

LOWE'S

*This report marks Lowe's thirtieth
year as a public company.
History is prologue. We go forward
boldly, confident of good results.*

1991 Annual Report

Financial Highlights

	Change	Fiscal 1991	Fiscal 1990
Sales	+ 8%	\$3,056,247,000	\$2,833,108,000
Gross Margin	+ 5	735,258,000	702,680,000
Total Expenses*	+ 21	730,307,000	602,429,000
Store Restructuring		71,288,000	0
Net Earnings	(91%)	6,487,000	71,087,000
Per Share:			
Earnings		.18	1.91
Cash Dividends	+ 6	.55	.52
Year-End Share Price	+ 61%	\$41.00	\$25.50
As of January 31, 1992			
Shareholders of Record		6,216	6,261
Total Number of Employees		18,368	15,556
Shares Outstanding (Weighted Average)		36,513,000	37,214,000

* Includes store restructuring charge

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Dear Shareholders,

The motto of North Carolina is "Esse quam videri" — that is, "To be, rather than to seem." Since Lowe's roots radiate from the Tarheel state, we feel entitled to borrow the motto and offer it to shareholders and other friends as the key to understanding Lowe's 1991 fiscal year.

We were tremendously successful in 1991, in spite of some semblances (notably, our reported net earnings) to the contrary. We reached new highs in sales volume and cash dividends paid, and we decided to accelerate the pace of Lowe's transformation into a chain of big stores that not only seem to be, but truly are, destination home centers for the Nineties.

For several years we have been making incremental progress along a learning curve of store design and merchandising strategy. In 1991, everything that we had learned crystallized into a conviction: this decade's most successful retailers will serve their customers with product assortments that are not merely convenient or competitive, but actually dominant in their markets. Dominant assortments cannot be displayed on small sales floors, or even in stores that seemed large to us just eight years ago, when the average Lowe's store was 11,000 square feet and we thought that 30,000 should do the job.

The 31 stores in our "Class of '89" completed their first full year of comparable sales in 1991. During each of the four quarters, they beat our overall chain average by more than 20% in sales dollars per store, and by more than 40% in operating profit per store. As a group, they outperform the chain in retail sales as a percentage of the total sales mix; in gross margin as a percent of sales; and in operating profit as a percent of sales. In 1992, for comparable reporting this stellar group will be joined by 17 big stores which opened in 1990.

In January, 1992, we made an unprecedented financial commitment to big stores, restructuring to expedite the conversion of nearly half our chain into big stores over the next four years. Combined with other new growth, this decisive action will confirm Lowe's as the store of choice for home center customers in our markets. "Esse quam videri" — or, to put a Nineties spin on it, "If you're gonna talk the talk, you gotta walk the walk."

Sales And Mix

Lowe's sales were up 8% in 1991, surpassing the \$3 billion mark for the first time. Retail customers accounted for 69% of total sales, while contractor customers provided 31%.

Our retail sales have two business components: home center (Do-It-Yourself) and consumer durables. In 1991, home center sales increased 15%. Consumer durables sales increased 6% for the year, due mainly to growth in revenue from consumer electronics.

Contractor sales declined 2%, reflecting decreases in sales of lumber and building commodities. However, although housing starts dropped to their lowest levels since the end of World War II, Lowe's sales per start actually increased. We believe that 1.2 million is a reasonable level of expectation for housing starts in 1992.

Gross Margin Comments



Robert L. Strickland

During the year we began serious implementation of Everyday Competitive Pricing (ECP), which slightly affected our margin. Simultaneously we reassorted our product offerings, which gave customers the opportunity to upgrade from basic merchandise to mid-range and premium products. Our customers responded with sales increases.

Recognizing that inventory should always lead our sales curve and not trail it, we made a commitment to better inventory management. In 1991 we began our Quick Response program, which provides for an expanded distribution system to serve our stores better. As part of Quick Response, we are also implementing Electronic Data Interchange (EDI) with some of our best vendors, enabling them to help keep our stores in stock. In the future, EDI will revolutionize inventory management. Meanwhile, we expect to profit from our investment in improved distribution.

Another factor affecting our margin was a \$6 million LIFO charge, attributable to price increases as demand picked up during the fourth quarter. Readers who would like to compare our cash flow with that of companies which report on a FIFO basis may wish to refer to the Cash Flow section of our Management Discussion and Analysis.

Transformation And Expansion

Our restructuring decision embraces a documented plan to relocate 123 of our small stores into new large prototypes within four years. Also, 25 store locations were identified as subject to future consolidation or closing.

We completed nine of those 123 relocation projects by the end of fiscal 1991, and we will finish 31 more in 1992. That will leave 83 stores to relocate by the end of 1995. We have the financial capacity and the human resources to deliver those projects, and more. We have set ourselves the goal of expanding our sales floor square footage by 20% every year through 1995, so that by the end of that year we will have more than doubled our present eight million square feet. This is not the incremental growth of more tentative years; this is a transformation.

Financial Capacity

Lowe's balance sheet remains in conservative posture, with a low debt-to-capital ratio. In 1991, commercial paper and short-term borrowings were our primary external sources of

cash. Attractive interest rates made short-term debt the vehicle of choice; we have the flexibility to boost short-term financing as necessary. A group of banks has agreed to provide up to \$100 million in short-term cash with interest at either the prime rate or the bank transaction rate (whichever is lower). Several banks have extended lines of credit aggregating \$315 million for potential documentary letters of credit or other short-term borrowings.

At the end of fiscal 1991, Lowe's long-term debt totalled \$114 million, or roughly 15% of total capital. This reflects the retirement of \$30 million in 12.75% notes on December 23, 1991, and is our lowest level of long-term debt since 1984. For 1992, we are planning a medium-term note program. We expect long-term debt to be about \$185 million by the end of fiscal 1992. This assumes the prepayment of \$28 million in public notes and \$18 million in other current maturities.

We paid record dividends of \$.55 per share in 1991, for a total of \$20 million. We have paid 122 consecutive quarterly dividends. For further discussion of Lowe's stock as an investment during our three decades as a public company, we refer you to comments on page 6 by Gordon Cadwgan, one of our founding directors who helped take the company public in 1961.



Leonard G. Herring

Playing To Our Strong Suits

Lowe's market research confirms what trend analysts have been predicting: current social and economic conditions favor a turn to traditional values centered on the home. Diamonds and Clubs (luxury and nightlife) are out; Hearts and Spades (family and tending one's own garden) are in. It's a new deal for the new decade, and Lowe's holds a winning hand.

30 Words On 30 Years

This report marks Lowe's thirtieth year as a public company. We deeply appreciate our partners, and your outstanding contributions. The destiny of Lowe's beckons. The best is yet to come!

Cordial good wishes,

Handwritten signature of Robert L. Strickland in black ink.

Robert L. Strickland
Chairman of the Board

Handwritten signature of Leonard G. Herring in black ink.

Leonard G. Herring
President and
Chief Executive Officer

North Wilkesboro, NC





Enduring Assets: Lowe's Directors

Throughout Lowe's history, we have been fortunate in our directors. Their leadership guided and strengthened Lowe's in its early years, and during our three decades as a public company we have relied on their unique experience in the realms of retailing and finance.

As we move forward with Lowe's big store transformation, we would like to salute our Board of Directors and share some of their insights about the future.



Petro Kulynych, Founding Director

"Lowe's founder, Carl Buchan, had an idea that was already germinating when I joined the company not long after the second World War. The idea was to sell quality building supplies and home appliances directly to the consumer, shortening the distance between the manufacturer and the ultimate user. We would sell in high volume, so that with good cost controls we could keep prices and margins low and still realize a profit. The strategy was known as 'DTU,' for Direct To User, and it caused more than one struggle with our suppliers.

"Carl Buchan instilled the belief that Lowe's success would be shared not only by management but by all Lowe's employees. He wanted Lowe's employees to be owners of the company. That's how Lowe's went public thirty years ago: the profit-sharing plan bought the company from Carl Buchan's estate.

"Although I retired in 1983, I'm still around. Long-time employees and friends of Lowe's still know where to find me. I'm still doing whatever I can to make sure that Lowe's continues to grow, so that employees today will enjoy as bright a future with the company as I have had."

Pete Kulynych, with an old Lowe's ledger under his arm, remembers the original store on C Street in North Wilkesboro.



Gordon E. Cadwgan, Trustee and Financial Consultant
affiliated with Tucker, Anthony, Inc. of Boston, Massachusetts

"If you look back over the last three decades, you'll find that one hundred shares of Lowe's stock, which cost \$1,225 in October 1961, would have become 3,000 shares by April 1992 and would be worth roughly \$119,000. If dividends were reinvested, as is customary in such well-known averages as the S&P 500, then the original investment would now be worth about \$135,000 (based on an assumed average dividend rate of 1.25% per year).

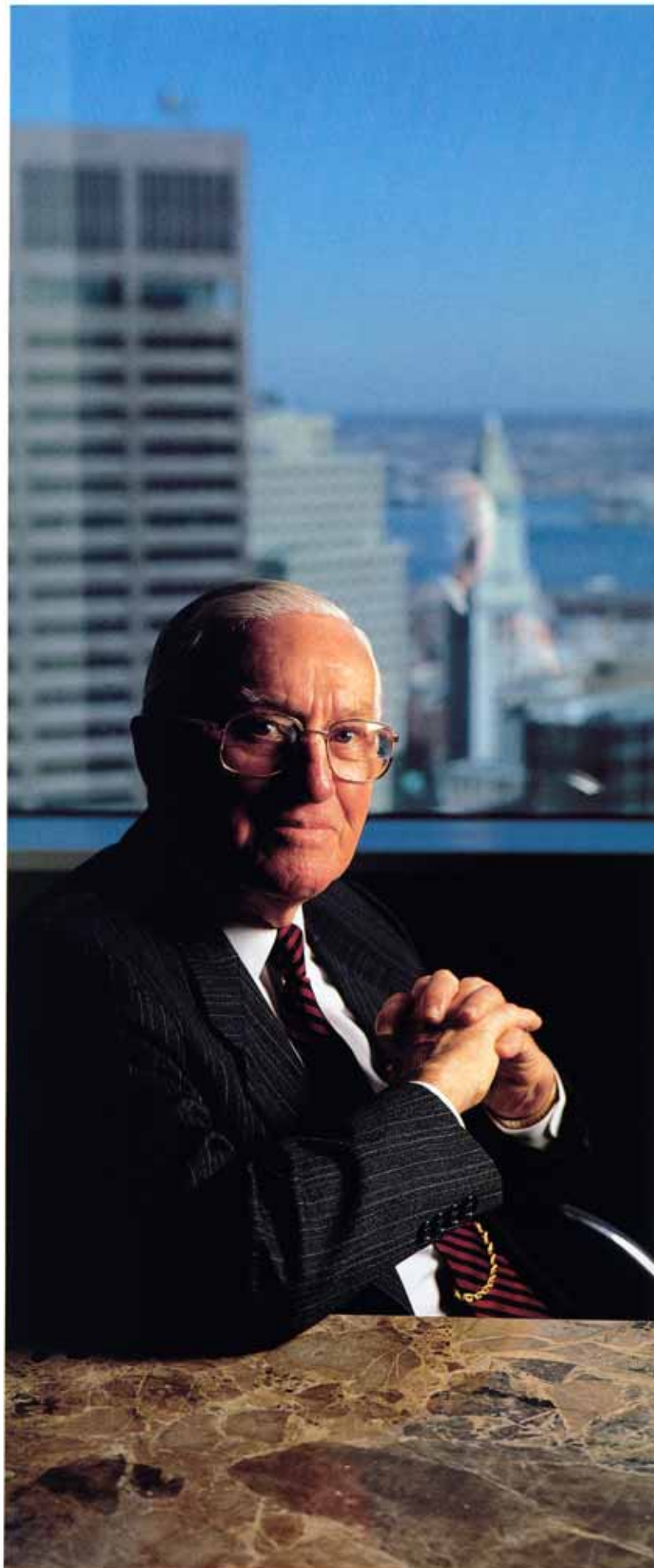
"Investors always want to know 'What is my rate of return?' If we take into account only the principal, the compound rate of return for the Lowe's shareholder over the last thirty years has been more than 16% per year. With dividends included, the rate rises above 17%. Now, how does that compare with other investment opportunities?

"Over many years, the S&P 500 Index yielded between 10% and 11% return on investment. In the 'golden decade' of the Eighties, it reached an average of 16%. Conclusion: Lowe's is a classic example of a wise investment. In 1961 it was a financially sound, well-managed company in an essential business, capable of sustained growth without resorting to excessive debt or dilution of the equity. That description is, if anything, even truer now than in 1961.

"During the Eighties, Lowe's accomplished a successful transition to its current identity as a major home center retailer. The last few years have been a period of capital investment to make Lowe's a chain of larger stores. However, the company didn't want its earnings continually distorted by the ongoing cost of this growth. The best way to forestall that was to set up a \$71.3 million charge directly against 1991's fourth quarter earnings. The consensus in the stock market has been that this kind of restructuring is an intelligent thing to do.

"In order to enjoy and be successful in the investment business, you have to be an optimist. Through the years, Lowe's has justified the optimism of its investors. My advice to Lowe's shareholders is to 'stick with it.'"

Gordon Cadwgan contemplates the investment landscape from an office above Boston's financial district.





Robert G. Schwartz, Chairman of the Board,
Metropolitan Life Insurance Company

“The great boom in consumption during the 1980’s led to overstocking in many retail sectors, which means that marginal retailers will fall by the wayside now that the pressure is on. Times have changed. Money is tighter, and people are doing less impulse buying. They are planning for purchases, and when they go into a store they want to see a broad range of products so they can consider all their options.

“I think Lowe’s will thrive in this competitive climate. Lowe’s has evolved from drop shipment of building supplies by the railroad tracks into a chain of first-class stores in great retail locations, all within one generation of management. This means that Lowe’s has enjoyed growth with stability: there has always been a game plan and a coherent strategy to see the company through major changes, such as the change to a retail customer base and the ongoing change into a chain of big stores.

“I attribute a lot of Lowe’s success to the company’s roots in western North Carolina. Through my years on the board, I’ve taken pleasure in the sense of tradition and the basic values held by the people in Lowe’s heartland. They have what everybody is looking for in the Nineties: someplace to belong, something to contribute. Like Lowe’s people, companies that are well grounded will be best prepared to respond to the changes that this decade is bringing.”

Bob Schwartz in the Metropolitan Life boardroom.





Jack C. Shewmaker, International Corporate Consultant and Director of Wal-Mart Stores, Inc.

"I'm privileged to be able to travel, to visit stores on several continents and to see retailing developments around the world, judging which are the most promising. With that as background, I'm convinced that Lowe's large-store format is responding better than ever to modern customers and their needs.

"Today's customers are smarter, more demanding, and more selective because of communications technology that brings a universe of possibilities right into their living rooms. Their standards are based on worldwide audiovisual perceptions, even if they never travel. They learn about what's available elsewhere, and they want it right away.

"A successful retail format meets those expectations. Lowe's has developed not only a format focused on the retail customer, but also the mind-set to go with it. We all resist change, but change is nothing but challenge and opportunity. Lowe's has stepped forward and conquered its fear of change. By experimenting with different formats it has given Lowe's customers the opportunity to decide which way the company should go. The new large format is exciting, modern, and responsive.

"In retailing, you never get it totally right— but God help you if you get it wrong! Small stores don't have space for experimentation, but unless you can change and experiment, you're too inflexible for today's marketplace. Stores have to be exciting environments. Customers want to be impressed. We also want the right to choose: we say 'Stock everything, and let me decide.' Today, even people in rural America expect stores of international caliber.

"Twenty years ago, I would have said that you should remodel and reformat a store every ten years. At that time, the industry average was about fifteen years. Ten years ago, I would have said it should be done every five years. Now you should do it every three or four years, or risk being left behind.

"Disbelief and cynicism will hold you back. One of Sam Walton's outstanding qualities as an innovator was his readiness to believe: he would believe anything, try anything, give anything a chance until it was proven wrong. If you're ready to believe something new and different, you'll see change coming before other people see it."

Jack Shewmaker against the neon background of Nathan Road's "Miracle Mile" in Hong Kong.







Russell B. Long, Partner, Long Law Firm, Washington, D.C. and former U.S. Senator for Louisiana

"I have always considered Lowe's Employee Stock Ownership Plan to be a fine example of how an ESOP can work. During my years on the Senate Finance Committee, I invited Lowe's Chairman to testify on Capitol Hill several times in support of the ESOP concept.

"Lowe's ESOP makes employees into owners of the company. Once employees qualify for the ESOP, they always know how much stock they own. They watch the share price from day to day. Their personal stake in the company makes them more highly motivated, more concerned about the operating results and overall welfare of the company.

"The ESOP rewards employees who are loyal to Lowe's. When a company is growing, as Lowe's is, it's important to build a group of successful role models for new employees to emulate. New Lowe's employees can see that if they stay with the company, they can have a good life and a secure retirement.

"Roughly a quarter of Lowe's stock is in its ESOP. In my view, the employees are the most important group of shareholders, because more than any others they are the ones who can make the company a success."

Russell Long surrounded by Lowe's employees in our Chantilly, Virginia store.



William A. Andres

William A. Andres, Former Chairman of the Board,
Dayton Hudson Corporation

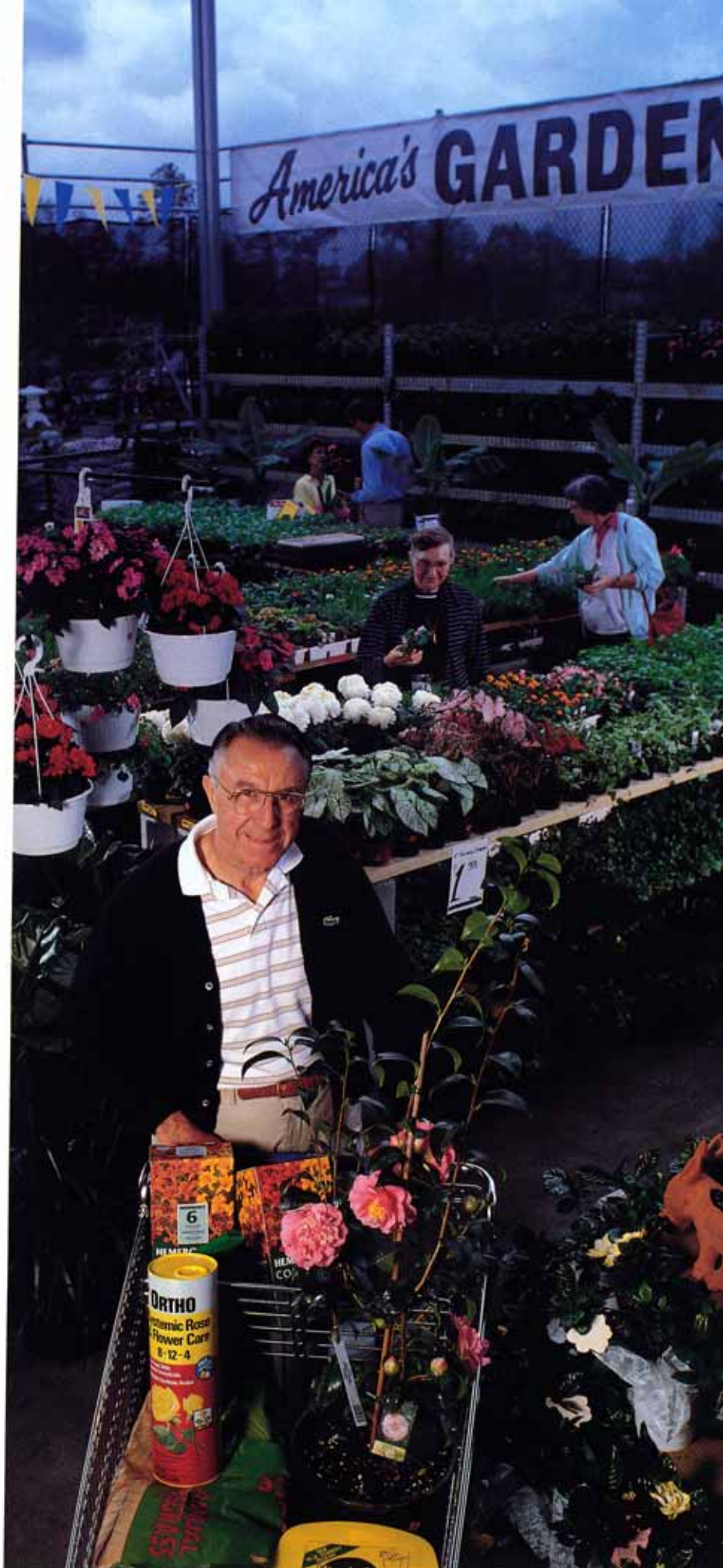
"I'm what you might call a hardware nut. I love to go into Lowe's stores, sometimes with a list but often just to browse. With wide assortments and high quality merchandise available in so many product lines, I invariably find something that I can use to solve a problem around the house. I think Lowe's does an exceptional job presenting merchandise for the do-it-yourselfer.

"As a former Dayton Hudson manager, I'm impressed by the quality of the product lines Lowe's is carrying. In decorative items such as window coverings, drapery rods, and millwork, for instance, good design and quality materials are very apparent. I'm also impressed by Lowe's garden centers: the large ones are particularly pleasurable for me to shop. Customers have specialized interests these days. They want to feel that a store offers depth, range, and expertise in their favorite areas. The knowledgeable people in Lowe's stores and garden centers help provide that specialty-store feeling.

"One of the most exciting prospects for Lowe's is the expansion of possibilities that accompanies the big store transformation. Nowadays it takes a big store to achieve dominance even in small markets, and big stores are absolutely essential to compete in larger markets.

"As people put a higher priority on home time, their interest in surrounding themselves with quality at home continues to grow. They want quality at a competitive price, which is what Lowe's offers. That's why Lowe's is a very exciting business to be in, with plenty of long-term growth potential."

Bill Andres visits a Lowe's garden center in Tallahassee, Florida. Betty Andres, Bill's wife, examines a plant in the next aisle.







John M. Belk

John M. Belk, Chairman of the Board,
Belk Stores Services, Inc.

"Fashion became important to Lowe's when the company diversified from its traditional clientele of building contractors and started concentrating on retail customers.

"To move into the world of retail fashion, Lowe's made three major changes. They put new stores in better locations to attract shoppers from surrounding residential and commercial neighborhoods. At the same time, they enlarged their sales floors to display more home fashion and decor items. They also started to pay close attention to the trends that affect fashion in retailing.

"During the years that I've observed fashion trends, the biggest single development has been the growing influence of the working woman. With women in the workforce to stay, many habits of our society have changed, and those habits affect fashion. Some of the changes are obvious, like the increased need for women's clothing that is stylish but also functional. Other changes are more subtle: for instance, when working women are at home, they're spending their time in different areas of the house than they used to. Their leisure time is precious, and they want to enjoy it with their families in a comfortable, attractive environment. Like other successful fashion retailers, Lowe's reflects trends like these in its merchandising."

*At Belk Stores Services in
Charlotte, North Carolina, John
Belk previews a show of women's
suits for the new season.*

Performance Review

Store Space

Stores that aspire to be consumer "destinations" must offer more than convenience and competitive pricing; they must offer dominance in merchandise selections. Lowe's transformation to a chain of big stores is therefore an integration of two growth modes: as we expand our sales floor space, we are reassorting and expanding our merchandise selection to make the best use of the opportunities we are creating.

We have been continually remerchandising our large stores. In 1992, our large sales floors will carry roughly 60% more merchandise than they did in 1990. Our stores with 100,000 square feet will carry more than 25,000 sku's (stockkeeping units). Over the last two years, we have also remerchandised some of our medium stores, and they have responded with sales growth well above our chain average.

Lowe's "Class of '89" has proven the power of our big stores: the 31 stores that we launched that year averaged \$13 million in sales in 1991, of which

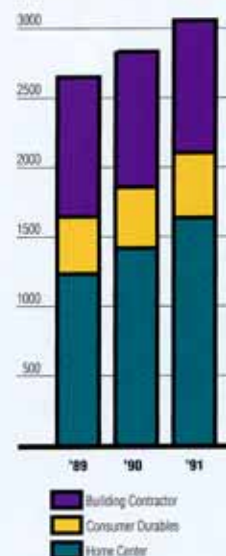
75% was retail business. By contrast, our small stores, with their limited potential for self-service and DIY product displays, averaged \$8 million in sales, of which 65% was retail.

Lowe's ended fiscal 1991 with 306 stores and more than 8 million square feet of retail space, a 13.5% increase in footage over the previous year. We completed 22 large store projects, of which 18 were relocations, 3 were new stores, and one was a retrofit. We also closed 6 small stores, representing a total of 48,068 square feet.

In 1992, we will complete 35 large store projects comprising 31 relocations and 4 new stores. These projects will give us an additional 2 million square feet of selling space, bringing our chain total above 10 million square feet.

Lowe's 3 Businesses

Dollars in Millions



Sales Floor Size and Three Business Performance

Dollars in Millions, Except Sales Per Square Foot

	1991	1990	1989	1986
1. Stores Open Year-End	306	309	306	300
2. Stores Open During Year ¹	307.2	305.8	298.7	291.4
Sales Floor Square Footage				
3. Total Year-End	8,016,136	7,061,925	6,219,018	4,452,161
4. Average, Year-End ²	26,197	22,854	20,324	14,841
5. Weighted Avg. During Year ³	7,534,234	6,601,916	5,589,872	4,043,904
Sales Results				
	%Change ^a	%Change ^a	%Change ^a	
6. Home Center	+ 15%	+ 15%	+ 11%	\$ 928
7. Consumer Durables	+ 6	+ 7	+ 12	335
8. Building Contractor	(2)	(3)	(3)	1,020
9. Total Sales	+ 8%	+ 7%	+ 5%	\$2,283
Sales Per Square Foot				
10. Home Center & Consumer Durables ⁴	\$ 280	\$ 282	\$ 295	\$ 312
11. Total ⁵	\$ 406	\$ 429	\$ 474	\$ 565
Sales Per Average Store				
12. Home Center ⁶	+ 15%	+ 12%	+ 10%	\$ 3.19
13. Consumer Durables ⁷	+ 6	+ 4	+ 11	1.15
14. Building Contractor ⁸	(3)	(5)	(4)	3.50
15. Total ⁹	+ 7%	+ 4%	+ 4%	\$ 7.84

^a Change from prior year, computed from unrounded numbers.

^{**} In 1989 sales have been reclassified to reflect a revision in assortment classification.

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

² Line 3 divided by line 1.

³ Line 4 current year, plus line 4 prior year, divided by 2, multiplied by line 2.

⁴ Line 6 & 7 divided by line 5.

⁵ Line 9 divided by line 5.

⁶ Line 6 divided by line 2.

⁷ Line 7 divided by line 2.

⁸ Line 8 divided by line 2.

⁹ Line 9 divided by line 2.

Merchandise Sales Trends

Our home center product categories are responding to their increased space allocation as we predicted they would, with 1991 sales growing nearly twice as fast as Lowe's total sales for the year. Home decorating and illumination led the way, with total sales growth of 18% over last year. Sales in this category have grown 87% since 1986, surpassing structural lumber as Lowe's second largest category in terms of total sales.

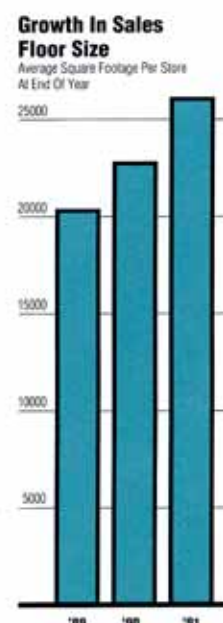
Hand and power tools are also selling extremely well as we build dominance in Lowe's selections of these products. Over the last five years, tools have led all other categories, with a compound growth rate of 18%.

Sales in our kitchen, bathroom, and laundry category grew by 14% in 1991. Kitchens and bathrooms are the most popular rooms of the house for extensive repair and remodeling projects, and the success of our expanded selection of high quality cabinets is proof that when consumers undertake

these projects, they do not buy just basic merchandise.

Lowe's lawn and garden products have experienced double-digit growth percentages every year for the last three years. These are not just plants and potting soil, but what we call "hard lines" — everything from patio tiles to riding lawn mowers. In Lowe's garden centers we have achieved a fertile mix of products yielding a bumper crop of sales.

Our consumer durables sales climbed 6% in 1991, led by sales of home entertainment items and heating, cooling, and water systems. Bucking the national trend toward a slowdown, Lowe's consumer electronics sales increased 12% as we successfully upgraded our offering in both audio and video components.



Merchandise Sales Trends							Base Year			
Dollars in Millions			1991		1990		1989		1986	
Category	Total Sales 5-Year CGR	Change From 1990	Total Sales	%	Total Sales	%	Total Sales	%	Total Sales	%
1. Structural Lumber	+ 3%	+ 3%	\$ 484	16	\$ 469	16	\$ 455	17	\$ 419	18
2. Building Commodities & Millwork	+ 2	+ (1)	762	25	766	27	761	29	698	30
3. Home Decorating & Illumination	+13	+18	496	16	419	15	346	13	265	11
4. Kitchen, Bathroom & Laundry	+ 7	+14	311	10	272	10	237	9	221	10
5. Heating, Cooling & Water Systems	+11	+16	183	6	158	6	144	5	110	5
6. Home Entertainment	+ 7	+12	147	5	131	5	125	5	107	5
7. Yard, Patio & Garden	+13	+12	329	11	293	10	261	10	177	8
8. Tools	+18	+18	150	5	127	4	112	4	65	3
9. Special Order Sales	(3)	(2)	194	6	198	7	210	8	221	10
Totals	+ 6%	+ 8%	\$3,056	100	\$2,833	100	\$2,651	100	\$2,283	100

Market Research

Population and the American Household

The real essentials of Lowe's business don't come in through the loading dock; they walk in the front door of our stores. Who are our customers, those millions of individuals known collectively as the American consumer? How are they different today from what they were yesterday? How many of them can Lowe's serve? What is the best way to connect with them? What would they like to see in our stores?

There was a time when the science of demographics was more or less limited to studying tracks in the sand. Which way was the caravan going, how many camels were there, and were they heavily loaded? In this electronic age, even the complex and hyperkinetic American scene can be statistically monitored, analyzed, and updated as fast as we can digest the information. As our marketplace becomes increasingly Darwinian, we will use our detailed knowledge of our customers and their needs in order to speed Lowe's evolution and growth.

Population

From the end of World War II right through the 1960's, the U.S. population mushroomed like the clouds over the Bikini atoll. Boom! America's most numerous generation was being born, nurtured, housed, and educated. In the South, Lowe's homeland, the years of remarkable growth were prolonged after the Baby Boom by migration from other regions. Between 1970 and 1990, the South grew by nearly 39% while the U.S. population increased by 23%.

U.S. Population

Thousands

	Total U.S.	Total South	% Total U.S.
2000e	267,700	96,900	36%
1990	249,900	87,200	35
1980	226,546	75,400	33
1970	203,302	62,800	31%

Change* +32% +54%

*1970 - 2000 e = Estimate

Source: U.S. Bureau of the Census, *Current Population Report*

U.S. Households

Thousands

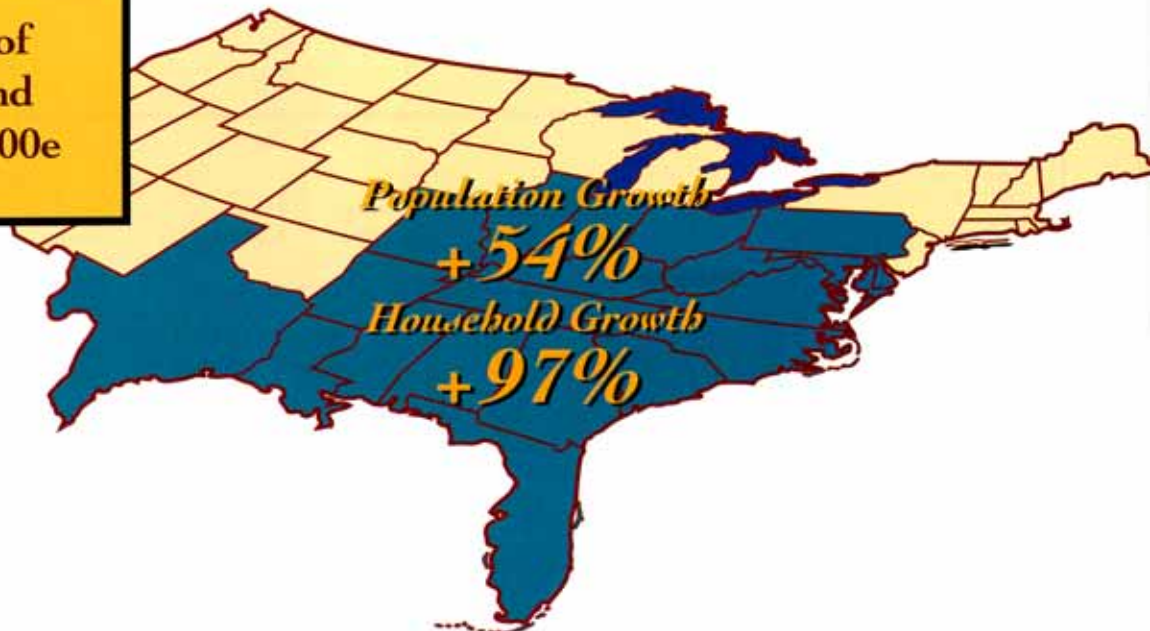
	Total U.S.	Total South	% Total U.S.
2000e	106,000	38,000	36%
1990	93,347	31,822	34
1980	80,776	26,487	33
1970	63,450	19,259	30%

Change* +67% +97%

*1970 - 2000 e = Estimate

Source: U.S. Bureau of the Census, *Current Population Report*

Growth of
Lowe'sland
1970 to 2000e



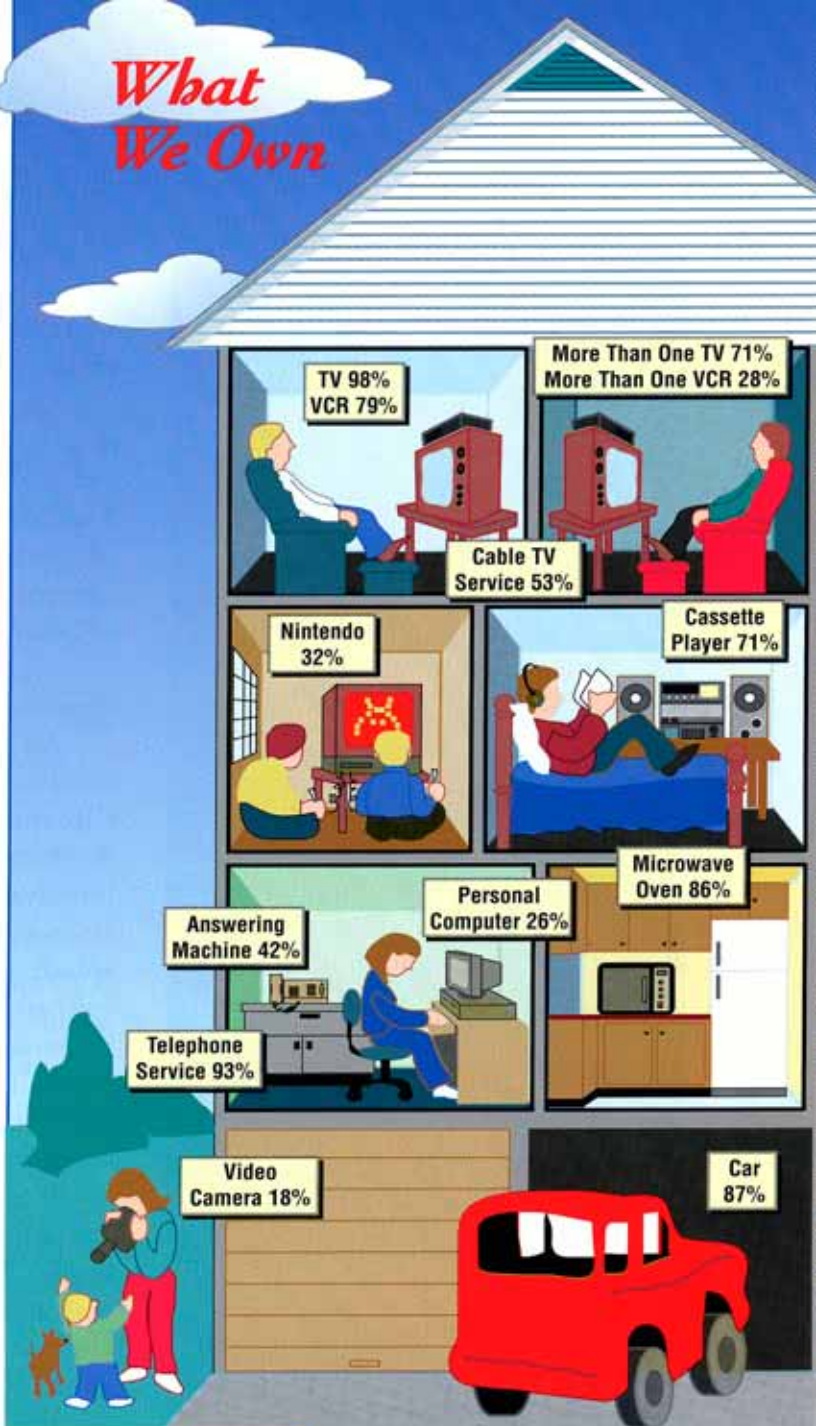
What We Own

Population growth in the Nineties is more moderate, although the South is still predicted to outpace the country as a whole, growing by 11% while the total population increases by 7%. Retailers must get in shape: like a baggy sweat suit, the rapid market growth of the last few decades has covered a multitude of sins. However, although there will be fewer new consumers in the future, certain retail markets will grow as customers realign their spending priorities for the way we live now.

Households

Lowe's basic consumer unit is the household, because we sell products to be enjoyed by people who share living space — be it a town house, a beach bungalow, or a suburban fortress complete with drawbridge and moat.

The American household has diversified significantly since Lowe's was founded, and its numbers have burgeoned. During the Seventies and Eighties, as Baby Boomers left the nest to marry and form households of their own, the number of American households grew at a rate that was twice as fast as the overall population growth. But newlyweds were not the only source of increase. The fission effect of record-high divorce rates split nuclear households, making two from each one; meanwhile, single people (seeing all those marriages break up) were staying single longer.



What We Own

	% of households with:		
	1951	1971	1991
Answering Machine	0	0	42
Cable TV Service	0	7	53
Car	60	83	87
More Than One Car	4	35	53
Cassette Tape Deck	0	NM	71
Microwave Oven	0	NM	86
Nintendo	0	0	32
Personal Computer	0	0	26
Television	23	94	98
More Than One Television	0	28	71
Telephone Service	62	91	93
VCR	0	0	79
More Than One VCR	0	0	28
Video Camera	0	0	18

Source: *Fortune*, Census Bureau, DYG
 NM = not meaningful



Working Women Age Distribution

Age Group	Percent of Age Group Employed			
	1970	1988	1990	2000e
16-19	44.0%	52.9%	55.4%	59.6%
20-24	57.7	68.9	73.6	77.6
25-34	45.0	65.5	74.5	82.4
35-44	51.0	65.5	77.1	84.9
45-54	54.4	59.9	70.6	76.5
55-64	43.0	41.3	44.4	49.0
65 >	9.7%	8.1%	7.8%	7.6%
Total				
Over 16	43.3%	51.5%	57.8%	62.6%

Source: Statistical Abstract of the United States, Table 632
e = Estimate

Population Age Distribution

Millions

Age Group	Population (Millions)				% Change 1990-2000e
	1970	1980	1990	2000e	
<25	93.9	93.3	90.2	90.9	+ 1%
25-34	25.2	37.4	43.8	37.1	(15)
35-44	22.8	25.8	37.8	43.9	+16
45-54	23.0	22.7	25.5	37.2	+46
55-64	18.5	21.7	21.2	24.2	+14
65-74	12.4	15.6	18.2	18.2	—
75 >	7.5	10.0	13.2	16.6	+26
Total	203.3	226.5	249.9	268.1	+ 7%

Source: U.S. Bureau of the Census, Current Population Report, Series P-25
e=Estimate

Gross Domestic Product, Disposable Personal Income and Savings Rate

Dollars in Billions

Year	GDP	DPI	Savings	CPI-U
			Rate As % of DPI	1982-4 =100
1991p	\$5,671.8	\$4,217.8	5.3%	136.2
1990	5,513.8	3,945.8	4.6	130.7
1989	5,244.0	3,725.5	4.6	124.0
1988	4,900.4	3,479.2	4.2	118.3
1987	4,539.9	3,194.7	3.2	113.6
1986	4,268.6	3,013.3	4.1	109.6
1985	4,038.7	2,838.7	4.4	107.6
1984	3,777.2	2,668.6	6.1	103.9
1983	3,405.0	2,428.1	5.4	99.6
1982	3,149.6	2,261.4	6.8	96.5
1981	3,030.6	2,127.6	7.5	90.9
1980	2,708.0	1,918.0	7.1	82.4
1970	\$1,010.3	\$ 715.6	8.1%	38.8

Source: Current Economic Indicators; Survey of Current Business
p = preliminary

As life expectancy increased, elderly people were maintaining independent households longer than ever before. The net effect was that in twenty years, the number of U.S. households increased by almost one third.

Thanks partly to incoming migration, the South has been a notable beneficiary of this household growth. In the last two decades, the number of Southern households has increased by 60%. The South now contains more than 34% of all U.S. households, up from 30% in 1970. This could reach 36% by the year 2000, if current projections prove accurate. In that case, the total number of Southern households will have nearly doubled in thirty years.

Household Characteristics

An American household lowers its drawbridge; you cross the moat and go inside. You are immediately struck by The Curious Circumstance of the Vanishing Housewife. Currently very few American families fit the traditional profile which features a breadwinning man and a homemaking woman. Female Baby Boomers have crossed the moat to make an unprecedented splash in the labor pool: in 1990, nearly three-quarters of all adult women between the ages of 20 and 45 held full-time jobs, whereas in 1970 just over 50% worked full time outside the home. Today's working women are also returning to their careers after having babies, instead of dropping permanently out of the work force as many of their mothers did.

It takes two full-time wage earners to equip a household in the high-tech style to which Americans have become accustomed. Ten years ago, a newlywed couple could start out with a bed, stereo, television, toaster oven, and coffee maker. Now there are more "essentials": a CD player and tape deck with the stereo, a microwave oven, a VCR and cable hookup for the television, a telephone (cordless, perhaps, or with FAX?), a telephone answering machine, and probably a personal computer.

The working couple of the Nineties is staying married longer (Who wants to play the field these days?) and staying home more ("Honey, did you pull up the drawbridge?"), which partly accounts for the Baby Boomlet now in progress. In 1990, the number of childless couples fell for the first time since the Census Bureau started keeping track in 1961.

With children to raise and household expenses to divide and conquer, it's not surprising that the rarest and most valued commodity to working couples of the Nineties is their time. In a recent Hilton Hotels Time Values Survey based on a poll of 1,010 guests, 70% of those earning \$30,000 a year or more said that they would give up a day's pay each week to regain a day of free time.

Money and Spending

How important is making money? Americans spend lots of time doing it. Second only to the Japanese, who spend 47 hours a week at the workplace, the average American works 39 hours a week. We also tie with Canada and Japan for the least average vacation time, at 10 days per year.

Disposable Personal Income

Disposable personal income can be defined as income left to the taxpayer after the government takes its hands out of his pockets. As a percentage of the gross domestic product, DPI rose slightly last year in spite of recession-related hikes in local and state taxes.

Personal income is not projected to increase in the Nineties as fast as it did in the Eighties: the workforce isn't growing as rapidly, so the escalator of promotions has slowed, and lower inflation rates have quieted demands for compensatory wage increases. Nevertheless, by the end of the decade, Baby Boomers between the ages of 35 and 55 will have seen their household incomes grow by more than 40% from 1989 levels, as they settle into their years of highest earnings.

What are people doing with their money? Well, they're not eating it: surveys of personal consumption patterns reveal that Americans today are spending a smaller fraction of their incomes to feed themselves. Transportation expenditures are holding more or less steady. Housing, that perennial American priority, continues to account for about 15% of our individual spending—equaled now, perhaps not surprisingly, by our expenditures for medical care.

Spending on household operations has been increasing, as changing materials and technology have made available a dazzling array of new possibilities for comfort and entertainment in the American home. If we continue to "cocoon" as this decade progresses, expenditures in this category will likely remain constant.

Savings

Installment debt has been decreasing since its tax deductibility phased out, and the desire to clean up household

Household Income By Age Distribution

Dollars in Billions

Age of Household	Aggregate Income	
	1989	2000e
15-24	\$ 110.4	\$ 206.8
25-34	693.4	1,040.8
35-44	906.6	1,953.2
45-54	723.3	1,832.0
55-64	502.6	1,133.4
65 >	472.7	962.3
All Households	\$3,409.0	\$7,128.5

Source: U.S. Bureau of the Census, *Current Population Report*, Series P-60, No. 166; *Statistical Abstract of the United States*, Table 724 Series P-60, No. 166 e = Estimate

Consumer Spending Personal Consumption Expenditures

	Percent of Personal Consumption Expenditures			
	1975	1980	1990	2000e
Housing Household	15%	15%	16%	15%
Operations	7	10	14	13
Food	21	21	18	17
Clothing	7	8	7	6
Transportation	13	14	12	12
Medical	—	11	15	15
Other	37	21	18	22
Total	100%	100%	100%	100%

Source: *Survey of Current Business* July Issue; Lowe's e = Estimate

Household Spendable Discretionary Income

Dollars in Billions

Age of Households	Discretionary Income	
	1986	2000e
< 25	\$ 7.6	\$ 43.9
25-34	61.5	277.3
35-44	78.0	319.6
45-54	60.4	311.8
55-64	59.3	332.1
65 >	52.2	282.0
Total	\$319.0	\$1,566.7

Source: U.S. Bureau of the Census, *Statistical Abstract of the United States*, 1989; Projections, Lowe's Companies, Inc. e = Estimate in nominal dollars

U.S. Housing Characteristics Households and Home Ownership Rates

	Households in Thousands	
	U.S. Households	Home Ownership Rate
2000e	106,000	70.0%
1990	93,347	64.0
1989	92,830	63.9
1988	91,066	63.8
1987	89,479	64.0
1986	88,458	63.8
1985	86,789	63.9
1984	85,290	64.5
1983	83,918	64.6
1982	83,527	64.8
1981	82,368	65.4
1980	80,776	65.6%

Source: U.S. Bureau of the Census, *Current Population Report: Current Housing Reports*
e = Estimate

Total Private U.S. Housing Starts

Thousands	Thousands		
	Total Starts	Single Family Starts	Multi- Family Starts
1994e	1,600	1,145	455
1993e	1,424	1,115	309
1992e	1,185	985	200
1991p	1,006	831	175
1990	1,193	895	298
1989	1,376	1,003	373
1988	1,488	1,081	407
1987	1,620	1,146	474
1986	1,805	1,180	625
1985	1,742	1,072	670
1984	1,750	1,084	666
1983	1,703	1,068	635
1982	1,062	663	399
1981	1,084	705	379
1980	1,292	852	440

Sources: U.S. Bureau of Census Construction Reports Series C-20:
Projections - Housing Economics, NAHB
e = Estimate
p = Preliminary

balance sheets has been facilitated by recent opportunities to refinance home mortgages. Now, in an economic climate of cautious recovery from the late unpleasantness, many Americans are focusing on saving money for retirement and for their children's college educations.

In that Hilton Hotels survey mentioned above, saving money was cited as the top monetary goal for the 1990's, ranking behind personal goals such as spending more time with family and friends, and intellectual and physical self-improvement. By contrast, making more money ranked two notches lower, behind the goal of increased free time.

Discretionary Spending

Everyone knows someone whose job or business was affected by the recent recession. That fact is often cited by analysts as one reason why the recovery has been faint and tentative to date. Polls show that consumer confidence is low, deflated both by the recession and by media-augmented concerns for America's long-term economic leadership. Even if we discount the traumatic impact of singular events such as last year's Persian Gulf War, the consensus is that underlying consumer attitudes are shifting, and that the long-term trend is toward greater fiscal responsibility, caution, and conservatism on the part of the American consumer.

However we decide to spend (or not spend) our money, by the time we are fifty roughly one third of our after-tax income (DPI) can be classified as discretionary. Therefore, as the Baby Boomers move into their peak earning years, the sheer weight of their numbers should keep the overall level of discretionary spending from declining drastically in this decade.

Affordability

Housing is more affordable now than it has been in years. Why? For one thing, the median selling price of new homes actually decreased in 1991 back to its 1989 level. The median family income is higher than ever, while inflation is down. Fixed mortgage rates are currently the lowest they've been since 1978. Also, as older Baby Boomers trade up into new homes, they are vacating the largest number of starter homes ever built for a generation of families. This plentiful supply means that prices should be extremely competitive for some time to come.

Newly conservative American consumers who are potential home buyers should be encouraged by the decreased commitment that monthly mortgage payments now represent, relative to household income levels. Whereas monthly house payments took 36% of the household income in 1981, they took less than 22% in 1991.

Retailing and Competition

It's the best of times, it's the worst of times — and when has it ever been otherwise, really? The recession, which upped the ante for retail survival and caused many marginal merchants to fold, has sweetened the pot for retailers like Lowe's. We're holding some good cards, and we know how to play the game. Diamonds and clubs (luxury and nightlife) are out; hearts and spades (home and garden) are in. Lowe's has the products that consumers will spend money on now, at prices that satisfy the craving for value. Our trick!

The Home Center Market

You can look it up: despite the recession, the Persian Gulf War, and low consumer confidence in the economy, the total home center market actually grew slightly in 1991, to \$104.1 billion from \$103.7 billion in 1990.

There was a pause in Do-It-Yourself (DIY) activity while America fought the war and coped with its aftermath. This

Housing Affordability

	Effective Home Interest Rate	Monthly Mortgage Payment As A Percent Of Household Income
1991	9.30%	21.6%
1990	10.04	22.8
1989	10.11	23.1
1988	9.31	22.0
1987	9.28	21.9
1986	10.25	23.0
1985	11.74	26.2
1984	12.49	28.2
1983	12.85	30.1
1982	15.33	35.9
1981	15.00	36.3
1980	12.90%	31.3%

Source: Home Sales, National Association of Realtors

Home Ownership By Age Distribution 1991

Age Group	Percent Of Total Households Owning Home
< 25	17%
25 - 29	35
30 - 34	53
35 - 39	63
40 - 44	70
45 - 49	74
50 - 54	77
55 - 59	79
60 - 64	80
65 >	76
Total	64%

Source: U.S. Bureau of the Census, Home Ownership Trends in the 1980's H-121, No.2

U.S. Home Sales (Housing Turnover)

	Existing Home Unit Sales	New Home Unit Sales	Median Selling Price		Total Market Value	
	(thousands)	(thousands)	Existing Homes (thousands)	New Homes (thousands)	Existing Homes (billions)	New Homes (billions)
1991p	3,287	504	\$99.9	\$122.0	\$368.6	\$71.5e
1990	3,296	534	95.5	122.9	390.9	79.8
1989	3,440	650	93.1	120.0	406.3	96.7
1988	3,594	676	89.3	112.5	405.4	93.5
1987	3,526	671	85.6	104.5	374.8	85.4
1986	3,565	750	80.3	92.0	351.1	83.9
1985	3,214	688	75.5	84.3	291.9	69.4
1984	3,098	639	72.4	79.9	246.6	51.1
1983	2,924	623	70.3	75.3	225.9	46.9
1982	2,120	420	67.8	69.3	160.2	29.1
1981	2,572	436	66.4	68.6	189.4	29.9
1980	3,159	545	\$62.2	\$ 64.4	\$216.4	\$35.1

Source: National Association of Realtors, Existing Home Sales

p = Preliminary

e = Estimate

Lowe's Total Market Potential

1996e
\$245
Billion

Repair &
Remodel
\$50 Billion*

1991

1990 \$176
\$183
Billion

1985
\$148
Billion

1980
\$92
Billion

DIY
\$91 Billion*

1975
\$60
Billion

New
Housing
\$67 Billion*

Consumer
Durables
\$37 Billion*

*1996 Estimate

Lowe's Total Market Potential

Billions

	Contractor New Housing	Home Center		Homeowner Durables	Total
		R & R*	DIY		
1996e	\$67	\$50	\$91	\$37	\$245
1991p	40	36	68	32	176
1990	46	36	68	33	183
1985	40	25	54	29	148
1980	24	16	38	14	92
1975	\$22	\$ 8	\$22	\$ 8	\$ 60

R & R = Repair and Remodeling e = Estimate p = Preliminary

Source: Monthly Retail Trade, U.S. Department of Commerce, Bureau of the Census; Home Improvement Research Institute; Management Horizons

delayed the growth of the DIY market, which should be back on track in 1992.

As we noted in last year's report, the home repair and improvement market has been growing, as houses dating from the post-World War II building boom begin to show their age. In 1991, sales of professional home improvement materials came within ten percent of sales of building supplies for new construction.

Consumer Durables

Lowe's is the only major home center retailer to compete substantially in sales of home appliances and consumer electronics. We take pride in the increasing variety and depth of our product selections in these categories, because consumer durables distinguish Lowe's as a complete destination home center.

Big-ticket appliances are part of many major home improvement and enhancement projects, and have proven to be a consistent source of sales.

Consumer electronics sales are stimulated by the introduction and popular acceptance of new technologies. In 1991, the total electronics market dipped slightly, as some retailers disappeared from the scene and others contracted their product offerings. Lowe's sales defied the trend,

however, thanks to the expanded product lines made possible by our big stores. We will continue to monitor new developments and shifts in consumer demand, in order to capitalize on the American love affair with electronics.

The Competition

Our home center market consists of DIY customers and repair/remodel building materials customers. It is a growing market, full of potential both by virtue of its size (predicted to reach \$141 billion within the next five years) and its fragmentation. The top ten building supply and home center retailers currently account for just 18% of the total market. In terms of growth potential, this contrasts very promisingly with mature industries such as discount retailing, where Wal-Mart and Kmart have sewn up the lion's share of the total market.

As large, self-service destination home centers multiply, more and more consumers are turning to retailers like Lowe's and Home Depot for items that they used to buy from other store formats. For instance, in 1988 home centers ranked sixth on a list of preferred sources for lawn and garden supplies, with 17% of consumers saying they would shop at a home center for these items. By 1990, home centers had moved up to fourth place as a lawn and garden retailer (behind garden centers, hardware stores, and major discounters) and were preferred by 25% of the consumers surveyed.

Market fragmentation is also visible in consumer durables, most particularly in electronics. Although consumer electronics account for less than 6% of Lowe's total sales, we are among the top forty electronics retailers in the nation. In the home appliance market, which has long been dominated by Sears/Brand Central, Lowe's ranks among the top ten retailers nationally.

Top Ten Major Appliance Retailers

Dollars in Millions	1990 Sales	Market Share*
1. Sears/Brand Central	\$6,200	39%
2. Montgomery Ward	760	5
3. Circuit City	426	3
4. Silo	190	1
5. Highland Superstores	170	1
6. Lowe's	165	1
7. The Price Club	155	1
8. Tops Appliance City	153	1
9. Lechmere	140	1
10. Newmark & Lewis	\$ 121	1%

Source: H.F.D. Magazine, September 23, 1991
*Based on HFD estimate of market size

Top Consumer Electronics Retailers

Dollars in Millions	1990 Sales
1. Radio Shack	\$2,945
2. K mart	2,600
3. Sears/Brand Central	2,500
4. Circuit City	1,900
5. Service Merchandise	1,400
10. Highland Superstores	693
20. Lechmere	280
30. Trader Horn	160
39. Lowe's	\$ 131

Source: H.F.D. Magazine, Lowe's Companies, Inc.

The Competitive Situation — Top Ten Building Supply/Home Centers

Dollars in Millions

Rank		Company	Sales		% of 1990 Building Material Store Sales*
1991	1990		1991	1990	
1	1	The Home Depot	\$5,137	\$3,815	4.9%
2	2	Lowe's	3,056	2,833	2.9
3	3	Payless Cashways	2,392	2,229	2.3
4	4	Builder's Square	2,100	1,900	2.0
5	5	Hechinger Co.	1,608	1,450	1.5
6	6	Home Club	1,400	1,260	1.3
7	10	84 Lumber	1,000	785	1.0
8	9	Menard	950	800	.9
9	8	Grossman's	183	810	.8
10	7	Wickes Lumber	\$ 750	\$ 850	.7%
Top Ten's Share of Total Building Materials Market					18.3%

Source: Building Supply Home Centers Annual Giants Issues
*Based on HIRI size of industry estimates

Results of Lowe's 1990 Shareholder Survey

1. Sections of the report read (%)

All of the report	55.6%
Letter to shareholders	38.4
Photo feature	28.5
Performance review and map	35.0
Market research	25.2
Financial report	42.5
Other	2.5%

(NOTE: percents total more than 100 due to multiple mentions)

2. Average Rating of sections read (5 point scale)

All of the report	4.3
Letter to shareholders	4.3
Photo feature	4.2
Performance review and map	4.3
Market research	4.1
Financial report	4.3
Other	4.1

3. Overall rating of the Lowe's 1990 Annual Report (5 point scale)

Overall rating	4.2
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4. Status as a shareholder

Currently a shareholder	90.0%
Not a shareholder	10.0%

4A. Length of time as shareholder

Less than a year	14.8%
6-10 years	17.2
1-2 years	19.4
More than 10 years	22.9
3-5 years	25.7%
Average years	6.2

5. How Lowe's stock is held

Personally own stock in my own name and have the certificates	37.4%
Personally own stock through an employee stock plan	28.0
Personally own stock but broker keeps the certificates	31.6
Company I am associated with owns stock—I am the analyst	1.5
Company I am associated with owns stock—I am a money manager	1.5%

6. Primary reason for holding or buying Lowe's stock

Long term profit on my original investment or for capital appreciation	3.4%
Dividend income	4.2
Capital appreciation & dividend income	40.0
Other	2.4%

7. Regarding dividends, which of the following do you consider most important?

Dividend growth on an annual basis	49.5%
Yield on my original investment	30.3
Dividend never reduced	3.2
Not interested in dividends as an investment decision	17.0%



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

Through my stockbroker	14.0%
Through a Lowe's employee or store	43.2
Through a Lowe's shareholder	4.6
By reading previous annual reports	4.4
Newspaper/magazine article	10.6
Investment publication	10.3
This is my first exposure to Lowe's	1.9
Other	11.0%

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

Security analyst	5.1%
Trade media	1.8
Financial advisor	4.9
Investment club	2.0
Employee	35.4
Financial media	6.4
Individual investor	25.2
Financial institution	2.4
Stockbroker	10.9
Supplier	3.3
Retired or former employee	8.2
Other	3.8%

(NOTE: percents total more than 100 due to multiple mentions)

10. Are you male or female?

Male	83.9%	Female	16.1%
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11. Age group of respondent

Under 30	12.7%	51 to 65	24.5%
30 to 40	21.1	Over 65	24.1%
41 to 50	17.6%		
Average age	49.7 years		

12. Present occupation of reader

Executive, administrator, manager	19.1%
Retailing management	8.3
Banking	2.5
Technician or related support	2.6
Teacher/professor	1.9
Sales occupation	13.6
Administrative support/clerical	4.8
Machine operator, assembler or inspector	1.6
Transportation and material moving	4.4
Professional specialty/doctor, lawyer, etc.	7.9
Retired	27.9
Reporter/ News media	0.4
Homemaker	3.0
Other	2.0%

Management's Responsibility for Financial Reporting

Lowe's management is responsible for the preparation of the financial statements and for their integrity and objectivity. These statements conform to generally accepted accounting principles and include amounts which are based on management's best estimates and judgments. Lowe's management also prepared the other information in this annual report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by Deloitte & Touche. Management has made available to them all of the corporation's financial records and related data, and believes that all representations made to Deloitte & Touche during its audit were valid and appropriate. Their report provides an independent opinion upon the fairness of the financial statements.

Management has established and maintains a system of internal controls that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. Management believes that, as of January 31, 1992, the system of internal controls is adequate to accomplish these objectives and the financial statements are free of material misstatement. Lowe's maintains a strong internal auditing program that independently monitors the internal control system as well as assesses company activities related to compliance with policies and procedures, the safeguarding of assets, the efficient use of resources, and the accomplishment of stated objectives and goals. Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct.

Audit Committee Chairman's Letter

The Audit Committee of the Board of Directors is composed of the following four independent directors: William A. Andres, John M. Belk, Robert G. Schwartz, and Gordon E. Cadwgan, Chairman. The committee held five meetings during fiscal 1991.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the committee recommended to the Board of Directors, subject to shareholder approval, the engagement of Deloitte & Touche as the Company's independent public accountants. The committee discussed with the internal auditors and the independent public accountants the overall scope and results of their respective audits, their evaluation of the Company's internal controls, and the overall quality of the Company's financial reporting. The committee also reviewed the Company's consolidated financial statements and the adequacy of the Company's internal controls with management. The meetings were designed to facilitate any private communication with the committee desired by the internal auditors or independent public accountants.

Gordon Cadwgan
Chairman, Audit Committee

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 31, 1992, 1991 and 1990, and the related consolidated statements of current and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Lowe's Companies, Inc. and subsidiaries at January 31, 1992, 1991 and 1990, and the results of their operations and their cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche
Charlotte, North Carolina
February 25, 1992

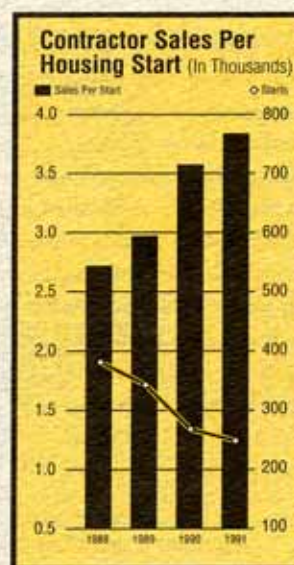
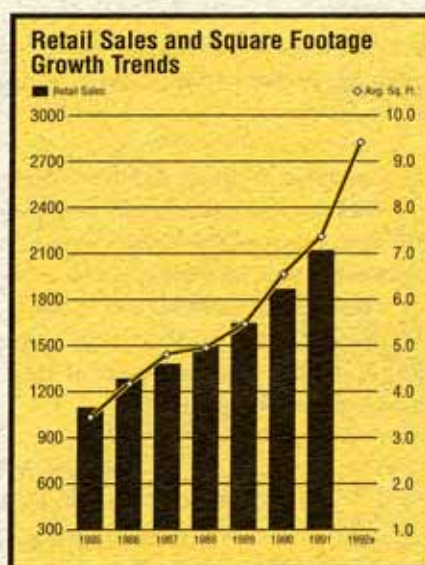
Consolidated Statements of Current and Retained Earnings

Lowe's Companies, Inc. and Subsidiary Companies
Dollars in Thousands, Except Per Share Data
Fiscal years end on January 31 of following year

	Fiscal 1991	% Sales	Fiscal 1990	% Sales	Fiscal 1989	% Sales
Current Earnings						
Net Sales:	\$3,056,247	100.0%	\$2,833,108	100.0%	\$2,650,547	100.0%
Cost of Sales	2,320,989	75.9	2,130,428	75.2	2,004,164	75.6
Gross Margin	735,258	24.1	702,680	24.8	646,383	24.4
Expenses:						
Selling, General and Administrative	553,322	18.1	505,918	17.9	447,571	17.0
Depreciation	58,298	1.9	51,431	1.8	46,134	1.7
Employee Retirement Plans (Note 7)	30,461	1.0	27,661	1.0	24,654	.9
Interest (Note 13)	16,938	.5	17,419	.6	19,228	.7
Store Restructuring (Note 12)	71,288	2.3				
Total Expenses	730,307	23.9	602,429	21.3	537,587	20.3
Pre-Tax Earnings	4,951	.2	100,251	3.5	108,796	4.1
Income Tax Provision (Note 6)	(1,536)	.0	29,164	1.0	33,884	1.3
Net Earnings	\$ 6,487	.2%	\$ 71,087	2.5%	\$ 74,912	2.8%
Shares Outstanding –						
Weighted Average	36,513		37,214		37,278	
Earnings Per Share	\$.18		\$ 1.91		\$ 2.01	

Retained Earnings (Notes 5 and 8)	Per		Per		Per	
	Amount	Share	Amount	Share	Amount	Share
Balance at Beginning of Year	\$ 495,265		\$ 497,018		\$ 440,534	
Net Earnings	6,487	\$.18	71,087	\$ 1.91	74,912	\$ 2.01
Cash Dividends (Notes 5 and 8)	(20,020)	\$ (.55)	(19,334)	\$ (.52)	(18,228)	\$ (.49)
Retirement of Common Stock (Note 8)	(1,546)		(53,506)			
Balance at End of Year	\$ 480,186		\$ 495,265		\$ 497,018	

See accompanying notes to consolidated financial statements.



Management's Discussion and Analysis of Financial Condition and Results of Operations

A *restructuring charge* of \$71.3 million pre-tax was announced by management on January 31, 1992, and recorded in the fourth quarter. Lowe's earnings for fiscal 1991 were \$6.5 million, or \$.18 per share. Without the restructuring charge, reported after-tax earnings would have been \$53.5 million, or \$1.47 per share. The charge reflects the expected costs and expenses incident to the component of Lowe's expansion program which has earmarked 123 small stores that are to be relocated into larger new facilities over four years. Also, 25 store locations are identified as being subject to future consolidation and/or closing, including markets where one larger prototype store will replace two small ones.

Lowe's began the large store prototype expansion program in earnest in 1989, with 31 stores whose sales floors average just under 48,000 square feet compared to the 1988 year-end average of 17,000. By the end of 1990, their first full fiscal year, they were substantially outperforming chain average in sales and operating earnings per store. As 1991 progressed, so did the performance of these stores and our subsequently opened large prototypes, particularly relative to our older, smaller stores. Careful and detailed analysis, on a store-by-store basis, led to the restructuring program decision.

The restructuring charge is composed primarily of reductions in the carrying value of long-lived assets to their net realizable value, principally real estate for owned locations, certain leasehold improvements, fixtures and equipment. It also includes a provision for relocation costs and expenses.

The expected impact on future results is to remove from future earnings the dilutive effect of relocation costs and losses from disposition of obsolete store properties. Although not immediately apparent from the income statement, this restructuring charge has no material impact on liquidity, as discussed in Cash Flow Analysis. However, this program to relocate 123 stores will obviously have a material impact on future uses of capital resources. For an overview, please see the Letter to Shareholders.

Total sales in fiscal 1991 were \$3,056,247,000 compared with \$2,833,108,000 in fiscal 1990. This is an 8% increase, up from the 7% increase achieved in 1990. Fiscal 1991 fourth quarter sales increased 21%. This improved sales trend is continuing into the first quarter of 1992.

Earnings were \$6,487,000 in fiscal 1991 compared to \$71,087,000 last year, and \$74,912,000 in 1989. Earnings per share for the three years were \$.18, \$1.91 and \$2.01, respectively. Current year earnings were down due principally to the one-time restructuring charge as discussed above.

Retail sales increased 13% in both fiscal 1991 and 1990, accounting for 69% of total sales in fiscal 1991, and 66% in 1990. Lowe's retail business has two major components: home center (Do-It-Yourself) and consumer durables. Home center sales increased 15% in 1991, led by gains in such product categories as home decor and illumination, yard and garden, hand and power tools, and bathrooms. Sales of durables increased 6%, with electronics experiencing the greatest growth. Fiscal 1990 increases were 15% for home center and 7% for durables.

Contractor sales continue to account for a smaller portion of total sales each year. The 31% in 1991 was down from 34% in 1990 and 38% in 1989. There are two principal reasons for this long-term trend: the contractor market opportunity has

been declining, and the home center market and Lowe's capacity to serve that market have been growing. Sales to contractors decreased 3% in 1990, and by another 2% in 1991. Building commodities and lumber sales were inevitably affected by the 12% decrease in housing starts experienced in Lowe's 20-state trading area in 1991. However, although housing starts in our area have declined by an average 13% per year from 1988 through 1991, our contractor sales per housing starts have increased from \$2,700 to \$3,800 in those four years. For related market trends and growth rates, see pages 14-23.

Sales from comparable stores (an average 287 stores open more than a year with comparable square footage) were \$2,795,056,000, up 4% from the previous year.

Gross margin for the year was 24.1% compared to our 1990 gross margin of 24.8% and our 1989 gross margin of 24.4%. The 1991 decline had several causes, including ongoing implementation of an everyday competitive price program, higher costs associated with new distribution centers (34 basis points) and increased inventory shrinkage (21 basis points). In addition, there was a LIFO charge of \$5,979,000 (22 basis points) compared to a credit of \$688,000 (2 basis points) in 1990. We experienced sharp fluctuations in prices of lumber and building commodities throughout 1991, with a significant rise in the fourth quarter due to increased activity in home building. We experienced slight deflation in other products, producing a blended inflation rate of 1.26% compared to an average of .15% deflation for 1990. On a FIFO basis, fiscal 1991's gross margin was 52 basis points lower than in 1990.

Selling, general and administrative (SG&A) expenses for fiscal 1991 increased 9% from 1990 and 13% from 1989 to 1990. A key factor in the planned increases for both years was store salaries, up due to additional personnel associated with our larger stores. Another factor was the increase in rent expense attributable to our leasing approximately half of the new and relocated stores in 1991 and 1990, a change from prior years when most of our properties were owned.

Depreciation was \$58.3 million for fiscal 1991 compared to \$51.4 million in the prior year, reflecting our ongoing multi-year expansion program. This represents a 13% increase compared with an 11% increase in 1990. Part of the increase in depreciation is attributable to sales register equipment, fixtures and displays.

Employee retirement plans expense was up 10% in the year because of an increase in the salary base and more employees participating in the plans. Since 1986, contributions to the ESOP plan have remained at 13% of eligible compensation.

Net interest expense in fiscal 1991 was \$16.9 million versus \$17.4 million in 1990 and \$19.2 million in 1989. Contributing to the reductions for the two years were lower levels of long-term debt, and declining rates on a number of borrowings with variable rates.

The income tax benefit of \$1.5 million for fiscal 1991 resulted principally from credits from low-income housing investments and the ESOP dividend pass-through deduction. The effective tax rate for fiscal 1990 was 29.09%, down from 31.14% in fiscal 1989, due to favorable resolution of federal income tax issues for the Company's fiscal years 1981 through 1986.

Consolidated Balance Sheets

Lowe's Companies, Inc. and Subsidiary Companies

Dollars in Thousands

Fiscal years end on January 31 of following year

	Fiscal 1991	% Total	Fiscal 1990	% Total	Fiscal 1989	% Total
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 15)	\$ 26,088	1.8%	\$ 15,034	1.2%	\$ 55,566	4.8%
Short-Term Investments	4,726	.3	35,110	2.9	—	—
Accounts Receivable – Net (Notes 15 & 14)	115,739	8.0	96,354	8.0	121,897	10.6
Merchandise Inventory (Note 2)	602,795	41.8	460,804	38.3	407,677	35.5
Deferred Income Taxes (Note 6)	6,455	.4	—	—	1,196	.1
Other Assets	14,275	1.0	9,159	.8	9,610	.9
Total Current Assets	770,078	53.4	616,461	51.2	595,946	51.9
Property, Less Accumulated Depreciation (Notes 5 and 5)	612,955	42.5	541,464	45.0	507,811	44.3
Long-Term Investments (Market Value \$12,043)	11,350	.8	—	—	—	—
Other Assets	46,845	3.3	45,127	3.8	43,637	3.8
Total Assets	\$1,441,228	100.0%	\$1,203,052	100.0%	\$1,147,394	100.0%
Liabilities and Shareholders' Equity						
Current Liabilities:						
Current Maturities of Long-Term Debt (Note 5)	\$ 17,700	1.2%	\$ 10,237	.9%	\$ 10,658	.9%
Short-Term Notes Payable (Note 4)	143,833	10.0	53,914	4.5	1,994	.2
Accounts Payable	307,814	21.4	186,860	15.5	210,197	18.3
Employee Retirement Plans (Note 7)	27,865	1.9	20,075	1.7	21,131	1.8
Accrued Salaries and Wages	30,339	2.1	22,012	1.8	21,225	1.8
Other Current Liabilities	61,400	4.4	44,578	3.7	42,685	3.8
Total Current Liabilities	588,951	40.9	337,676	28.1	307,890	26.8
Long-Term Debt, Excluding Current Maturities (Note 5)	113,650	7.9	159,204	13.2	167,896	14.6
Deferred Income Taxes (Note 6)	6,229	.4	23,500	2.0	26,050	2.3
Accrued Store Restructuring (Note 12)	63,844	4.5	—	—	—	—
Total Liabilities	772,674	53.6	520,380	43.3	501,836	43.7
Commitments, Contingencies and Litigation (Note 11)	—	—	—	—	—	—
Shareholders' Equity (Notes 5, 8 and 9)						
Common Stock – \$.50 Par Value:						
Fiscal	Issued	Outstanding				
1991	36,440,131	36,440,131				
1990	36,459,754	36,459,754				
1989	39,756,499	37,255,169	18,220	1.3	19,878	1.7
Capital in Excess of Par	170,148	11.8	169,177	14.1	178,733	15.6
Retained Earnings	480,186	33.2	495,265	41.1	497,018	43.3
Subtotal	668,554	46.4	682,672	56.7	695,629	60.6
Less Treasury Stock of 2,501,330 Shares at Cost	—	—	—	—	50,071	4.3
Total Shareholders' Equity	668,554	46.4	682,672	56.7	645,558	56.3
Total Liabilities and Shareholders' Equity	\$1,441,228	100.0%	\$1,203,052	100.0%	\$1,147,394	100.0%

See accompanying notes to consolidated financial statements.

Balance Sheet Management

Lowe's Balance Sheet is a financial snapshot of the company's assets, liabilities and shareholders' equity on the last day of the fiscal year—in this case, January 31, 1992. The balance sheet reveals the structural balance of Lowe's asset components as well as the financing of these assets through a flexible mix of equity, debt and accounts payable. Lowe's balance sheet is best analyzed with an understanding of our strategy of growth through larger sales floors and expanded inventory assortments.

Our inventory turn rate (cost of sales divided by the average of quarterly ending inventory) has slowed from 4.8 cycles in 1989, to 4.5 in 1990 and to 4.4 cycles in 1991. The decrease is noticeable but also understandable and manageable.

Many factors can affect the rate of inventory turnover. In fiscal 1990 and 1991, our inventory "turns" were affected by the general economic slowdown from the third quarter of 1990 through the second quarter of 1991. The turnover rate was also affected by inventory investment in broadened product assortments.

The largest single component of our assets is property. Property, Less Accumulated Depreciation has increased 99% over the last six years. During this same period, we have added 4.4 million square feet of incremental space, more than double the 1985 year-end level. In 1990 and 1991, real property has increased less rapidly due to our leasing of approximately half of our new properties. Coinciding with expansion, we have increased purchases of sales-floor-related items such as cash register equipment, fixtures and displays.

We added to our balance sheet some long-term investments. These are financial instruments with maturities of one to three years held as part of our cash management program (see Note 1).

The major component in Other Assets is the net book value of land and buildings from closed and relocated stores. These are carried at their net realizable value. Another component of other assets is an investment in low-income housing projects which provides reasonably priced housing principally in communities that we serve, while reducing our income taxes.

Accounts payable is our major short-term financing source. The balance of accounts payable on the last day of the year was \$210 million, \$187 million and \$308 million for fiscal 1989, 1990 and 1991, respectively. At the end of fiscal 1991, vendors were financing 51.1% of our inventory, as compared to 40.6% at the end of fiscal 1990, and 51.6% at the end of fiscal 1989.

Long-term debt decreased \$38 million between January 31, 1991 and January 31, 1992 and dropped as a percent of total assets. This decline was primarily due to the

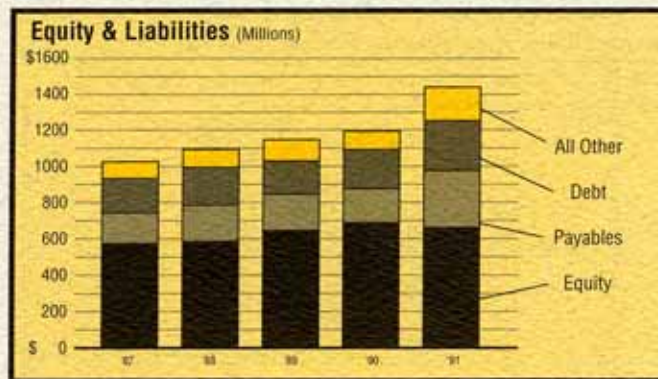
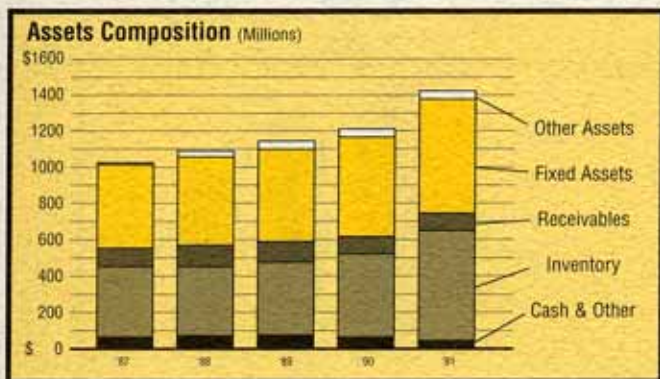
early retirement of \$30 million of 12.75% notes as well as normal debt retirements. In fiscal 1989 we accelerated the retirement of \$17 million of our 11.5% notes. Over the past three years we have replaced long-term debt carrying double-digit interest rates with short-term borrowings at much lower rates (see Note 4). In fiscal 1992, we expect to take advantage of the current lower interest rates to issue long-term debt.

Shareholders' equity declined 2% from January 31, 1991 to January 31, 1992, as record cash dividends of \$20 million exceeded our reported net earnings, which were impacted by the \$71.3 million pre-tax restructuring charge. However, as discussed in the Cash Flow Statement analysis, most of the store restructuring charge was a noncash accrual. In fact, the company earned reasonably normal levels of cash with which to operate and pay dividends.

Since balance sheet analysis traditionally views liabilities and equity as the sources of financing for assets, it is difficult to visualize how a noncash accrual can "finance" anything. It is easier if we use a cash flow perspective. Deferred taxes and accrued restructuring costs are noncash adjustments to book earnings, which in effect decrease stated shareholders' equity. These adjustments did not decrease the cash available to finance assets. From a cash standpoint, our shareholders "financed" a proportion of total assets equal to the sum of shareholders' equity, deferred taxes and accrued store restructuring cost (51.3%).

During fiscal 1991, the tax effect of the restructuring charge resulted in a deferred tax benefit, representing future tax-deductible expenditures which substantially offset existing deferred tax liabilities.

The "Commitments, Contingencies and Litigation" line of our balance sheet refers to outstanding purchase commitments and litigation. Lowe's was committed to invest approximately \$16.4 million for land, buildings and construction and \$4.7 million for equipment at January 31, 1992, as compared to \$1.1 million and \$3.4 million at January 31, 1991. The increase is due to a shift in the timing of new store openings. Most of fiscal 1992's openings are scheduled for the first half of the year, whereas most 1991 openings occurred in the last half of the year. As in fiscal 1990 and 1991, many of fiscal 1992's new and relocated stores will be leased rather than purchased; the rent for these properties will be expensed monthly. Leasing is advantageous to Lowe's because it does not require a large up-front outlay of cash. Note 10 details the future minimum lease payments for current operating leases. The company is a defendant in legal proceedings considered to be in the normal course of business, none of which, singularly or collectively, are considered material to the company as a whole. The Company is in full compliance with all federal environmental laws and regulations.



Consolidated Statements of Cash Flows

Lowe's Companies, Inc. and Subsidiary Companies

Dollars in Thousands

Fiscal Years End on January 31 of Following Year

	Fiscal 1991	Fiscal 1990	Fiscal 1989
Cash Flows from Operating Activities:			
Net Earnings	\$ 6,487	\$ 71,087	\$ 74,912
Adjustments to Reconcile Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation	58,298	51,431	46,134
Store Restructuring	69,219	—	—
Increase (Decrease) in Deferred Income Taxes	(25,258)	178	2,403
(Gain) Loss on Disposition of Fixed and Other Assets	1,073	771	(1,758)
Cash Flow from Operations*	\$ 109,819	\$ 123,467	\$121,691
Changes in Operating Assets and Liabilities:			
Decrease (Increase) in Operating Assets:			
Accounts Receivable — Net	\$ (19,385)	\$ 25,543	\$ 5,841
Merchandise Inventory	(141,991)	(53,127)	(28,294)
Other Operating Assets	(5,098)	683	(144)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	120,954	(23,337)	6,241
Employee Retirement Plans	7,790	3,780	20,594
Other Operating Liabilities	21,366	2,165	1,317
Net Cash Provided by Operating Activities	\$ 93,455	\$ 79,174	\$127,246
Cash Flows from Investing Activities:			
Decrease (Increase) in Investment Assets:			
Short-Term Investments	\$ 30,384	\$ (35,110)	\$ —
Long-Term Investments	(11,350)	—	—
Other Long Term Assets	(70)	(3,267)	880
Fixed Assets Acquired	(133,846)	(91,024)	(91,673)
Proceeds from the Sale of Fixed and Other Long-Term Assets	3,914	11,424	3,216
Net Cash Used in Investing Activities	\$(110,968)	\$(117,977)	\$(87,577)
Cash Flows from Financing Activities:			
Sources:			
Long-Term Debt Borrowings	\$ —	\$ —	\$ 6,000
Net Increase in Short-Term Debt Borrowings	89,919	51,920	1,738
Stock Options Exercised	1,223	6,004	2,023
Total Financing Sources	\$ 91,142	\$ 57,924	\$ 9,761
Uses:			
Repayment of Long-Term Debt	\$ (40,686)	\$ (13,823)	\$ (29,893)
Cash Dividend Payments	(20,020)	(19,334)	(18,228)
Common Stock Purchased for Retirement	(1,869)	(21,660)	—
Common Stock Purchased for ESOP Contribution	—	(4,836)	(6,000)
Total Financing Uses	(62,575)	(59,653)	(54,121)
Net Cash Provided by (Used) in Financing Activities	\$ 28,567	\$ (1,729)	\$(44,360)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 11,054	\$ (40,532)	\$ (4,691)
Cash and Cash Equivalents, Beginning of Year	15,034	55,566	60,257
Cash and Cash Equivalents, End of Year	\$ 26,088	\$ 15,034	\$ 55,566

*Before adjustments for changes in related operating assets and operating liabilities
See accompanying notes to consolidated financial statements.

Cash Flow

Lowe's Cash Flow Statement classifies cash receipts and payments according to their sources and uses in operating activities, investing activities, and financing activities. It also considers changes in current assets and liabilities as part of "Net Cash Provided by Operating Activities." However, our major current assets and liabilities (receivables, payables, and inventory) fluctuate from month-to-month as much as 30% due to seasonal purchase trends and payment terms, and the difference between two January 31 snapshots is not necessarily representative of any ongoing trend. Therefore, we prefer the subtotal "Cash Flow from Operations" as a more stable measure of cash flow for year-to-year comparisons.

In analyzing cash flow for 1991, two unusual items stand out. First, there is the one-time store restructuring charge of \$71.3 million. Most of this charge (\$69.2 million) was an accrual and did not represent a cash outlay. We therefore properly add it back to net earnings in order to compute cash flow. Secondly, the restructuring charge caused deferred taxes to change. Normally we experience a small impact from deferred taxes, caused principally by the increase or decrease in nondeductible accrued items. But in 1991, since the restructuring charge was not deductible for income tax purposes, we paid more cash for income taxes than our income statement tax expense. This results in the \$25.3 million decrease shown.

Other positive cash flow components are depreciation, which is an income statement charge for which cash had already been expended in previous years; and any gain or loss on asset disposition. These combine to total Cash Flow from Operations. Cash flow increased 1.5% from 1989 to 1990 and decreased 11.1% in 1991. The major factor in the 1991 decrease was a decline in the operating profit of our smaller stores, which are more sensitive to fluctuations in the business cycle, lumber and building material pricing, and competitive pressures.

Our most important operating assets and liabilities are accounts receivable, merchandising inventory, and accounts payable. As planned, inventory has increased steadily over several years. However, the changes in accounts receivable and accounts payable in the last two years have varied with the level of sales in the month of January. In both January 1990 and January 1992, we experienced favorable weather conditions and economic conditions, which gave us the opportunity for higher sales volumes. In January 1991, sales were unusually low because of the effect of the Middle East crisis on our economy. At the end of January 1990 and 1992, contractors made substantial purchases which were carried in our accounts receivable balances. We also owed our vendors higher amounts due to significant increases in our purchases of inventory. Since the opposite was true in January, 1991,

we experienced decreases in receivables and payables from fiscal 1989 to 1990 and then offsetting increases in both items in 1991. Additionally, accounts payable increased in 1991 related to our higher level of inventory.

Net Cash Provided by Operating Activities, which includes the effect of the operating assets and liabilities and the other factors discussed above, increased 18% from 1990 to 1991.

For readers who would like to compare our Cash Flow with that of companies which report on a FIFO basis, we present the following formula:

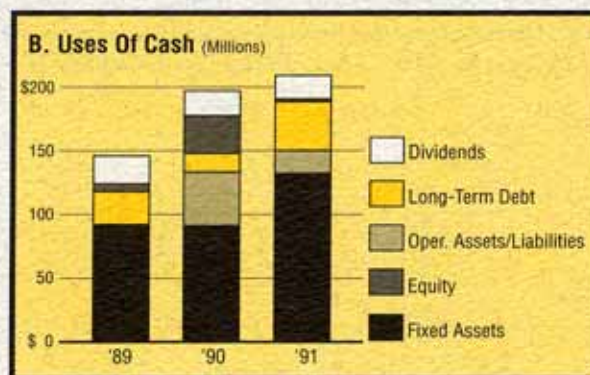
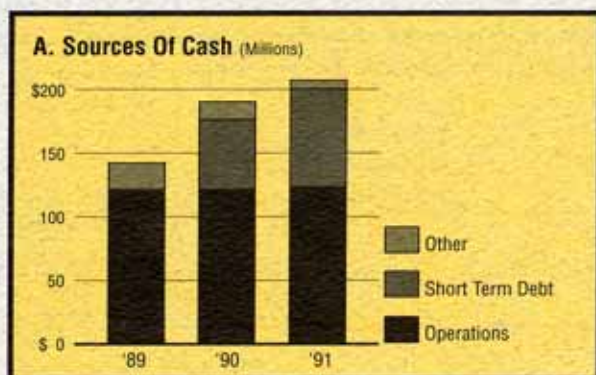
Begin with :	FIFO Pre-Tax Earnings
Adjust for:	Actual Taxes (from the Earnings Statement)
Add:	Depreciation and Restructuring
Adjust for:	Deferred Taxes
Result:	Comparative Cash Flow

In order to illustrate the other parts of the Statement of Cash Flows, we present graphs A and B. For purposes of this representation, we consider short-term and long-term investments as part of cash, since they are both part of our cash management program. Graph A, "Sources of Cash", shows that "Cash Flow from Operations Before Changes in Operating Assets and Liabilities" has been our largest source of funding for the past three years. In 1990 and 1991, another major source of cash was our short-term debt borrowings.

In addition to sources of funds currently in use, we have unused agreements and lines of credit aggregating \$372 million for short-term borrowing and letters of credit.

Graph B shows how our uses of cash have changed over the past years. Two constant uses are fixed asset purchases and dividend payments. Over the last 3 years, we have invested \$317 million in fixed assets. This is more than our total fixed assets at the end of 1985, reflecting our continued commitment to our expansion program. Dividends increased from \$18 million in 1989 to \$20 million in 1991. Dividends per share increased from \$.49 to \$.55 from 1989 to 1991.

The other material uses of cash have varied each year as opportunities arose. In 1991, we took advantage of lower interest rates by accelerating the retirement of \$30 million of 12.75% notes, temporarily replacing them with lower interest short-term borrowings. In 1989, we accelerated the retirement of \$17 million of our 11.5% notes in addition to normal debt retirements. In 1988, 1990 and 1991 we repurchased a portion of our common stock. In 1990 and 1991, the net change in operating assets and liabilities was a use of cash, primarily due to inventory, which increased as we broadened our product lines of DIY-related merchandise in our new, relocated and remerchandised stores.



Notes to Consolidated Financial Statements

Lowe's Companies, Inc. and Subsidiary Companies
Fiscal Years Ended January 31, 1992, 1991 and 1990

Note 1, Summary of Significant Accounting Policies:

The Company is a specialty retailer serving the do-it-yourself home center business, the consumer durables business and the building contractor business. Below are those policies considered to be significant.

Subsidiaries and 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.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments that are readily convertible to cash within three months of purchase.

Investments – The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to three years. Investments that are readily convertible to cash within three months of purchase are classified as cash equivalents. Investments with a maturity of between three months and one year are classified as short-term investments. These investments are stated at cost which approximates market. Investments with maturities greater than one year are classified as long-term. These are stated at the lower of cost or market value. Interest is accrued when earned on all investments.

Accounts Receivable – The majority of the accounts receivable arise from sales to professional building contractors principally in the South Atlantic and South Central regions of the United States. The allowance for doubtful accounts is based on historical experience and a review of existing receivables. Sales generated through the Company's private label credit card and consumer installment sales are not reflected in receivables. These receivables are sold, without recourse, to an outside finance company.

Merchandise Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method. Included in inventory cost are administrative, warehousing and other costs directly associated with buying, distributing and maintaining inventory in a condition for resale.

Property and Depreciation – Property is recorded at cost. Costs associated with major additions are capitalized and depreciated. Upon disposal, the cost of properties and related accumulated depreciation are removed from the accounts with gains and losses reflected in earnings.

Depreciation is provided over the estimated useful lives of the depreciable assets. Assets are generally depreciated on the straight-line method. Leasehold improvements are depreciated over the shorter of their estimated useful lives or term of the related lease.

Other Assets – Real property representing closed stores are included in other assets at their estimated net realizable value.

Leases – Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets or over the lease term if shorter. The charge to earnings resulting from amortization of these assets is included in depreciation expense in the consolidated financial statements.

Income Taxes – Income taxes are provided for temporary differences between the tax and financial accounting bases of assets and liabilities using the liability method under Financial Accounting Standard No. 109 (SFAS 109). The tax effects of such differences are reflected in the balance sheet at the tax rates expected to be in effect when the differences reverse.

SFAS 109 was issued in February 1992 and adopted by the Company for Fiscal 1991 year-end reporting. Prior to the adoption of SFAS 109, the Company accounted for income taxes under SFAS 96, the accounting standard superceded by SFAS 109. The change to SFAS 109 had no effect on the Company's financial position or results of operations.

Store Pre-opening Costs – Costs of opening new retail stores are charged to operations as incurred.

Employee Retirement Plans – Since 1957 the Company has maintained benefit plans for its employees as described in Note 7. The plans are funded annually.

Earnings Per Share – Earnings per share are calculated on the weighted average shares of common stock and dilutive common stock equivalents outstanding each year.

Note 2, Merchandise Inventory:

The Company uses the LIFO method to determine inventory costs. If the first-in, first-out (FIFO) method had been used, inventories would have been \$39.5 million, \$33.5 million and \$34.2 million higher at January 31, 1992, 1991 and 1990, respectively. Under FIFO, net earnings would have been \$3.8 million or 10 cents per share higher for Fiscal 1991, \$.5 million or 1 cent per share lower for Fiscal 1990 and \$2.4 million or 7 cents per share higher for Fiscal 1989.

Note 3, Property and Accumulated Depreciation:

Net property includes \$13.9 million, \$15.6 million and \$17.3 million in assets from capital leases for Fiscal 1991, 1990, and 1989, respectively.

Property is summarized below by major class:

(Dollars in Thousands)	January 31,		
	1992	1991	1990
Cost:			
Land	\$116,382	\$ 99,127	\$ 94,081
Buildings	400,877	371,947	354,300
Store and Office equipment	302,708	265,280	221,311
Leasehold improvements	49,823	42,178	36,486
Total cost	869,790	776,532	706,178
Accumulated depreciation	(256,835)	(235,068)	(198,367)
Net property (Note 10)	\$612,955	\$541,464	\$507,811

Note 4, Short-Term Borrowings and Lines of Credit:

The Company had agreements with a group of banks at January 31, 1992, which provided for short-term unsecured borrowings of up to \$60 million with interest at the lower of prime or bank transaction rate. These agreements were increased to \$100 million effective February 1, 1992.

In addition, several banks have extended lines of credit aggregating \$75 million for the purpose of issuing documentary letters of credit and standby letters of credit. Another \$240 million is available for purpose of short-term borrowings on a bid basis from various banks.

The following relates to aggregate short-term borrowings from banks and to the use of the Company's commercial paper in Fiscal 1991, 1990 and 1989:

Category of Aggregate Short-Term Borrowings	Balance at end of Year	Weighted Average Interest Rate	Maximum Amount Outstanding At Any Month End	Average Amount Outstanding During the Year (a)	Weighted Average Interest Rate During the Year (b)
(Dollars in Thousands)					
Fiscal 1991					
Commercial paper	\$97,000	4.3%	\$ 97,000	\$54,097	5.4%
Bank borrowings	43,500	4.1	118,200	42,792	5.5
Fiscal 1990					
Commercial paper	30,000	7.3	72,466	35,312	8.1
Bank borrowings	\$21,000	7.2%	101,000	44,496	8.0
Fiscal 1989					
Commercial paper			71,000	17,573	9.6
Bank borrowings			\$ 55,000	\$25,038	9.5%

(a) Average of daily ending balances.

(b) Total interest expense on short-term borrowings for the year divided by average amount outstanding during the year.

Note 5, Long-Term Debt:

Debt Category	Interest Rates	Year of Maturity	January 31,		
			1992	1991	1990
(Dollars in Thousands)					
Secured Debt¹:					
Insurance Company Notes	6.75% to 9% ²	1998	\$ 2,721	\$ 4,747	\$ 7,378
Bank Notes	7.5% ²	1994	83	177	230
Industrial Revenue Bonds ²					2,100
Industrial Revenue Bonds	4.6% to 4.55% ²	1998	1,721	3,162	4,163
Other Notes	10%	2000	892	1,106	998
Unsecured Debt:					
Insurance Company Notes	8.25%	1993	600	31,200	31,800
Industrial Revenue Bonds	6.25% ²	2000	13,086	13,963	15,285
Industrial Revenue Bonds ³	3.75% ²	2005	11,000	11,700	11,700
Unsecured Notes	11.5% ²	1995	27,813	27,801	27,789
Bank Notes ⁴	3.10% to 4.94% ²	1996	57,955	57,955	57,955
Capital Leases (Note 10)	7.15% to 14.58%	2018	15,479	17,630	19,156
Total Long-Term Debt			131,350	169,441	178,554
Less Current Maturities			17,700	10,237	10,658
Long-Term Debt, Excluding Current Maturities			\$113,650	\$159,204	\$167,896

¹ Interest rate varies as a percentage of prime rate or other interest index.

Interest rates shown are as of January 31, 1992.

The Company, in a public offering on April 1, 1985, issued \$75 million of 11.5% unsecured notes at a discount of .426%. The discount and issuance costs are being amortized over the life of the notes. In January 1987, the Company accelerated the retirement of \$30 million of this debt. During February and March of 1989, an additional \$17.15 million retirement was accelerated, incurring \$824 thousand of early retirement costs. The remaining notes may be redeemed in whole or in part, without penalty, by the Company at any time after April 1, 1992 at the principal amount and accrued interest to the date fixed for redemption. The notes are governed by an indenture which, among other things, places certain restrictions on the issuance or guarantee of additional indebtedness.

On December 23, 1991, the Company accelerated the retirement of \$30 million of 12.75% unsecured insurance company notes incurring \$1.149 million of early retirement costs.

At January 31, 1992, the Company had outstanding five interest rate swap agreements with financial institutions, having a total notional principal amount of \$22.3 million. Under four agreements with notional amounts of \$5 million each, the Company will pay interest at a fixed rate and will receive interest payments on the same notional amount at 85% of an interest rate index. Under the remaining agreement, with an initial amount of \$2.3 million, the Company effectively lowers the percent of prime rate that the Company pays on a floating rate industrial revenue bond. The Company is exposed to credit loss in the event of nonperformance by the banks and financial institutions. However, management does not anticipate such nonperformance.

Debt maturities, exclusive of capital leases (see Note 10), for the next five fiscal years are as follows (in millions): 1992, \$14.8; 1993, \$15.1; 1994, \$31.5; 1995, \$36.5; 1996, \$4.1.

Notes:

- ¹ Real properties pledged as collateral for secured debt had net book values (in millions) at January 31, 1992, as follows: insurance company notes - \$25.6; bank notes - \$.6; industrial revenue bonds \$5.6; and other notes \$6.8.
- ² During Fiscal 1990 the Company repaid these industrial revenue bonds, which carried a fixed interest rate of 10.625% and a maturity date of 2014.
- ³ The Company issued notes to secure \$11.7 million floating rate monthly demand industrial revenue bonds in Fiscal 1985. The interest rates are tied to an interest index based on comparable securities traded at par and other pertinent financial market rates. With certain restrictions, the bonds can be converted to a fixed interest rate based on a fixed interest index at the Company's option.
- ⁴ The unsecured bank notes were obtained for the purpose of acquiring the Company's common stock to fund the ESOP. These notes require that certain financial conditions be maintained, restrict other borrowings, and limit the payment of dividends to \$40 million during any one year.

Note 6, Income Taxes:

Fiscal years end on January 31 of following year	Fiscal 1991		Fiscal 1990		Fiscal 1989	
	Amount	%	Amount	%	Amount	%
(Dollars in Thousands)						
Statutory Rate Reconciliation						
Pre-tax earnings	\$ 4,951	100.0%	\$100,251	100.0%	\$108,796	100.0%
Federal Income Tax at Statutory Rate	1,683	34.0	34,085	34.0	36,991	34.0
State Income Taxes - Net of Federal Tax Benefit	131	2.6	55	.1	1,853	1.7
Low Income Housing Credits	(1,908)	(38.5)	(1,084)	(1.1)	(379)	(.4)
ESOP Dividend Pass-Through	(1,279)	(25.8)	(1,212)	(1.2)	(1,119)	(1.0)
Other	(163)	(3.3)	(2,680)	(2.7)	(3,462)	(3.2)
Total Income Tax Provision (Benefit)	\$ (1,536)	(31.0)%	\$ 29,164	29.1%	\$ 33,884	31.1%
Components of Income Tax Provision						
Current						
Federal	\$ 23,524	(1,531.5)%	\$ 28,903	99.1%	\$ 29,370	86.7%
State	198	(12.9)	83	.3	2,111	6.2
Total Current	23,722	(1,544.4)	28,986	99.4	31,481	92.9
Deferred						
Federal	(25,258)	1,644.4	178	.6	1,706	5.0
State	—	—	—	.0	697	2.1
Total Deferred	(25,258)	1,644.4	178	.6	2,403	7.1
Total Income Tax Provision	\$ (1,536)	100.0%	\$ 29,164	100.0%	\$ 33,884	100.0%

Deferred income taxes arise principally from the temporary differences between financial reporting and income tax reporting of depreciation and certain other accrued expenses. During Fiscal Year 1991, the tax effect of the restructuring charge resulted in a deferred tax benefit representing future tax deductible expenditures which substantially offset existing deferred tax liabilities.

The tax effect of the cumulative temporary differences between financial reporting and income tax reporting at January 31, 1992 consists of the following:

Excess tax over book depreciation	\$ (29,525)
Accrued store restructuring costs	23,535
Other, net	5,764
Total net deferred tax asset	\$ 226

The Company's consolidated Federal income tax returns for Fiscal 1987 and 1988 are currently under examination by the Internal Revenue Service, a routine occurrence for companies of Lowe's size. No material adjustments are expected.

Note 7, Employee Retirement Plans:

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is approved annually by the Board of Directors. The ESOP covers all employees after completion of one year of employment and 1,000 hours of service during that year. The Board authorized contributions totalling 13% of eligible compensation for each of the Fiscal years 1991, 1990 and 1989.

During Fiscal 1989, to complete funding of the Company's Fiscal 1988 ESOP contribution, the Company purchased on the open market and simultaneously contributed to the ESOP 221,600 shares at a cost of \$6.0 million. In January 1990, the Company prefunded, in cash, \$1.0 million of its Fiscal 1989 ESOP contribution. During Fiscal 1990, the Board of Directors approved a \$65 million stock repurchase program, including up to \$15 million for a partial prefunding of the Company's Fiscal

1990 contribution to the ESOP (See Note 8). During Fiscal 1990, the Company purchased and contributed to the ESOP 238,920 shares costing \$4.8 million. The remaining Fiscal 1990 contribution was made in cash during Fiscal 1991. As of January 31, 1992, the Employee Stock Ownership Trust held approximately 24.1% of the outstanding common stock of the Company and was its largest shareholder.

The Board of Directors approves contributions to the Company's Employee Savings and Investment Plan (ESIP) each year based upon a matching formula applied to employee contributions. All employees are eligible to participate in the ESIP on the first day of the month following completion of one year of employment. Company contributions to this plan for Fiscal 1991, 1990, and 1989 were \$2.9, \$2.7 and \$2.6 million, respectively. The Company's common stock is an investment option for participants in the ESIP. As of January 31, 1992, the ESIP held 144,746 shares of the Company's outstanding common stock.

The Company has evaluated Statement of Financial Accounting Standards No. 106 ("Employers' Accounting for Postretirement Benefits Other Than Pensions") and does not believe that the Company has any liability under this standard.

Note 8, Shareholders' Equity:

Authorized shares of common stock were 120 million at January 31, 1992, 1991 and 1990.

Transactions affecting the shareholders' equity section of the consolidated balance sheets are summarized as follows:

(In Thousands)	Shares	(In Thousands)				
		Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total Equity
	Outstanding					
Balance January 31, 1989	37,139	\$19,819	\$176,698	\$440,334	\$(50,000)	\$586,851
Net Earnings				74,912		74,912
Cash Dividends				(18,228)		(18,228)
Stock Options Exercised (Note 9)	119	59	2,035			2,094
Treasury Stock Received for Exercise of Stock Options	(5)				(71)	(71)
Balance January 31, 1990	37,255	19,878	178,733	497,018	(50,071)	645,558
Net Earnings				71,087		71,087
Tax Effect of Incentive Stock Options Exercised (Note 9)			1,017			1,017
Cash Dividends				(19,334)		(19,334)
Stock Options Exercised (Note 9)	272	136	5,878			6,014
Stock Received for Exercise of Stock Options					(10)	(10)
Treasury Shares Retired		(1,251)	(11,532)	(37,298)	50,081	
Shares Purchased and Retired	(1,067)	(533)	(4,919)	(16,208)		(21,660)
Balance January 31, 1991	36,460	18,230	169,177	495,265	NIL	682,672
Net Earnings				6,487		6,487
Tax Effect of Incentive Stock Options Exercised (Note 9)			61			61
Cash Dividends				(20,020)		(20,020)
Stock Options Exercised (Note 9)	58	29	1,269			1,298
Stock Received for Exercise of Stock Options	(3)	(1)	(13)	(61)		(75)
Shares Purchased and Retired	(75)	(38)	(346)	(1,485)		(1,869)
Balance January 31, 1992	36,440	\$18,220	\$170,148	\$480,186	NIL	\$668,554

The Company has 5 million authorized shares of preferred stock (\$5 par), none of which have been issued. The preferred stock may be issued by the Board of Directors (without action by shareholders) in one or more series, having such voting rights, dividend and liquidation preferences and such conversion and other rights as may be designated by the Board of Directors at the time of issuance of the preferred shares.

On September 9, 1988, the Board of Directors adopted a shareholder rights plan which provides for a dividend distribution of one preferred share purchase right on each outstanding share of common stock. Each purchase right will entitle shareholders to buy one unit of a newly authorized series of preferred stock. Each unit is intended to be the equivalent of one share of common stock. The purchase rights will be exercisable only if a person or group acquires or announces a tender offer for 20% or more of Lowe's common stock. The purchase rights do not apply to the person or group acquiring the stock. The purchase rights will expire on September 19, 1998.

Provisions of North Carolina law enacted during Fiscal 1990 eliminated the concept of treasury shares. The Company held 2,501,530 shares at a cost of \$50.1 million at July 31, 1990, the effective date of the new law. The Company has retired these treasury shares held at July 31, 1990 and subsequently has begun to retire certain shares as they are repurchased (See below).

In September 1990, the Board of Directors approved a \$65 million stock repurchase program, primarily on the open market, of the Company's common stock, including up to \$15 million for a partial prefunding of the Company's Fiscal 1990 contribution to the Employee Stock Ownership Plan (ESOP), with the remaining \$50 million allocated to repurchase stock to be retired (authorized but unissued). The first 401,000 shares were repurchased at a cost of \$8.2 million and were retired. Subsequent repurchases were at a ratio of 26.4% allocated to the ESOP and 73.6% retired. At January 31, 1991, the Company had repurchased 1,306,000 shares at a cost of \$26.5 million or an average of \$20.29 per share. Of these shares repurchased, 238,920 shares at a cost of \$4.8 million have been contributed to the ESOP. There were no other purchases under the program prior to its expiration on September 9, 1991.

In October 1991, the Board of Directors authorized the expenditure of up to \$50 million for the purchase, primarily in the open market, of the Company's common stock. The stock will be retired (authorized but unissued). As of January 31, 1992, the Company had repurchased 75,002 shares at a cost of \$1.9 million or an average of \$24.92 per share. This program will expire on May 29, 1992.

Note 9, Stock Options:

During Fiscal 1985, shareholders approved a stock option plan under which incentive and nonqualified stock options may be granted to key employees. One million common shares were reserved for option purposes. Options granted are exercisable from the date of grant through expiration dates which range from 1991 through 1994. At January 31, 1992, there were 362,610 shares available for grant.

Option information is summarized as follows:

Key Employee Stock Option Plan	Shares (In Thousands)	Option Price Per Share	
Outstanding January 31, 1989	340	\$16.25, \$21.375, \$25.375	
Granted	252		Variable to 25.50
Cancelled or expired	(7)		Variable to 25.50
Exercised	(119)		16.25 to 24.43
Outstanding January 31, 1990	466	16.25, 21.375, 25.375, Variable to 25.50	
Cancelled or expired	(3)		Variable to 25.50
Exercised	(272)		10.79 to 24.43
Outstanding January 31, 1991	191	16.52, 21.375, Variable to 25.50	
Cancelled or expired	(2)		21.375
Exercised	(57)		16.25 to 23.81
Outstanding January 31, 1992	132	\$16.25, Variable to \$25.50	

Prior to Fiscal 1989, all options granted were incentive options whereby the option prices were at least equal to the fair market values of the stock at the grant dates. During Fiscal 1989, all options granted were adjustable nonqualified options exercisable at a maximum price of \$25.50 per share. The actual option price, if lower than \$25.50, is determined on the date each option is exercised according to a formula stipulated by the Plan.

During Fiscal 1989, shareholders approved a Non-Employee Directors' Stock Option Plan. This Plan provides that adjustable nonqualified options representing one thousand shares of Lowe's common stock will be granted to each outside Director following the Annual Meeting in 1989, 1990, 1991, 1992 and 1993. Fifty thousand shares of common stock are reserved to fulfill the requirements of this Plan. Options representing seven thousand shares were granted under this Plan in each of Fiscal 1989, Fiscal 1990 and Fiscal 1991, of which options representing one thousand shares have been exercised. The maximum option price per share was \$25.50 for Fiscal 1989, \$43.625 for Fiscal 1990 and \$34.50 for Fiscal 1991.

Incentive stock options which are sold by the optionee within two years of grant or one year of exercise result in a tax deduction for the Company equivalent to the taxable gain recognized by the optionee. For financial reporting purposes, the tax effect of this deduction is accounted for as a credit to capital in excess of par value rather than as a reduction of income tax expense. Such optionee sales resulted in a tax benefit to the Company of approximately \$61 thousand and \$1.017 million during Fiscal years 1991 and 1990 respectively.

Note 10, Leases:

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

Fiscal Year	Operating Leases		Capital Leases		Total
	Real Estate	Equipment	Real Estate	Equipment	
(Dollars in Thousands)					
1992	\$ 14,181	\$ 4,662	\$ 1,358	\$2,897	\$ 23,098
1993	15,101	2,337	1,329	1,450	20,217
1994	14,254	480	1,315	339	16,386
1995	13,371	262	1,203	77	14,913
1996	12,986	106	1,209	—	14,301
Later years	174,900	—	23,660	—	198,560
Total Minimum Lease Payments	\$244,793	\$7,847	\$30,072	\$4,765	\$287,475
Total Minimum Capital Lease Payments			\$34,855		
Less Amount Representing Interest			19,356		
Present Value of Minimum Lease Payments			15,479		
Less Current Maturities			2,869		
Present Value of Minimum Lease Payments, Less Current Maturities			\$12,611		

Rental expenses under operating leases for real estate and equipment were \$15.1 million, \$11.8 million and \$8.8 million in Fiscal 1991, 1990 and 1989, respectively.

The Company leases store facilities under agreements with original terms generally of twenty years. Generally these agreements provide for contingent rental based on sales performance in excess of specified minimums. To date, contingent rentals have not been significant. The leases typically contain provisions for four renewal options of five years each. Certain equipment is leased by the Company under agreements ranging from two to five years. These agreements typically contain renewal options providing for a renegotiation of the lease, at the Company's option, based on the fair market value at that time.

Note 11, Commitments, Contingencies and Litigation:

The Company had purchase commitments at January 31, 1992 of approximately \$16.4 million for land, buildings and construction of facilities, and \$4.7 million for equipment.

The Company had commitments at January 31, 1992 to invest approximately \$4.3 million in various Low Income Housing Projects.

The Company has entered into preliminary operating lease agreements for nine new store properties. The terms and conditions of these leases have not been finalized. The minimum lease payments will be computed based on a formula which takes into account, among other items, the construction costs and borrowing costs of the lessor.

The Company is a defendant in legal proceedings considered to be in the normal course of business and none of which, singularly or collectively, are considered material to the Company as a whole. Potential liability in excess of the Company's self-insured retention under these proceedings is covered by insurance.

Note 12, Store Restructuring:

In Fiscal 1991, the Company recorded a one-time pre-tax fourth quarter charge of \$71.3 million for the expected costs and expenses required to accelerate the Company's conversion from a chain of small stores to a chain of large stores. The restructuring charge is composed primarily of write-downs of long-lived assets to their net realizable value, principally real estate for owned locations, certain leasehold improvements, fixtures and equipment. It also includes relocation costs and expenses. The charge includes stores relocated under the restructuring plan in the fourth quarter of Fiscal 1991 and those scheduled for closing and relocation through Fiscal 1995.

Note 13, Other Information:

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

Years Ended January 31,	1992	1991	1990
(Dollars in Thousands)			
Allowance for Doubtful Accounts:			
Balance Beginning of Year	\$ 3,399	\$ 4,069	\$ 4,179
Additions Charged to Expense	4,518	4,057	3,771
Deductions for Accounts Charged Off	(3,814)	(4,727)	(3,881)
Balance End of Year	\$ 4,103	\$ 3,399	\$ 4,069

Net interest expense is comprised of the following:

Years Ended January 31,	1992	1991	1990
Long-Term Debt	\$14,467	\$16,428	\$18,095
Short-Term Debt	5,317	6,426	4,074
Amortization of Loan Costs	125	106	243
Cost of Early Debt Retirement	1,149	—	824
Short-Term Interest Income	(3,006)	(4,399)	(1,787)
Interest Capitalized	(1,114)	(1,142)	(2,221)
Net Interest Expense	\$16,958	\$17,419	\$19,228

Cash and cash equivalents are comprised of the following:

As of January 31,	1992	1991	1990
Cash	\$12,685	\$ 8,113	\$15,156
Cash Equivalents	13,403	6,921	40,410
Total	\$26,088	\$15,034	\$55,566

Supplemental disclosures of cash flow information:

Years Ended January 31,	1992	1991	1990
Cash Paid for Interest (Net of Amount Capitalized)	\$22,162	\$ 23,256	\$ 23,944
Cash Paid for Income Taxes	\$21,028	\$ 25,629	\$ 34,061

Non-cash investing and financing activities:

Fixed Assets Acquired Under Capital Leases	\$ 2,595	\$ 3,557	—
Fixed Assets Acquired by Like Kind Exchange	3,290	—	—
Stock Purchased Then Contributed to ESOP (Note 7)	—	4,856	\$ 6,000
Common Stock Received for Exercise of Stock Options	75	10	\$ 71
Notes Received in Exchange for Property	\$ 2,478	\$ 4,071	—

Supplemental disclosure of operating expenses:

Advertising expenses were \$61.8, \$56.3 and \$48.3 million for Fiscal 1991, 1990 and 1989, respectively.

Note 14, Subsequent Events:

Subsequent to January 31, 1992, the Company entered into an agreement to sell an undivided fractional interest in a designated pool of receivables. Under the agreement, an interest in new receivables may be sold as collections reduce previously sold interests.

Selected Financial Data

Lowe's Companies, Inc. and Subsidiary Companies

(Dollars in thousands, except per share data)

Fiscal years end on January 31 of
following year (unaudited)

	1991	1990	1989	1988	1987
Selected Income Statement Data:					
Net Sales	\$3,056,247	\$2,833,108	\$2,650,547	\$2,516,879	\$2,442,177
Earnings Before Cumulative Effect of a Change in Accounting Principle	6,487	71,087	74,912	69,201	55,954
Cumulative Effect on Prior Years of a Change in Accounting for Income Taxes	6,487	71,087	74,912	69,201	5,226
Net Earnings	6,487	71,087	74,912	69,201	61,180
Earnings Per Common Share: Before Cumulative Effect of a Change in Accounting Principle	.18	1.91	2.01	1.83	1.41
Net Earnings	.18	1.91	2.01	1.83	1.54
Dividends Per Share	\$.55	\$.52	\$.49	\$.46	\$.43
Selected Balance Sheet Data:					
Total Assets	\$1,441,228	\$1,203,052	\$1,147,394	\$1,085,797	\$1,027,329
Long-term Debt, Including Current Maturities	\$ 131,350	\$ 169,441	\$ 178,554	\$ 202,447	\$ 197,893

Selected Quarterly Data (Unaudited)*

Three Months Ended	January 31	October 31	July 31	April 30
Fiscal 1991				
Net Sales	\$709,615	\$709,615	\$863,009	\$693,351
Gross Margin	170,539	188,485	208,816	167,418
Net Earnings (Loss)	(43,265)	12,992	25,284	11,476
Earnings (Loss) Per Share	\$ (1.19)	\$.36	\$.69	\$.31
Fiscal 1990				
Net Sales	\$586,024	\$708,124	\$818,052	\$720,908
Gross Margin	152,409	174,751	202,337	173,183
Net Earnings	5,064	14,081	29,960	21,982
Earnings Per Share	\$.14	\$.38	\$.80	\$.59
Fiscal 1989				
Net Sales	\$599,549	\$702,670	\$746,196	\$602,132
Gross Margin	146,074	168,336	183,770	148,203
Net Earnings	10,121	20,277	29,928	14,586
Earnings Per Share	\$.27	\$.54	\$.80	\$.39

*LIFO Adjustment:

Fiscal 1991 - The total LIFO effect for the year was a charge of \$6.0 million. A charge of \$9 million was made against earnings through the first nine months, resulting in a fourth quarter charge of \$5.1 million. Through the year the Company experienced slight deflation in products other than building commodities. In building commodities, particularly lumber, prices had risen sharply in the second quarter, then dropped as expected during the third and early fourth quarters. The Company expected this pattern to continue through the end of the year, however increased demand for lumber drove prices upward at the end of the year resulting in the fourth quarter adjustment.

Fiscal 1990 - The total LIFO effect for the year was a credit of \$7 million. A charge of \$2.6 million against earnings was made through the first nine months, resulting in a fourth quarter credit of \$3.3 million. During the first three quarters, the Company was experiencing inflation in basically all its products. However, in the fourth quarter, prices for building commodities fell dramatically due to decreased demand resulting from the economic slowdown. This created net deflation for the year and resulted in the large credit in the fourth quarter.

Fiscal 1989 - The total LIFO effect for the year was a charge of \$3.5 million. A charge of \$5.4 million against earnings was made through the first nine months, resulting in a fourth quarter credit of \$1.9 million.

Store Restructuring Charge:

During the fourth quarter of Fiscal 1991, the Company recorded a \$71.3 million pre-tax charge to earnings related to the planned conversion from a chain of small stores to a chain of large stores. (See Note 12 to the Consolidated Financial Statements)

Stock Performance

Lowe's Quarterly Stock Price Range and Cash Dividend Payment

	Fiscal 1991			Fiscal 1990			Fiscal 1989		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$34 1/4	\$25 1/8	\$.13	\$35 3/8	\$25 1/2	\$.13	\$25 3/4	\$22 1/8	\$.12
2nd Quarter	36 5/8	28 7/8	.14	49 5/8	29 3/8	.13	27 1/4	24	.12
3rd Quarter	34 7/8	24	.14	30 1/2	19 1/8	.13	32 1/8	26 3/8	.12
4th Quarter	\$41	\$25 7/8	\$.14	\$27 7/8	\$18 3/8	\$.13	\$31 1/4	\$28 7/8	\$.13

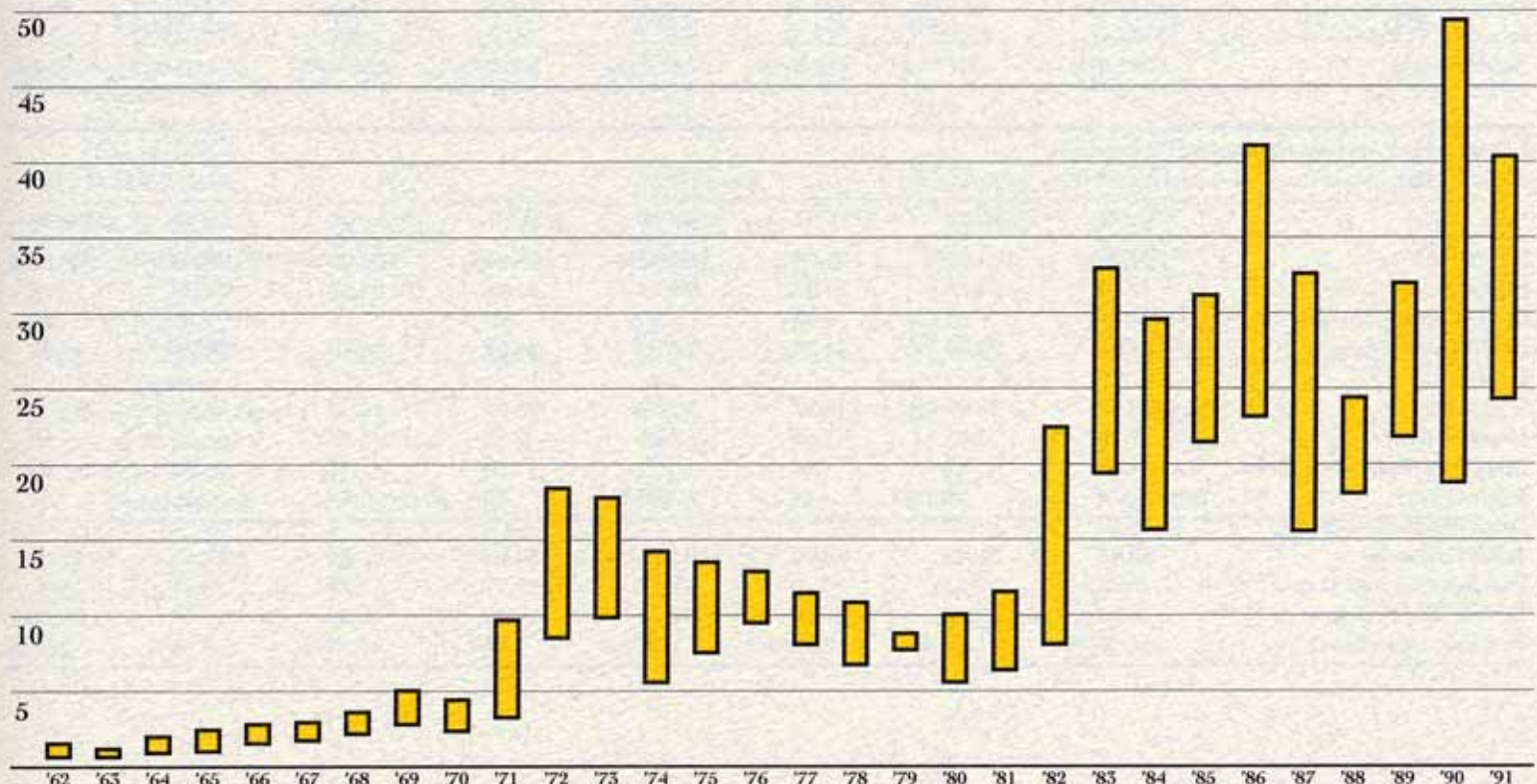
Source: The Wall Street Journal

Monthly Stock Price and Trading Volume Fiscal 1991

	Fiscal 1991			Fiscal 1990		
	High	Low	Shares Traded	High	Low	Shares Traded
February	\$31 1/2	\$25 1/8	2,281,900	\$27 3/4	\$25 1/2	821,300
March	32 1/2	28	2,047,100	34 1/2	25 3/4	5,879,600
April	34 1/4	31 1/8	2,033,000	35 3/8	32	3,175,900
May	34 1/2	28 7/8	2,352,200	47 1/2	34 3/8	4,611,800
June	36 5/8	31 3/8	1,484,600	49 5/8	44 7/8	4,960,400
July	35 1/2	32 3/4	1,229,800	49 1/2	29 3/8	9,130,800
August	34 7/8	30	2,679,200	30 1/2	20 7/8	4,738,900
September	34 1/4	32	1,220,800	24 5/8	19 1/8	2,821,500
October	33 3/4	24	4,302,900	21 7/8	19 1/8	3,153,600
November	30 1/2	26 3/8	3,197,800	21 3/4	18 3/8	2,503,800
December	34 1/8	25 7/8	3,548,200	25 1/4	20 3/4	2,034,100
January	\$41	\$33	5,026,100	\$27 7/8	\$23 1/2	1,904,000

Source: The Wall Street Journal

High-Low Stock Price* Dollars; Adjusted for All Splits



*Based on fiscal years; prior to '75, year-end was July 31. Sources: Monthly Market Statistics Report, New York Stock Exchange, The Wall Street Journal

Quarterly Review of Performance

Earnings Statement

Dollars in Thousands

Quarter Ended	Fiscal 1991				Fiscal 1990			
	1/31/92	10/31/91	7/31/91	4/30/91	1/31/91	10/31/90	7/31/90	4/30/90
Net Sales	\$709,613	\$790,274	\$863,009	\$693,351	\$586,024	\$708,124	\$818,052	\$720,908
FIFO Gross Margin	175,602	187,881	209,110	168,644	149,115	174,751	203,510	174,616
LIFO Credit (Charge)	(5,063)	604	(294)	(1,226)	3,294	-	(1,173)	(1,433)
LIFO Gross Margin	170,539	188,485	208,816	167,418	152,409	174,751	202,337	173,183
Expenses:								
S, G & A	137,647	143,030	146,337	126,308	120,270	130,191	136,378	119,079
Depreciation	15,603	14,471	14,258	13,966	13,673	13,105	12,481	12,172
Employee Retirement Plans	7,668	7,797	8,145	6,851	6,770	7,005	7,500	6,386
Interest	5,255	4,019	3,801	3,863	4,712	4,786	4,140	3,781
Store Restructuring	71,288	-	-	-	-	-	-	-
Total Expenses	237,461	169,317	172,541	150,988	145,425	155,087	160,499	141,418
Pre-Tax Earnings (Loss)	(66,922)	19,168	36,275	16,430	6,984	19,664	41,838	31,765
Income Tax Provision	(23,657)	6,176	10,991	4,954	1,920	5,583	11,878	9,783
Net Earnings (Loss)	(45,265)	12,992	25,284	11,476	5,064	14,081	29,960	21,982
Earnings (Loss) Per Share	\$ (1.19)	\$.36	\$.69	\$.51	\$.14	\$.38	\$.80	\$.59

2 Quarterly Earnings Statement Changes

Changes From Same Quarter Previous Year, to Nearest Tenth Percent

Quarter Ended	Fiscal 1991				Fiscal 1990			
	1/31/92	10/31/91	7/31/91	4/30/91	1/31/91	10/31/90	7/31/90	4/30/90
Net Sales	21.1%	11.6%	5.5%	(3.8)%	(2.3)%	.8%	9.6%	19.7%
FIFO Gross Margin	17.8	7.5	2.8	(3.4)	3.4	3.2	9.5	16.0
LIFO Credit (Charge)	253.7	100.0	(74.9)	(14.4)	(77.1)	(100.0)	(42.9)	(39.2)
LIFO Gross Margin	11.9	7.9	3.2	(3.3)	4.3	3.8	10.1	16.9
Expenses:								
S, G & A	14.4	9.9	7.3	6.1	9.3	12.2	16.1	14.4
Depreciation	14.1	10.4	14.2	14.7	10.6	12.2	10.5	12.7
Employee Retirement Plans	13.3	11.3	8.6	7.3	12.5	10.4	13.7	12.1
Interest	11.5	(16.0)	(8.2)	2.2	19.9	1.6	(11.2)	(36.2)
Store Restructuring	NM	-	-	-	-	-	-	-
Total Expenses	63.3	9.2	7.5	6.8	9.9	11.8	14.6	11.8
Pre-Tax Earnings (Loss)	(1058.2)	(2.5)	(13.3)	(48.3)	(49.3)	(33.6)	(4.3)	46.3
Income Tax Provision	(1332.1)	10.6	(7.5)	(49.4)	(47.3)	(40.2)	(13.8)	37.4
Net Earnings	(954.4)%	(7.7)%	(15.6)%	(47.8)%	(50.0)%	(30.6)%	.1%	50.7%

3 Quarterly Earnings Statement Percentages

Percent of Sales to Nearest Hundredth; Income Tax is % of Pre-Tax Earnings

Quarter Ended	Fiscal 1991				Fiscal 1990			
	1/31/92	10/31/91	7/31/91	4/30/91	1/31/91	10/31/90	7/31/90	4/30/90
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FIFO Gross Margin	24.74	23.77	24.23	24.33	25.45	24.68	24.88	24.22
LIFO Credit (Charge)	(.71)	.08	(.03)	(.18)	.56	-	(.15)	(.20)
LIFO Gross Margin	24.03	23.85	24.20	24.15	26.01	24.68	24.73	24.02
Expenses:								
S, G & A	19.39	18.09	16.97	18.22	20.53	18.38	16.66	16.52
Depreciation	2.20	1.85	1.65	2.01	2.33	1.85	1.53	1.69
Employee Retirement Plans	1.08	.99	.94	.99	1.16	.99	.92	.89
Interest	.74	.51	.44	.56	.80	.68	.51	.51
Store Restructuring	10.05	-	-	-	-	-	-	-
Total Expenses	33.46	21.42	20.00	21.78	24.82	21.90	19.62	19.61
Pre-Tax Earnings (Loss)	(9.43)	2.43	4.20	2.37	1.19	2.78	5.11	4.41
Income Tax Provision	35.35	32.22	30.30	30.15	27.49	28.39	28.39	30.80
Net Earnings (Loss)	(6.10)%	1.64%	2.93%	1.66%	.86%	1.99%	3.66%	3.05%

Customer Sales Profile

Dollars in Millions, Rounded Totals

	Fiscal 1991			Fiscal 1990	
	Change	Sales	% Total	Sales	% Total
1st Quarter					
HC ¹	+ 7%	\$375.4	54%	\$ 349.8	48%
CD ²	(7)	113.2	16	122.1	17
BC ³	(18)	204.8	30	249.0	35
Totals	(4)	693.4	100	720.9	100
2nd Quarter					
HC	+12	456.2	53	407.9	50
CD	+ 9	141.7	16	129.5	16
BC	(6)	265.1	31	280.7	34
Totals	+ 5	863.0	100	818.1	100
3rd Quarter					
HC	+18	429.9	54	364.6	51
CD	+13	101.8	13	89.8	13
BC	+ 2	258.6	33	253.7	36
Totals	+12	790.3	100	708.1	100
4th Quarter					
HC	+26	379.5	54	301.2	52
CD	+14	108.0	15	95.0	16
BC	+17	222.1	31	189.8	32
Totals	+21%	\$709.6	100%	\$586.0	100%

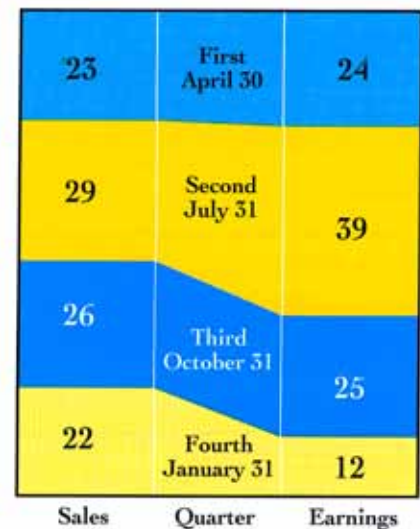
¹ HC: sales to home center customers (cash or non-recourse credit).

² CD: sales to consumer durables customers (cash or non-recourse credit).

³ BC: sales to building contractors (Lowe's-extended credit).

1985-1990 Sales and Earnings*

Percent of Total Year - A Six-Year Average



*1991 is not included in the analysis because the restructuring charge distorts results.

Store Sales Profile

Dollars in Millions, Rounded Totals

	Change	Fiscal 1991		Fiscal 1990	
		Sales	% of Total	Sales	% of Total
1st Quarter					
Comparable Stores ¹	(7)%	\$633.8	91%	\$683.9	95%
New Projects ²	+108	59.2	9	28.4	4
Closed Stores	-	.4	-	8.6	1
Total Sales	(4)	693.4	100	720.9	100
2nd Quarter					
Comparable Stores	+ 2	792.2	92	774.2	95
New Projects	+ 94	70.8	8	36.6	4
Closed Stores	-	-	-	7.3	1
Total Sales	+ 5	863.0	100	818.1	100
3rd Quarter					
Comparable Stores	+ 9	735.3	93	676.4	96
New Projects	+101	55.0	7	27.3	4
Closed Stores	-	-	-	4.4	-
Total Sales	+ 12	790.3	100	708.1	100
4th Quarter					
Comparable Stores	+ 16	633.7	89	545.2	93
New Projects	+116	74.8	11	34.6	6
Closed Stores	-	1.1	-	6.2	1
Total Stores	+ 21%	\$709.6	100%	\$586.0	100%

¹ Comparable stores: stores open more than 1 year with comparable square footage.

² New projects: New stores open less than 1 year and stores that have been retrofitted or relocated within the past 12 months.

Note: Prior years will not be restated.

Lowe's Board of Directors

William A. Andres

Director since 1986, age 65. Chairman of Committee of Outside Directors, Member of Audit Committee and Compensation/Employee Stock Option Committee of the Company. Previously Chairman of the Board (1976-1983), Chairman of Executive Committee (1983-1985) of Dayton Hudson Corporation (Retail Chain), Minneapolis, Minn. (Mr. Andres retired in September, 1985.) Other directorships: Jostens, Inc., Minneapolis, Minn., since 1985; Scott Paper Company, Philadelphia, Penn., since 1983; The St. Paul Companies, St. Paul, Minn., since 1977; International Multifoods, Inc., Minneapolis, Minn., since 1978; Hannaford Bros., Scarborough, Me., since 1986.

John M. Belk

Director since 1986, age 72. Member of Audit Committee, Compensation/Employee Stock Option Committee and Committee of Outside Directors of the Company. Chairman of the Board, Belk Stores Services, Inc. (Retail Department Stores), Charlotte, N.C., since 1980. Other directorships: Coca-Cola Bottling Company Consolidated, Charlotte, N.C., since 1972; Southern Radio Corp., Charlotte, N.C., since 1963; Chaparral Steel, Midlothian, Tex., since 1987.

Gordon E. Cadwgan

Director since 1961, age 78. Chairman of Audit Committee, Member of Compensation/Employee Stock Option Committee, Executive Committee and Committee of Outside Directors of the Company. Trustee and Financial Consultant, affiliated with Tucker, Anthony, Inc., Boston, Mass., since 1979. Other directorships: Third Century Fund, Inc., Providence, R.I., since 1981.

Leonard G. Herring

Director since 1956, age 64. President and Chief Executive Officer since 1978, Chairman of Non-Employee Directors' Stock Option Committee, Member of Executive Committee and Government/Legal Affairs Committee of the Company. Other directorships: First Union Corporation, Charlotte, N.C., since 1986; First Brands Corporation, Danbury, Conn., since 1987.

Petro Kulynych

Director since 1952, age 70. Member of Compensation/Employee Stock Option Committee, Executive Committee and Government/Legal Affairs Committee of the Company, having previously served as Managing Director (1978-1983). (Mr. Kulynych retired in December, 1983.) Other directorships: Local Board, Wachovia Bank of North Carolina, N.A., North Wilkesboro, N.C., since 1988; Carolina Motor Club, Inc. (Vice Chairman).

Russell B. Long

Director since 1987, age 73. Chairman of Government/Legal Affairs Committee, Member of Compensation/Employee Stock Option Committee and Committee of Outside Directors of the Company. Partner, Long Law Firm (Attorneys-at-Law), Washington, D.C., since 1988; previously Partner, Finley, Kumble, Wagner, Heine, Underberg, Manley, Myerson & Casey (Attorneys-at-Law), Washington, D.C., during 1987. Other directorships: Catalyst Vidalia Corp., Vidalia, La., since 1989; Metropolitan Life Insurance Company, New York, N.Y., since 1987; The New York Stock Exchange, Inc., New York, N.Y., since 1987. Other: United States Senator 1948-1987; Member, Senate Finance Committee 1952-1987 (Chairman 1965-1981).

Robert G. Schwartz

Director since 1973, age 64. Chairman of Compensation/Employee Stock Option Committee, Member of Audit Committee and Committee of Outside Directors of the Company. Metropolitan Life Insurance Company, New York, N.Y. - Chairman of the Board since 1983, President and Chief Executive Officer since 1989. Other directorships: Potlatch Corporation, San Francisco, Calif., since 1973; Communications Satellite Corporation, Washington, D.C., since 1986; Mobil Corporation, New York, N.Y., since 1987; The Reader's Digest Association, Inc., Pleasantville, N.Y., since 1989; Consolidated Edison Company of New York, New York, N.Y., since 1989; CS First Boston, Inc., New York, N.Y., since 1989.

Jack C. Shewmaker

Director since 1985, age 54. Member of Compensation/Employee Stock Option Committee, Executive Committee and Committee of Outside Directors of the Company. Director of Wal-Mart Stores, Inc. (Discount Retail Chain), Bentonville, Ark., since 1977, having previously served as Vice Chairman of the Board (1984-1988), President and Chief Operating Officer (1978-1984) of that company. (Mr. Shewmaker retired in February, 1988.) Other directorships: Vons Companies, Inc., El Monte, Calif., since 1988.

Robert L. Strickland

Director since 1961, age 61. Chairman of the Board since 1978, Chairman of Executive Committee, Member of Government/Legal Affairs Committee and Non-Employee Directors' Stock Option Committee of the Company. Other directorships: Summit Communications, Atlanta, Ga., since 1987; The Wholesale Club, Indianapolis, Ind., 1989-1991; Revelstoke Companies, Inc., Calgary, Alberta, Canada, 1978-1988; T. Rowe Price Associates, Inc., Baltimore, Md., since 1991.

Lowe's Leadership

Executive Management

I.W. Davis – Senior Vice President Real Estate
Wendell R. Emerine – Executive Vice President/Sales/
Store Operations
Leonard G. Herring – President and Chief Executive Officer
Robert L. Strickland – Chairman of the Board
Robert L. Tillman – Executive Vice President – Merchandising
Harry B. Underwood, II – Senior Vice President and
Treasurer (CFO)

Other Corporate Officers

Richard D. Elledge – Vice President/Chief Accounting
Officer, Assistant Secretary
Arnold N. Lakey – Vice President – Credit Management
W. Nathan Mitchell – Assistant Secretary/Senior Director/
Trades Payable
Kenneth A. Neal – Assistant Treasurer
Leslie G. Shell, III – Controller
John W. Vining, Jr. – Vice President – Administration
William C. Warden, Jr. – Assistant Secretary
Karen R. Worley – Assistant Controller

Departmental Vice Presidents

Frank A. Beam – Store Operations
Gregory M. Bridgeford – Merchandising
Ralph G. Buchan, Jr. – Advertising
F. Don Davis – Retail Sales Promotion
Frank W. Dooley – Corporate Information Services
John L. Eikenberry – Internal Audit
A. Robert Gresham, III – Contractor Sales Promotion
R. Vaughn Hayes – Merchandising
A. Lee Herring, II – Merchandising

W. Cliff Oxford – Corporate Relations
Ronnie L. Perry – Distribution
John V. Raley – Store Operations
David E. Shelton – Store Operations Support / Training
Larry D. Stone – Merchandising
Charles E. Taylor – Store Operations
Gregory J. Wessling – Merchandising
William L. White – Store Operations

Investor Information

Dividend Declaration Dates

Usually 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 of
North Carolina, N.A.
Box 3001
Winston-Salem, NC 27102
Information contact:
Bill Kepley
(919) 770-6190 or (800) 633-4236

Dividend Reinvesting Agent

Wachovia Bank of
North Carolina, N.A.
Box 3001
Winston-Salem, NC 27102
Information contact:
Larry E. Watkins
(919) 770-4075 or (800) 633-4236

Dividend Policy

Lowe's has paid a cash dividend
each quarter since becoming a
public company in 1961.

Lowe's Telephone

(919) 651-4000

Lowe's Fax

(919) 651-4766

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

Annual Meeting Date

May 29, 1992 at 10:00 AM
Lowe's Corporate Offices
North Wilkesboro, NC

Stock Transfer Agent & Registrar

Wachovia Bank of
North Carolina, N.A.
Box 3001
Winston-Salem, NC 27102
Information contact:
Ginger Lakey
(919) 770-4994 or (800) 633-4236

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, CA 94104

The Stock Exchange (London)
Old Broad Street
London, EC2N1HP England

General Counsel

McElwee, McElwee & Warden
906 B Street Rear
North Wilkesboro, NC 28659
(919) 838-1111

Certified Public Accountants

Deloitte & Touche
2000 First Citizens Bank Plaza
Charlotte, NC 28202
(704) 372-3560

Shareholder Services

Shareholders' and security
analysts' inquiries should be
directed to:
W. Cliff Oxford, Vice-President,
Corporate Relations
(919) 651-4631
or Clarissa S. Felts, Manager,
Investor Research
(919) 651-4254

31-Year Review

LIFO accounting

Fiscal Years End January 31, of Following Calendar Year
Except Fiscal Years Prior to 1978 Which Ended July 31.

Stores and People

	10-Year CGR	Fiscal 1991	Fiscal 1990	Fiscal 1989
1 Number of Stores	2.9%	306	309	306
2 Square Footage	13.6	8,016,136	7,061,925	6,219,018
3 Number of Employees	11.8	18,368	15,556	15,271
4 Customers Served (Thousands)	18.3%	64,284	54,142	47,246
5 Average Customer Purchase		\$47.54	\$52.33	\$56.10

Comparative Income Statement (Thousands)

		13.2%	\$3,056,247	\$2,833,108	\$2,650,547
6 Total Sales					
7 Depreciation	18.7		58,298	51,431	46,134
8 LIFO Credit (Charge)	NM		(5,979)	688	(3,549)
9 Store Restructuring			71,288		
10 Operating Income ¹	5.6		80,187	169,101	174,158
11 Pre-Tax Earnings ²	(17.3)		4,951	100,251	108,796
12 Taxes on Income	NM		(1,536)	29,164	33,884
13 Extraordinary Item Net of Tax	—		—	—	—
14 Cumulative Effect on Prior Years of a Change in Accounting Principle	—		—	—	—
15 Net Earnings	(9.6)		6,487	71,087	74,912
16 Cash Flow From Operations ³	14.5		109,819	123,467	121,691
17 Cash Dividends Paid	7.9%		20,020	19,334	18,228
18 Earnings Retained	NM		\$ (13,533)	\$ 51,753	\$ 56,684

Dollars Per Share (Weighted Average Number of Shares)

		11.9%	\$83.70	\$76.13	\$71.10
19 Sales					
20 Earnings	(10.7)		0.18	1.91	2.01
21 Cash Flow From Operations	13.2		3.01	3.32	3.26
22 Cash Dividends	6.7		0.55	.52	.49
23 Earnings Retained	NM		NM	1.39	1.52
24 Shareholders' Equity	12.9%		\$18.31	\$18.34	\$17.32

Strategic Profit Model⁴

25 Asset Turnover (Sales Per Asset Dollar)		\$ 2.54	\$ 2.47	\$ 2.44
26 Return on Sales (Net Earnings as Percent of Sales)		× 0.21%	× 2.51%	× 2.83%
27 Return on Assets		= 0.54%	= 6.20%	= 6.90%
28 Leverage Factor (Asset Dollars Per Equity Dollar)		× 1.76	× 1.78	× 1.85
29 Return on Shareholders' Equity		= 0.95%	= 11.01%	= 12.77%

Comparative Balance Sheet (Thousands)

		14.7%	\$ 770,078	\$ 616,461	\$ 595,946
30 Total Current Assets					
31 Cash and Short-Term Investments	(0.4)		30,814	50,144	55,566
32 Accounts Receivable — Net	9.2		115,739	96,354	121,897
33 Inventories (Lower of Cost or Market)	18.2		602,795	460,804	407,677
34 Other Current Assets	24.0		14,275	9,159	9,610
35 Fixed Assets	18.7		612,955	541,464	507,811
36 Other Assets	56.8		46,845	45,127	43,637
37 Total Assets	16.7		1,441,228	1,203,052	1,147,394
38 Total Current Liabilities	22.1		588,951	337,676	307,890
39 Accounts Payable	20.4		307,814	186,860	210,197
40 Other Current Liabilities	6.7		61,400	44,578	42,685
41 Long-Term Debt (Excluding Current Portion)	8.8		113,650	159,204	167,896
42 Total Liabilities	19.6		772,674	520,380	501,836
43 Shareholders' Equity	14.2%		\$ 668,554	\$ 682,672	\$ 645,558
44 Equity Divided by Long-Term Debt (Excluding Current Portion)			5.88	4.29	3.84
45 Year-End Leverage Factor: Assets Divided by Equity			2.16	1.76	1.78

Shareholders, Shares and Book Value

46 Shareholders of Record, Year-End		6,216	6,261	6,361
47 Shares Outstanding, Year-End (Thousands) ⁵		36,440	36,460	37,255
48 Weighted Average Shares, Year-End (Thousands)		36,513	37,214	37,278
49 Book Value		\$18.35	\$18.72	\$17.33

Stock Price Range During Year⁶

50 High (Adjusted for Stock Splits)		\$41.00	\$49.63	\$32.13
51 Low (Adjusted for Stock Splits)		\$24.00	\$18.38	\$22.13

Price Earnings Ratio

52 High		231	26	16
53 Low		135	10	11



Fiscal 1988	Fiscal 1987	Fiscal 1986	Fiscal 1985	Fiscal 1984	Fiscal 1983	Fiscal 1982	Base Year Fiscal 1981	Fiscal 1980	Fiscal 1979
296	295	300	282	248	238	235	229	214	209
5,062,865	4,773,743	4,452,161	3,641,762	2,980,000	2,529,040	2,337,351	2,232,008	1,998,239	1,931,419
14,774	14,761	14,783	13,317	10,727	8,715	7,080	6,003	5,950	5,804
43,744	40,739	36,346	31,477	23,938	18,889	15,075	11,973	11,376	11,024
\$57.54	\$59.95	\$62.83	\$65.84	\$70.55	\$75.74	\$68.59	\$74.17	\$77.67	\$82.02
\$2,516,879	\$2,442,177	\$2,283,480	\$2,072,569	\$1,688,738	\$1,430,576	\$1,034,032	\$888,042	\$883,614	\$904,651
41,184	38,546	30,474	21,759	14,805	12,034	11,178	10,522	10,320	10,064
(5,058)	(3,829)	2,960	3,445	2,686	(5,684)	(1,626)	(920)	(6,686)	(7,484)
167,778	158,565	152,348	146,131	136,195	110,293	63,181	46,714	50,800	64,412
105,604	90,787	108,126	112,865	119,076	96,891	47,525	33,226	36,277	47,331
36,403	34,833	53,022	53,151	57,633	46,276	22,394	15,367	17,386	22,376
—	—	(2,885)	—	—	—	—	—	—	—
—	5,226	—	—	—	—	—	—	—	—
69,201	61,180	52,219	59,714	61,443	50,615	25,131	17,859	18,891	24,955
114,913	103,306	87,543	83,980	79,489	66,501	39,686	28,391	28,959	35,019
17,281	17,040	15,597	13,199	11,600	11,600	9,800	9,376	7,813	6,511
\$ 51,920	\$ 44,140	\$ 36,622	\$ 46,515	\$ 49,843	\$ 39,015	\$ 15,331	\$ 8,483	\$ 11,078	\$ 18,444
\$66.68	\$61.49	\$58.51	\$56.77	\$46.59	\$39.53	\$31.02	\$27.28	\$27.14	\$27.79
1.83	1.54	1.34	1.64	1.70	1.40	.75	.55	.58	.77
3.04	2.60	2.24	2.30	2.19	1.84	1.19	.87	.89	1.08
.46	.43	.40	.36	.32	.32	.29	.29	.24	.20
1.38	1.11	.94	1.27	1.38	1.08	.46	.26	.34	.57
\$15.55	\$14.66	\$13.85	\$11.16	\$ 9.42	\$ 8.05	\$ 5.96	\$ 5.45	\$ 5.19	\$ 4.89
\$ 2.45	\$ 2.52	\$ 2.67	\$ 3.26	\$ 3.24	\$ 3.64	\$ 3.37	\$ 2.94	\$ 2.95	\$ 3.35
× 2.75%	× 2.51%	× 2.29%	× 2.88%	× 3.64%	× 3.54%	× 2.43%	× 2.01%	× 2.14%	× 2.76%
= 6.74%	= 6.31%	= 6.10%	= 9.39%	= 11.79%	= 12.89%	= 8.19%	= 5.91%	= 6.31%	= 9.25%
× 1.76	× 1.79	× 2.10	× 1.86	× 1.79	× 1.98	× 1.73	× 1.79	× 1.90	× 1.92
= 11.88%	= 11.32%	= 12.82%	= 17.49%	= 21.10%	= 25.52%	= 14.15%	= 10.58%	= 11.99%	= 17.76%
\$ 577,550	\$ 552,464	\$546,883	\$534,649	\$432,370	\$377,572	\$271,535	\$195,370	\$209,756	\$210,913
60,257	43,889	50,013	87,190	84,204	74,249	25,341	32,070	15,567	22,959
127,738	117,932	118,693	127,603	97,319	94,658	75,388	48,107	68,172	66,442
379,383	373,846	368,135	313,143	248,268	205,100	167,535	113,529	125,104	118,511
9,466	7,325	10,042	6,713	2,579	3,565	3,271	1,664	913	3,001
479,886	453,008	413,220	308,603	195,237	141,238	121,406	110,673	91,399	88,695
28,361	21,857	9,116	12,939	6,501	827	559	521	573	291
1,085,797	1,027,329	969,219	856,191	634,108	519,637	393,500	306,564	301,728	299,899
285,733	231,906	257,303	251,669	189,418	168,830	134,999	80,199	80,781	84,690
203,956	157,089	163,260	168,068	125,003	110,415	90,580	47,959	52,003	45,567
44,211	43,766	94,043	83,601	64,415	58,415	44,419	32,240	28,778	25,245
190,056	186,219	152,977	183,909	92,488	51,891	56,233	48,864	51,929	56,112
498,946	444,893	428,685	448,818	292,760	228,132	194,717	129,063	132,710	140,802
\$ 586,851	\$ 582,436	\$540,534	\$407,373	\$341,348	\$291,505	\$198,783	\$177,501	\$169,018	\$159,097
3.09	3.13	3.53	2.22	3.69	5.62	3.53	3.63	3.25	2.84
1.85	1.76	1.79	2.10	1.86	1.78	1.98	1.73	1.79	1.89
6,602	6,163	6,052	6,253	6,372	5,928	5,144	5,415	4,620	5,147
37,139	39,498	39,624	37,082	36,248	36,248	33,333	32,555	32,555	32,555
37,748	39,719	39,029	36,509	36,248	36,193	33,333	32,555	32,555	32,555
\$15.80	\$14.75	\$13.64	\$10.99	\$ 9.42	\$ 8.04	\$ 5.96	\$ 5.45	\$ 5.19	\$ 4.89
\$24.38	\$32.50	\$40.88	\$31.13	\$29.63	\$32.75	\$22.35	\$11.36	\$ 9.95	\$ 8.20
\$18.00	\$15.25	\$23.13	\$20.88	\$16.25	\$18.45	\$ 7.65	\$ 6.30	\$ 5.35	\$ 6.50
13	21	31	19	17	23	30	21	17	11
10	10	17	13	10	13	10	11	9	8

Supplemental Information
FIFO accounting

Fiscal 1977	Fiscal 1975	Fiscal 1970	Fiscal 1965	Fiscal 1961
175	130	64	35	15
1,570,000	1,209,000	379,653	199,537	71,680
5,274	3,574	1,670	762	399
8,224	5,702	2,729	1,284	651
\$72.27	\$59.78	\$47.09	\$44.44	\$47.85
\$594,358	\$340,882	\$128,491	\$57,044	\$31,128
6,212	4,976	1,221	305	133
—	—	—	—	—
52,856	27,510	11,487	4,413	2,185
42,487	20,811	9,938	3,942	1,890
21,056	10,319	5,068	1,896	956
—	—	—	—	—
—	—	—	—	—
21,431	10,492	4,870	2,046	934
27,643	14,669	6,091	2,351	1,067
2,735	1,171	844	519	102
\$ 18,696	\$ 9,321	\$ 4,026	\$ 1,527	\$ 832
\$18.26	\$10.47	\$ 4.07	\$ 1.87	\$ 1.04
.66	.32	.15	.07	.03
.85	.45	.19	.08	.04
.08	.04	.03	.02	—
.57	.29	.13	.05	.03
\$ 3.47	\$ 2.40	\$.79	\$.31	\$.17
\$ 3.01	\$ 2.26	\$ 3.09	\$ 3.20	\$ 3.32
× 3.61%	× 3.08%	× 3.79%	× 3.59%	× 3.00%
=10.84%	= 6.97%	=11.72%	=11.49%	= 9.96%
× 2.10	× 2.24	× 1.99	× 2.31	× 2.57
=22.71%	=15.60%	=23.34%	=26.55%	=25.60%
\$186,198	\$108,784	\$38,878	\$19,187	\$ 9,305
13,324	11,574	4,658	3,801	1,299
76,162	38,533	14,887	7,165	3,108
96,164	58,223	19,040	8,156	4,801
548	454	293	65	97
60,210	45,127	10,390	3,832	1,229
401	452	148	77	1,301
246,809	154,363	49,416	23,096	11,835
87,709	42,964	21,212	11,213	4,922
60,324	29,727	15,178	7,913	3,187
27,385	13,236	6,034	3,300	1,735
46,244	33,156	3,315	2,377	1,791
133,953	76,120	24,527	13,606	6,792
\$112,857	\$ 78,243	\$24,889	\$ 9,490	\$ 5,043
2.44	2.36	7.51	3.99	2.81
2.19	1.97	1.99	2.43	2.35
4,588	3,755	2,117	1,871	—
32,555	32,555	31,558	30,458	30,000
32,555	32,555	31,558	30,458	30,000
\$ 3.47	\$ 2.40	\$.79	\$.31	\$.17
\$13.10	\$12.40	\$ 4.63	\$ 1.02	—
\$ 8.70	\$ 5.33	\$ 2.47	\$.63	—
20	39	31	15	—
13	17	16	9	—

Stock splits and stock dividends since 1960

- A 100% stock dividend, effective April 5, 1966, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective November 18, 1969.
- A 50% stock dividend, effective November 30, 1971, (which had the net effect of a 3-for-2 stock split).
- A 33⅓% stock dividend, effective July 25, 1972, (which had the net effect of a 4-for-3 stock split).
- A 50% stock dividend, effective June 2, 1976, (which had the net effect of a 3-for-2 stock split).
- A 3-for-2 stock split, effective November 2, 1981.
- A 5-for-3 stock split, effective April 29, 1983.

Explanatory notes

- 1 Pretax earnings plus depreciation plus interest.
- 2 Before extraordinary item in 1986 and cumulative effect on prior years of a change in accounting principle in 1987.
- 3 Before adjustments for changes in related operating assets and liabilities.
- 4 Asset Turnover - Total Sales divided by beginning assets
Return on Sales - Total Profit divided by Total Sales
Return on Assets - Total Profit divided by Beginning Assets
Leverage Factor - Beginning Assets divided by Beginning Equity
Return on Shareholders Equity - Total Profit divided by Beginning Equity
- 5 Variation in the outstanding shares is a result of the following:
1963 - Treasury Stock purchase
February 2, 1982 - 778,018 common shares issued to ESOP.
February 8, 1983 - 2.917 million common shares sold in public issuance.
October 10, 1985 - 833,373 common shares issued to ESOP.
April 25, 1986 - 2.2 million common shares sold in public issuance.
May 15, 1986 - 300,000 common shares issued to ESOP.
1987 - Treasury Stock purchase
1988 - Treasury Stock purchase
1990 - Shares purchased and retired
1991 - Shares purchased and retired
- Ongoing employee option transactions.
- 6 Stock price source: *The Wall Street Journal*
NM = not meaningful
CGR = compound growth rate



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Lowe's Profile

Lowe's Companies, Inc. is one of America's largest specialty retailers of building materials and related products for the do-it-yourself home improvement and home construction markets.

Lowe's 306 stores serve customers in 20 states located mainly in the South Atlantic and South Central regions of the United States.

Each Lowe's store combines the merchandise, sales, and service of three businesses: the do-it-yourself home center business, the building contractor business, and the consumer durables business. Thus, uniquely in our industry, Lowe's markets to a triple customer franchise.

Our average store in 1991 did \$9.9 million in sales, of which 54% was to home center customers, 31% to professional contractors, and 15% to durables customers. Our big stores averaged \$13 million in sales.

Our employees numbered 18,400 or an average of 60 per store at the end of 1991.

In FORTUNE magazine's latest listing of America's top retailers, Lowe's ranked:

- 42nd in Sales
- 31st in Profits
- 25th in Total Return to Investors
- 31st in Market Value

Lowe's has been a publicly owned company for thirty years, since October 6, 1961. Our stock has been listed on the New York Stock Exchange since December 19, 1979; on the Pacific Stock Exchange since January 26, 1981, and on The Stock Exchange in London since October 6, 1981. Shares are traded under the ticker symbol of LOW.

LOWE'S

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