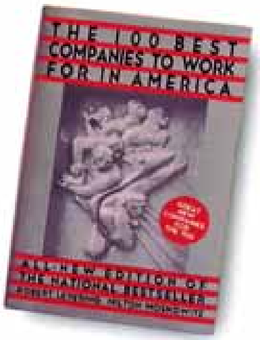
LOWE'S

1992 Annual Report

WE'RE ONE OF THE 100 BEST

Lowe's is the only retail representative of our industry to be included in the new edition of *The 100 Best Companies To Work For In America* (Doubleday, 1993). Looking at companies through the eyes of their employees, authors Robert Levering and Milton Moskowitz found in Lowe's "the special spirit that inheres in workplaces where people at all levels are valued."



Here's how we made the grade:

★ ★ ★ Pay / Benefits
★ ★ ★ ★ Opportunities
★ ★ ★ ★ Job Security
★ ★ ★ Pride in Work / Company
★ ★ ★ Openness / Fairness
★ ★ ★ ★ Camaraderie / Friendliness

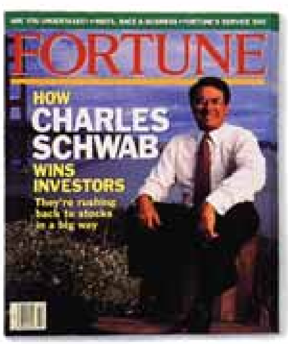
The authors commend Lowe's growth and vitality, our sense of community, and the family feeling among our employees. We also get high marks for our Employee Stock Ownership Plan.

We are proud to have earned this independent confirmation of Lowe's excellence, and we intend to merit inclusion in all future editions as well!

LOWE'S PROFILE

Lowe's Companies, Inc. is one of America's largest retailers, serving the do-it-yourself home improvement, home decor, and home construction markets.

Lowe's 303 stores serve customers in 20 states located mainly in the South Atlantic and South Central regions. Each Lowe's store combines the merchandise, sales, and service of a home improvement center, a building contractor supply business, and a consumer durables retailer. In 1992 our average store did $12.6 million in sales, of which 56% was to home center customers, 30% to professional contractors, and 14% to durables customers. Our big stores averaged $16.4 million in sales. At year-end, our retail sales space totaled approximately 10 million square feet and our employees numbered 21,000.



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

- 39th in Sales
- 40th in Profits
- 20th in Total Return to Investors
- 27th in Market Value

Lowe's has been a publicly owned company since October 10, 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 LOW.

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Dear Shareholders,

It is our pleasure to begin this report with the good results of 1992, presented in a three-year context:

Financial Highlights $ In thousands, except for per share data	**2-Yr. Change**	**Fiscal 1992**	**Fiscal 1991***	**Fiscal 1990**
Sales	+ 36%	$3,846,418	$3,056,247	$2,833,108
Gross Margin	+ 28%	900,665	735,258	702,680
Total Expenses	+ 29%	774,773	730,307	602,429
Income Taxes	+ 41%	41,172	(1,536)	29,164
Net Earnings	+ 19%	$ 84,720	$ 6,487	$ 71,087
Return on Beginning Equity		12.67%	.95%	11.01%
Per Share:**				
Earnings	+ 21%	$1.16	$ .09	$ .96
Cash Dividends	+ 12%	$ .29	$ .27	$ .26
As of January 31:				
Shareholders of Record		7,257	6,216	6,261
Total Number of Employees		21,269	18,368	15,556
Shares Outstanding**		73,076	73,026	74,428

* Including $71,288,000 restructuring charge ** Weighted average in thousands, adjusted for a 2-for-1 stock split in dividend form effective June 29, 1992.

In 1992, Lowe's reported record high sales volume, record high earnings, and the highest cash dividends we have ever paid. This year marked the renaissance of earnings growth at Lowe's, when strategic plans, expansion of store size and merchandise offerings, last year's restructuring decision, and a major augmentation of our operating management all began to coalesce into success.

Our family of large stores has grown to 106, or 35% of our total chain. Although on average they represented 31% of Lowe's total store count during 1992, our large stores contributed 40% of total sales and 41% of gross operating profits. Customers are responding enthusiastically to these destination home centers, reaffirming the importance of dominant exciting stores filled with dominant assortments of exciting merchandise.

LIKE THE BEANSTALK, ONLY "MOSO"

There is a variety of bamboo that for centuries has first tested, then justified, the faith and perseverance of Oriental gardeners. Called "moso" in Japanese, as a sprout it is planted and watered and fertilized. Nothing visible happens. A year goes by, then another, then another, then *another,* with nothing to reward the patient gardener for his care. Suddenly, in the Spring of the fifth year, the moso plant comes rocketing out of the ground like Jack's fairy tale beanstalk, growing as tall as ninety feet in ten weeks. How? During those years of seeming dormancy, the moso has actually been building a vast and vigorous root system, spreading underground to absorb moisture and nutrients, gathering its strength for future growth.

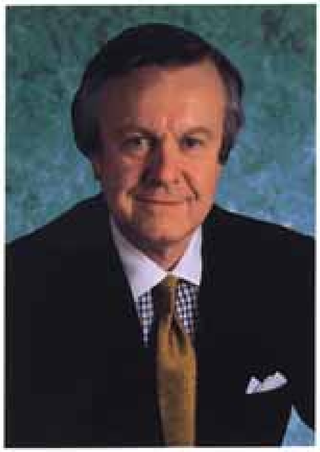
Obviously, we think the analogy to Lowe's is appropriate. While our total store count has been in a no-growth mode (300 stores at the end of 1986 and 303 six years later), we too have been building a vigorous foundation for growth in the 1990's through major investments in new capacity.

While to a casual observer nothing extraordinary may have been happening, we were making major changes in our merchandising organization and our distribution systems, augmenting our vendors and suppliers, updating our technologies, boosting our skills, and recruiting major new talent for our management team.

And in looking beyond the store count, one finds that since the beginning of 1989 we have doubled our total sales space from five million to ten million square feet. We have been adding incremental space in the form of square feet, lineal feet, and cubic feet, and building our merchandise offering to a leadership level.

Further, in 1992 we expanded our use of Electronic Data Interchange (EDI), enabling our vendors to improve our stores' in-stock position. We also installed new computers and software in our stores; we are upgrading our satellite communications; and in 1993 we will add a third distribution center to fuel growth in our new markets.

Now this major new-capacity investment has brought us to a critical mass of collected energy, and our growth



Robert L. Strickland

plans have astonished some people. In 1993 we plan to open sixty new large stores, thirty of them as replacements for smaller, older stores and the other thirty in new markets. By the end of the year we'll have nearly 15 million square feet of sales floor: that's double the total selling space we had just two years ago.

SALES GROWTH

Lowe's sales rose 26% in 1992, showing the combined effects of our large store expansion, an improved business climate, and unusually good weather in the first and fourth quarters of the year. Retail customers provided 70% of our $3.8 billion sales total, while contractor customers accounted for 30%.

Our retail business is comprised of home center DIY (Do-It-Yourself) sales and consumer durables sales. In 1992, Lowe's consumer durables recorded a healthy 19% sales increase. Even more encouraging, however, were our home center sales gains, led by our large stores with their definitive product offerings. Home center sales climbed 30% in 1992, to $2.1 billion.

As we projected in last year's report, housing starts experienced a 20% recovery last year, and this was particularly beneficial to our small and medium stores. Overall, Lowe's contractor sales (which include an increasingly important Repair & Remodel component) increased by 22%.

COMPETITIVE PROFITABILITY

We are committed to our Everyday Competitive Price (ECP) strategy, which we have been implementing since last May. ECP is strategically designed to build profitability by substantially increasing revenue and leveraging our position as the low cost provider to our customers. ECP works because Lowe's everyday customer preference ("ecp") is to buy with confidence any day of the year, without feeling that they would do better to wait for a sale. We are offering such attractive daily prices on so much merchandise that our customers know they'll find value whenever they choose to shop at Lowe's.

We have long believed (and results are confirming) that for retailers in the Nineties, competitive profitability is achieved by delivering value consistently to the consumer. By focusing on value as the primary means to a profitable end, we have consigned gross margin percentage to a position of secondary importance. The decision to implement ECP is a concomitant of our commitment to value and to competitive profitability.

1993 EARNINGS COMMENTS

At the beginning of the current year, we were aware of sixteen earnings estimates for Lowe's fiscal 1993. These ranged from $1.10 to $1.45, with an average of $1.32. We are currently comfortable with the range between the average and high estimates, but we take this opportunity to share with you some thoughts on the changing variability of Lowe's results from one fiscal quarter to the next.

Our large store expansion is bringing higher sales and profitability per store on a yearly basis. However, these stores have higher fixed costs on a quarterly basis; therefore, the sales volume of our second and third quarters (embracing late Spring and all of Summer and Fall) assumes more than two quarters' worth of importance to our annual earnings results.

As our partners follow Lowe's reported results throughout 1993, they may find it helpful to take this increased variability into consideration. Another factor affecting quarterly results may be the weather, which was a kindly influence on sales in the first quarter of 1992 but has proved less benign in 1993. Also, not until the second quarter will our ECP program have been in effect for a full year.

CAPITAL BUDGET AND BUSINESS PLAN

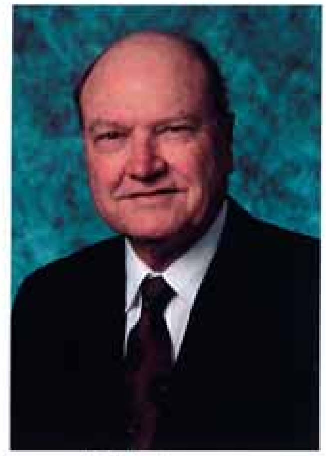
Our capital investment was $268 million in 1992, not including operating leases of $115 million. For 1993, Lowe's Board of Directors has authorized a capital budget of $460 million, allocating $312 million for capital expenditures and $148 million for operating leases. More than 80% of this investment is earmarked for our store expansion program.

We plan to fund our 1993 expansion through cash from operations, operating leases, issuance of stock to our Employee Stock Ownership Plan, and approximately $100 million in external financing.

RETURN ON EQUITY

We are pleased to report the improved Return on Equity shown on page 1 and in the 32-year review on page 32. We are moving toward our interim goal of 15%, a level not achieved since 1985. That year, Lowe's had 282 small stores averaging just 13,000 square feet, much lower in investment and operating costs, and able to flourish with that year's 1.7 million housing starts.

Our market opportunity has shifted permanently, and, as you know, we have been dedicated to changing Lowe's permanently. This has meant a major investment in transformation, in revitalization, and in the future; and our task is not complete. But we know that you are as pleased as we are to see this investment in Lowe's marketplace success begin to be reflected in an improving return on your investment: Shareholders' Equity.



Leonard G. Herring

STOCK INVESTMENT, SPLITS, AND DIVIDENDS

In June of last year, Lowe's stock split two-for-one in the form of a 100% dividend. As historical record, here is what has happened to one hundred shares of Lowe's stock, bought for $1,225 on the offering date in October, 1961, and held as a long-term investment. At $28 per share, 6,000 shares have a market value of $168,000, or 137 times the original investment. Further, 73 million shares at $28 each gives a total market value of more than $2 billion, a value exceeded by only twenty other retailers in *Fortune's* most recent annual compilation.

Date	Action	Received	Total Shares
Oct. 1961	Bought 100 shares	100	100
May 1966	100% Dividend (2 for 1)	100	200
Nov. 1969	Stock Split (2 for 1)	200	400
Dec. 1971	50% Dividend (3 for 2)	200	600
Aug. 1972	33 1/3% Dividend (4 for 3)	200	800
June 1976	50% Dividend (3 for 2)	400	1,200
Oct. 1981	50% Dividend (3 for 2)	600	1,800
Apr. 1983	66 2/3% Dividend (5 for 3)	1,200	3,000
June 1992	100% Dividend (2 for 1)	3,000	6,000

In 1992 we paid record high cash dividends totaling $21 million. Lowe's has paid dividends for 126 consecutive quarters.

WHITHER THE MOSO?

It's a great time to be in our industry. Americans are putting more and more of their money and time into their homes, making our industry one of the most vital sectors in retailing. In fact, the Home Improvement Research Institute estimates that between 1980 and 1990, the home center and consumer durables retail market doubled from approximately $70 billion to about $140 billion. By 1997, it should approach $180 billion.

This fertile environment is rich in unexploited potential. The top two retail chains account for just ten percent of the total market, and the remaining ninety percent is highly fragmented. The ground is littered with fallen competitors who couldn't evolve to keep pace with changing consumer preferences, while dozens of others languish in the undergrowth. This creates plenty of opportunity for Lowe's. With our superstore expansion program not only accelerating but also changing focus to enter new markets at the rate of ten percent of our chain this year, we foresee annual sales of $10 billion within this decade. And if our expansion stores generate profit like our current family of large stores, we will continue to have good news for you.

We salute Lowe's Partners-In-Interest, the loyal group comprising our customers, suppliers, shareholders, directors and employees. This year it seems especially appropriate to recognize our employees. Lowe's is one of the 100 Best Companies to Work For in America, and it's because our employees earned that distinction for Lowe's. There's an old saying that "You can either sit on the acorn, or climb all the way up the oak tree." Well, Lowe's Partners-In-Interest have been sitting on the moso plant. Hang on to your hats, and enjoy the ride!

Cordial good wishes,

Robert L. Strickland

Robert L. Strickland
Chairman of the Board

Leonard G. Herring

Leonard G. Herring
President and Chief Executive Officer

North Wilkesboro, NC

Superstores, Super Service

"Change" has become a rallying cry for our times. In American political, social, and economic arenas, contenders for leadership in the Nineties all claim a mandate and a patent for change. But change is a way of life for retailers: we must constantly evolve to meet the changing needs and desires of the customers we serve.

Throughout our more than forty years in business, Lowe's has demonstrated a talent for the kind of creative adaptability that leads to success. In the years after World War II, Lowe's found a way to serve new young families in small-town America by delivering building commodities and appliances more affordably. Later, we identified the growing needs of numerous do-it-yourselfers, and we expanded our retail business to serve them. Now, technology and the information explosion have accelerated the pace of change. Consumers have never been better informed or had such a vast array of products competing for their endorsement. And once again, Lowe's is changing to meet their needs.

Since 1989, we have dedicated ourselves to a vision of Lowe's that would enable us to serve our customers better than ever. This vision required a change more profound, and growth more dynamic, than we had ever attempted before. It required us to transform Lowe's from a chain of medium-sized and traditional (smaller) lumber, hardware, and appliance stores into a chain of home center superstores. We have been committed to that transformation, and we have devoted all our creativity and resources to achieving it.

1992 was the year that all the elements of this transformation came together, producing a whole that is greater than the sum of its parts. Under the leadership of executive vice presidents Bob Tillman and Michael Rouleau, the merchandising

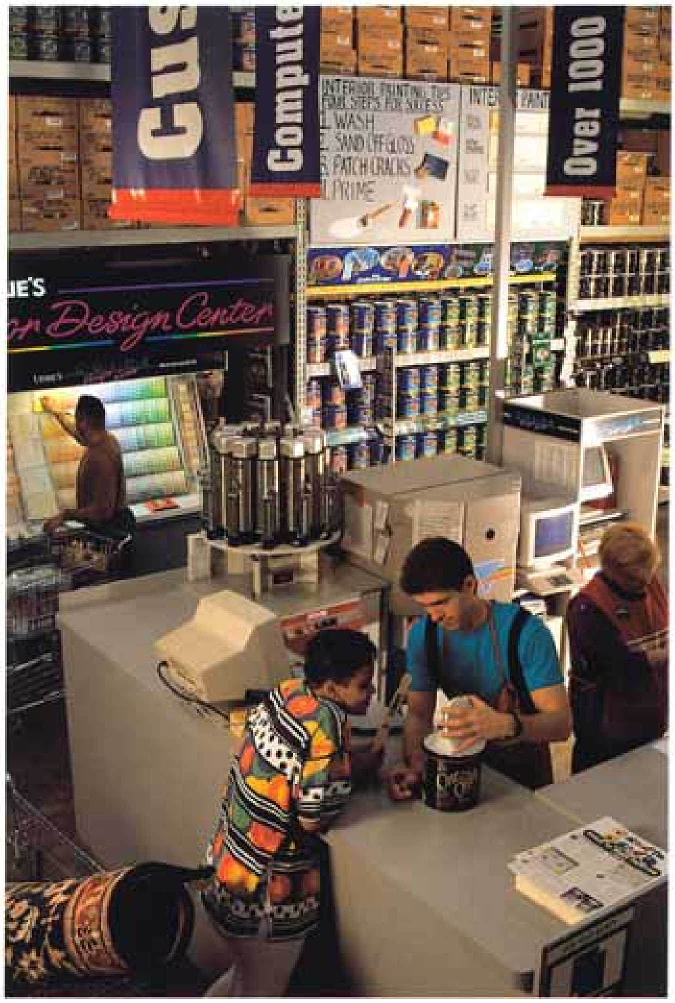
Lowe's Total Market Potential

Billions

	Home Center				
	Contractor		Homeowner		
	New Housing	R & R*	DIY	Durables	Total
1997e	$68	$46	$96	$35	$245
1992p	45	32	74	33	184
1991	39	32	69	32	172
1990	45	36	69	33	183
1985	40	26	53	29	148
1980	24	16	38	14	92
1977	$27	$11	$27	$10	$ 75

*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

Bob Tillman and Michael Rouleau



functions worked hand in hand with store operations to achieve the greatest impact for Lowe's big stores.

"Our customer focus gave us the framework for the changes we've made," says Bob Tillman, executive vice president for merchandising. "What's on the customer's mind? Four basic things: selection, quality, pricing, and service.

"It takes a big store to deliver the selection that our customers demand. In 1992 we developed two new superstore prototypes: a 110,000-square-foot store for our large metropolitan markets, and an 85,000-square-foot store for the smaller towns we serve. These stores have garden centers that are about 25,000 square feet. We also loaded our large stores with additional merchandise to reach our goal of providing a dominant selection in every product category that we offer."

Michael Rouleau, executive vice president for store operations, says "These big stores are the vehicles that we need to make everything else possible. We've been fine-tuning our layouts, our merchandise presentation, and our customer service to make these stores exciting to our customers."

Our new stores feature vast kitchen and bath

displays, extensive home fashion and decor departments, a greatly expanded hardware selection, a user-friendly Repair & Remodel contractor area, and a store-within-a-store that we call Tool World.

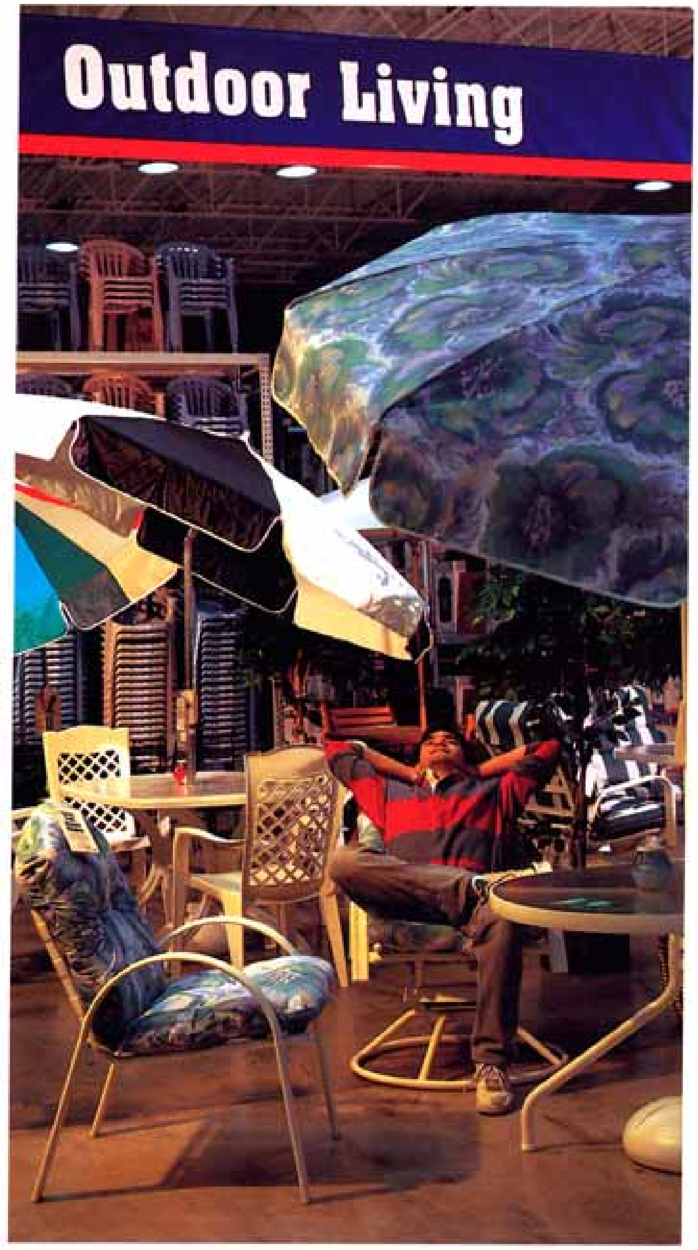
"Tool World offers four major benefits," says Michael Rouleau. "It has tremendous visual impact, an expanded selection (particularly in the high-end professional area), a dedicated sales staff to help and inform customers, and tight security in a category with lots of small products."

"It looks as comprehensive as it is," adds Bob Tillman. "We want our customers to be so sure of our dominance that they wouldn't dream of going anywhere else for tools...or hardware...or plumbing supplies... and so on."

Lowe's superstore evolution has been accompanied by the full implementation of our Everyday Competitive Pricing program (ECP), which will have its first anniversary this May. "The timing was perfect for ECP because of the recession," Tillman says. "Consumers demanded value, and it would be stupid to make them wait for sales when we can deliver value every day."

Everyday Competitive Pricing is the culmination of an intensive study of every single product assortment. "One key to ECP was expanding our assortments, building broader offerings that would attract more sales," says Tillman. The other key, says Rouleau, is operating efficiency. "Offering better value to customers on a daily basis increases revenues dramatically, which drives costs down."

The effort to drive down costs has been aided by ECP itself, which takes some of the peaks and troughs out of Lowe's business. We are also improving operating efficiency through a major commitment to new technologies such as radio frequency information systems and new inventory management systems. "We are determined to be the low cost provider to our customers



The Competitive Situation — Top Building Supply/Home Centers

Dollars in Millions

Rank 1992	Rank 1991	Rank 1982	Company	Sales 1992	Sales 1991	Sales 1982	% of 1992 Home Improvement Market*
1	1	32	The Home Depot	$ 7,148	$ 5,137	$ 118	6.7%
2	**2**	**3**	**Lowe's Companies**	**3,844**	**3,056**	**1,034**	**3.6**
3	3	9	Payless Cashways	2,550	2,387	603	2.4
4	4	NA	Builder's Square	2,419	2,049	NA	2.3
5	5	20	Hechinger	1,869	1,608	241	1.8
6	6	NA	Homebase	1,600	1,351	NA	1.5
7	8	23	Menard	1,400	950	200	1.3
8	7	7	84 Lumber	900	1,000	600	.8
9	9	NA	Grossman's	835	813	NA	.8
10	10	4	Wickes Lumber	738	750	1,000	.7
				$ 23,303	$ 19,101	$ 3,796	21.7%

*Based on HIRI's estimate of $106.1 billion for 1992 home improvement market
Source: *Building Supply Home Center's* Annual Giants Issues

every day," says Tillman. "Advanced technology is an essential means to that end."

With the help of Electronic Data Interchange (EDI), which improves the speed and accuracy of inventory management, we are reducing costs and simultaneously freeing employees to focus on customer service. In Lowe's superstores, customer service means providing the best context for self-service to the majority of our customers, who have told us that they want to be able to help themselves to a comprehensive selection of merchandise and then proceed quickly through checkout. Keeping a dominant selection of merchandise in stock, adding in-store telephone operators to direct calls without delays, and providing loaders out front to help customers load their vehicles are a few of the ways we are enabling our customers to flow through quicker and buy more.

"For those customers who need help, we have employees strategically located throughout our stores," says Michael Rouleau. "We're continually looking for ways to improve personal service. We have employees available to cut glass and plywood, and to consult in major project areas such as kitchen and bath.

Sales Floor Size and Three Business Performance

Dollars in Millions, Except Sales Per Square Foot	%Change*	1992	%Change*	1991	%Change*	1990	1987
1. Stores Open Year-End		303		306		309	295
2. Stores Open During Year [1]		305.3		307.2		305.8	306.9
Sales Floor Square Footage							
3. Total Year-End		9,975,537		8,016,136		7,061,925	4,773,743
4. Average, Year-End [2]		**32,923**		**26,197**		**22,854**	**16,182**
5. Weighted Avg. During Year [3]		9,024,668		7,534,234		6,601,916	4,760,479
Sales Results	%Change*		%Change*		%Change*		
6. Home Center	+30%	$2,132	+15%	$1,641	+15%	$1,423	$1,027
7. Consumer Durables	+19	555	+ 6	465	+ 7	437	348
8. Building Contractor	+22	1,159	(2)	950	(3)	973	1,067
9. Total Sales	+26%	$3,846	+ 8%	$3,056	+ 7%	$2,833	$2,442
Sales Per Square Foot							
10. Home Center & Consumer Durables [4]		$ 298		$ 280		$ 282	$ 289
11. Total [5]		$ 426		$ 406		$ 429	$ 513
Sales Per Average Store							
12. Home Center [6]	+31%	$ 6.98	+15%	$ 5.34	+12%	$ 4.65	$ 3.35
13. Consumer Durables [7]	+21	1.82	+ 6	1.51	+ 4	1.43	1.13
14. Building Contractor [8]	+23	3.80	(3)	3.09	(5)	3.18	3.48
15. Total [9]	**+27%**	**$12.60**	**+ 7%**	**$ 9.94**	**+ 4%**	**$ 9.26**	**$ 7.96**

*Change from prior year, computed from unrounded numbers.

[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.

"We are augmenting the expertise of our employees through training aids such as videotape demonstrations and product instruction manuals. We're providing our team with the tools they need to confidently help customers solve problems.

"Lowe's employees are highly motivated because they feel they own the store," Rouleau continues. "This is the power of Lowe's ESOP (Employee Stock Ownership Plan), and its effect is something I've never seen elsewhere in retailing."

"Our employees are hungry to compete," adds Tillman. "Now with the right store, the right offering, the right pricing, and the right service capabilities, they feel they can compete against anybody— bar none."

All these support systems, plus the addition of a third distribution center in 1993, are fueling Lowe's growth into new markets. The top priority for 1993, say Tillman and Rouleau, is to successfully execute the expansion plan for sixty new superstores, half of which will be located in new markets.

"We are placing a special emphasis on execution," Rouleau says. "The word in our stores is 'Let's find a better way every day.' This is how we are managing change, managing growth."

"Lowe's is now transforming itself so rapidly and so profoundly that it's like a new corporation," says Tillman. "Don't think of Lowe's as a mature company. Lowe's is a growth company for the Nineties."

Merchandise Sales Trends
Dollars in Millions

Category	Total Sales 5-Year CGR	Change From 1991	1992 Total Sales	1992 %	1991 Total Sales	1991 %	1990 Total Sales	1990 %	Base Year 1987 Total Sales	1987 %
1. Structural Lumber	+ 5%	+29%	$ 622	16	$ 484	16	$ 469	16	$ 476	20
2. Building Commodities & Millwork	+ 5	+19	909	24	762	25	766	27	723	30
3. Home Decorating & Illumination	+18	+32	656	17	496	16	419	15	284	12
4. Kitchen, Bathroom & Laundry	+12	+25	388	10	311	10	272	10	221	9
5. Heating, Cooling & Water Systems	+12	+15	211	6	183	6	158	6	120	5
6. Home Entertainment	+12	+25	184	5	147	5	131	5	103	4
7. Yard, Patio & Garden	+16	+32	435	11	329	11	293	10	207	8
8. Tools	+20	+33	200	5	150	5	127	4	82	3
9. Special Order Sales	+ 1	+24	241	6	194	6	198	7	226	9
Totals	+10%	+26%	$3,846	100	$3,056	100	$2,833	100	$2,442	100

Lowe's Store Locations

Alabama 14
Decatur
Dothan
Florence
Gadsden
Huntsville
Jasper
Mobile (West)
Montgomery
Montgomery (South)
Muscle Shoals
Opelika (Pepperell Corners)
Oxford
Prattville
Tuscaloosa

Arkansas 6
El Dorado
Fort Smith
Hot Springs
Jonesboro
Pine Bluff
Springdale

Delaware 3
Christiana
Dover
Sussex County

Florida 18
Bradenton
Fort Pierce
Fort Walton Beach
Gainesville
Inverness
Kissimmee
Lake County
Lake Wales
Lakeland
Maitland (Contractor Yard)
Melbourne
Ocala
Orange City
Panama City
Pensacola
Pensacola (North)
Tallahassee
Tallahassee (NE)

Georgia 21
Albany
Athens
Augusta
Augusta (West)
Brunswick
Carrollton
Columbus
Columbus (North)
Douglasville
Fort Oglethorpe
Gainesville
Griffin
LaGrange
Macon
Rome
Savannah
Savannah (South)
Thomasville
Thomson
Valdosta
Warner Robins

Illinois 1
Marion

Indiana 4
Clarksville
Franklin
Indianapolis
Lawrence

Kentucky 19
Ashland
Bowling Green
Corbin
Danville
Elizabethtown
Frankfort
Glasgow
Lexington
Lexington (East)
Louisville
Owensboro
Paducah
Paintsville
Pikeville
Richmond
Saint Matthews
Somerset
Whitesburg
Winchester

Louisiana 13
Alexandria
Baker
Bossier City
Hammond
Lafayette (Carencro)
Lafayette (Acadiana Square)
Lake Charles
Leesville
Natchitoches
New Iberia
Shreveport
Thibodaux
West Monroe

Maryland 9
Bowie
Charles County
Cumberland
Easton
Frederick
Frederick (Contractor Yard)
Hagerstown
Saint Mary's County
Salisbury

Mississippi 7
Greenville
Greenwood
Gulfport
Hattiesburg
Jackson
Meridian
Tupelo

Missouri 1
Springfield

North Carolina 71
Albemarle
Asheboro
Asheville (East)
Asheville (West)
Banner Elk
Boone
Burlington
Cary
Chapel Hill
Charlotte (#1)
Charlotte (North)
Charlotte (Contractor Yard)
Charlotte (Crown Point)
Concord
Durham
Durham (Contractor Yard)
Durham (Oxford Commons)
Elizabeth City
Fayetteville
Forest City
Franklin
Garner
Gastonia
Gastonia (Franklin Square)
Goldsboro
Greensboro
Greensboro (North)
Greenville
Henderson
Hendersonville
Hickory
Hickory (Contractor Yard)
High Point
High Point (North)
Jacksonville
Kannapolis
Kinston
Lenoir
Lexington
Lincolnton
Lumberton
Monroe
Mooresville
Morehead City
Morganton
Mount Airy
Murfreesboro
New Bern
Pineville
Raleigh
Raleigh (North)
Reidsville
Rockingham
Rocky Mount
Salisbury
Sanford
Shelby
Smithfield
Southern Pines
Southport
Sparta
Statesville
Washington
Waynesville
Whiteville
Wilkesboro
Wilmington (Contractor Yard)
Wilmington (University Centre)
Wilson
Winston-Salem
Winston-Salem (Hanes Mall)
Zebulon

Ohio 6
Cincinnati (Contractor Yard)
Circleville
Heath
Lancaster
Springfield
Wheelersburg

Pennsylvania 6
Altoona
Chambersburg
Hanover (Hanover Crossings)
Harrisburg
Mechanicsburg
York

South Carolina 22
Aiken
Anderson
Charleston
Charleston (North)
Columbia (NE)
Columbia (West)
Easley
Florence
Gaffney
Greenville
Greenwood
Irmo
Laurens
Mount Pleasant
Myrtle Beach
Orangeburg
Rock Hill
Seneca
Spartanburg (Contractor Yard)
Sumter
Taylors
Westgate

Tennessee 25
Athens
Bartlett
Chattanooga
Chattanooga (North)
Clarksville
Cleveland
Columbia
Cookeville
Crossville
Gallatin
Greeneville
Hermitage
Jackson
Johnson City
Kingsport
Knoxville (North)
Knoxville (South)
Knoxville (West)
Madison
Maryville
Morristown
Murfreesboro
Nashville
Nashville (Contractor Yard)
Tullahoma

Texas 7
Fredericksburg
Longview
Marble Falls
San Marcos
Shiner
Temple
Tyler

Virginia 35
Bluefield
Bristol
Chantilly
Chancellor
Charlottesville (Contractor Yard)
Charlottesville (Rio-Hill)
Chesapeake
Chester (Breckenridge)
Chester (Contractor Yard)
Christiansburg
Churchland
Claypool Hill
Danville
Denbigh
Dublin
Fredericksburg
Galax
Harrisonburg
Lynchburg
Manassas (North)
Marion
Martinsville
Newport News (Contractor Yard)
Richmond
Richmond (West)
Richmond (Victorian Square)
Roanoke
Salem
South Boston
Staunton
Suffolk
Winchester
Wise County
Woodbridge (Contractor Yard)
Woodbridge (Smoketown Station)

West Virginia 15
Barboursville
Beckley
Belle
Chapmanville
Charleston
Clarksburg
Cross Lanes
Fairmont
Huntington
Matewan
Morgantown
Parkersburg
Princeton
Summersville
Teays Valley

Management's Responsibility for Financial Reporting

Financial Statements

Lowe's management is responsible for the preparation, integrity and fair presentation of its published financial statements. These statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on management's best estimates and judgments. Lowe's management also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by the independent accounting firm, Deloitte & Touche, which was given unrestricted access to all financial records and related data. The Company believes that all representations made to the independent auditors during their audit were valid and appropriate. Deloitte & Touche's audit report presented below provides an independent opinion upon the fairness of the financial statements.

Internal Control System

The Company maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance to Lowe's management and Board of Directors regarding the preparation of reliable published financial statements. The system includes appropriate divisions of responsibility, established policies and procedures (including a code of conduct to foster a strong ethical climate) which are communicated throughout the Company, and the careful selection, training and development of our people. Internal auditors monitor the operation of the internal control system and report findings and recommendations to management and the Board of Directors, and corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The Board, operating through its audit committee, provides oversight to the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Company assessed its internal control system as of January 31, 1993 in relation to criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, the Company believes that, as of January 31, 1993, its system of internal control over financial reporting met those criteria.

Harry B. Underwood II
Senior Vice President and Treasurer (CFO)

Leonard G. Herring
President and Chief Executive Officer

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 four meetings during fiscal 1992.

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, 1993, 1992 and 1991, 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, 1993, 1992 and 1991, 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 19, 1993

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

Earnings Statement

Analysis of Lowe's operating results must center on the changing architecture of the chain and the relative performance of our three groups of stores, presented in Tables 1, 2, and 3. These tables reveal the impact of our large stores (new since the start of 1989). They outperformed pre-1989 stores in both sales and operating earnings (defined as profits before corporate expense and intercompany charges, interest, LIFO, and income taxes). The average sales performance of these large stores was 50% higher than sales from our other stores, while operating earnings per store were 61% greater. The strong performance of our large stores should continue to boost earnings as we continue to execute the restructuring plan announced late last year. By the end of fiscal 1993, Lowe's total sales floor area will be nearly 15 million square feet, up from 10 million square feet at the end of fiscal 1992.

Lowe's sales in fiscal 1992 were $3.85 billion, a 26% increase over our 1991 sales of $3.06 billion. Sales from comparable stores (an average of 269 stores open more than one year with comparable square footage) were $3.19 billion in 1992, an increase of 18% over the previous year.

Earnings were $84.7 million in fiscal 1992, or $1.16 per share. In 1991 we reported earnings of only $6.5 million, or $.09 per share, because of a one-time restructuring charge related to our large store expansion program. Without the charge, 1991's after-tax earnings would have been $53.5 million, or $.73 per share. Earnings per share have posted a two-year increase of 21%.

Retail sales climbed 28% in fiscal 1992, accounting for 70% of Lowe's total sales. Our retail customer count increased 31% over 1991, and this higher volume more than offset the effect of price cuts implemented as part of our Everyday Competitive Pricing policy (ECP, discussed below). Our retail sales have grown in response to two integrated strategies: Our expansion in retail square footage and our significantly enhanced product offering. Since 1989, we have increased the number of items offered in our smaller stores by 25% and in our medium stores by 40%. Our new large stores carry 60% more items than the average of our other stores. The combined expansion of selling space and product selection gives us enhanced retail potential for the future.

After last year's decline of 2%, Lowe's contractor sales rebounded with a 22% increase in 1992. The improvement outpaced the 20% rise in housing starts in the twenty states that we serve. A 10% inflation in the price of building materials also contributed to the sales increase.

We have decreased our gross margin from 24.8% in 1990 to 24.1% in 1991 and 23.4% in 1992. The margin was leveraged as a component of our Everyday Competitive Pricing strategy, which drives up sales volume and margin dollars and drives down expenses as a percent of sales.

An increased LIFO charge also lowered our gross margin slightly in fiscal 1992. Inflation in building commodities such as lumber and plywood resulted in a LIFO charge of $9.5 million, up from $6.0 million in 1991. Other product categories have experienced slight deflation in prices over the past two years, producing blended inflation rates of 1.65% in 1992 and 1.26% in 1991, versus .15% deflation in 1990.

As a result of our 26% sales growth, expenses decreased as a percentage of our sales in 1992. Although Selling, General & Administrative expenses increased by 18.2%, due largely to salaries for additional personnel in our large stores, these expenses declined as a percent of sales from 18.1% to 17.0%, offsetting the decline in our gross margin by more than 40 basis points. This underscores the competitive profitability of Lowe's Everyday Competitive Pricing.

Depreciation, reflecting our multiyear expansion program, increased 20% in fiscal 1992 and 13% in 1991. The cost of employee retirement plans rose 17% in 1992, corresponding to the increase in store salaries which affected the SG&A expense. For the past three years, contributions to Lowe's ESOP have remained at 13% of eligible compensation.

Interest rates near historic lows were a favorable factor in 1991 and 1992. We repaid higher-priced debt while securing long-term debt at lower rates and decreasing the cost of our short-term borrowings from 5.4% in 1991 to 3.9% in 1992.

While we believe that the LIFO accounting method more accurately matches current costs with current

Continued on page 14

Table 1 **Store Group Unit Totals, Four Quarter Average**

	1992		1991		1990	
	% of Total	Units	% of Total	Units	% of Total	Units
Small (1)	32%	99	40%	122	45%	137
Medium (2)	37	113	41	127	42	130
Large (3)	31	93	19	58	13	40
Total	**100%**	**305**	**100%**	**307**	**100%**	**307**

Table 1 Comments: The small stores average just over 10,000 square feet of sales floor, and are being replaced by our modern superstores. The medium stores stem from our 1984-1988 expansion, and average just over 24,000 square feet. The large stores average about 61,000 square feet, with our current prototypes being 85,000 to 110,000.

Table 2 **Sales Contribution by Store Group, Fiscal Year**

	1992		1991		1990
	% of Total	% Change	% of Total	% Change	% of Total
Small (1)	23%	(4)%	31%	(9)%	36%
Medium (2)	37	+ 2	45	+ 3	48
Large (3)	40	+108 %	24	+63 %	16
Total	**100%**		**100%**		**100%**

Table 2 Comments: The results shown in Table 2 need to be read in conjunction with the changing store numbers in Table 1 because these are aggregate totals, not comparable store results. The small store sales decrease of 4% is attributable to their reduction in number, because the sales per store average increased 19%. The average mid-sizer achieved a 15% sales increase. The average large store's sales growth of 30%, combined with their numerical increase, provided 40% of total sales, up from 16% just two years ago.

Table 3 **Operating Profits* by Store Group, Fiscal Year**

	1992		1991		1990
	% of Total	% Change	% of Total	% Change	% of Total
Small (1)	20%	+ 13%	25%	(35)%	36%
Medium (2)	39	+ 10	51	(9)	50
Large (3)	41	+151%	24	+52 %	14
Total	**100%**		**100%**		**100%**

* Profits before corporate expense and intercompany charges, interest, restructuring, LIFO and income taxes.

Table 3 Comments: Here's the report card on profitability and growth. In 1992, all three groups of stores posted increased profitability over the prior year, unlike 1991. However, like 1991, the large stores were also the profit growth leader in 1992, with a splendid 151% increase.

		1992 Total Sq. Ft. (000,000)	1991 Total Sq. Ft. (000,000)
(1) Pre 1984 Stores; Contractor Yards:	Avg. 10,200 Sq. Ft.	.9	1.2
(2) '84 - '88 Stores:	Avg. 24,400 Sq. Ft.	2.6	3.0
(3) Post '88 Expansion Stores:	Avg. 60,900 Sq. Ft.	6.5	3.8

Continued from page 12

revenues, the following supplemental information is presented to facilitate earnings comparisons with companies which use the FIFO method. Under FIFO accounting, net earnings would have been $6.4 million or $.09 per share higher for fiscal 1992, $3.8 million or $.05 per share higher for fiscal 1991, and $.5 million or $.01 per share lower for fiscal 1990. These supplemental FIFO earnings reflect the tax-effected LIFO charge or credit for each fiscal year. The effective tax rates used were 32.7%, 36.6%, and 29.0% for fiscal 1992, 1991, and 1990 respectively.

Balance Sheet Management

Inventory is our most important current asset, and inventory turnover is often cited as evidence of careful management. Turnover is calculated as the cost of sales divided by the average quarterly ending inventory. In 1992, Lowe's inventory turned 4.6 times, up from 4.4 turns in 1991, and 4.5 turns in 1990. This improvement represents a savings in inventory financing costs, and is noteworthy during this time of expansion of store size and inventory assortments.

Accounts receivable decreased as we sold an undivided fractional interest in a designated pool of receivables. For details, please see Note 2 to the financial statements.

Property, Less Accumulated Depreciation has increased 64% since the start of 1989, when we made our commitment to the superstore format. Since then, we have added nearly 5 million square feet of incremental space, almost doubling the size of our chain while increasing our store count by only seven. In the past three years we have leased approximately half of our new properties, and this trend is forecast to continue in 1993. Large store investments obviously include increased purchases of point-of-sale equipment, fixtures, and displays.

The major component of Other Assets is the net book value of land and buildings pertaining to closed and relocated stores. These are carried at their net realizable value.

Accounts payable is our major source of short-term financing. At the end of fiscal 1992, Lowe's vendors were financing 55.6% of our inventory, compared to 51.1% at the end of 1991 and 40.6% at the close of fiscal 1990. This is another benefit of higher inventory turnover.

We increased our long-term debt $204 million during 1992. By issuing medium-term notes, we were able to retire early some long-term debt on which we were paying double-digit interest rates. We also reduced some short-term debt. Further details are in Note 6 to the financial statements.

In fiscal 1991 we reserved $71.3 million for store restructuring which is detailed in Note 14 to the financial statements. By the end of fiscal 1992, 41 of 123 designated stores had been relocated and 13 of 25 designated stores had been closed. The restructuring accrual absorbed $10.8 million in costs associated with these projects as compared to the $2.1 million absorbed in the fourth quarter of 1991. Also, $5.9 million was used to reduce vacated stores to their net realizable value. This leaves us $52.5 million in the restructuring accrual for future relocations and closings.

Shareholders' equity continues to finance the biggest portion of our assets. Total shareholders' equity increased by $65 million in 1992, and financed 45.6% of assets at January 31, 1993.

Cash Flow

Cash flow can be analyzed in terms of Lowe's sources and uses of cash, in addition to consideration of operating, investing, and financing activities.

Each year Lowe's uses cash for two primary purposes: paying cash dividends and acquiring fixed assets. Lowe's increased cash dividends by 6% in fiscal 1992 to a record high $21 million.

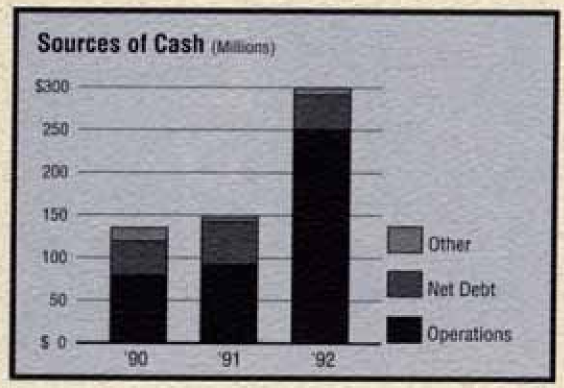
Fixed asset acquisitions provide a basis for future growth. In 1992 we invested a record $268 million in fixed assets (cash outlays of $243 million plus capital leases of $25 million), almost doubling 1991's investment of $136 million. Additionally, we signed operating leases currently valued at $115 million. Lowe's Board of Directors has authorized a capital budget of $460 million for 1993, representing $312 million in capital outlays and $148 million in operating leases. More than 80% of this planned investment is for our superstore expansion program, which includes approximately 60 new stores, 30 in new markets and 30 relocations in markets we currently serve.

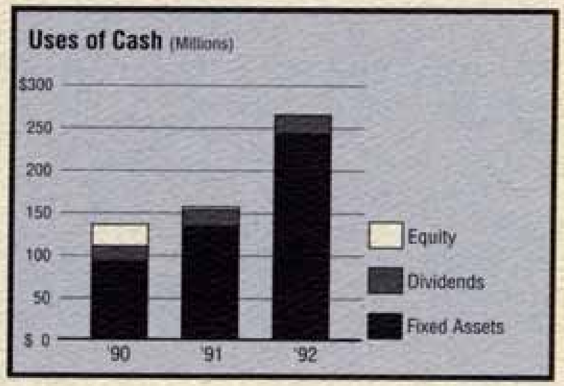
Cash flow from operational sources totaled $251 million in fiscal 1992, almost enough to fund the fixed assets that we acquired and the dividends we paid. $235 million in operational cash flow came from two principal sources: net earnings of $85 million, adjusted for depreciation of $70 million, and $80 million generated from the sale of accounts receivable, offset partially by a $17.5 million increase in receivables.

In analyzing operating cash flows for 1991, two unusual items stand out. First, the restructuring charge included an accrual of $69.2 million which did not represent a cash outlay. Secondly, since the restructuring charge was not deductible from our 1991 income taxes, we paid more cash for income taxes than our income statement tax expense. This resulted in the $25.3 million decrease shown in deferred taxes.

"Cash Flows From Financing Activities" shows a restructuring of Lowe's debt portfolio which lowered our effective interest rates. Most of the repayment of $36 million in long-term debt was an accelerated retirement of debt which, along with short-term debt, was converted to medium-term notes at significantly lower interest rates. For details, please refer to Note 6.

For 1993 we have a full $465 million in short-term borrowing lines available to finance our expansion, along with cash flow from operations and approximately $100 million in planned additional long-term debt.





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 1992	% Sales	Fiscal 1991	% Sales	Fiscal 1990	% Sales
Current Earnings						
Net Sales	$3,846,418	100.0%	$3,056,247	100.0%	$2,833,108	100.0%
Cost of Sales	2,945,753	76.6	2,320,989	75.9	2,130,428	75.2
Gross Margin	900,665	23.4	735,258	24.1	702,680	24.8
Expenses:						
Selling, General and Administrative	653,782	17.0	553,322	18.1	505,918	17.9
Depreciation	69,820	1.8	58,298	1.9	51,431	1.8
Employee Retirement Plans (Note 9)	35,572	.9	30,461	1.0	27,661	1.0
Interest (Note 15)	15,599	.4	16,938	.6	17,419	.6
Store Restructuring (Note 14)	—	—	71,288	2.3	—	—
Total Expenses	774,773	20.1	730,307	23.9	602,429	21.3
Pre-Tax Earnings	125,892	3.3	4,951	.2	100,251	3.5
Income Tax Provision (Note 8)	41,172	1.1	(1,536)	—	29,164	1.0
Net Earnings	$ 84,720	2.2%	$ 6,487	.2%	$ 71,087	2.5%
Shares Outstanding – Weighted Average	73,076		73,026		74,428	
Earnings Per Share	$ 1.16		$ .09		$ .96	

Retained Earnings (Notes 6 and 10)	Amount	Per Share	Amount	Per Share	Amount	Per Share
Balance at Beginning of Year	$ 461,966		$ 477,035		$ 477,140	
Net Earnings	84,720	$1.16	6,487	$.09	71,087	$.96
Cash Dividends (Notes 6 and 10)	(21,153)	($ .29)	(20,020)	($.27)	(19,334)	($.26)
Retirement of Common Stock (Note 10)	—		(1,507)		(51,722)	
Stock Split (Note 10)	(13)		(29)		(136)	
Balance at End of Year	$ 525,520		$ 461,966		$ 477,035	

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Lowe's Companies, Inc. and Subsidiary Companies
Dollars in Thousands
Fiscal Years End on January 31 of Following Year

	Fiscal 1992	% Total	Fiscal 1991	% Total	Fiscal 1990	% Total
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 15)	$ 48,949	3.0%	$ 26,088	1.8%	$ 15,034	1.2%
Short-Term Investments	5,900	.4	4,726	.3	35,110	2.9
Accounts Receivable – Net (Note 2)	53,288	3.3	115,739	8.0	96,354	8.0
Merchandise Inventory (Note 3)	594,195	36.9	602,795	41.8	460,804	38.3
Deferred Income Taxes (Note 8)	8,512	.5	6,455	.5	—	—
Other Current Assets (Note 12)	34,710	2.2	14,275	1.0	9,159	.8
Total Current Assets	**745,554**	**46.3**	**770,078**	**53.4**	**616,461**	**51.2**
Property, Less Accumulated Depreciation (Notes 4 and 6)	787,197	48.9	612,955	42.5	541,464	45.0
Long-Term Investments (Note 7)	23,270	1.4	11,350	.8	—	—
Other Assets	52,856	3.4	46,845	3.3	45,127	3.8
Total Assets	**$1,608,877**	**100.0%**	**$1,441,228**	**100.0%**	**$1,203,052**	**100.0%**
Liabilities and Shareholders' Equity						
Current Liabilities:						
Short-Term Notes Payable (Note 5)	$ 3,193	.2%	$ 143,833	10.0%	$ 53,914	4.5%
Current Maturities of Long-Term Debt (Note 6)	21,721	1.4	17,700	1.2	10,237	.9
Accounts Payable	330,584	20.5	307,814	21.4	186,860	15.5
Employee Retirement Plans (Note 9)	32,038	2.0	27,865	1.9	20,075	1.7
Accrued Salaries and Wages	39,472	2.5	30,339	2.1	22,012	1.8
Other Current Liabilities	72,626	4.5	61,400	4.3	44,578	3.7
Total Current Liabilities	**499,634**	**31.1**	**588,951**	**40.9**	**337,676**	**28.1**
Long-Term Debt, Excluding Current Maturities (Note 6)	313,562	19.5	113,650	7.9	159,204	13.2
Deferred Income Taxes (Note 8)	16,517	1.0	6,229	.4	23,500	2.0
Accrued Store Restructuring Costs (Note 14)	45,944	2.8	63,844	4.4	—	—
Total Liabilities	**875,657**	**54.4**	**772,674**	**53.6**	**520,380**	**43.3**
Commitments, Contingencies and Litigation (Notes 12 and 13)	—	—	—	—	—	—
Shareholders' Equity (Notes 6, 10, and 11)						
Common Stock – $.50 Par Value;						
Fiscal / Issued and Outstanding						
1992 72,972,958						
1991 72,880,262						
1990 72,919,490	36,486	2.3	36,440	2.5	36,460	3.0
Capital in Excess of Par	171,214	10.6	170,148	11.8	169,177	14.1
Retained Earnings	525,520	32.7	461,966	32.1	477,035	39.6
Total Shareholders' Equity	**733,220**	**45.6**	**668,554**	**46.4**	**682,672**	**56.7**
Total Liabilities and Shareholders' Equity	**$1,608,877**	**100.0%**	**$1,441,228**	**100.0%**	**$1,203,052**	**100.0%**

See accompanying notes to consolidated financial statements.

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 1992	Fiscal 1991	Fiscal 1990
Cash Flows from Operating Activities:			
Net Earnings	$ 84,720	$ 6,487	$ 71,087
Adjustments to Reconcile Net Earnings to Net Cash Provided By Operating Activities:			
Depreciation	69,820	58,298	51,431
Store Restructuring Accrual	—	69,219	—
Increase (Decrease) in Deferred Income Taxes	8,231	(25,258)	178
Loss on Disposition of Fixed and Other Assets	1,929	1,073	771
Decrease (Increase) in Operating Assets:			
Accounts Receivable – Net	62,451	(19,385)	25,543
Merchandise Inventory	8,600	(141,991)	(53,127)
Other Operating Assets	(20,352)	(5,098)	683
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	22,770	120,954	(23,337)
Employee Retirement Plans	4,173	7,790	3,780
Accrued Store Restructuring	(10,765)	—	—
Other Operating Liabilities	19,173	21,366	2,165
Net Cash Provided by Operating Activities	**250,750**	**93,455**	**79,174**
Cash Flows from Investing Activities:			
Decrease (Increase) in Investment Assets:			
Short-Term Investments	(1,174)	30,384	(35,110)
Long-Term Investments	(11,920)	(11,350)	—
Other Long-Term Assets	(2,213)	(70)	(3,267)
Fixed Assets Acquired	(243,262)	(133,846)	(91,024)
Proceeds from the Sale of Fixed and Other Long-Term Assets	9,642	3,914	11,424
Net Cash Used in Investing Activities	**(248,927)**	**(110,968)**	**(117,977)**
Cash Flows from Financing Activities:			
Sources:			
Long-Term Debt Borrowings	217,969	—	—
Net Increase (Decrease) in Short-Term Borrowings	(140,640)	89,919	51,920
Stock Options Exercised	1,019	1,223	6,004
Total Financing Sources	**78,348**	**91,142**	**57,924**
Uses:			
Repayment of Long-Term Debt	(36,157)	(40,686)	(13,823)
Cash Dividend Payments	(21,153)	(20,020)	(19,334)
Common Stock Purchased for Retirement	—	(1,869)	(21,660)
Common Stock Purchased for ESOP Contribution	—	—	(4,836)
Total Financing Uses	**(57,310)**	**(62,575)**	**(59,653)**
Net Cash Provided by (Used in) Financing Activities	**21,038**	**28,567**	**(1,729)**
Net Increase (Decrease) in Cash and Cash Equivalents	22,861	11,054	(40,532)
Cash and Cash Equivalents, Beginning of Year	26,088	15,034	55,566
Cash and Cash Equivalents, End of Year	**$ 48,949**	**$ 26,088**	**$ 15,034**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lowe's Companies, Inc. and Subsidiary Companies
Fiscal Years Ended January 31, 1993, 1992 and 1991

Note 1, Summary of Significant Accounting Policies:

The Company is one of America's largest retailers, serving the do-it-yourself home improvement, home decor, and home construction markets. 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.

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. In an effort to more closely match inventory costs and related sales, 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 properties 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. 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.

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 9. 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. Earnings per share have been retroactively adjusted to reflect the two-for-one stock split described in Note 10.

Note 2, Accounts Receivable:

During 1992, the Company entered into an agreement to sell an undivided fractional interest in a designated pool of receivables. As collections reduce previously sold interests in receivables, an interest in new receivables may be sold under the agreement. At January 31, 1993, receivables sold totaled $107.3 million. The Company received $80 million in cash and a receivable for $27.3 million. The $27.3 million receivable is included in Accounts Receivable — Net in the balance sheet.

The allowance for doubtful accounts has not been reduced because the Company has retained substantially the same risk of credit loss as if the receivables had not been sold. The allowance for doubtful accounts was $4.7 million, $4.1 million, and $3.4 million at January 31, 1993, 1992, and 1991, respectively.

Note 3, Merchandise Inventory:

If the FIFO method had been used, inventories would have been $49.0 million, $39.5 million and $33.5 million higher at January 31, 1993, 1992, and 1991, respectively.

Note 4, Property and Accumulated Depreciation:

Net property includes $33.7 million, $13.9 million and $15.6 million in assets from capital leases for Fiscal 1992, 1991, and 1990, respectively.

Property is summarized below by major class:

	January 31, 1993	1992	1991
(Dollars in Thousands)			
Cost:			
Land	$ 188,562	$ 116,382	$ 99,127
Buildings	421,620	400,877	371,947
Store and Office Equipment	371,002	302,708	263,281
Leasehold Improvements	86,756	49,823	42,178
Total Cost	1,067,940	869,790	776,533
Accumulated Depreciation and Amortization	(280,743)	(256,835)	(235,069)
Net Property (Note 12)	$ 787,197	$ 612,955	$ 541,464

Note 5, Short-Term Borrowings and Lines of Credit:

The Company had agreements with a group of banks at January 31, 1993, which provided for short-term unsecured borrowings of up to $140 million with interest at the lower of prime or bank transaction rate. The agreements expire on May 1, 1993 (subject to renewal at the option of the Banks or the Company) and have a commitment fee of .125% annually. These agreements may also be used to support the issuance of commercial paper. The agreements may be withdrawn if there is a material change in the financial condition of the Company. At January 31, 1993, there were no amounts outstanding under these agreements.

Several banks have extended lines of credit aggregating $95 million for the purpose of issuing documentary letters of credit and standby letters of credit. These lines do not have termination dates and are reviewed periodically. Commitment fees of .125% per annum are paid on the amounts used. At January 31, 1993, unused lines of credit totaled $60.8 million.

Another $265 million is available for the purpose of short-term borrowings on a bid basis from various banks. These lines are uncommitted and are reviewed periodically by both the banks and the Company. At January 31, 1993, there were no amounts outstanding under these lines.

The following relates to aggregate short-term borrowings from banks and to the use of the Company's commercial paper in Fiscal 1992, 1991 and 1990:

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 1992					
Commercial Paper	—	—	$150,000	$97,892	3.9%
Bank Borrowings	—	—	127,900	66,946	4.0
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%

(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 6, Long-Term Debt:

Debt Category	Interest Rates January 31, 1993	Year of Final Maturity	January 31, 1993	1992	1991
(Dollars in Thousands)					
Secured Debt[1]:					
Insurance Company Notes	6.75% to 9.00%	1998	$ 1,323	$ 2,721	$ 4,747
Bank Notes	7.00%*	1994	50	83	177
Industrial Revenue Bonds	4.20%*	1997	1,133	1,721	3,162
Other Notes	8.00% to 10.00%	2005	770	892	1,106
Unsecured Debt:					
Insurance Company Notes	8.25%	1992		600	31,200
Industrial Revenue Bonds	3.07% to 6.25%*	2020	11,703	13,086	13,963
Industrial Revenue Bonds[2]	2.50%*	2005	10,300	11,000	11,700
Unsecured Notes	11.50%	1992		27,813	27,801
Medium Term Notes	6.50% to 8.20%	2022	217,959		
Bank Notes[3]	2.76% to 3.10%*	1996	57,955	57,955	57,955
Capital Leases (Note 12)	**5.12% to 21.78%**	**2033**	**34,090**	15,479	**17,630**
Total Long-Term Debt			335,283	131,350	169,441
Less Current Maturities			**21,721**	17,700	**10,237**
Long-Term Debt, Excluding Current Maturities			**$313,562**	**$113,650**	**$159,204**

*Interest rate varies as a percentage of prime rate or other interest index. Interest rates shown are as of January 31, 1993. Prime rate was 6.0% at January 31, 1993.

The Company, in a public offering on April 1, 1985, issued $75 million of 11.50% unsecured notes at a discount of .426%. The discount and issuance costs were 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 $27.85 million of notes were redeemed by the Company on April 1, 1992, without penalty.

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.

In April 1992, the Company filed a shelf-registration with the Securities and Exchange Commission registering up to $250 million of Medium Term Notes to be issued in the future. The Company issued $218 million of these notes in Fiscal 1992. The notes bear interest rates that range from 6.50% to 8.20% and are scheduled to mature from 1997 to 2022. The remaining $32 million of these notes were issued in February 1993.

At January 31, 1993, the Company had outstanding 18 interest rate swap agreements with financial institutions, having a total notional principal amount of $162.3 million. Under 15 agreements with notional amounts of $10 million each, the Company will receive interest payments at an average fixed rate of 6.02% and will pay interest on the same notional amounts at a floating rate based on an interest rate index, currently estimated at 3.50%. These swaps are scheduled to terminate in Fiscal 1995. Two agreements with notional amounts of $5 million each terminated in February 1993. 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. This swap will terminate in July 1993. 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 12), for the next five fiscal years are as follows (in millions): 1993, $19.4; 1994, $35.7; 1995, $10.1; 1996, $4.1; 1997, $13.6.

Notes:

[1] Real properties pledged as collateral for secured debt had net book values (in millions) at January 31, 1993, as follows: insurance company notes - $16.8; bank notes - $.6; industrial revenue bonds $2.0; and other notes $3.9.

[2] 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.

[3] 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 7, Disclosures about Fair Values of Financial Instruments:

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments. The estimated fair value amounts have been determined by the Company, using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	January 31, 1993	
	Carrying Amount	Fair Value
Assets:		
Cash and Short-Term Investments	$ 54,849	$ 54,849
Net Receivables	53,288	53,288
Long-Term Investments	23,270	23,664
Liabilities:		
Accounts Payable	330,584	330,584
Short-Term Debt	3,193	3,193
Long-Term Debt	$335,283	336,286
Off-Balance Sheet Financial Instruments - Unrealized Gains:		
Interest Rate Swaps Agreements	—	$ 2,434

Cash and short-term investments, receivables, accounts payable, and short-term debt — The carrying amounts of these items are a reasonable estimate of their fair value due to their short-term nature.

Long-term investments — The fair value is estimated from quoted market prices for these or similar investments.

Long-term debt — Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues that are not quoted on an exchange.

Interest rate swap agreements — The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from dealers.

Note 8, Income Taxes:

Fiscal Years End on January 31 of Following Year	Fiscal 1992 Amount	%	Fiscal 1991 Amount	%	Fiscal 1990 Amount	%
(Dollars in Thousands)			Statutory Rate Reconciliation			
Pre-Tax Earnings	**$125,892**	**100.0%**	**$ 4,951**	**100.0%**	**$100,251**	**100.0%**
Federal Income Tax at Statutory Rate	42,803	34.0	1,683	34.0	34,085	34.0
State Income Taxes – Net of Federal Tax Benefit	1,443	1.1	131	2.6	55	.1
Other	(3,074)	(2.4)	(3,350)	(67.6)	(4,976)	(5.0)
Total Income Tax Provision	**$ 41,172**	**32.7%**	**$ (1,536)**	**(31.0)%**	**$ 29,164**	**29.1%**
			Components of Income Tax Provision			
Current						
Federal	$ 31,289	76.0%	$ 23,524	(1,531.5)%	$ 28,903	99.1%
State	1,651	4.0	198	(12.9)	83	.3
Total Current	**32,940**	**80.0**	**23,722**	**(1,544.4)**	**28,986**	**99.4**
Deferred						
Federal	7,697	18.7	(25,258)	1,644.4	178	.6
State	535	1.3	—	—	—	—
Total Deferred	8,232	20.0	(25,258)	1,644.4	178	.6
Total Income Tax Provision	**$ 41,172**	**100.0%**	**$ (1,536)**	**100.0%**	**$ 29,164**	**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 and carryforwards that gave rise to the deferred tax assets and liabilities and the related valuation allowance at January 31, 1993 and 1992 are as follows (in thousands):

	January 31, 1993			January 31, 1992		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Accrued Store Restructure Costs	$ 19,152	—	$ 19,152	$23,535	—	$ 23,535
Excess Tax Over Book Depreciation	—	$(34,930)	(34,930)	—	$(29,525)	(29,525)
Other, Net	19,924	(8,846)	11,078	13,866	(4,903)	8,963
Less Valuation Allowance	(3,306)	—	(3,306)	(2,747)	—	(2,747)
Total	$ 35,770	$(43,776)	$ (8,006)	$34,654	$(34,428)	$ 226

The valuation allowance increased $559,000 during the year ended January 31, 1993.

The Company's consolidated Federal income tax returns for Fiscal Years 1987 through 1990 are currently under examination by the Internal Revenue Service, a routine occurrence for companies of Lowe's size. No material adjustments are expected.

Note 9, Employee Retirement Plans:

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is determined annually by the Board of Directors. The ESOP covers all employees after completion of one year of employment and 1000 hours of service during that year. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. The Board authorized contributions totaling 13% of eligible compensation for each of the Fiscal Years 1992, 1991 and 1990. Contributions may be made in cash or shares of stock and are generally made in the following fiscal year.

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 10). During Fiscal 1990, the Company purchased and contributed to the ESOP 477,840 shares costing $4.8 million. The remaining Fiscal 1990 contribution was made in cash during Fiscal 1991. On January 29, 1993, the Board of Directors authorized the funding of the Fiscal 1992 ESOP contribution with the issuance of new shares of the Company's common stock. As of January 31, 1993, the Employee Stock Ownership Trust held approximately 23.6% of the outstanding common stock of the Company and was its largest shareholder.

Shares allocated to participant accounts are voted by the Trustee according to the participants' voting instructions. Unallocated shares and shares for which no voting instructions are received are voted by the Trustee as directed by a management committee. At January 31, 1993, there were no unallocated shares.

The Board of Directors determines 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 1992, 1991 and 1990 were $3.4, $2.9 and $2.7 million, respectively. The Company's common stock is an investment option for participants in the ESIP. As of January 31, 1993, the ESIP held approximately 1.1% of the outstanding common stock of the Company. Shares held in the ESIP are voted by the trustee as directed by an administrative committee.

The Company has evaluated Statement of Financial Accounting Standards No. 106 ("Employers' Accounting for Postretirement Benefits Other Than Pensions") and No. 112 ("Employers' Accounting for Postemployment Benefits") and does not believe that the Company has any liability under these standards.

Note 10, Shareholders' Equity:

Authorized shares of common stock were 120 million at January 31, 1993, 1992 and 1991.

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

(In Thousands)	Shares	(In Thousands)				Shareholders' Equity
	Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total Equity
Balance January 31, 1990	74,510	$39,756	$178,733	$477,140	$(50,071)	$645,558
Net Earnings				71,087		71,087
Tax Effect of Incentive Stock Options Exercised (Note 11)			1,017			1,017
Cash Dividends				(19,334)		(19,334)
Stock Options Exercised (Note 11)	544	272	5,878	(136)		6,014
Stock Received for Exercise of Stock Options					(10)	(10)
Treasury Shares Retired		(2,502)	(11,532)	(36,047)	50,081	
Shares Purchased and Retired	(2,134)	(1,066)	(4,919)	(15,675)		(21,660)
Balance January 31, 1991	72,920	36,460	169,177	477,035	NIL	682,672
Net Earnings				6,487		6,487
Tax Effect of Incentive Stock Options Exercised (Note 11)			61			61
Cash Dividends				(20,020)		(20,020)
Stock Options Exercised (Note 11)	116	58	1,269	(29)		1,298
Stock Received for Exercise of Stock Options	(6)	(2)	(13)	(60)		(75)
Shares Purchased and Retired	(150)	(76)	(346)	(1,447)		(1,869)
Balance January 31, 1992	72,880	36,440	170,148	461,966	NIL	668,554
Net Earnings				84,720		84,720
Tax Effect of Incentive Stock Options Exercised (Note 11)			80			80
Cash Dividends				(21,153)		(21,153)
Stock Options Exercised (Note 11)	93	46	986	(13)		1,019
Balance January 31, 1993	72,973	$36,486	$171,214	$525,520	NIL	$733,220

On May 29,1992, the Board of Directors announced a two-for-one stock split to be effected in the form of a stock dividend on the Company's outstanding shares. The new shares were issued June 26, 1992 to shareholders of record on June 12, 1992. Accordingly, in the financial statements, an amount equal to the par value of the additional shares issued has been transferred from Retained Earnings to Common Stock retroactive to January 31, 1990. Shares and per share amounts in the financial statements and footnotes have been adjusted to give retroactive effect to the split.

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 5,003,050 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 802,000 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 2,612,000 shares at a cost of $26.5 million or an average of $10.15 per share. Of these shares repurchased, 477,840 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. As of January 31, 1992, the Company had repurchased and retired 150,004 shares at a cost of $1.9 million or an average of $12.46 per share. There were no other purchases under the program prior to its expiration on May 29, 1992.

Note 11, Stock Options:

During Fiscal 1985, shareholders approved a stock option plan under which incentive and nonqualified stock options may be granted to key employees. Two 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 1997. At January 31, 1993, there were 711,820 shares available for options that could be granted.

Option information is summarized as follows:

Key Employee Stock Option Plan	Shares	Option Price Per Share
	(In Thousands)	
Outstanding January 31, 1990	**932**	**$8.125, $10.688, $11.688, Variable to $12.750**
Canceled or Expired	(6)	Variable to $12.750
Exercised	(544)	$5.395 to $12.213
Outstanding January 31, 1991	**382**	**$8.125, $11.688, Variable to $12.750**
Canceled or Expired	(3)	$10.688
Exercised	(114)	$8.125 to $11.905
Outstanding January 31, 1992	**265**	**$8.125, Variable to $12.750**
Granted	15	Variable to $20.375
Canceled or Expired	(1)	$8.125, Variable to $12.750
Exercised	(93)	$5.165 to $8.190
Outstanding January 31, 1993	**186**	**$8.125, Variable to $20.375**

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. Since Fiscal 1989, all options granted have been adjustable nonqualified options exercisable at a maximum price of $20.375 per share. The actual option price, if lower than $20.375, 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 two 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. One hundred thousand shares of common stock are reserved to fulfill the requirements of this Plan. Options representing fourteen thousand shares were granted under this Plan in each of Fiscal 1989, Fiscal 1990, Fiscal 1991 and Fiscal 1992, of which options representing two thousand shares have been exercised. The maximum option price per share was $12.750 for Fiscal 1989, $21.813 for Fiscal 1990, $17.250 for Fiscal 1991 and $21.938 for Fiscal 1992.

At January 31, 1993, options for 185,520 shares were exercisable under the Key Employee Stock Option Plan and options for 54,000 shares were exercisable under the Non-Employee Directors' Stock Option Plan.

Common stock received through the exercise of 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 $80 thousand, $61 thousand and $1.017 million during Fiscal Years 1992, 1991 and 1990, respectively.

Note 12, Leases:

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.

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

	Operating Leases		Capital Leases		
Fiscal Year	**Real Estate**	**Equipment**	**Real Estate**	**Equipment**	**Total**
(Dollars in Thousands)					
1993	$ 21,469	$2,373	$ 3,102	$1,813	$ 28,757
1994	28,475	441	3,384	629	32,929
1995	29,045	167	3,274	355	32,841
1996	28,675	21	3,298	122	32,116
1997	28,263	1	3,317	4	31,585
Later Years	363,560	—	58,365	—	421,925
Total Minimum Lease Payments	**$499,487***	**$3,003**	**$74,740**	**$2,923**	**$580,153**
Total Minimum Capital Lease Payments				$77,663	
Less Amount Representing Interest				43,573	
Present Value of Minimum Lease Payments				34,090	
Less Current Maturities				2,366	
Present Value of Minimum Lease Payments, Less Current Maturities				**$31,724**	

*Total minimum payments have not been reduced by minimum sublease rentals of $1.0 million to be received in the future under noncancelable subleases.

Rental expenses under operating leases for real estate and equipment were $20.4 million, $15.1 million and $11.8 million in Fiscal 1992, 1991 and 1990, respectively.

The Company entered into a lease agreement in January 1993 for nine store properties. The initial term of these leases is five years with renewal terms for up to an additional thirty-five years. The rental amounts are based on the cost of the property plus the borrowing cost of the lessor. The agreement also called for the Company to advance the acquisition cost of the properties to be reimbursed by the Lessor. At January 31, 1993, the Company had a receivable from the Lessor under the agreement of $17.4 million classified on the balance sheet under Other Current Assets.

The Company has entered into preliminary operating lease agreements for $50.7 million of 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.

Note 13, Commitments, Contingencies and Litigation:

The Company had purchase commitments at January 31, 1993 of approximately $21.2 million for land, buildings and construction of facilities, and $16.4 million for equipment.

The Company had commitments at January 31, 1993 to invest approximately $1.1 million in various Low Income Housing Projects.

See Note 12 concerning commitments related to lease agreements.

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.

The Company believes it is in full compliance with all federal environmental laws and regulations.

Note 14, 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 certain relocation costs and expenses. The charge included stores relocated under the restructuring plan in the fourth quarter of Fiscal 1991 and those scheduled for closing and relocation through Fiscal 1995.

Note 15, Other Information:

Net interest expense is comprised of the following:

Years Ended January 31,	1993	1992	1991
(Dollars in Thousands)			
Long-Term Debt	$12,634	$14,467	$ 16,428
Short-Term Debt	6,529	5,317	6,426
Amortization of Loan Costs	274	125	106
Cost of Early Debt Retirement	—	1,149	—
Short-Term Interest Income	(1,989)	(3,006)	(4,399)
Interest Capitalized	(1,849)	(1,114)	(1,142)
Net Interest Expense	**$15,599**	**$16,938**	**$17,419**

Cash and cash equivalents are comprised of the following:

As of January 31,	1993	1992	1991
Cash	$24,439	$12,685	$ 8,113
Cash Equivalents	24,510	13,403	6,921
Total	**$48,949**	**$26,088**	**$15,034**

Supplemental disclosures of cash flow information:

Years Ended January 31,	1993	1992	1991
Cash Paid for Interest (Net of Amount Capitalized)	$17,857	$22,162	$23,236
Cash Paid for Income Taxes	$40,042	$21,028	$25,629

Non-cash investing and financing activities:

Fixed Assets Acquired Under Capital Leases	$24,566	$ 2,595	$ 3,537
Stock Purchased Then Contributed to ESOP (Note 9)	—	—	4,836
Common Stock Received for Exercise of Stock Options	—	75	10
Notes Received in Exchange for Property	$ 1,536	$ 2,478	$ 4,701

Supplemental disclosure of operating expenses:

Advertising expenses were $65.0, $61.8 and $56.3 million for Fiscal 1992, 1991 and 1990, respectively.

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)	1992	1991	1990	1989	1988
Selected Income Statement Data:					
Net Sales	$3,846,418	$3,056,247	$2,833,108	$2,650,547	$2,516,879
Net Earnings	84,720	6,487	71,087	74,912	69,201
Per Common Share:					
Earnings	1.16	.09	.96	1.01	.92
Cash Dividends	$ .29	$ .27	$ .26	$ .25	$ .23
Selected Balance Sheet Data:					
Total Assets	$1,608,877	$1,441,228	$1,203,052	$1,147,394	$1,085,797
Long-term Debt, Including Current Maturities	$ 335,283	$ 131,350	$ 169,441	$ 178,554	$ 202,447

Selected Quarterly Data (Unaudited)* Three Months Ended	January 31	October 31	July 31	April 30
Fiscal 1992				
Net Sales	$ 910,298	$991,192	$1,061,645	$883,283
Gross Margin	209,337	231,372	246,741	213,215
Net Earnings	12,323	18,900	29,718	23,779
Earnings Per Share	$ .17	$ .26	$ .41	$ .33
Fiscal 1991				
Net Sales	$709,613	$790,274	$ 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	$ (.59)	$ .18	$ .35	$ .16
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	$ .07	$ .19	$ .40	$ .30

***LIFO Adjustment:**

Fiscal 1992 – The total LIFO effect for the year was a charge of $9.5 million. A charge of $3.7 million was made against earnings through the first nine months, resulting in a fourth quarter charge of $5.8 million. At the end of the third quarter, lumber and plywood composite prices were at record levels and due to decreased demand projected, the Company expected the prices to plateau at then current levels. Prices, however, continued to rise through the end of the year resulting in the fourth quarter charge.

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.

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 14 to the Consolidated Financial Statements)

Stock Performance

Lowe's Quarterly Stock Price Range and Cash Dividend Payment*

	Fiscal 1992			Fiscal 1991			Fiscal 1990		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1st Quarter	$21 3/4	$17 5/16	$.07	$17 7/16	$12 1/2	$.065	$17 11/16	$12 3/4	$.065
2nd Quarter	23 5/8	18 1/8	.07	18 9/16	15 13/16	.07	24 13/16	14 11/16	.065
3rd Quarter	24 5/8	16	.07	17 1/2	11 1/2	.07	15 1/4	9 9/16	.065
4th Quarter	$28 3/4	$18 1/2	$.08	$20 11/16	$12 13/16	$ .07	$13 15/16	$ 9 3/16	$.065

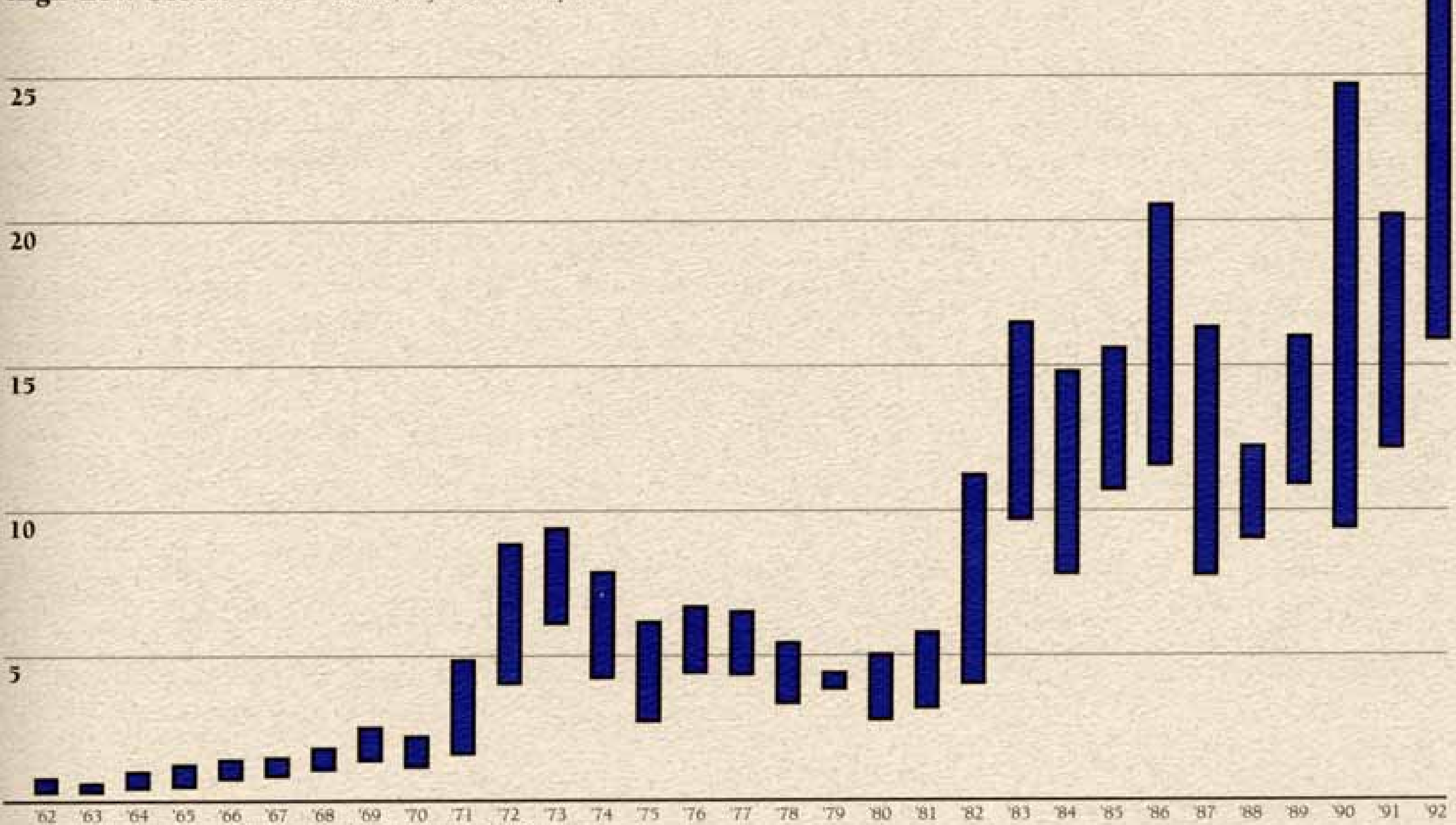
Source: The Wall Street Journal
*As restated for a 2-for-1 stock split to shareholders of record June 12, 1992.

Monthly Stock Price and Trading Volume*

	Fiscal 1992			Fiscal 1991		
	High	Low	Shares Traded	High	Low	Shares Traded
February	$21 3/4	$18 13/16	7,789,400	$16	$12 1/2	4,563,800
March	20 3/4	18 13/16	6,154,200	16 3/8	13 5/8	4,094,200
April	19 7/8	17 5/16	3,955,600	17 7/16	15 3/8	4,066,000
May	22 1/2	18 7/8	6,433,400	17 5/16	14 5/16	4,704,400
June	23 3/8	18 1/4	7,430,000	18 9/16	15 9/16	2,969,200
July	23 5/8	18 1/8	7,027,700	18	15 13/16	2,459,600
August	24 5/8	16	12,616,100	17 1/2	15	5,358,400
September	18 3/4	16 1/8	8,012,100	17 5/16	15 7/8	2,441,600
October	19 3/4	17 1/2	4,818,400	17	11 1/2	8,605,800
November	22 5/8	18 1/2	5,470,100	15 1/4	12 15/16	6,395,600
December	25 3/8	21 3/8	7,090,200	17 3/16	12 13/16	7,096,400
January	$28 3/4	$24 1/8	5,965,800	$20 11/16	$16 3/16	10,052,200

Source: The Wall Street Journal
*As restated for a 2-for-1 stock split to shareholders of record June 12, 1992.

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



*Based on fiscal years; prior to '78, year-end was July 31. Source: *The Wall Street Journal*

Quarterly Review of Performance

Earnings Statement

Dollars in Thousands

Quarter Ended	Fiscal 1992				Fiscal 1991			
	1/31/93	10/31/92	7/31/92	4/30/92	1/31/92	10/31/91	7/31/91	4/30/91
Net Sales	$910,298	$991,192	$1,061,645	$883,283	$709,613	$790,274	$863,009	$693,351
FIFO Gross Margin	215,126	231,619	248,677	214,757	175,602	187,881	209,110	168,644
LIFO Credit (Charge)	(5,789)	(247)	(1,936)	(1,542)	(5,063)	604	(294)	(1,226)
LIFO Gross Margin	209,337	231,372	246,741	213,215	170,539	188,485	208,816	167,418
Expenses:								
S,G & A	160,562	171,794	171,286	150,140	137,647	143,030	146,337	126,308
Depreciation	18,956	17,720	16,913	16,231	15,603	14,471	14,258	13,966
Employee Retirement Plans	7,623	9,602	9,864	8,483	7,668	7,797	8,145	6,851
Interest	3,682	4,048	4,222	3,647	5,255	4,019	3,801	3,863
Store Restructuring	—	—	—	—	71,288	—	—	—
Total Expenses	190,823	203,164	202,285	178,501	237,461	169,317	172,541	150,988
Pre-Tax Earnings (Loss)	18,514	28,208	44,456	34,714	(66,922)	19,168	36,275	16,430
Income Tax Provision	6,191	9,308	14,738	10,935	(23,657)	6,176	10,991	4,954
Net Earnings (Loss)	12,323	18,900	29,718	23,779	(43,265)	12,992	25,284	11,476
Earnings (Loss) Per Share	$ .17	$ .26	$ .41	$ .33	$ (.59)	$ .18	$ .35	$ .16

Earnings Statement Changes

Changes from Same Quarter Previous Year, to Nearest Tenth Percent

Quarter Ended	Fiscal 1992				Fiscal 1991			
	1/31/93	10/31/92	7/31/92	4/30/92	1/31/92	10/31/91	7/31/91	4/30/91
Net Sales	28.3%	25.4%	23.0%	27.4%	21.1%	11.6%	5.5%	(3.8)%
FIFO Gross Margin	22.5	23.3	18.9	27.3	17.8	7.5	2.8	(3.4)
LIFO Credit (Charge)	14.3	140.9	558.5	25.8	253.7	100.0	(74.9)	(14.4)
LIFO Gross Margin	22.8	22.8	18.2	27.4	11.9	7.9	3.2	(3.3)
Expenses:								
S,G & A	16.6	20.1	17.0	18.9	14.4	9.9	7.3	6.1
Depreciation	21.5	22.5	18.6	16.2	14.1	10.4	14.2	14.7
Employee Retirement Plans	(.6)	23.1	21.1	23.8	13.3	11.3	8.6	7.3
Interest	(29.9)	.7	11.1	(5.6)	11.5	(16.0)	(8.2)	2.2
Store Restructuring	NM*	—	—	—	NM*	—	—	—
Total Expenses	(19.6)	20.0	17.2	18.2	63.3	9.2	7.5	6.8
Pre-Tax Earnings (Loss)	127.7	47.2	22.6	111.3	(1,058.2)	(2.5)	(13.3)	(48.3)
Income Tax Provision	126.2	50.7	34.1	120.7	(1,332.1)	10.6	(7.5)	(49.4)
Net Earnings (Loss)	128.5%	45.5%	17.5%	107.2%	(954.4)%	(7.7)%	(15.6)%	(47.8)%

Earnings Statement Percentages

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

Quarter Ended	Fiscal 1992				Fiscal 1991			
	1/31/93	10/31/92	7/31/92	4/30/92	1/31/92	10/31/91	7/31/91	4/30/91
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FIFO Gross Margin	23.64	23.36	23.42	24.31	24.74	23.77	24.23	24.33
LIFO Credit (Charge)	(.64)	(.02)	(.18)	(.17)	(.71)	.08	(.03)	(.18)
LIFO Gross Margin	23.00	23.34	23.24	24.14	24.03	23.85	24.20	24.15
Expenses:								
S,G & A	17.65	17.32	16.13	17.00	19.39	18.09	16.97	18.22
Depreciation	2.08	1.79	1.59	1.84	2.20	1.83	1.65	2.01
Employee Retirement Plans	.84	.97	.93	.96	1.08	.99	.94	.99
Interest	.40	.41	.40	.41	.74	.51	.44	.56
Store Restructuring	—	—	—	—	10.05	—	—	—
Total Expenses	20.97	20.49	19.05	20.21	33.46	21.42	20.00	21.78
Pre-Tax Earnings (Loss)	2.03	2.85	4.19	3.93	(9.43)	2.43	4.20	2.37
Income Tax Provision	33.44	33.00	33.15	31.50	35.35	32.22	30.30	30.15
Net Earnings (Loss)	1.35%	1.91%	2.80%	2.69%	(6.10)%	1.64%	2.93%	1.66%

*Not Meaningful

Customer Sales Profile

Dollars in Millions, Rounded Totals

	Change	Fiscal 1992 Sales	Fiscal 1992 % Total	Fiscal 1991 Sales	Fiscal 1991 % Total
1st Quarter					
HC[1]	+27%	$ 478.5	54%	$375.4	54%
CD[2]	+16	131.8	15	113.2	16
BC[3]	+33	273.0	31	204.8	30
Totals	**+27**	**883.3**	**100**	**693.4**	**100**
2nd Quarter					
HC	+28	581.6	55	456.2	53
CD	+15	162.8	15	141.7	16
BC	+20	317.2	30	265.1	31
Totals	**+23**	**1061.6**	**100**	**863.0**	**100**
3rd Quarter					
HC	+30	557.7	56	429.9	54
CD	+19	121.2	12	101.8	13
BC	+21	312.3	32	258.6	33
Totals	**+25**	**991.2**	**100**	**790.3**	**100**
4th Quarter					
HC	+36	514.4	57	379.5	54
CD	+29	139.2	15	108.0	15
BC	+16	256.7	28	222.1	31
Totals	**+28%**	**$ 910.3**	**100%**	**$709.6**	**100%**

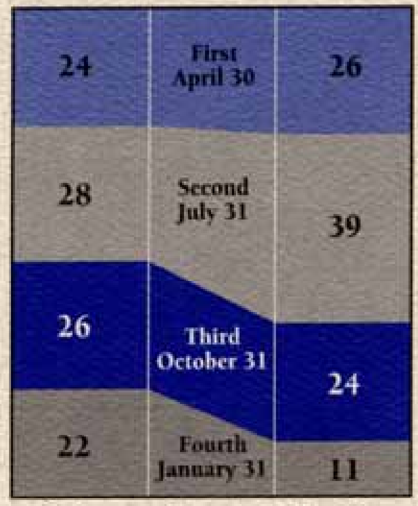
[1] HC: sales to home center customers (cash or non-recourse credit).

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

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

1986-1992 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 1992 Sales	Fiscal 1992 % of Total	Fiscal 1991 Sales	Fiscal 1991 % of Total
1st Quarter					
Comparable Stores[1]	+ 22%	$ 771.6	87%	$633.5	91%
New Projects[2]	+112	111.6	13	52.7	8
Closed Stores		.1		7.2	1
Total Sales	**+ 27**	**883.3**	**100**	**693.4**	**100**
2nd Quarter					
Comparable Stores	+ 15	884.4	83	767.7	89
New Projects	+112	175.9	17	82.9	10
Closed Stores		1.3		12.4	1
Total Sales	**+ 23**	**1061.6**	**100**	**863.0**	**100**
3rd Quarter					
Comparable Stores	+ 17	802.4	81	686.3	87
New Projects	+110	188.8	19	89.9	11
Closed Stores		–		14.1	2
Total Sales	**+ 25**	**991.2**	**100**	**790.3**	**100**
4th Quarter					
Comparable Stores	+ 19	736.4	81	619.2	87
New Projects	+115	173.9	19	80.9	12
Closed Stores		–		9.5	1
Total Sales	**+ 28%**	**$ 910.3**	**100%**	**$709.6**	**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 66. 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., since1983; Multifoods, Inc., Minneapolis, Minn., since 1978; Hannaford Bros., Scarborough, Me., since 1986.

John M. Belk

Director since 1986, age 73. 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; Chaparral Steel, Midlothian, Tex., since 1987.

Gordon E. Cadwgan

Director since 1961, age 79. 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 65. 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 71. 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. (Chairman).

Russell B. Long

Director since 1987, age 74. 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; 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 65. Chairman of Compensation/Employee Stock Option Committee, Member of Audit Committee and Committee of Outside Directors of the Company. Previously Chairman of the Board (1983-1993), President and Chief Executive Officer (1989-1993) of Metropolitan Life Insurance Company, New York, N.Y. (Mr. Schwartz retired in March, 1993.) 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 55. 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 62. 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; T. Rowe Price Associates, Inc., Baltimore, Md., since 1991.

Lowe's Leadership

Executive Management

I.W. Davis – Senior Vice President – Real Estate
William L. Irons – Senior Vice President – Management Information Services
Leonard G. Herring – President and Chief Executive Officer
R. Michael Rouleau – Executive Vice President – Store Operations
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/ Trade Payables
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 – Regional
Gregory M. Bridgeford – Merchandising
Ralph G. Buchan Jr. – Advertising
Nick Canter – Regional
John L. Eikenberry – Internal Audit
A. Robert Gresham III – Contractor Sales Promotion
R. Vaughn Hayes – Merchandising
A. Lee Herring II – Merchandising
Duane E. Hiemenz – Regional
Perry G. Jennings – Human Resources
W. Cliff Oxford – Corporate Relations
John V. Raley – Regional
David E. Shelton – Store Operations
Larry D. Stone – Merchandising
Charles E. Taylor – Contractor Yard Operations
Gregory J. Wessling – Merchandising
William L. White – Regional

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 28, 1993 at 10:00 AM
John A. Walker Community Center
Wilkes Community College
Collegiate Drive
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 Main Street
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

32-Year Review

Fiscal Years End January 31, of Following Calendar Year Except Fiscal Years Prior to 1978 Which Ended July 31.	LIFO accounting 10-Year CGR	Fiscal 1992	Fiscal 1991	Fiscal 1990	Fiscal 1989
Stores and People					
1 Number of Stores	2.6%	303	306	309	306
2 Square Footage	15.6	9,975,537	8,016,136	7,061,925	6,219,018
3 Number of Employees	11.6	21,269	18,368	15,556	15,271
4 Customers Served (Thousands)	18.2%	80,461	64,284	54,142	47,246
5 Average Customer Purchase		$47.80	$47.54	$52.33	$56.10
Comparative Income Statement (Thousands)					
6 Total Sales	**14.0%**	**$3,846,418**	**$3,056,247**	**$2,833,108**	**$2,650,547**
7 Depreciation	20.1	69,820	58,298	51,431	46,134
8 LIFO Credit (Charge)	NM	(9,514)	(5,979)	688	(3,549)
9 Store Restructuring	—	—	71,288	—	—
10 Operating Income[1]	12.8	211,311	80,187	169,101	174,158
11 Pre-Tax Earnings[2]	10.2	125,892	4,951	100,251	108,796
12 Taxes on Income	6.3	41,172	(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	**12.9**	**84,720**	**6,487**	**71,087**	**74,912**
16 Cash Dividends Paid	8.0	21,153	20,020	19,334	18,228
17 Earnings Retained	15.3%	$ 63,554	$ (13,533)	$ 51,753	$ 56,684
Dollars Per Share (Weighted Average Number of Shares)					
18 Sales	13.0%	$52.64	$41.85	$38.07	$35.55
19 Earnings	**11.9**	**1.16**	**.09**	**.96**	**1.00**
20 Cash Dividends	**7.0**	**.29**	**.27**	**.26**	**.25**
21 Earnings Retained	14.2	.87	NM	.70	.76
22 Shareholders' Equity	12.9%	$10.03	$ 9.16	$ 9.17	$ 8.66
Strategic Profit Model[3]					
23 Asset Turnover (Sales Per Asset Dollar)		$ 2.67	$ 2.54	$ 2.47	$ 2.44
24 Return on Sales (Net Earnings as Percent of Sales)		× 2.20%	× .21%	× 2.51%	× 2.83%
25 Return on Assets		= 5.88%	= .54%	= 6.20%	= 6.90%
26 Leverage Factor (Asset Dollars Per Equity Dollar)		× 2.16	× 1.76	× 1.78	× 1.85
27 Return on Shareholders' Equity		=12.67%	= .95%	=11.01%	=12.77%
Comparative Balance Sheet (Thousands)					
28 Total Current Assets	10.6%	$ 745,554	$ 770,078	$ 616,461	$ 595,946
29 Cash and Short-Term Investments	8.0	54,849	30,814	50,144	55,566
30 Accounts Receivable — Net	(3.4)	53,288	115,739	96,354	121,897
31 Inventories (Lower of Cost or Market)	13.5	594,195	602,795	460,804	407,677
32 Other Current Assets	26.6	34,710	14,275	9,159	9,610
33 Fixed Assets	20.6	787,197	612,955	541,464	507,811
34 Other Assets	57.6	52,856	46,845	45,127	43,637
35 Total Assets	**15.1**	**1,608,877**	**1,441,228**	**1,203,052**	**1,147,394**
36 Total Current Liabilities	14.0	499,634	588,951	337,676	307,890
37 Accounts Payable	13.8	330,584	307,814	186,860	210,197
38 Other Current Liabilities	5.0	72,626	61,400	44,578	42,685
39 Long-Term Debt (Excluding Current Portion)	18.7	313,562	113,650	159,204	167,896
40 Total Liabilities	**16.2**	**875,657**	**772,674**	**520,380**	**501,836**
41 Shareholders' Equity	**13.9%**	**$ 733,220**	**$ 668,554**	**$ 682,672**	**$ 645,558**
42 Equity/Long-Term Debt (Excluding Current)		2.34	5.88	4.29	3.84
43 Year-End Leverage Factor: Assets/Equity		2.19	2.16	1.76	1.78
Shareholders, Shares and Book Value					
44 Shareholders of Record, Year-End		7,257	6,216	6,261	6,361
45 Shares Outstanding, Year-End (Thousands)[4]		72,973	72,880	72,919	74,510
46 Weighted Average Shares, Year-End (Thousands)		73,076	73,026	74,428	74,556
47 Book Value		$10.05	$ 9.17	$ 9.36	$ 8.66
Stock Price During Year[5]					
48 High (Adjusted for Stock Splits)		$28.75	$20.69	$24.81	$16.06
49 Low (Adjusted for Stock Splits)		$16.00	$11.50	$ 9.19	$11.06
50 Closing Price December 31		$24.13	$17.06	$12.25	$14.75
Price Earnings Ratio					
51 High		25	233	26	16
52 Low		14	129	10	11

	Fiscal 1988	Fiscal 1987	Fiscal 1986	Fiscal 1985	Fiscal 1984	Fiscal 1983	Base Year Fiscal 1982	Fiscal 1981	Fiscal 1980	Fiscal 1979
1	296	295	300	282	248	238	235	229	214	209
2	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
3	14,774	14,761	14,783	13,317	10,727	8,715	7,080	6,003	5,950	5,804
4	43,744	40,739	36,346	31,477	23,938	18,889	15,075	11,973	11,376	11,024
5	$57.54	$59.95	$62.83	$65.84	$70.55	$75.74	$68.59	$74.17	$77.67	$82.02
6	**$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**
7	41,184	38,546	30,474	21,759	14,805	12,034	11,178	10,522	10,320	10,064
8	(5,058)	(3,829)	2,960	3,445	2,686	(5,684)	(1,626)	(920)	(6,686)	(7,484)
9	—	—	—	—	—	—	—	—	—	—
10	167,778	158,565	152,348	146,131	136,195	110,293	63,181	46,714	50,800	64,412
11	105,604	90,787	108,126	112,865	119,076	96,891	47,525	33,226	36,277	47,331
12	36,403	34,833	53,022	53,151	57,633	46,276	22,394	15,367	17,386	22,376
13	—	—	(2,885)	—	—	—	—	—	—	—
14	—	5,226	—	—	—	—	—	—	—	—
15	**69,201**	**61,180**	**52,219**	**59,714**	**61,443**	**50,615**	**25,131**	**17,859**	**18,891**	**24,955**
16	17,281	17,040	15,597	13,199	11,600	11,600	9,800	9,376	7,813	6,511
17	$ 51,920	$ 44,140	$ 36,622	$ 46,515	$ 49,843	$ 39,015	$ 15,331	$ 8,483	$ 11,078	$ 18,444
18	$33.34	$30.74	$29.25	$28.38	$23.29	$19.76	$15.51	$13.64	$13.57	$13.89
19	**.92**	**.77**	**.67**	**.82**	**.85**	**.70**	**.38**	**.27**	**.29**	**.38**
20	**.23**	**.21**	**.20**	**.18**	**.16**	**.16**	**.15**	**.14**	**.12**	**.10**
21	.69	.56	.47	.64	.69	.54	.23	.13	.17	.28
22	$ 7.77	$ 7.33	$ 6.92	$ 5.58	$ 4.71	$ 4.03	$ 2.98	$ 2.73	$ 2.60	$ 2.44
23	$ 2.45	$ 2.52	$ 2.67	$ 3.26	$ 3.24	$ 3.64	$ 3.37	$ 2.94	$ 2.95	$ 3.35
24	× 2.75%	× 2.51%	× 2.29%	× 2.88%	× 3.64%	× 3.54%	× 2.43%	× 2.01%	× 2.14%	× 2.76%
25	= 6.74%	= 6.31%	= 6.10%	= 9.39%	=11.79%	=12.89%	= 8.19%	= 5.91%	= 6.31%	= 9.25%
26	× 1.76	× 1.79	× 2.10	× 1.86	× 1.79	× 1.98	× 1.73	× 1.79	× 1.90	× 1.92
27	=11.88%	=11.32%	=12.82%	=17.49%	=21.10%	=25.52%	=14.15%	=10.58%	=11.99%	=17.76%
28	$ 577,550	$ 552,464	$546,883	$534,649	$432,370	$377,572	$271,535	$195,370	$209,756	$210,913
29	60,257	43,889	50,013	87,190	84,204	74,249	25,341	32,070	15,567	22,959
30	127,738	117,932	118,693	127,603	97,319	94,658	75,388	48,107	68,172	66,442
31	379,383	373,846	368,135	313,143	248,268	205,100	167,535	113,529	125,104	118,511
32	9,466	7,325	10,042	6,713	2,579	3,565	3,271	1,664	913	3,001
33	479,886	453,008	413,220	308,603	195,237	141,238	121,406	110,673	91,399	88,695
34	28,361	21,857	9,116	12,939	6,501	827	559	521	573	291
35	**1,085,797**	**1,027,329**	**969,219**	**856,191**	**634,108**	**519,637**	**393,500**	**306,564**	**301,728**	**299,899**
36	285,733	231,906	257,303	251,669	189,418	168,830	134,999	80,199	80,781	84,690
37	203,956	157,089	163,260	168,068	125,003	110,415	90,580	47,959	52,003	45,567
38	44,211	43,766	94,043	83,601	64,415	58,415	44,419	32,240	28,778	25,245
39	190,056	186,219	152,977	183,909	92,488	51,891	56,233	48,864	51,929	56,112
40	**498,946**	**444,893**	**428,685**	**448,818**	**292,760**	**228,132**	**194,717**	**129,063**	**132,710**	**140,802**
41	**$ 586,851**	**$ 582,436**	**$540,534**	**$407,373**	**$341,348**	**$291,505**	**$198,783**	**$177,501**	**$169,018**	**$159,097**
42	3.09	3.13	3.53	2.22	3.69	5.62	3.53	3.63	3.25	2.84
43	1.85	1.76	1.79	2.10	1.86	1.78	1.98	1.73	1.79	1.89
44	6,602	6,163	6,052	6,253	6,372	5,928	5,144	5,415	4,620	5,147
45	74,278	78,996	79,248	74,164	72,496	72,496	66,666	65,110	65,110	65,110
46	75,496	79,438	78,058	73,018	72,496	72,386	66,666	65,110	65,110	65,110
47	$ 7.90	$ 7.37	$ 6.82	$ 5.49	$ 4.71	$ 4.02	$ 2.98	$ 2.73	$ 2.60	$ 2.44
48	$12.19	$16.38	$20.75	$15.56	$14.81	$16.38	$11.17	$ 5.67	$ 4.97	$ 4.25
49	$ 9.00	$ 7.63	$11.25	$10.38	$ 8.13	$ 9.22	$ 3.83	$ 3.16	$ 2.67	$ 3.25
50	$10.50	$ 8.06	$13.00	$12.94	$12.38	$11.19	$10.39	$ 3.83	$ 3.78	$ 3.63
51	13	21	31	19	17	23	30	21	17	11
52	10	10	17	13	10	13	10	12	9	8

Supplemental Information
FIFO accounting

Fiscal 1977	Fiscal 1975	Fiscal 1970	Fiscal 1965	Fiscal 1961	
175	130	64	35	15	**1**
1,570,000	1,209,000	379,653	199,537	71,680	**2**
5,274	3,574	1,670	762	399	**3**
8,224	5,702	2,729	1,284	651	**4**
$72.27	$59.78	$47.09	$44.44	$47.85	**5**
$594,358	**$340,882**	**$128,491**	**$57,044**	**$31,128**	**6**
6,212	4,976	1,221	305	133	**7**
—	—	—	—	—	**8**
—	—	—	—	—	**9**
52,856	27,510	11,487	4,413	2,185	**10**
42,487	20,811	9,938	3,942	1,890	**11**
21,056	10,319	5,068	1,896	956	**12**
—	—	—	—	—	**13**
—	—	—	—	—	**14**
21,431	10,492	4,870	2,046	934	**15**
2,735	1,171	844	519	102	**16**
$ 18,696	$ 9,321	$ 4,026	$ 1,527	$ 832	**17**
$9.13	$5.24	$2.04	$ .94	$ .52	**18**
.33	**.16**	**.08**	**.03**	**.02**	**19**
.04	**.02**	**.01**	**.01**	—	**20**
.29	.14	.06	.03	.01	**21**
$1.73	$1.20	$ .39	$ .16	$ .08	**22**
$ 3.01	$ 2.26	$ 3.09	$ 3.20	$ 3.32	**23**
× 3.61%	× 3.08%	× 3.79%	× 3.59%	× 3.00%	**24**
=10.84%	= 6.97%	=11.72%	=11.49%	= 9.96%	**25**
× 2.10	× 2.24	× 1.99	× 2.31	× 2.57	**26**
=22.71%	=15.60%	=23.34%	=26.55%	=25.60%	**27**
$186,198	$108,784	$38,878	$19,187	$ 9,305	**28**
13,324	11,574	4,658	3,801	1,299	**29**
76,162	38,533	14,887	7,165	3,108	**30**
96,164	58,223	19,040	8,156	4,801	**31**
548	454	293	65	97	**32**
60,210	45,127	10,390	3,832	1,229	**33**
401	452	148	77	1,301	**34**
246,809	**154,363**	**49,416**	**23,096**	**11,835**	**35**
87,709	42,964	21,212	11,213	4,922	**36**
60,324	29,727	15,178	7,913	3,187	**37**
27,385	13,236	6,034	3,300	1,735	**38**
46,244	33,156	3,315	2,377	1,791	**39**
133,953	**76,120**	**24,527**	**13,606**	**6,792**	**40**
$112,857	**$ 78,243**	**$24,889**	**$ 9,490**	**$ 5,043**	**41**
2.44	2.36	7.51	3.99	2.81	**42**
2.19	1.97	1.99	2.43	2.35	**43**
4,588	3,755	2,117	1,871	—	**44**
65,110	65,110	63,116	60,916	60,000	**45**
65,110	65,110	63,116	60,916	60,000	**46**
$ 1.73	$ 1.20	$ .39	$ .16	$ .08	**47**
$ 6.55	$ 6.20	$ 2.32	$ .51	—	**48**
$ 4.35	$ 2.67	$ 1.24	$ .32	—	**49**
$ 6.00	$ 3.70	$ 2.05	$ .36	—	**50**
20	39	31	15	—	**51**
13	17	16	9	—	**52**

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.
- A 100% stock dividend, effective June 29, 1992 (which had the net effect of a 2-for-1 stock split).

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] 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

[4] 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.

[5] Stock price source: *The Wall Street Journal*
NM = not meaningful
CGR = compound growth rate

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Typography: AdType,Inc., Winston-Salem, NC
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