	249.1	219.7

Explanatory notes to supplemental information

As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the company must provide supplemental information concerning the effects of changing prices on its financial statements. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (constant dollar) and (2) the specific price changes in the individual resources used by the company (current cost). Because there is presently no consensus on which aspect of inflation (if any) should be reported, the FASB has devised an experiment requiring certain large, publicly held companies to present supplemental information reflecting both types of inflation measurements, if such measurements produce materially different results. The company has determined that the amounts of net earnings computed by the constant dollar and current cost methods for Fiscal Years 1979 through 1983 are not materially different, thus disclosure of current cost information is not considered necessary and is not required by FASB Statement No. 33.

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

Partial Application — The supplemental data includes the effect of general inflation on inventories, properties, cost of sales, depreciation expense, and net monetary assets.

Net Earnings — The supplemental statement of earnings presents earnings using two methods of measurement. Such methods are as follows:

1. Historical cost basis — Earnings reported on the historical cost basis of accounting are the same amounts as reported in the primary financial statements.

2. Constant dollar accounting — Earnings re-

ported on the constant dollar method represent income and expenses stated in constant dollars adjusted for general inflation. General inflation has been measured by the average level of the Consumer Price Index-Urban (CPI-U) for the period February 1, 1983, through January 31, 1984. Under this measurement method, historical amounts of depreciation expense have been increased to give effect to the increase in the CPI-U level which has occurred since the date properties were acquired. In addition, cost of sales, under the LIFO method, has been increased to reflect prior year liquidated inventory layers into current year constant dollars. Such increase approximated $70,000. Sales and expenses already reflect approximate average current year constant dollars and, accordingly, are the same as amounts reported in historical financial statements.

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

Purchasing Power Gain From Holding Net Monetary Liabilities During the Year — Purchasing power gain results when monetary liabilities exceed monetary assets, because the amount of money necessary to pay such net liabilities is represented by dollars of diminishing purchasing power. Purchasing power gain has been computed on average net monetary liabilities for the year multiplied by the change in the CPI-U for the year. Such gain does not represent earnings nor funds available for dividends.

Management discussion: summary of operations

Results of operations

In Fiscal 1981, Lowe's was operating in an economic climate beset by the highest level of mortgage interest rates and the lowest level of housing starts since World War II. This economic climate continued for the first two quarters of Fiscal 1982. Then during the latter half of Fiscal 1982, as interest rates began to decline and housing starts began to show improvement, the company was able to increase its professional sales substantially. During the fourth quarter of Fiscal 1982, sales to professional customers increased 59% from the previous fourth quarter. The company also continued its aggressive marketing efforts towards the retail customer, resulting in an annual retail sales increase of 24%. In Fiscal 1983, these trends continued in both the retail and professional customer segments, resulting in a year-to-year sales increase of 38% overall, which was composed of a 53% increase in builder sales and a 27% retail increase. For further sales analysis see tables on pages 68-71.

Gross profit on a LIFO (last-in, first-out) basis was 24.82%, 25.25% and 25.10% in Fiscal 1981, 1982 and 1983, respectively. The single adjustment between LIFO margin and FIFO (first-in, first-out) margin is the LIFO charge, which is a measure of inflation in the cost of inventory purchased. This charge represented 10%, 16% and 40% to sales in Fiscal 1981, 1982, and 1983, respectively. The higher LIFO charge in Fiscal 1983 was primarily due to inflation in basic building materials, a sign of the economic climate in the market for those products.

Gross profit on a FIFO basis increased from 24.93% of sales in Fiscal 1981 to 25.40% in Fiscal 1982 and then to 25.50% in Fiscal 1983. Part of the increase in Fiscal 1982 reflected a shift in customer mix from 52% retail to 55% retail. Importantly, this upward trend in margin continued during Fiscal 1983 although the retail component of sales was less than 51%. This trend reflects Lowe's increased commitment to further improve its margin percentages, particularly on sales to the retail market. As of January 31, 1984, 169 of the 238 Lowe's stores have the new retail-oriented sales-floor format (RSVP) which is designed to better merchandise those products which typically carry a higher margin.

Selling, general and administrative expense increased 14% from Fiscal 1981 to Fiscal 1982 and 24% from Fiscal 1982 to Fiscal 1983. These increases compare with 16% and 38% increases in sales for the same periods. This reflects the leverage effect of the company's control of period expenses as sales volumes increased. More than 99% of the company's 1983 sales increase came from increased volume at existing stores and less than 1% from new stores.

Employee Benefits represents the company's contribution to its Employee Stock Ownership Plan (ESOP) which is determined annually by the Board of Directors. The amounts contributed to the plan were 12%, 12.5% and 15% of eligible compensation (wages, salaries and bonuses) in Fiscal 1981, 1982 and 1983, respectively. The eligible compensation base upon which the contribution is calculated increased during the period due to increased number of employees, annual compensation increases for existing employees, and higher bonus and commission incentives during the higher sales and earnings periods.

Depreciation increased due to normal fixed asset acquisitions.

For an analysis of Interest expense, see Note 11 to the financial statements.

Liquidity and capital resources

In Fiscal 1981, the company engaged briefly in short-term borrowing early in the year, and for the remainder of the year excess cash was invested in short-term instruments. During Fiscal 1982, the building of inventory and receivables and related short-term borrowing continued into the third quarter. In Fiscal 1983, the company's issuance of common stock eliminated the necessity for any short-term borrowing during the year. The company's methods of obtaining long-term funds for the past three years have included industrial revenue bonds, a sale-leaseback arrangement with a state employees' retirement fund and the February, 1983 sale of common stock. The $53.74 million proceeds of the stock sale are being used principally to finance the cost of land, buildings and equipment for new and existing stores and to fund working capital requirements.

The company has announced expansion plans for the ensuing year which include an increase of approximately 5% in new store units, and approximately 10% more in selling space to be added to existing stores. This expansion will be financed primarily by the company's currently strong cash position and by funds generated from Fiscal 1984 operations.

For discussion of the effects of inflation on the company's financial statements, see the "Supplemental Information on the Effects of Changing Prices", pages 58-61.

Selected financial data

Selected quarterly data:

In thousands; except per share data

				Three months ended
	Jan. 31	**Oct. 31**	**July 31**	**April 30**
Fiscal 1983				
Net sales	$331,026	$381,961	$418,057	$299,532
Gross profit	85,701	95,941	103,870	73,627
Net earnings	9,514	14,173	18,258	8,670
Earnings per share*	.26	.39	.50	.24
Fiscal 1982				
Net sales	$250,069	$277,627	$291,576	$214,760
Gross profit	64,304	70,892	72,895	52,955
Net earnings	5,365	8,040	8,513	3,213
Earnings per share*	.16	.24	.25	.10
Fiscal 1981				
Net sales	$173,501	$277,910	$268,560	$218,071
Gross profit	47,146	57,484	65,373	50,429
Net earnings	3,128	4,859	7,697	2,175
Earnings per share*	.10	.15	.23	.07
Fiscal 1980				
Net sales	$205,798	$248,181	$246,805	$182,830
Gross profit	48,220	57,579	56,857	42,984
Net earnings	2,471	6,976	7,474	1,970
Earnings per share*	.08	.21	.23	.06

*Retroactive effect has been given to the five-for-three stock split in the form of a dividend payable to shareholders of record on April 14, 1983 and the three-for-two stock split in the form of a dividend in fiscal 1981.

Lowe's Companies, Inc. and subsidiary companies

Selected financial data

In thousands, except per share data

		1984
Selected income statement data:		
Net sales	$	1,430,576
Cost of sales		1,071,437
Gross profit		359,139
Expenses:		
Selling, general and administrative		231,732
Depreciation		12,034
Employee benefits		17,114
Interest		1,368
Total expenses		**262,248**
Pre-tax earnings		**96,891**
Income tax provision:		
State		5,619
Federal		40,657
Total income taxes		**46,276**
Net earnings	**$**	**50,615**
Earnings per common share*	**$**	**1.40**
Shares outstanding**		**36,193**
Dividends paid per share*	**$**	**.32**
Investment tax credit recognized	**$**	**1,328**
Selected balance sheet data:		
Current assets	$	377,572
Current liabilities		168,830
Working capital	**$**	**208,742**
Total assets	**$**	**520,910**
Long-term, including current maturities	**$**	**57,749**
Shareholder's equity	**$**	**291,505**

* Retroactive effect has been given to the five-for-three stock split in the form of a dividend payable to shareholders of record on April 14, 1983 and the three-for-two stock split in the form of a dividend in fiscal 1981

** Weighted Average

Year ended January 31,				
1983	**1982**	**1981**	**1980**	**1979**
$ 1,034,032	$ 888,042	$ 883,614	$ 904,651	$ 793,125
772,986	667,610	677,974	693,976	603,794
261,046	220,432	205,640	210,675	189,331
187,199	164,786	144,312	136,037	121,662
11,178	10,522	10,320	10,064	8,714
10,666	8,932	10,528	10,226	7,488
4,478	2,966	4,203	7,017	5,602
213,521	**187,206**	**169,363**	**163,344**	**143,466**
47,525	**33,226**	**36,277**	**47,331**	**45,865**
2,996	2,009	2,128	2,629	2,593
19,398	13,358	15,258	19,747	19,548
22,394	**15,367**	**17,386**	**22,376**	**22,141**
$ 25,131	**$ 17,859**	**$ 18,891**	**$ 24,955**	**$ 23,724**
$ .75	**$ .55**	**$ .58**	**$ .77**	**$ .73**
33,333	**32,555**	**32,555**	**32,555**	**32,555**
$ .29	**$ .29**	**$ .24**	**$ .20**	**$ .16**
$ 1,086	**$ 993**	**$ 519**	**$ 816**	**$ 1,165**
$ 271,535	$ 195,370	$ 209,756	$ 210,913	$ 189,228
134,999	80,199	80,781	85,847	65,238
$ 136,536	**$115,171**	**$128,975**	**$125,066**	**$123,990**
$ 393,500	**$306,564**	**$301,728**	**$299,899**	**$269,695**
$ 61,864	**$ 53,280**	**$ 56,086**	**$ 60,205**	**$ 67,400**
$ 198,783	**$177,501**	**$169,018**	**$157,940**	**$139,496**

Sales analysis

Merchandise sales trends

Dollars in millions

Category	Total sales 4-yr. CGR	Fiscal 1983[1] Sales	Change from '82	Percent
1. Structural lumber	9.2%	$ 270	+52.5%	18.9
2. Building commodities and millwork	8.6	493	+38.1	34.5
3. Home decorating and illumination	17.9	149	+27.4	10.4
4. Kitchens, bathrooms and laundries	16.2	142	+35.2	9.9
5. Heating, cooling and water systems	20.2	85	+23.2	5.9
6. Home entertainment	28.0	51	+50.0	3.6
7. Recreation, yard, patio, garden and farm	14.0	86	+24.6	6.0
8. Tools	25.7	25	+47.1	1.7
9. Special order sales (SOS)	11.0	129	+44.9	9.0
Totals	**12.1%**	**$1,430**	**+38.3%**	**100**

[1] Fiscal years ending January 31 of following calendar year
Source: Company financial data

Gross margin, expense, and earnings analysis

	Jan. 31, 1984 Change[1]	Jan. 31, 1984 Percent[2]	Jan. 31, 1983 Change[1]	Jan. 31, 1983 Percent[2]
Net sales	**+ 38%**	**100**	**+16%**	**100**
Cost of sales (FIFO)	+ 38	74.50	+16	74.60
LIFO charge	+250	.40	+77	.16
Cost of sales (LIFO)	+ 39	74.89	+16	74.75
Gross profit	**+ 38**	**25.11**	**+18**	**25.25**
Expenses:				
SG&A	+ 24	16.19	+14	18.11
Depreciation	+ 8	.84	+ 6	1.08
Employee benefits	+ 60	1.20	+19	1.03
Interest expense[3]	− 69	.10	+51	.43
Total expenses	**+ 23**	**18.33**	**+14**	**20.65**
Pre-tax earnings	+104	6.78	+43	4.60
Provision for income taxes[4]	+107	3.24	+46	2.17
Net earnings	**+101%**	**3.54**	**+41%**	**2.43**

[1] Period to period change of dollars to nearest whole percent
[2] Percent of total sales, rounded to the nearest hundredth of a percent
[3] Interest plus amortization of loan expense
[4] Tax rate — taxes as a percent of pre-tax earnings

Fiscal 1982		Fiscal 1981		Fiscal 1980		Fiscal 1979	
Sales	Percent	Sales	Percent	Sales	Percent	Sales	Percent
$ 177	17.1	$157	17.7	$166	18.8	$190	21.0
357	34.5	315	35.5	338	38.2	354	39.1
117	11.3	92	10.3	86	9.7	77	8.5
105	10.2	93	10.5	87	9.9	78	8.6
69	6.7	62	7.0	48	5.4	41	4.6
34	3.3	23	2.6	19	2.1	19	2.1
69	6.7	56	6.3	51	5.8	51	5.6
17	1.6	14	1.6	12	1.4	10	1.1
89	8.6	75	8.5	77	8.7	85	9.4
$1,034	**100**	**$888**	**100**	**$884**	**100**	**$905**	**100**

Jan. 31, 1982		Jan. 31, 1981		Jan. 31, 1980	
Change[1]	Percent[2]	Change[1]	Percent[2]	Change[1]	Percent[2]
+ 1%	**100**	**− 2%**	**100**	**+14%**	**100**
− 1	75.07	− 2	75.97	+15	75.88
−86	.10	−11	.76	−12	.83
− 2	75.18	− 2	76.73	+15	76.71
− 7	**24.82**	**− 2**	**23.27**	**+11**	**23.29**
+14	18.56	+ 6	16.33	+12	15.04
+ 2	1.18	+ 3	1.17	+15	1.11
−15	1.01	+ 3	1.19	+37	1.13
−29	.33	−40	.48	+25	.78
+11	**21.08**	**+ 1**	**19.17**	**+15**	**18.06**
− 8	3.74	−23	4.10	+ 3	5.23
−12	46.25	−22	47.93	+ 1	47.28
− 5%	**2.01**	**−24%**	**2.14**	**+ 5%**	**2.76**

Sales analysis comparable vs new stores

Dollars in thousands

Years ended	January 31, 1984
Number of stores open, year-end	238*
Total sales	$1,430,576
Percent change total sales	+38.3%
Number of comparable stores[1]	235*
Sales of comparable stores	$1,428,059
Sales of comparable stores previous year	$1,034,032
Percent change comparable store sales	+38.1%
Number of new stores	5
Sales of new stores	$ 2,517
Percent added by new stores sales	+ .2%

[1] Comparable stores are stores which have been open more than a year.
* Seven stores have been closed since Fiscal 1977: one each in December 1978, May 1979, September 1979, January 1980, June 1980, and two in January 1984.

Sales analysis by customer group

Dollars in thousands

Years ended	January 31, 1984		January 31, 1983	
	Change[1]	Amount	Change[1]	Amount
Retail customers	+27%	$ 723,585	+24%	$ 570,744
Professional customers	+53	706,991	+ 9	463,288
Totals	**+38%**	**$1,430,576**	**+16%**	**$1,034,032**

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

January 31, 1983	January 31, 1982	January 31, 1981	January 31, 1980
235	229	214*	209*
$1,034,032	$888,042	$883,614	$904,651
+ 16.4%	+ .5%	− 2.3%	+ 14.1%
229	214	208*	196*
$1,020,934	$875,876	$871,122	$893,656
$888,042	$881,594	$902,025	$792,591
+ 15.0%	− .6%	− 3.4%	+ 12.8%
6	15	6	13
$ 13,098	$ 12,166	$ 12,492	$ 10,995
+ 1.5%	+ 1.4%	+ 1.4%	+ 1.4%

January 31, 1982		January 31, 1981		January 31, 1980	
Change[1]	Amount	Change[1]	Amount	Change[1]	Amount
+ 10%	$461,212	+ 7%	$419,775	+ 21%	$393,179
− 8	426,830	− 9	463,839	+ 9	511,472
+ 1%	**$888,042**	**− 2%**	**$883,614**	**+ 14%**	**$904,651**

FIFO supplemental information review

Fiscal years ended January 31 of following calendar year

	20.5-yr.[2] CGR	15.5-yr.[2] CGR	10-yr. CGR	5-yr. CGR	1983[1]	1982[1]	1981[1]	1980[1]	1979[1]	1978[1]
Stores and people										
1. Number of stores	12.3%	10.2%	8.5%	3.6%	238	235	229	214	209	199
2. Number of employees	14.4	13.5	10.5	8.5	8,715	7,080	6,003	5,950	5,804	5,809
3. Customers served (thousands)	16.1	15.4	13.8	13.5	18,889	15,075	11,973	11,376	11,024	10,013
4. Average customer purchase					$75.74	$68.59	$74.17	$77.67	$82.02	$79.20
Comparative income statement (thousands)										
5. Total sales	19.2	18.9	14.9	12.5	1,430,576	1,034,032	888,042	883,614	904,651	793,125
6. Pre-tax earnings	20.0	18.7	14.3	13.6	102,575	49,151	34,146	42,964	54,815	54,331
7. Taxes on income	19.7	18.3	13.8	13.1	49,065	23,195	15,820	20,679	26,043	26,469
8. Net earnings	20.3	19.0	14.8	13.9	53,510	25,956	18,326	22,285	28,772	27,862
9. Cash flow[3]	21.1	19.4	15.4	13.7	69,470	40,619	28,848	32,605	38,836	36,576
10. Cash dividends paid	17.7	19.2	27.5	17.4	11,600	9,800	9,376	7,813	6,511	5,209
11. Earnings, minus dividends, reinvested	21.3	19.0	12.9	13.1	41,910	16,156	8,950	14,472	22,261	22,653
Dollars per share (nearest cent)[4,5]										
12. Sales	18.0	17.9	13.4	10.1	39.47	31.02	27.28	27.14	27.79	24.36
13. Earnings	19.2	18.2	13.4	11.5	1.48	.78	.56	.68	.88	.86
14. Cash flow[3]	19.5	18.4	14.0	11.4	1.92	1.22	.89	1.00	1.19	1.12
15. Cash dividends	18.4	19.6	26.7	14.9	.32	.29	.29	.24	.20	.16
16. Earnings retained and reinvested	19.5	17.9	12.1	10.6	1.16	.48	.27	.44	.68	.70
17. Shareholders' equity	19.7	19.4	16.7	13.9	8.47	6.34	5.82	5.54	5.10	4.41
Strategic profit model[*]										
18. Asset turnover (sales per asset dollar)					$ 3.42	$ 3.13	$ 2.74	$ 2.80	$ 3.26	$ 3.28
19. Return on sales (earnings as percent of sales)					× 3.74%	× 2.51%	× 2.06%	× 2.52%	× 3.18%	× 3.51%
20. Return on assets					= 12.79%	= 7.86%	= 5.64%	= 7.06%	= 10.38%	= 11.49%

21. Leverage factor (asset dollars per equity dollar)					× 1.98	× 1.74	× 1.80	× 1.90	× 1.93	× 1.98
22. Return on shareholders' equity					= 25.31%	= 13.68%	= 10.16%	= 13.41%	= 20.03%	= 22.81%
Comparative balance sheet (thousands)										
23. Current asset totals	17.9	18.7	16.4	15.7	$408,438	$296,718	$218,926	$232,392	$226,863	$196,817
24. Cash and short-term investments	17.5	20.5	54.4	51.3	74,249	25,341	32,070	15,567	22,959	9,362
25. Accounts receivable – net	15.4	14.3	12.7	7.2	94,658	75,388	48,107	68,172	66,442	66,836
26. Inventories (lower of cost or market)	19.4	20.9	14.8	14.5	235,966	192,718	137,085	147,740	134,461	119,714
27. Other current assets	22.1	23.6	24.0	14.9	3,565	3,271	1,664	913	3,001	1,782
28. Fixed assets	24.7	21.9	15.0	12.0	141,238	121,406	110,673	91,399	88,695	80,096
29. Other assets	14.8	16.2	37.6	41.4	2,100	559	521	573	291	371
30. Total assets	19.0	19.4	16.1	14.8	551,776	418,683	330,120	324,364	315,849	277,284
31. Current liabilities totals	17.2	17.6	18.3	21.8	184,160	147,541	91,939	92,068	93,842	68,689
32. Accounts payable	16.2	17.0	19.3	19.8	110,415	90,580	47,959	52,003	45,567	44,833
33. Income tax payable	15.4	13.9	19.2	54.4	20,404	18,012	14,538	10,592	22,000	2,329
34. Other current liabilities	14.6	12.9	3.4	(5.1)	16,529	38,949	29,442	29,473	26,275	21,527
35. Long-term debt	16.8	19.1	4.8	(4.4)	51,891	56,233	48,864	51,929	56,112	64,961
36. Total liabilities	17.2	18.1	13.8	12.7	243,462	207,259	140,803	143,997	149,954	133,650
37. Shareholders' equity	20.8%	20.5%	18.2%	16.4%	$307,041	$211,424	$189,317	$180,367	$165,895	$143,634
38. Ratio: equity divided by long-term debt					5.92	3.76	3.87	3.47	2.96	2.21
39. Year-end leverage factor: assets divided by equity					1.80	1.98	1.74	1.80	1.90	1.93
Shareholders and shares										
40. Shareholders of record, year-end					5,928	5,144	5,415	4,620	5,147	4,750
41. Shares outstanding, year-end (thousands)[4&5]					36,248	33,333	32,555	32,555	32,555	32,555
Stock price range during year:										
42. High (adjusted for stock splits)[4&5]					$32.75	$22.35	$11.36	$ 9.95	$ 8.20	$10.40
43. Low (adjusted for stock splits)[4&5]					18.45	7.65	6.30	5.35	6.50	6.60
44. High (historic unadjusted)					40¼	37¼[11]	28⅜[10]	24⅞	20½	26
45. Low (historic unadjusted)					$ 20¼	$ 12¾[11]	$ 10½[10]	$ 13½	$ 16¼	$ 16½

See accompanying notes on page 80

FIFO supplemental information review

Fiscal years ended January 31 of following calendar year

	15.5-yr.[2] CGR	10.5-yr.[2] CGR	5-yr. CGR	1978[1]	1977	1976	1975	1974	1973
Stores and people									
1. Number of stores	15.2%	13.4%	13.6%	199	180	154	141	125	105
2. Number of employees	16.3	16.0	12.7	5,809	5,123	4,200	3,600	2,900	3,200
3. Customers served (thousands)	16.9	16.4	14.0	10,013	8,817	7,611	6,324	5,349	5,201
4. Average customer purchase				\$79.20	\$75.04	\$68.25	\$61.40	\$64.75	\$68.45
Comparative income statement (thousands)									
5. Total sales	21.4	22.1	17.4	793,125	661,625	519,395	388,254	346,343	355,999
6. Pre-tax earnings	22.1	21.2	15.0	54,331	48,554	38,430	24,483	26,255	26,999
7. Taxes on income	21.8	20.8	14.4	26,469	23,861	19,133	12,057	13,163	13,491
8. Net earnings	22.4	21.4	15.6	27,862	24,693	19,297	12,426	13,092	13,508
9. Cash flow[3]	23.6	22.2	17.1	36,576	31,437	24,851	17,020	16,835	16,640
10. Cash dividends paid	17.8	20.1	38.6	5,209	3,907	1,706	1,215	1,098	1,020
11. Earnings, minus dividends, reinvested	24.1	21.8	12.6	22,653	20,786	17,591	11,211	11,994	12,488
Dollars per share (nearest cent)[4,5,6]									
12. Sales	20.7	21.7	16.9	24.36	20.32	15.95	11.93	10.73	11.18
13. Earnings	21.9	21.6	15.4	.86	.76	.59	.38	.41	.42
14. Cash flow[3]	22.2	21.8	16.6	1.12	.97	.76	.52	.52	.52
15. Cash dividends paid	19.6	21.8	39.8	.16	.12	.05	.04	.03	.03
16. Earnings retained and reinvested	22.5	21.5	13.6	.70	.64	.54	.34	.39	.37
17. Shareholders' equity	21.7	22.1	19.5	4.41	3.75	3.12	2.58	2.24	1.81
Strategic profit model*									
18. Asset turnover (sales per asset dollar)				\$ 3.28	\$ 3.39	\$ 3.13	\$ 2.90	\$ 2.78	\$ 3.98
19. Return on sales (earnings as percent of sales)				× 3.51%	× 3.73%	× 3.72%	× 3.20%	× 3.78%	× 3.79%
20. Return on assets				= 11.49%	= 12.64%	= 11.64%	= 9.28%	= 10.51%	= 15.08%

21. Leverage factor (asset dollars per equity dollar)				× 1.98	× 1.92	× 1.98	× 1.85	× 2.16	× 2.03
22. Return on shareholders' equity				= 22.81%	= 24.27%	= 23.05%	= 17.17%	= 22.70%	= 30.61%
Comparative balance sheet (thousands)									
23. Current asset totals	18.6	20.1	17.1	$196,817	$176,640	$139,505	$117,383	$89,136	$89,517
24. Cash and short-term investments	8.3	8.1	57.5	9,362	10,947	735	1,968	3,780	967
25. Accounts receivable – net	18.2	17.8	18.5	66,836	61,468	45,876	35,467	23,779	28,564
26. Inventories (lower of cost or market)	21.0	24.0	15.0	119,714	102,918	91,976	79,159	60,623	59,571
27. Other current assets	24.5	27.9	33.8	1,782	1,307	918	790	955	415
28. Fixed assets	29.0	26.9	18.1	80,096	64,432	55,386	48,006	44,818	34,933
29. Other assets	7.4	5.8	34.0	371	453	414	420	146	86
30. Total assets	20.4	21.6	17.4	277,284	241,525	195,304	165,809	134,101	124,536
31. Current liabilities totals	15.7	15.6	14.9	68,689	68,076	50,863	49,338	29,108	34,332
32. Accounts payable	15.1	15.7	18.8	44,833	38,948	23,856	30,810	18,834	18,966
33. Income tax payable	5.1	(1.4)	(7.9)	2,329	8,753	4,875	3,851	3,961	3,522
34. Other current liabilities	21.8	22.7	12.7	21,527	20,375	22,132	14,677	6,313	11,844
35. Long-term debt	24.6	32.2	14.8	64,961	51,312	42,880	32,588	32,667	32,541
36. Total liabilities	18.7	20.8	14.9	133,650	119,388	93,743	81,926	61,775	66,873
37. Shareholders' equity	22.3%	22.5%	20.0%	$143,634	$122,137	$101,562	$83,883	$72,326	$57,663
38. Ratio: equity divided by long-term debt				2.21	2.38	2.37	2.57	2.21	1.77
39. Year-end leverage factor: assets divided by equity				1.93	1.98	1.92	1.98	1.85	2.16
Shareholders and shares									
40. Shareholders of record, year-end				4,750	4,688	4,110	3,686	3,335	3,718
41. Shares outstanding, year-end (thousands)[4&5]				32,555	32,555	32,555	32,555	32,293	31,855
Stock price range during year									
42. High (adjusted for stock splits)[4&5]				$ 10.40	$ 10.70	$ 13.20	$ 13.75	$ 13.87	$ 17.60
43. Low (adjusted for stock splits)[4&5]				6.60	7.80	9.50	7.74	5.07	9.60
44. High (historic unadjusted)				26	26¾	49½	50½	52	66
45. Low (historic unadjusted)				$ 16½	$ 19½	$ 23¾	$ 28	$ 19	$ 36

See accompanying notes on page 80.

FIFO supplemental information review

Fiscal years ended July 31 of calendar year.

	10-yr. CGR	5-yr. CGR	1973	1972	1971	1970	1969	1968
Stores and people								
1. Number of stores	16.3%	13.5%	100	86	75	64	58	53
2. Number of employees	19.5	21.9	3,296	2,630	2,071	1,670	1,450	1,223
3. Customers served (thousands)	18.2	18.3	4,717	3,820	3,194	2,729	2,290	2,034
4. Average customer purchase			$69.29	$61.40	$53.13	$47.09	$51.98	$47.70
Comparative income statement (thousands)								
5. Total sales	23.7	27.5	326,846	234,556	169,723	128,491	119,053	97,031
6. Pre-tax earnings	26.4	28.7	25,393	18,143	13,027	9,938	9,514	7,202
7. Taxes on income	26.2	28.5	12,665	9,022	6,479	5,068	4,906	3,609
8. Net earnings	26.6	28.8	12,728	9,121	6,548	4,870	4,608	3,593
9. Cash flow[3]	27.6	28.6	15,519	11,416	8,174	6,091	5,559	4,419
10. Cash dividends paid	9.5	6.1	1,017	946	907	844	780	756
11. Earnings, minus dividends, reinvested	30.9	32.8	11,711	8,174	5,641	4,026	3,828	2,837
Dollars per share (nearest cent)[4&5]								
12. Sales	22.8	27.2	10.27	7.40	5.38	4.07	3.78	3.08
13. Earnings	25.9	29.5	.40	.29	.21	.15	.15	.11
14. Cash flow[3]	25.6	28.5	.49	.36	.26	.19	.18	.14
15. Cash dividends	11.6	8.4	.03	.03	.03	.03	.02	.02
16. Earnings retained and reinvested	29.2	34.1	.39	.26	.18	.13	.12	.09
17. Shareholders' equity	22.7	24.7	1.63	1.25	.97	.79	.66	.54
Strategic profit model*								
18. Asset turnover (sales per asset dollar)			$ 3.65	$ 3.40	$ 3.43	$ 3.09	$ 3.37	$ 3.24
19. Return on sales (earnings as percent of sales)			× 3.89%	× 3.89%	× 3.86%	× 3.79%	× 3.87%	× 3.70%
20. Return on assets			= 14.22%	= 13.20%	= 13.25%	= 11.72%	= 13.03%	= 11.98%

21. Leverage factor (asset dollars per equity dollar)			× 2.28	× 2.26	× 1.99	× 1.99	× 2.08	× 2.15
22. Return on shareholders' equity			= 32.42%	= 29.81%	= 26.31%	= 23.34%	= 27.07%	= 25.76%
Comparative balance sheet (thousands)								
23. Current asset totals	21.3	27.5	$96,391	$70,110	$54,911	$38,878	$33,433	$28,617
24. Cash and short-term investments	11.1	13.7	7,859	7,802	6,304	4,658	4,640	4,129
25. Accounts receivable – net	22.4	25.9	37,603	27,440	20,944	14,887	14,559	11,880
26. Inventories (lower of cost or market)	23.3	32.3	50,639	34,475	27,332	19,040	14,183	12,475
27. Other current assets	17.3	16.9	290	393	331	293	51	133
28. Fixed assets	34.3	34.9	29,238	19,330	14,087	10,390	7,918	6,546
29. Other assets	(3.6)	(16.1)	85	45	88	148	209	205
30. Total assets	23.2	28.9	125,714	89,485	69,086	49,416	41,560	35,368
31. Current liabilities totals	22.8	30.2	55,694	40,217	31,198	21,212	18,505	14,911
32. Accounts payable	21.8	30.1	36,101	27,684	21,999	15,178	10,997	9,703
33. Income tax payable	16.8	13.4	5,073	5,086	4,293	2,833	3,380	2,706
34. Other current liabilities	30.5	42.1	14,520	7,447	4,906	3,201	4,128	2,502
35. Long-term debt	23.9	39.6	18,238	10,014	7,296	3,315	2,192	3,434
36. Total liabilities	23.0	32.1	73,932	50,231	38,494	24,527	20,697	18,346
37. Shareholders' equity	23.4%	24.9%	$51,782	$39,254	$30,592	$24,889	$20,863	$17,022
38. Ratio: equity divided by long-term debt			2.84	3.92	4.19	7.51	9.52	4.95
39. Year-end leverage factor: assets divided by equity			2.43	2.28	2.26	1.99	1.99	2.08
Shareholders and shares								
40. Shareholders of record, year-end			3,704	3,038	2,463	2,117	1,916	1,976
41. Shares outstanding, year-end (thousands)[4&5]			31,828	31,708	31,573	31,558	31,550	31,523
Stock price range during year[4&5]								
42. High (adjusted for stock splits)			$ 18.94	$ 17.70	$ 9.30	$ 4.63	$ 4.86	$ 3.36
43. Low (adjusted for stock splits)			12.27	8.00	3.33	2.47	2.93	1.55
44. High (historic unadjusted)			71	88½	69¾	69½	73	50½
45. Low (historic unadjusted)			$ 46	$ 48¾	$ 25	$ 18½	$ 44	$ 23¼

See accompanying notes on page 80

FIFO supplemental information review

Fiscal years ended July 31 of calendar year

	5-yr. CGR	1968	1967	1966	1965	1964	1963
Stores and people							
1. Number of stores	19.2%	53	44	39	35	28	22
2. Number of employees	17.1	1,223	1,017	891	762	636	555
3. Customers served (thousands)	18.2	2,034	1,755	1,636	1,284	1,141	883
4. Average customer purchase		$47.70	$43.14	$47.10	$44.44	$42.66	$44.20
Comparative income statement (thousands)							
5. Total sales	20.0	97,031	75,695	77,043	57,044	48,680	39,012
6. Pre-tax earnings	24.2	7,202	5,151	5,286	3,942	3,086	2,438
7. Taxes on income	24.0	3,609	2,381	2,496	1,896	1,518	1,233
8. Net earnings	24.4	3,593	2,770	2,790	2,046	1,568	1,205
9. Cash flow[3]	26.7	4,419	3,564	3,339	2,351	1,765	1,356
10. Cash dividends paid	13.0	756	661	616	519	460	411
11. Earnings, minus dividends, reinvested	29.0	2,837	2,109	2,174	1,527	1,108	794
Dollars per share (nearest cent)[4&5]							
12. Sales	18.5	3.08	2.45	2.50	1.87	1.63	1.32
13. Earnings	22.4	.11	.09	.09	.07	.05	.04
14. Cash flow[3]	22.9	.14	.12	.11	.08	.06	.05
15. Cash dividends	14.9	.02	.02	.02	.02	.02	.01
16. Earnings retained and reinvested	24.6	.09	.07	.07	.05	.04	.03
17. Shareholders' equity	20.8	.54	.45	.38	.31	.26	.21
Strategic profit model*							
18. Asset turnover (sales per asset dollar)		$ 3.24	$ 2.65	$ 3.34	$ 3.20	$ 3.11	$ 2.98
19. Return on sales (earnings as percent of sales)		× 3.70%	× 3.66%	× 3.62%	× 3.59%	× 3.22%	× 3.09%
20. Return on assets		= 11.98%	= 9.70%	= 12.09%	= 11.49%	= 10.03%	= 9.20%

21. Leverage factor (asset dollars per equity dollar)		× 2.15	× 2.42	× 2.43	× 2.31	× 2.47	× 2.31
22. Return on shareholders' equity		= 25.76%	= 23.49%	= 29.40%	= 26.55%	= 24.78%	= 21.28%
Comparative balance sheet (thousands)							
23. Current asset totals	15.4	$28,617	$24,164	$23,396	$19,187	$15,350	$13,976
24. Cash and short-term investments	8.6	4,129	4,814	3,024	3,801	3,374	2,735
25. Accounts receivable – net	19.0	11,880	9,675	9,310	7,165	5,586	4,968
26. Inventories (lower of cost or market)	15.0	12,475	9,532	10,931	8,156	6,337	6,214
27. Other current assets	17.7	133	143	131	65	53	59
28. Fixed assets	33.7	6,546	5,729	5,058	3,832	2,381	1,531
29. Other assets	10.8	205	99	105	77	73	123
30. Total assets	17.7	35,368	29,992	28,559	23,096	17,804	15,630
31. Current liabilities totals	15.9	14,911	12,503	13,630	11,213	7,454	7,123
32. Accounts payable	14.0	9,703	8,425	9,496	7,913	5,149	5,036
33. Income tax payable	20.3	2,706	2,177	2,182	1,671	1,142	1,073
34. Other current liabilities	19.8	2,502	1,901	1,952	1,629	1,163	1,014
35. Long-term debt	9.9	3,434	3,527	3,127	2,377	2,615	2,139
36. Total liabilities	14.5	18,346	16,033	16,765	13,606	10,097	9,304
37. Shareholders' equity	21.9%	$17,022	$13,959	$11,794	$9,490	$7,707	$6,326
38. Ratio: equity divided by long-term debt		4.95	3.95	3.77	3.99	2.95	2.95
39. Year-end leverage factor: assets divided by equity		2.08	2.15	2.42	2.43	2.31	2.47
Shareholders and shares							
40. Shareholders of record, year-end		1,976	2,154	1,985	1,871	1,967	2,034
41. Shares outstanding, year-end (thousands)[4&5]		31,523	30,938	30,793	30,458	29,798	29,640
Stock price range during year:							
42. High (adjusted for stock splits)[4&5]		$3.36	$1.55	$1.38	$1.02	$ .74	$ .42
43. Low (adjusted for stock splits)[4&5]		1.55	.69	.87	.63	.37	.30
44. High (historic unadjusted)		50½	23¼	41½	30½	22¼	12½
45. Low (historic unadjusted)		$23¼	$10⅜	$ 16	$18⅞	$11⅛	$ 9

See accompanying notes on page 80.

Explanatory notes to FIFO review

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

[2] Compound Growth Rates are for 20.5, 15.5 and 10.5 years due to the change of official year-end from July 31 to January 31.

[3] Cash flow (funds from operations) is defined as the total of net earnings plus depreciation and deferred income taxes.

[4] Number of shares has been adjusted to reflect stock split-ups and stock dividends as follows:
A stock dividend of 100%, (which had the net effect of a 2-for-1 stock split-up, and was effective April 5, 1966).
A 2-for-1 stock split-up, effective November 18, 1969.
A stock dividend of 50%, (which had the net effect of a 3-for-2 stock split-up, and was effective November 30, 1971; a stock dividend of 33⅓% (which had the net effect of a 4-for-3 stock split-up, and was effective July 25, 1972).
A stock dividend of 50% (which had the net effect of a 3-for-2 stock split-up, and was effective June 2, 1976).
A 3-for-2 stock split-up, effective November 2, 1981.
A 5-for-3 stock split-up effective April 29, 1983.

[5] Variation in the outstanding shares is the result of a Treasury Stock purchase in 1963, subsequent employee stock option transactions, and a stock issuance to the Employee Stock Ownership Plan (Note 7 of the Consolidated Financial Statements) of 778,018 common shares on February 1, 1982 and a public stock issuance (Note 8 of the Consolidated Financial Statements) of 2.917 million shares on Feb. 8, 1983.

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

Asset Turnover is affected by sales volume, by the cash-charge sales mix and by the composition and performance of left-side balance sheet factors. The amounts of assets allocated to inventory accounts receivable, and fixed assets, and the turnover rates of inventory and receivables, all affect Asset Turnover. For every $1.00 in assets at the beginning of Fiscal 1983, Lowe's achieved $3.42 in sales.

Return on Sales is the measurement of the efficiency of the sales organization. It is affected by sales volume, customer and product mix, and income statement factors—margin rates, fixed and variable expenses, and tax rates.

Fiscal 1983's return on sales was 3.74%. This multiplied by Asset Turnover, gives Return on Assets of 12.78%. This is the same as dividing Net Earnings by Beginning Assets, although totals vary due to rounding.

Leverage introduces "right-side" balance sheet factors, and measures equity dollars versus total asset dollars. For every $1.00 of Shareholders' Equity at the beginning of 1983, Lowe's had $.98 in Liabilities, thus financing $1.98 in Assets. This $1.98 leverage factor times the 12.78% Return on Assets gives Return on beginning Shareholders' Equity of 25.31%. Totals vary due to rounding.

Company officers

J. Ross Burgess, Jr.
Executive Vice President—Merchandising

Wade L. Dupree
Vice President—Real Estate

Richard D. Elledge
Vice President, Secretary and Controller

Clayton A. Griffing
Senior Vice President—Finance and Chief Financial Officer

Leonard G. Herring
President and Chief Executive Officer

Arnold N. Lakey
Vice President—Credit

William H. McElwee, Sr.
Managing Director and General Counsel

W. Nathan Mitchell
Assistant Secretary

Dwight E. Pardue, Sr.
Executive Vice President—Store Operations

William F. Reins
Assistant Treasurer

Robert L. Strickland
Chairman of the Board

Harry B. Underwood II
Vice President and Treasurer

John W. Vining, Jr.
Vice President—Administration

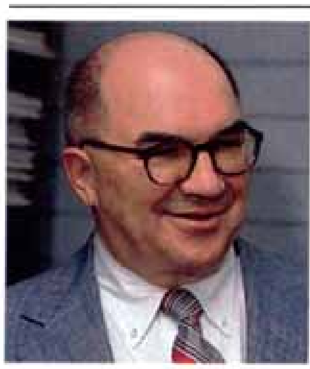
Directors

Gordon E. Cadwgan
Director since 1961, age 70
Chairman of Audit Committee and Member of Compensation Committee of the Board.

Trustee and Financial Consultant; affiliated with Tucker, Anthony & R. L. Day, Inc., Boston, Mass., since February, 1979; Director, Leach & Garner Company, Attleboro, Mass.; Vice President, Merrill Lynch, Pierce, Fenner & Smith, Inc., Boston, Mass., 1978-1979; Fellow Emeritus and Member, Investment Committee, Brown University, Providence, R.I.; Director, Bevis Industries, Inc., (tubing, rotary blowers, and pumps), Providence, R.I.

Leonard G. Herring
Director since 1956, age 56
President and Chief Executive Officer since 1978.

Director, Northwestern Financial Corporation, North Wilkesboro, N.C., since 1969; Trustee, Pfeiffer College, Misenheimer, N.C.; Member, Advisory Board, Duke University Hospital, Durham, N.C.; Member, Listed Company Advisory Committee to the New York Stock Exchange Board of Directors, New York, N.Y.



Petro Kulynych
Director since 1952, age 62
Managing Director 1978-1983 (retired Dec. 31, 1983).

Director, North Wilkesboro Federal Savings & Loan Association, North Wilkesboro, N.C., since 1974; Member, Medical Center Board of Visitors, Bowman Gray School of Medicine, Wake Forest University, North Carolina Baptist Hospital, Inc., Winston-Salem, N.C.; Trustee, Wake Forest University, Winston-Salem, N.C.

William H. McElwee, Sr.
Director since 1961, age 76
Managing Director and General Counsel since November, 1980; Senior Vice President and General Counsel 1972-1980; Member of Compensation Committee of the Board.

Partner, McElwee, McElwee, Cannon & Warden, (Attorneys-at-Law), North Wilkesboro, N.C.; Member of Local Board, North Carolina National Bank, North Wilkesboro, N.C.; Fellow, American College of Trial Lawyers, Los Angeles, Calif.

Robert G. Schwartz
Director since 1973, age 56
Chairman of Compensation Committee and Member of Audit Committee of the Board.

Metropolitan Life Insurance Co., New York, N.Y.; Chairman of the Board since 1983; Chairman of the Investment Committee since 1980; Vice Chairman of the Board and Director, 1980-1983; Executive Vice President, 1979-1980; Director, Potlatch Corp., (paper and forest products), San Francisco, Calif., since 1973; Director, Kaiser Cement Corp., (cement), Oakland, Calif., since 1977; Director, NL Industries, Inc., (petroleum services, chemicals, metals), New York, N.Y., since 1980; Director, R.H. Macy & Co., Inc., (department stores), New York, N.Y. since 1982; Director, State Street Research and Management Co., Boston, Mass., since 1983; Chairman, Investment Advisory Committee, Christopher's, Inc., New York, N.Y.

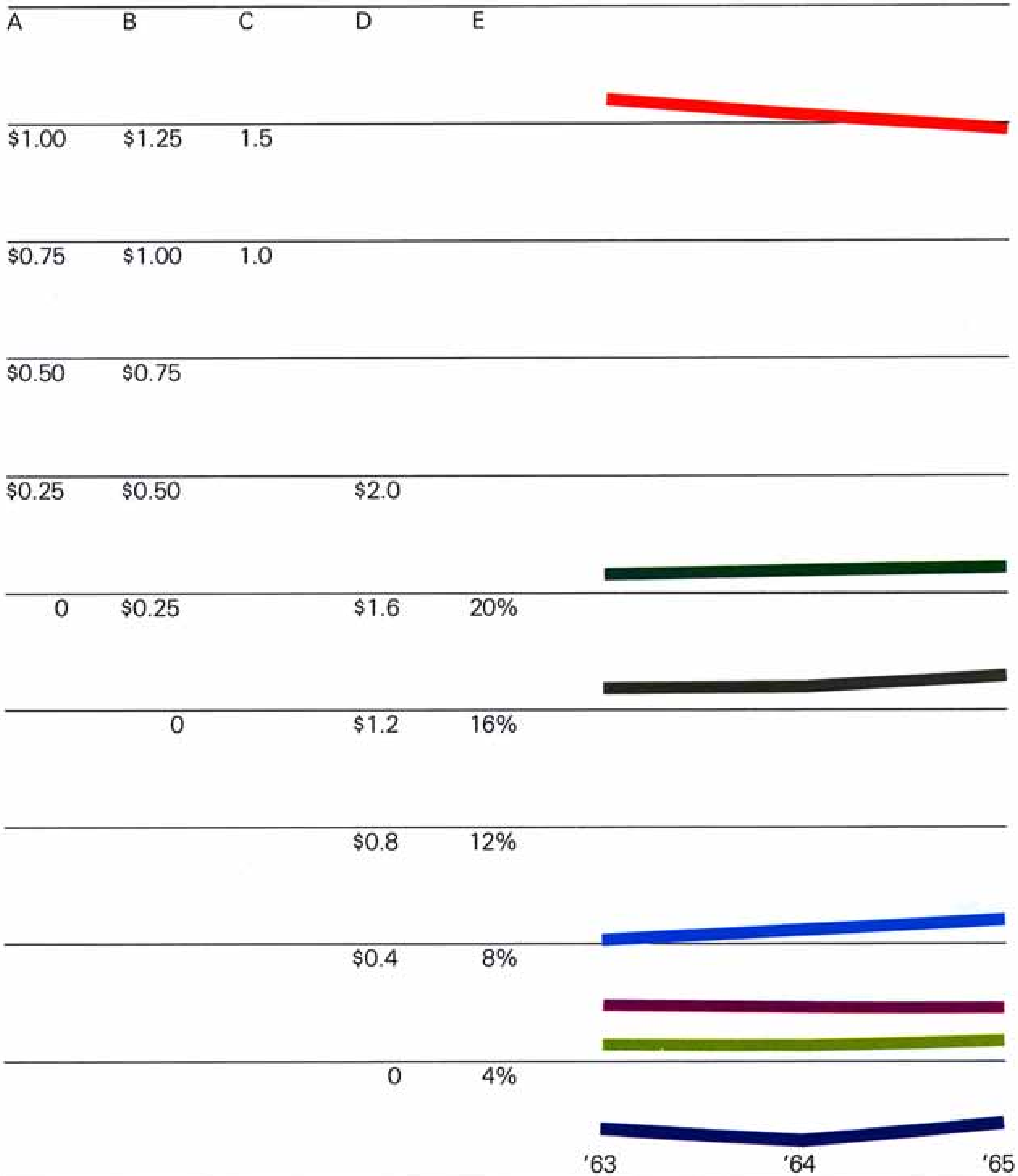
Robert L. Strickland
Director since 1961, age 53
Chairman of the Board since 1978.

Director, Revelstoke Companies, Ltd., (lumber mills, retail building materials and ready-mix concrete plants), Calgary, Alberta, Canada, since 1976; Director and past President, Do-It-Yourself Research Institute, Indianapolis, Ind.; Director, The Home Center Institute, Indianapolis, Ind.; President, The Employee Stock Ownership Assn., Washington, D.C.; Director, Council of Better Business Bureaus, Inc., Washington, D.C.; Director, The Committee of Publicly Owned Companies, New York, N.Y.; Trustee, Babcock School of Management, Wake Forest University, Winston-Salem, N.C.

John A. Walker
Director since 1961, age 61
Member of Audit Committee of the Board; Managing Director 1978-1980.

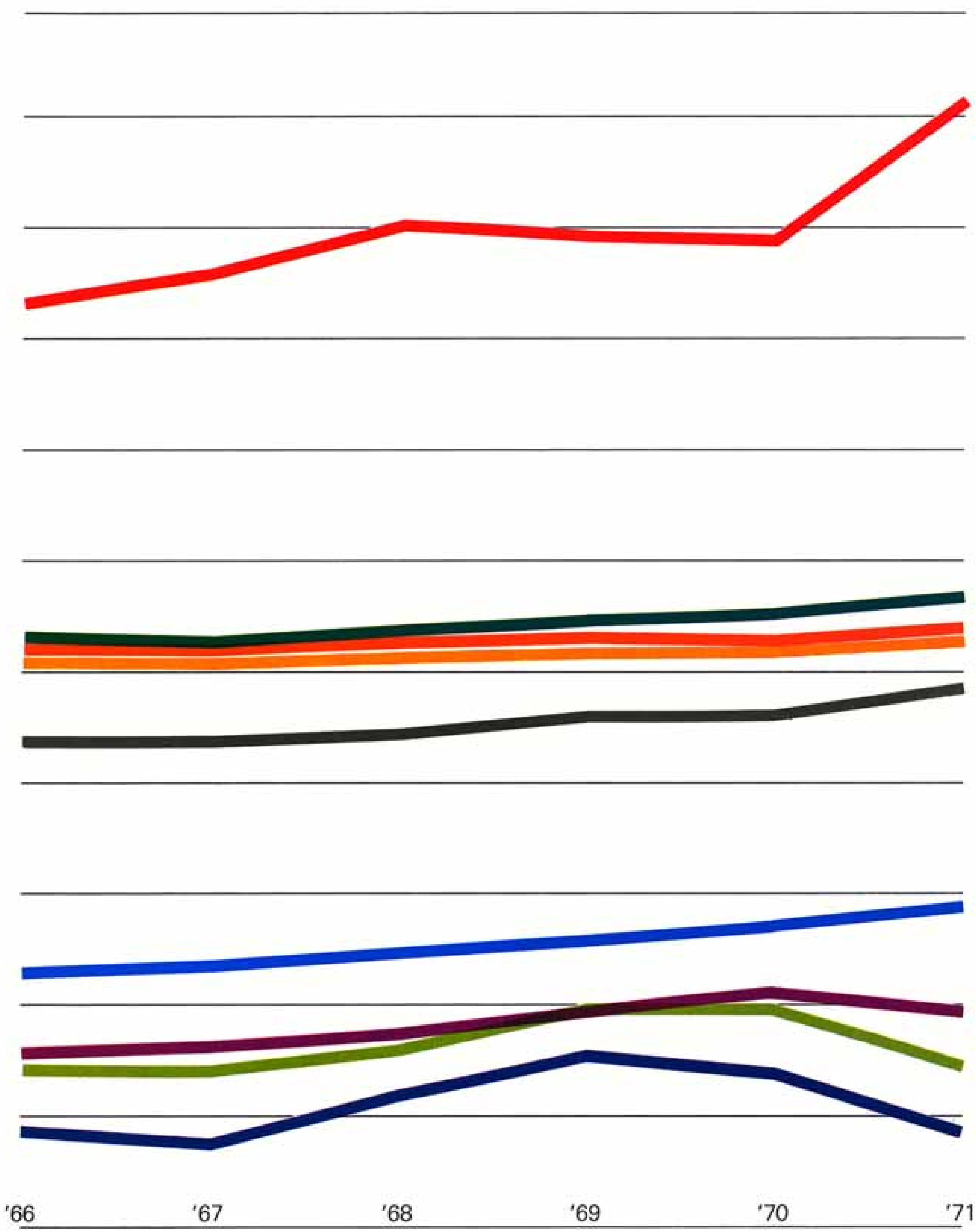
Director, Brad Ragan, Inc., (tire retailer), Spruce Pine, N.C., since 1972; Trustee, First Carolina Investors, Charlotte, N.C., since 1971; Member, Board of Visitors, Davidson College, Davidson, N.C.; Member, Board of Visitors, Appalachian State University, Boone, N.C.

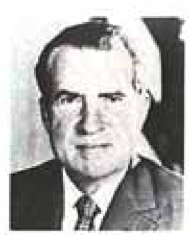
21-year review of economic indicators and Lowe's performance



- Housing starts (scale C, millions)[1]
- Total sales (scale A, billions)[2]
- Professional sales (scale A, billions)[2]
- Retail sales (scale A, billions)[2]
- EPS (scale B, dollars per share)[2,3]
- DPI (scale D, trillions)[1]
- Conventional mortgage rate (scale E)[1]
- Prime rate (scale E)[1]
- Inflation rate (scale E)[1]

15,000 U.S. troops in Vietnam

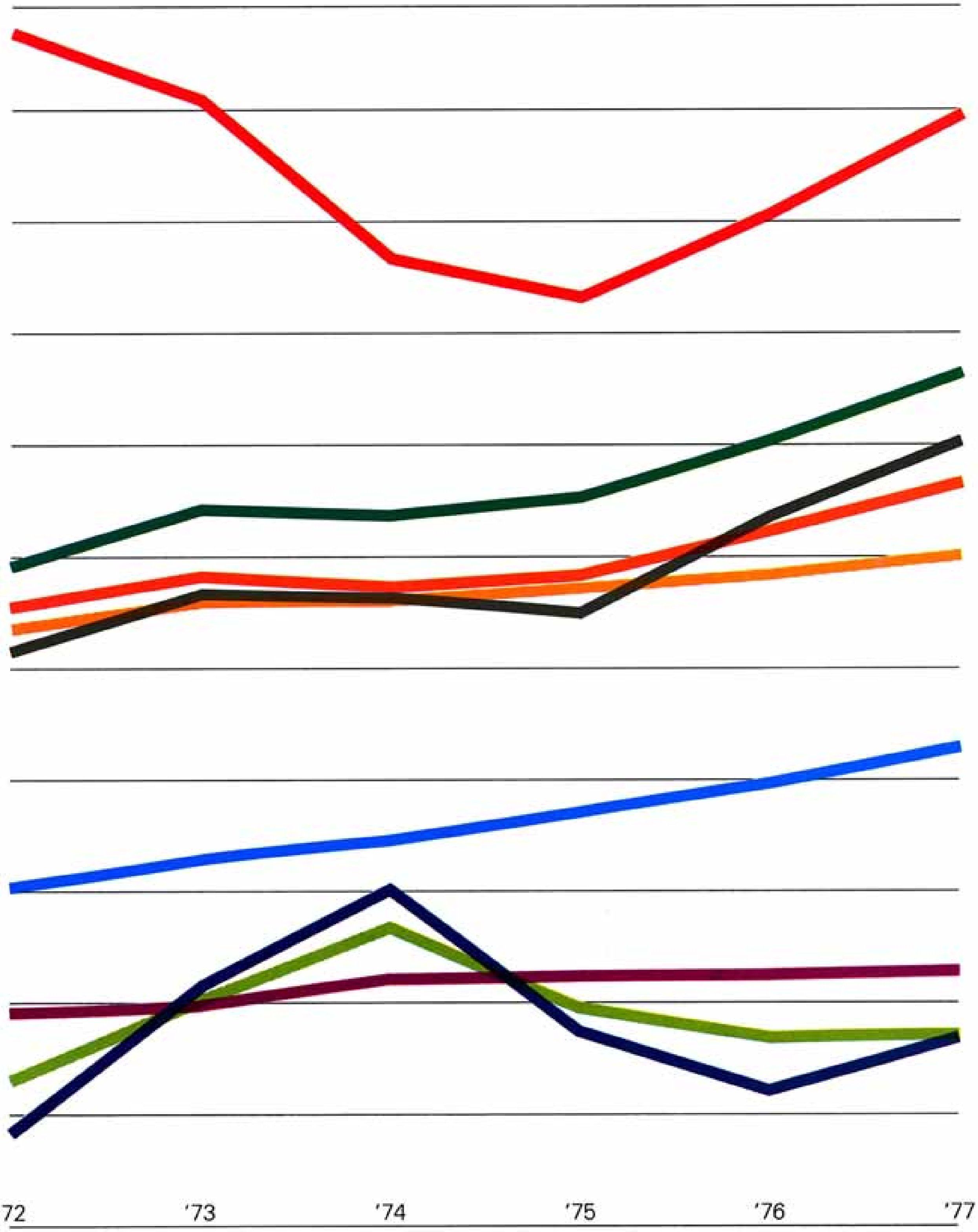




475,000 U.S. troops in Vietnam

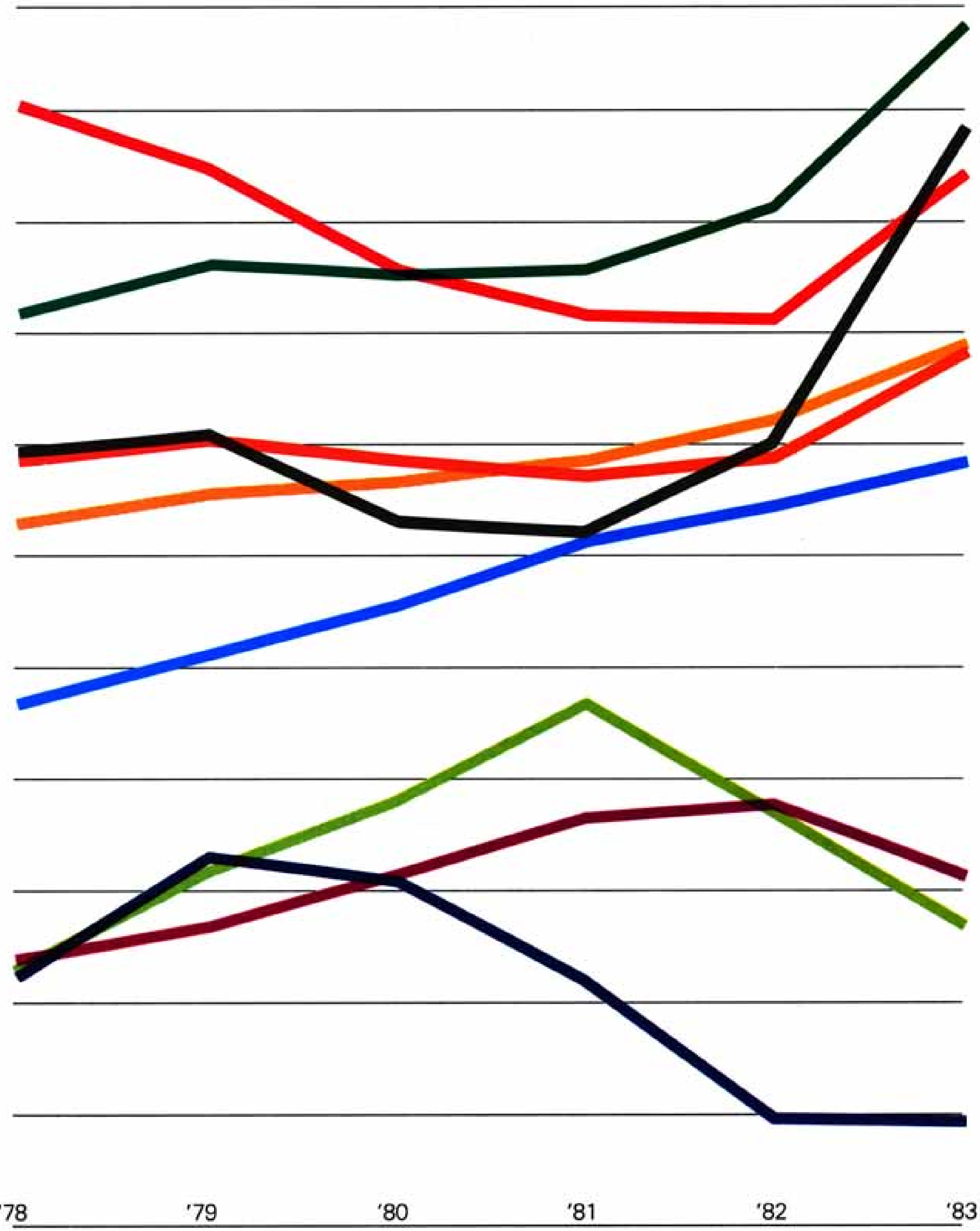
'Tet' offensive in Vietnam

Nixon imposes wage and price controls



- Housing starts (scale C, millions)[1]
- Total sales (scale A, billions)[2]
- Professional sales (scale A, billions)[2]
- Retail sales (scale A, billions)[2]
- EPS (scale B, dollars per share)[2,3]
- DPI (scale D, trillions)[1]
- Conventional mortgage rate (scale E)[1]
- Prime rate (scale E)[1]
- Inflation rate (scale E)[1]

Nixon resigns



Iranians seize U.S. embassy

Massive tax cuts passed

Lowe's begins RSVP

[1] Calendar year
[2] '72 and before, years end July 31. After '72, years end January 31 of following calendar year.
[3] '78 to present are LIFO. '77 and before are FIFO.
Source: *Economic Indicators,* Bureau of Labor Statistics, Board of Governors of the Federal Reserve System, Federal Home Loan Bank Board.

Shareholders survey

Which sections of the January 31, 1983 annual report did you read?	
All of the report	63%
Letter to shareholders	30
Performance review	29
Departmental articles	14
Essay on retailing	13
Shareholder census & survey	16
Financial report	30
21-year financial review	22
Other	3%

Ratings of the quality of the annual report sections (10-point scale) 10 = outstanding:	
All of the report	8.45
Letter to shareholders	7.95
Performance review	8.27
Departmental articles	7.71
Essay on retailing	7.82
Shareholder census & survey	7.97
Financial report	8.48
21-year financial review	8.66
Other	8.52

Rating of the usefulness of sections of the annual report (10-point scale):	
All of the report	8.33
Letter to shareholders	7.93
Performance review	8.50
Departmental articles	7.48
Essay on retailing	6.81
Shareholder census & survey	7.03
Financial report	8.88
21-year financial review	8.45
Other	7.51

Overall report rating on 10-point scale:	
The overall report	8.10

Status of respondent as a shareholder:	
Yes	47%
No	53%

As a present or potential shareholder what is or would be your primary reason for holding or buying Lowe's stock?	
Long-term profit on original investment or for capital appreciation	55%
Dividend income	1
Both capital appreciation and dividend income	42
Other	1%

Do you agree that the growth rate of dividends is the most important criterion in investing?	
Yes	54%
No	46%

How did you first become aware of Lowe's?	
Through my stockbroker	10%
Through a Lowe's employee or store	15
Through a Lowe's stockholder	6
By reading previous annual reports	15
Newspaper or magazine articles	20%
Investment publications	24%
This is my first exposure to Lowe's	7
Other	14%

From which of the following groups does your primary interest in Lowe's stem?	
Security analyst	8%
Financial advisor	10
Employee	7
Individual investor	51
Stockbroker	7
Trade media	3
Investment club	8
Financial media	6
Financial institutions	1
Supplier	4
Other	6%

Are you a male or female?	
Male	87%
Female	13%

In which age group would you be listed?	
Under 25	4%
25-34	18
35-44	21
45-54	19
55-64	21
65 years and older	18%

Which of the following most closely describes your present occupation?	
Professional/executive	53%
Skilled trade or factory worker	3
Manager/supervisor	8
Secretarial/clerical	2
Accounting/finance	8
Retired	18
Other	9%

Shareholder analysis

State	Holders	Shares
Alabama*	117	16,140
Alaska	5	1,380
Arizona	16	2,480
Arkansas*	20	2,174
California	84	283,354
Colorado	11	2,364
Connecticut	54	42,272
Delaware*	42	16,427
District of Columbia	16	6,817
Florida*	171	119,331
Georgia*	221	119,418
Hawaii	3	486
Idaho	1	500
Illinois*	90	918,044
Indiana*	45	24,861
Iowa	8	7,898
Kansas	8	2,460
Kentucky*	83	22,410
Louisiana*	81	8,319
Maine	14	5,225
Maryland*	130	80,032
Massachusetts	95	192,552
Michigan	43	15,572
Minnesota	19	25,069
Mississippi*	76	18,115
Missouri	38	35,606
Montana	3	3,231
Nebraska	6	36,403
Nevada	—	—
New Hampshire	8	3,312
New Jersey	98	48,275
New Mexico	3	1,194
New York	175	19,595,789
North Carolina*	2,632	4,111,757

North Dakota	—	—
Ohio*	101	48,386
Oklahoma	9	8,472
Oregon	7	384
Pennsylvania	120	435,857
Rhode Island	79	161,834
South Carolina*	291	124,913
South Dakota	1	1
Tennessee*	218	106,926
Texas*	76	34,502
Utah	2	175
Vermont	5	24,803
Virginia*	452	462,974
Washington	8	1,388
West Virginia*	74	38,070
Wisconsin	21	5,992
Wyoming	—	—
Canada	21	102,414
International**	27	133,631
	5,928	**27,459,989**
Employees in profit-sharing trust***	1,698	3,323,880
Employees in stock ownership plan & trust***	6,092	5,464,606
Total	**13,718**	**36,248,475**

Source: Lowe's corporate records

*Indicates state with Lowe's store.

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

***In computing total shareholders of record, the two trusts are counted as one shareholder each, one in the North Carolina 2,632, andone in the New York 175. Also, the total holders figure has been adjusted for employees who are members of both plans.

Investor information

Dividend declaration dates

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

Dividend payment dates

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

Dividend disbursing agent

Wachovia Bank & Trust Co., NA
Box 3001
Winston-Salem, NC 27150
Information contact:
Vicki Decker
919 748 6190

Dividend reinvesting agent

Wachovia Bank & Trust Co., NA
Box 3001
Winston-Salem, NC 27150
Information contact:
Deborah Hawkins
919 748 6000

Dividend policy

Lowe's has paid a cash dividend each quarter since becoming a public company in 1961 and has paid 91 consecutive quarterly dividends.

Lowe's telephone

919 667 3111
919 651 4000*

Lowe's telex

510 922 5737

Lowe's mailing address

Box 1111
North Wilkesboro, NC 28656

Lowe's street address

State Highway 268 East (Elkin Highway)
North Wilkesboro, NC 28659

Shareholder services

Shareholders and security analysts inquiries should be directed to:
William F. Brantley or
919 651 4631*
Henry C. Roemer
919 651 4254*

Lowe's Companies, Inc.
Box 1111
North Wilkesboro, NC 28656
919 667 3111
919 651 4000*
Telex 510 922 5737

*Effective June 8, 1984

Stock transfer agents

Wachovia Bank & Trust Co., NA
Box 3001
Winston-Salem, NC 27150
Information contact:
Victor Winterflood
919 748 6447

Morgan Guaranty Trust Co.
30 West Broadway
New York, NY 10015
Information contact:
Norman Laurens
212 587 6351

Stock registrars

Wachovia Bank & Trust Co., NA
Box 3001
Winston-Salem, NC 27150

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, NY 10005

Lowe's common stock

Ticker symbol: LOW
Listed:
New York Stock Exchange
20 Broad Street
New York, NY 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, Calif. 94104

The Stock Exchange (London)
Old Broad Street
London, EC2N 1HP England

General counsel

McElwee, McElwee, Cannon & Warden
906 B Street Rear
North Wilkesboro, NC 28659
919 838 1111

Certified public accountants

Deloitte Haskins & Sells
Box 759
Lenoir, NC 28645
704 754 2401

Disclosure policy

Lowe's Companies, Inc., for more than 22 years, has maintained a policy of complete and free disclosure of all information needed by investors to determine whether they should buy, sell or hold Lowe's stock. The company desires and intends not only to meet the letter but the spirit of laws, regulations and rules. It follows and—in some cases—leads good practice and custom. The company seeks new and fresh ways of presenting financial and other information about itself to better inform the investor.

Your comments are always welcome.

Credits

Primary: All Lowe's People

Concept, Theme and Content: Bill Brantley and Bob Strickland

Design: David F. Hake and Eliot Bergman, Bergman Hake Design

Writer: Bill Brantley

Data collection and analysis: Henry C. Roemer and John R. Brantley

Manuscript typing and word processing: Pat Anderson

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The Grammar Hotline at Illinois State University, Normal, Ill. Telephone: 303 438 2345

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Bergman Hake Design, New York

Lowe's Companies, Inc.
Box 1111
North Wilkesboro, NC 28656
919 651 4000

10. Are you a male ____ or a female ____?

11. In what age group would you be listed?

____Under 30
____30-40
____41-50
____51-65
____Over 65

12. Please check the line which most closely describes your present Occupation.

____ Executive, Administrator, Manager
____ Handler, Helper, Laborer
____ Protective service
____ Precision production
____ Technician or related support
____ Sales occupation
____ Administrative support/clerical
____ Machine operator, assembler or inspector
____ Transportation and material moving occupations
____ Professional specialty/Doctor, Lawyer, etc.

Thanks again for reading the '83 Lowe's Report and especially for answering these questions. Be sure to include your name and mailing address if you have questions.

Thank you.

Your name ______________________________

Your address ______________________________

City ______________ State ________ Zip ________

No Postage Necessary if Mailed in the United States

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Lowe's Companies Inc.
Box 1111
North Wilkesboro, NC 28659

Attention: Investor Relations Department

Lowe's 18th Annual Shareholder Survey

Dear Investor:

Thanks for reading the Lowe's 1983 Annual Report. Please take a few minutes to tell us what you thought of it by completing the following questions. Your opinions are important to us and help us to continue to improve our ability to serve you.

When you've completed the survey please drop it in the mail and return it to us. Postage is prepaid!

1. When reading Annual Reports, different people have different information needs. *Check all the sections of this report you read* by marking the line next to those sections.

____ All of the report
____ Letter to Investors
____ Investor's Review
____ Facts & Figures
____ Terms Defined
____ Which Way
____ Why Invest
____ Map

2. Next we'd like you to rate the quality of the Annual Report sections you read. When making your judgments please consider the *overall quality, understandability and readability* of the sections you read.

	Low				**High**
All the report	1	2	3	4	5
Letter to Investors	1	2	3	4	5
Investor's Review	1	2	3	4	5
Facts & Figures	1	2	3	4	5
Terms Defined	1	2	3	4	5
Which Way	1	2	3	4	5
Why Invest	1	2	3	4	5
Map	1	2	3	4	5

Summing it up

3. In general and all things considered, please rate the overall Lowe's 1983 Annual Report by circling the number below which best describes your overall impression.

Overall, I feel the 1983 Annual Report is a

1 2 3 4 5

Now we'd like to ask a few questions about you. This information will be invaluable as we begin to analyze the answers you have given us to the previous questions and will allow us to more effectively respond to your informational needs.

4. Are you currently a Lowe's shareholder?

____Yes ____No

5. As a present or potential shareholder what is or would be your primary reason for holding or buying Lowe's stock.

____ Long term profit on original investment or for capital appreciation
____ Dividend Income
____ Both Capital Appreciation and Dividend Income
____ Other (please state) ____________________

6. When you say that you own Lowe's does that mean you as an individual or you as the organization with which you are associated? Please check the box below that best describes your ownership interest in Lowe's.

____ I personally own the stock in my own name and have the certificates
____ I personally own the stock through—and the certificates are in—an employee stock plan
____ I personally own the stock but my broker keeps the certificates
____ The company I am associated with owns Lowe's stock and I am the analyst following the company.
____ The company I am associated with owns Lowe's stock and I am a money manager in the company.

7. Do you agree that the growth rate of dividends is the most important dividend criterion?

____Yes ____No

8. How did you first become aware of Lowe's?

____ Through my stockbroker
____ Through a Lowe's employee or store
____ Through a Lowe's shareholder
____ By reading previous Annual Reports
____ Newspaper or Magazine article
____ Investment publication
____ This is my first exposure to Lowe's
____ Other____________________

9. From which of the following groups does your interest in Lowe's stem?

____ Security Analyst
____ Financial Advisor
____ Employee
____ Individual Investor
____ Stockbroker
____ Trade Media
____ Investment Club
____ Financial Media
____ Financial Institution
____ Supplier
____ Other____________________