

Lowe's 1995 Annual Report

Outlook on Opportunity



Financial Highlights

Dollars in Thousands, Except Per Share Data	Change From 1994	Two Year CGR*	Fiscal 1995	Fiscal 1994	Fiscal 1993
Sales	+ 16%	+ 25%	\$7,075,442	\$6,110,521	\$4,538,001
Gross Margin	+ 17%	+ 28%	1,763,247	1,512,544	1,081,284
Income Taxes	+ 5%	+ 38%	126,080	119,971	66,538
Net Earnings	+ 1%	+ 31%	\$ 226,027	\$ 223,560	\$ 131,786
Return on Beginning Equity			15.92%	25.59%	17.97%
Per Share:					
Earnings					
Primary	- 2%	+ 26%	\$1.41	\$1.44	\$.89
Fully Diluted	- 2%	+ 24%	\$1.36	\$1.39	\$.89
Cash Dividends	+ 9%	+ 9%	\$.190	\$.175	\$.160
As of January 31:					
Shareholders of Record	+ 16%	+ 23%	11,299	9,765	7,470
Total Number of Employees	+ 19%	+ 24%	44,546	37,555	28,843
Shares Outstanding**					
Primary	+ 4%	+ 4%	160,453	154,926	147,398
Fully Diluted	+ 3%	+ 6%	171,351	165,922	153,233

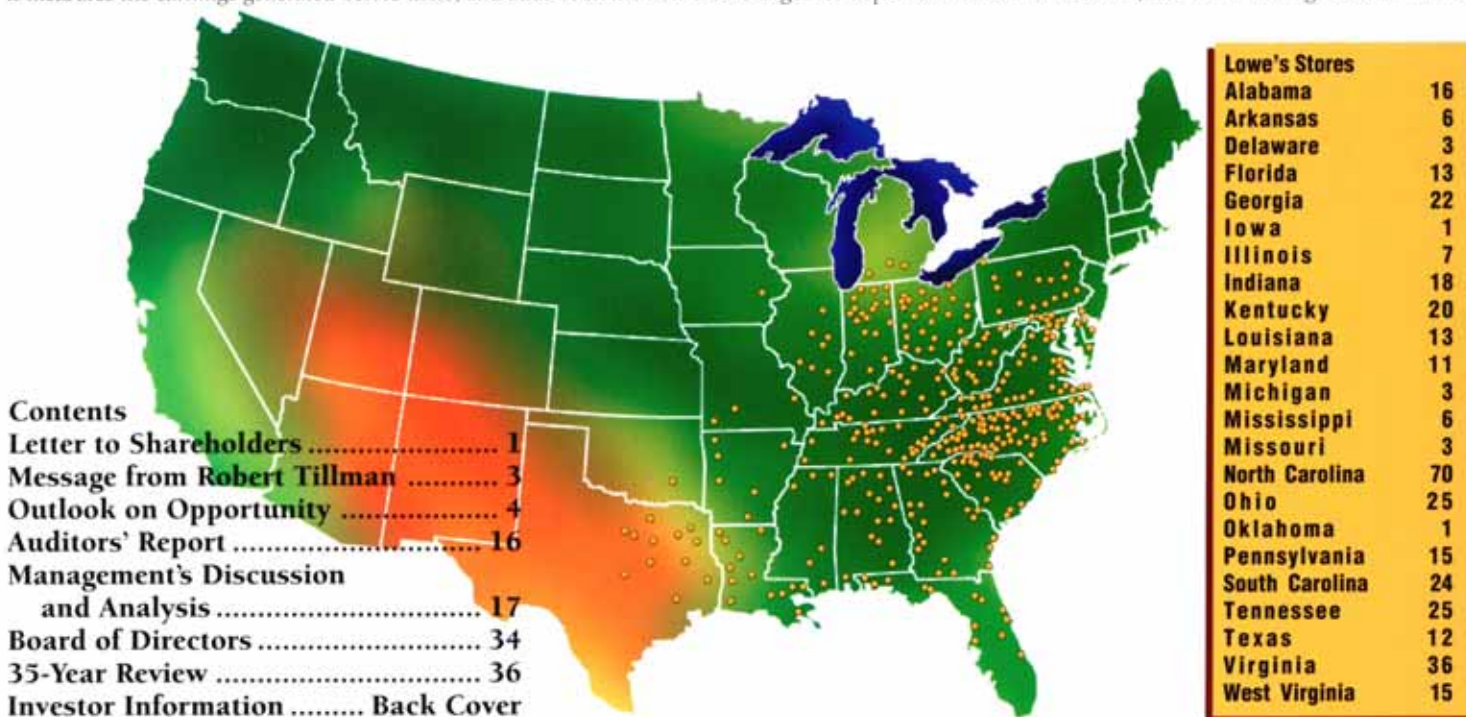
* CGR = Compound Growth Rate ** Weighted average in thousands, adjusted for a 2-for-1 stock split distributed March 31, 1994.

EBITDA

Dollars in Thousands	Change From 1994	Two Year CGR*	Fiscal 1995	Fiscal 1994	Fiscal 1993
Pre-tax Income	+ 2%	+ 33%	\$ 352,107	\$ 343,531	\$ 198,324
+ Interest	+ 36%	+ 44%	38,040	27,873	18,278
+ Depreciation	+ 37%	+ 36%	150,011	109,647	80,530
+ Amortization	NM**	+ 4%	296	295	272
= Total	+ 12%	+ 35%	\$ 540,454	\$ 481,346	\$ 297,404

* CGR = Compound Growth Rate **NM = Not Meaningful

EBITDA: This acronym stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. It is not an alternative measure of operating results as determined in accordance with generally accepted accounting principles. However, it is useful in evaluating the inherent profitability of an enterprise. It measures the earnings generated before taxes, and adds back the non-cash charges for depreciation and amortization, and the financing costs of interest.



Contents

Letter to Shareholders	1
Message from Robert Tillman	3
Outlook on Opportunity	4
Auditors' Report	16
Management's Discussion and Analysis	17
Board of Directors	34
35-Year Review	36
Investor Information	Back Cover



Robert L. Strickland



Leonard G. Herring

Dear Shareholders:

Lowe's enterprise is based in the belief that opportunity shared is opportunity multiplied.

We describe our customers and employees, the communities where we work, our suppliers, and the rest of Lowe's shareholders as our partners-in-interest; they are also Lowe's partners in opportunity, that intangible but essential component of every success story ever lived. As we nurture and develop Lowe's opportunity in our constantly-changing marketplace, we strengthen our relationship with Lowe's partners and expand our foundation for shared enrichment.

We had expected 1995 to be our best year ever, exceeding our very successful 1994 in both sales and earnings. Sales did increase by 16%, topping \$7 billion, but when it came to earnings, 1995 proved to be a less satisfactory year than '94. A more cautious consumer mood, higher interest rates early in the year, and a LIFO charge of \$8.3 million compared to \$435,000 in 1994 held operating earnings to a 1% gain.

In the past five years we have been transforming Lowe's into a chain of large stores, and our selling space has tripled to more than 24 million square feet. At year end, our big stores represented 71% of our total store count, up from 15% in 1990. They accounted for 79% of our sales and 80% of operating earnings, up from 14% when the decade began. This performance is the more impressive because the smaller stores that we still operate were and are the best of their class.

We are committed to having 600 stores in the year 2000. In our increasingly competitive environment, we are augmenting our strategic advantage by doing more of what we do best: building bigger and better Lowe's stores wherever we identify opportunity; staffing them with *more* qualified employees (and more *qualified* employees); supporting them with efficient distribution centers;

constantly upgrading our investment in technology; and extending our outreach to Lowe's customers and communities through every available medium.

In 1996, the oldest Baby Boomers are turning fifty. Numbering roughly seventy million nationally, the Baby Boom generation currently accounts for half of Lowe's business. They are reaching their peak earning years, which correspond to years of peak home ownership, so their importance to Lowe's isn't likely to wane within the foreseeable future. On their heels (and now stepping out of their shadow) are eighty million Gen X'ers, a huge and diverse group whose economic orientation and consumption patterns will be keys to retail growth well into the next century. Lowe's everyday value pricing and time-efficient destination stores are proving highly successful at meeting the demands of Nineties consumers from both the Boomer and X'er generations.

What is Lowe's outlook on opportunity? We believe that retrospectively, 1995 will prove to have been a year for gathering strength, a year during which we gained market share and consolidated energy for the next push forward. The home improvement industry continues to grow, and is predicted by the Home Improvement Research Institute to reach nearly \$170 billion annually by the end of the decade. Add to that new housing expenditures in the annual range of \$75 billion and a consumer durables industry that might reasonably expect to see \$88 billion annually, and the outlook for Lowe's is bright indeed.

Since the initiation of our store restructuring program in 1991, only 40% of our growth has been in new markets. In 1995, on schedule, we completed that planned restructuring. Starting in 1996, at least 75% of our new store investment will go into new markets. Of the sixty store projects planned for 1996, forty-five will

be in new markets and fifteen will be relocations, for an added 6.7 million square feet of selling space.

As our expansion pushes outward, Lowe's stores will be supported by new state-of-the-art regional distribution centers. Our Texas d.c. began shipping on March 1; the new Statesville, North Carolina facility will be up and running later this year; and our Valdosta, Georgia d.c. will be completed early in 1997.

Our family of employees now numbers more than 45,000. It has nearly tripled since 1990, and we expect it to top 60,000 in 1998. We are proud to share Lowe's opportunity with so many new co-workers during this exciting phase in our company's development.

Naturally, as our base expands in size and scope, the leadership of Lowe's evolves and grows commensurately. In recent months, several very talented members of our senior management team have been promoted to new challenges and responsibilities. Larry Stone, who began his career with Lowe's in 1969 and has worn many different hats during Lowe's transformation into a big-store chain, is our new executive vice president for store operations. Bill Warden, who was Lowe's outside legal counsel for 17 years before joining the company in 1993, is our new executive vice president and chief administrative officer.

Cliff Oxford, who has been with Lowe's since 1984 and most recently served as senior vice president for corporate relations, has become senior vice president for corporate and human development. Richard Elledge, our chief accounting officer since 1991, is now also a senior vice president and assistant corporate secretary. Greg Bridgeford, who has been with Lowe's since 1982, is now senior vice president and general merchandise manager in charge of fashion products. Greg Wessling, whose career with Lowe's began in 1974, is our senior vice president and general merchandise manager in charge of functional products. Lee Herring, who is responsible for distribution, logistics, and product replenishment, has also become a senior vice president. Lee joined Lowe's in 1976.

For more than fifteen years, Lowe's has published a comprehensive Code of Ethics which our officers, managers, and supervisory personnel are annually required to read, understand, and communicate to all employees, signing a Statement of Compliance thereto. Our objective is an annual reaffirmation of Lowe's commitment to the

highest principles of business conduct.

Also, for several years Lowe's has required all vendors and suppliers to enter into a Master Standard Buying Agreement. Specifically included in this agreement are prohibitions against the use of child labor and penal labor in the manufacture or distribution of any products purchased by Lowe's.

At the suggestion of a shareholder, we have decided to include our strong policy stand against child and penal labor in our Code of Ethics. This action gives greater visibility to this policy, and will be another source of pride for our employees.

During 1995 we also welcomed Claudine Malone to Lowe's Board of Directors. A former professor at the Harvard Business School, Claudine is chairman of the Federal Reserve Bank of Richmond and president of Financial and Management Consulting, Inc. of McLean, Virginia. Her retail and financial expertise will be a significant augmentation to our board.

There is great continuity in Lowe's. For five decades we've been building our company on principles such as low-cost operating, value pricing, and employee ownership, and success has rewarded our fidelity to these concepts. Yet Lowe's has also changed tremendously through the years— from small stores to big stores, from a contractor customer franchise to DIY'ers, from the G.I. generation to Baby Boomers and GenX'ers. Our constant goal has been to identify opportunities in the marketplace, and to capitalize on those opportunities for the benefit of all our partners-in-interest.

In a 1959 interview, Lowe's founding father, Carl Buchan, said "The one mistake I have always made has been to underestimate the potential of the market." He would have appreciated the sophisticated market understanding which today's technology has made possible. That understanding of Lowe's customers influences every policy and decision we make, from long-range strategic planning to real-time responsiveness on our sales floors. It is what drives our continuing evolution and helps us capitalize on our opportunity.

For further analysis of that opportunity as we approach the new millenium, we invite you to read on.

We salute and thank all Lowe's friends, and we look forward to sharing the harvest of opportunity which is the enrichment of our partnership.

Cordial good wishes,



Robert L. Strickland
Chairman of the Board



Leonard G. Herring
President and Chief Executive Officer
North Wilkesboro, NC

A Message from Bob Tillman

At our corporate sales meeting early in 1995, we talked a lot about how Lowe's corporate culture is evolving as we respond to changes in our marketplace. We are serving today's customers with better trained, more highly skilled employees than ever before. We recognize that as our customers' needs—and our employees' expectations—change and grow, Lowe's management must keep pace by updating our product assortment, our services, and our stores. Our policies, our methods, and even our fundamental attitudes are not exempt from the necessity of adaptive change.

That was last year's message. In February of this year we met again, this time to unveil many new programs, to see and hear a number of exciting new products, promotions, and presentations, and to discuss new ideas. We talked about new processes and procedures, new structures and organizations, and new policies and people. It was a continuation of our theme of Lowe's evolving corporate culture: after all, the essence of our culture is *what* we do, the *way* we do it, and the reasons *why* we do it that way.

This has been a good time to take on issues of culture and change, because Lowe's is prospering. As the saying goes, "The time to fix the roof is when the sun is shining"—and the sun is definitely up there, despite an occasional transient cloud.

So how do we capitalize on Lowe's opportunity? What are we doing to improve our position, to garner a greater market share? Do we know what customers are looking for, this year? Certainly we do. Customers in 1996 are looking for the same things they've always wanted. Value tops the list—and, of course, real value includes competitive prices. Customers also want appropriate assortments, and good service: not lip service, but real service.

In recent years, the value gap has closed. Serious competitors in our industry have achieved basic parity in pricing and selection. The next battleground is customer service—and that's why our focus for 1996 is Superior Customer Satisfaction.



Superior Customer Satisfaction starts with people, not policies. As "form follows function" in the natural world, so Lowe's policies should be shaped naturally by the interactions of our employees with our customers in our stores. Therefore, as we develop systems and implement policies, we are listening to our customers, our employees, and our vendors to better understand what they need, what makes them happy, and what we can do better.

Our goal of Superior Customer Satisfaction can only be achieved on Lowe's sales floors. This part of our corporate culture isn't an executive program; it isn't an imposed vision or a professionally articulated mission statement. It must be built from within, and from the ground up. It requires true leadership, which exists not in position but in action.

I have no doubt that Lowe's 45,000 leaders will rise to this challenge, and to all the challenges and opportunities in Lowe's future.

Best wishes,

Robert L. Tillman
Chief Operating Officer





Outlook On Opportunity

At Lowe's, we help make people happy at home. It's been our job for fifty years—a good job, and we're good at it. What it takes to be good at our job, however, has changed more than a little over time.

“To be happy at home is the ultimate result of all ambition, the end to which every enterprise and labor tends...”

— Samuel Johnson

We are no longer a handful of small stores selling hardware and building supplies mainly to Carolina contractors. Lowe's in the mid-Nineties is an interactive network of 45,000 well-educated, highly motivated people helping millions of sophisticated consumers realize their personal vision of the American home.

Lowe's growth through the years has been driven by opportunity. We strive to seize opportunity whenever it presents itself, whatever shape it takes—new customer needs, new locations, new services, or new technologies. While our emphasis on value and low-cost operation has remained constant, almost everything else about Lowe's has evolved in response to developing opportunities. Our pledge to Lowe's investors is to be always on the lookout for opportunity—and to keep them informed on the outlook!

The Lowe's that we know today got its start in 1946. The years following World War II offered a tremendous opportunity to provide building materials and appliances for the newly forming households of veterans who were eager to find jobs, marry their sweethearts, and get on with life. Lowe's customers in those days were members of the G.I. generation (thirty million strong, today) and, a few years later, the Silent generation (forty million). No strangers to shortages, rationing, and self-denial, they appreciated Lowe's resourcefulness in supplying products that were scarce. They were thrilled to be able to buy a commode: they didn't care how much water it used, or how much noise it made, and they knew they could have any color they wanted, as long as it was white!

Tallahassee, Florida— Karen and Charlie Richardson will do anything for a home, from pressure washing to landscape gardening to interior design. As the owners of K's House Dressing since 1989, there's no aisle at Lowe's that they don't know like the back of their hands. Lowe's home decor assortments and huge garden center are important to them, but what they value most is their relationship with store manager Kem Smith. Says Karen, "I was redecorating a country club and I was buying things like 22 identical lamps. One day I needed a lot of vents that were a strange size. Kem got on the phone, called three other stores, and said 'Your vents will be here Friday.' Then he took me back to shipping and receiving and introduced me, so I would know who I was dealing with when my orders started coming in. He knows everybody in that store by name."



“A nation of homeowners, of people who won a real share in their own land, is unconquerable.”

— Franklin D. Roosevelt

The Baby Boomers who were born into those new postwar households now constitute half of Lowe’s customer franchise. Their massive numbers alone— seventy million nationwide— ensured that from the moment they learned to say “I want,” they have had the rapt attention of marketers in all sectors of the economy.

Boomers are a well-educated generation, and they have been exposed to more diverse cultural influences than previous generations. As a result, they are more demanding and sophisticated consumers than their parents. Their sense of individuality was honed on divisive issues such as the Vietnam conflict, civil rights, drugs, women’s lib,

and the sexual revolution, distancing them from the teamwork ethic that was an important part of their parents’ war effort. This made Boomers independent and comparatively self-indulgent.

When Baby Boomers started coming of age as consumers, Lowe’s recognized an opportunity to free ourselves from the cyclicity of housing starts by developing a new identity as a home

improvement retailer marketing directly to consumers. Modern information-gathering and demographic techniques enabled us to know more about our expanding marketplace than ever before, influencing every strategic decision from the size and location of our stores to the merchandise assortment on our racks.



Source: Bureau of the Census, *Current Housing Reports*; Department of Housing and Urban Development



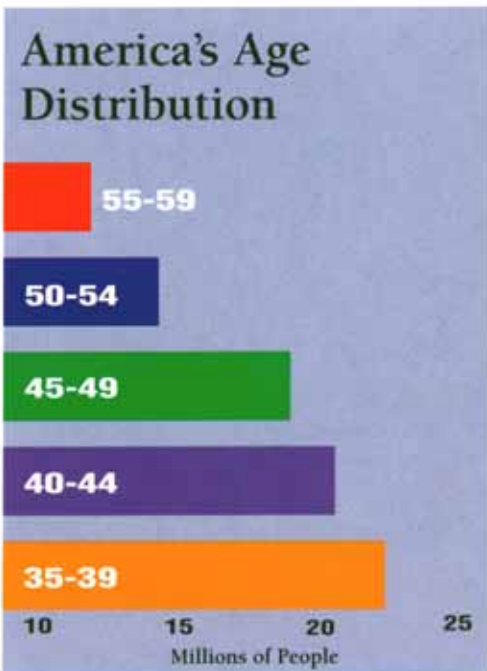
Mamie Lee laughs with Jake as she holds the nightgown she wore on their wedding night.

Vale, North Carolina— Jake and Mamie Lee Wilson have been married for 52 years, and they've been Lowe's customers almost as long. Says Mamie Lee, "We built our house here in 1954. We hauled all the materials in a truck from North Wilkesboro [fifty miles away], because at that time there was no Lowe's store around here. Jake went to get the doors for the house, and I think we needed about sixty of them. He came back with mahogany doors. I didn't want mahogany doors; I wanted birch doors! He said, 'If you want birch doors you'll have to load these doors back up and take them to Lowe's yourself!'" Says Jake, smiling, "Well, I helped her load a few of them." With some exceptions, the house today preserves the original decor. Mamie says "If you want something to last forever, go to Lowe's."



“Home is where you keep your stuff while you’re out getting other stuff.”

— George Carlin



Source: Bureau of the Census, Current Population Reports

The households established by Lowe’s Boomer customers differed from their parents’ households in a number of important ways. Boomers had more money and less time. More women worked outside the home; more adults were single parents. Boomers had grown up with credit and were not uncomfortable in debt. Their fiscal philosophy was “If you’ve got it, spend it; if you don’t, borrow it and then spend it.” As consumers, they increasingly demanded broader merchandise assortments, greater shopping convenience, and (because they didn’t have time to wait for sales) everyday competitive pricing.

The 1980’s saw the emergence of the “category killers”—specialty retailers offering very broad product assortments and consistently low prices, such as Toys “R” Us and Circuit City. In Lowe’s industry, the concept of warehouse retailing was developed most quickly and successfully by Home Depot. Here was an opportunity for a new Lowe’s store format—but one which entailed conversion of the majority of our more than 200 stores.

Competition creates opportunity for those who know how to use it. The law of the retail universe is that strong contenders gain market share, weak ones fall by the wayside, and the customer gets what he wants. The recent years of accelerating evolution and escalating competition in our industry have been Lowe’s period of greatest growth. Looking ahead, we see opportunities for continued growth in both market size and market share.

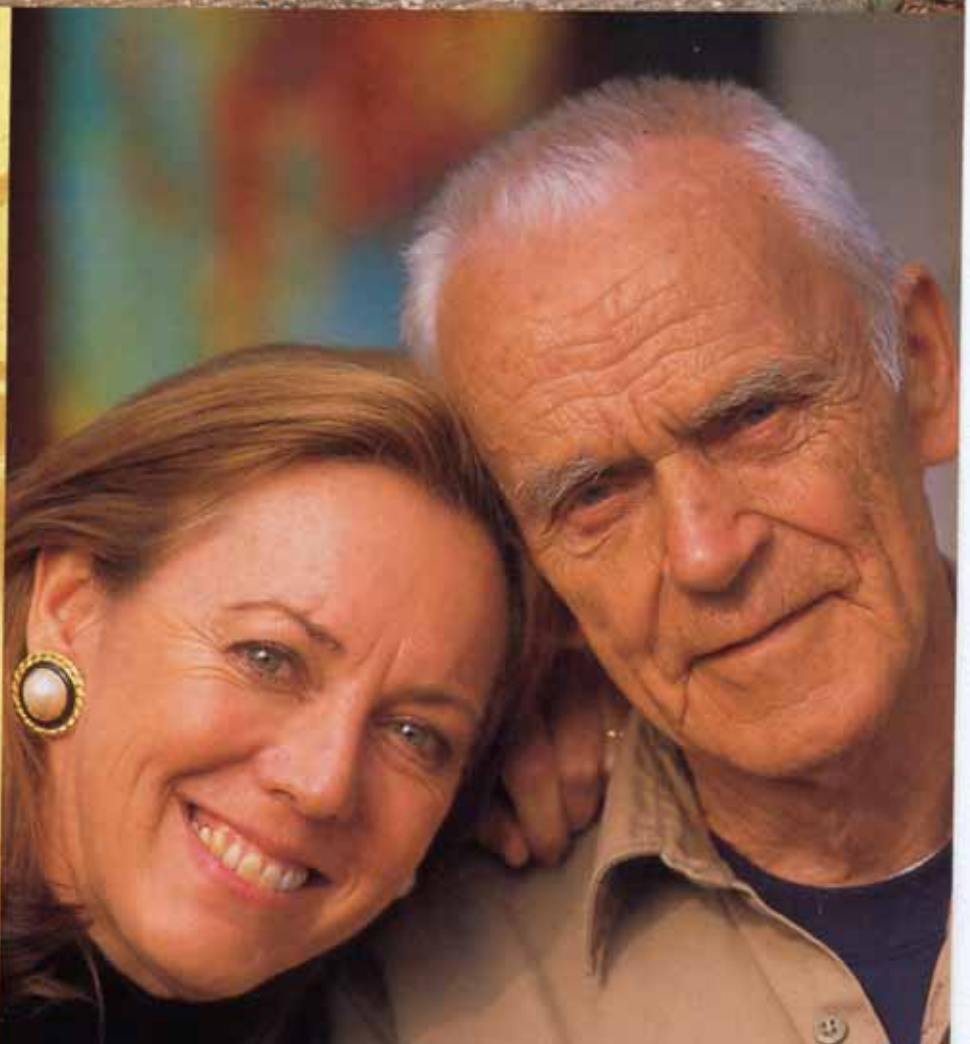
A table titled "Top Ten World Powers of DIY Retailing" listing the top ten companies by 1995 sales. The table includes columns for Rank, Company, Country, and 1995 Sales (in US \$Millions). The data is as follows:

Rank	Company	Country	1995 Sales US \$Millions
1	Home Depot	United States	\$15.47
2	Lowe’s	United States	7.08
3	Castorama	France	3.22
4	GIB Group	Belgium	3.10*
5	OBI	Germany	3.03
6	Canadian Tire	Canada	2.90
7	Praktiker	Germany	2.78
8	Menard	United States	2.73
9	Payless Cashways	United States	2.68
10	Builders Square	United States	\$ 2.64

*Preliminary NHCN estimate
Conversion rates as of March 8, 1996
Source: National Home Center News



Piedmont North Carolina — Cheri Johnson never forgets a favor. Several years ago, her neighbor Homer Humphreys gave her a job when she needed one. Time passed; Cheri went to work up North, then moved back to her old neighborhood. To her distress, she found Homer living on the street. She decided to build him a house in the corner of her backyard where there was a tumbledown old garage. She went to Lowe's and bought studs and plywood, insulation, doors and windows, paint, and roofing materials. Even with Homer's help, the project took three years to complete. Finally, just before Christmas, Homer moved into his new home. As for Cheri, she's now a Lowe's stockholder. "I have nearly \$30,000 in receipts from Lowe's," she says. "I figure there are thousands like me out here, and the trend is for people to put more money into their homes. So it should be a good investment."



“A house is the only regularly recurring symbol of the whole human body in dreams.”

— Sigmund Freud


Is there anyone alive who doesn't know that in 1996 the oldest Baby Boomers are turning fifty? Every day for the next ten years, ten thousand Boomers will celebrate the big Five-Oh. The press can't seem to get enough assessments of the probable impact of this phenomenon. It has become a milestone around our necks. Get over it, people: fifty isn't Walter Brennan, it's Mick Jagger. Baby Boomers

may not be as heavily into snowboards as Generation X, but they know their way around a motherboard, and they're still a long way from shuffleboard!

Boomers are just now entering their years of highest earning power and greatest disposable personal income. They are taking up the reins of government and moving into positions of top management in private enterprise. As they once redefined young

adulthood, so will they dictate the terms of their maturity. Inevitably, our institutions will reflect the passing of the leadership torch.

On the Boomers' personal agenda, however, home ownership has occupied a place at the top as consistently as in any previous generation. Having paired off and “nested”—some later than usual, some more than once—they are now in the process of trading up to homes that better suit their lifestyles and express their tastes.



Lowe's Total Market Potential

Dollars in Billions

	Home Center Market				
	Building Contractor		Home Owner		
	New Housing	R & R*	DIY	Durables	Total
2000e	\$75	\$49	\$121	\$88	\$333
1999e	70	47	114	78	309
1998e	67	46	109	68	290
1997e	63	44	104	61	272
1996e	63	42	100	58	263
1995p	60	40	94	56	250
1994	61	38	91	49	239
1993	52	36	83	41	212
1992	45	33	77	36	191
1991	39	32	71	34	176
1990	45	36	72	33	186
1985	40	25	53	25	143
1980	24	16	38	14	92
1977	\$27	\$11	\$28	\$10	\$ 76

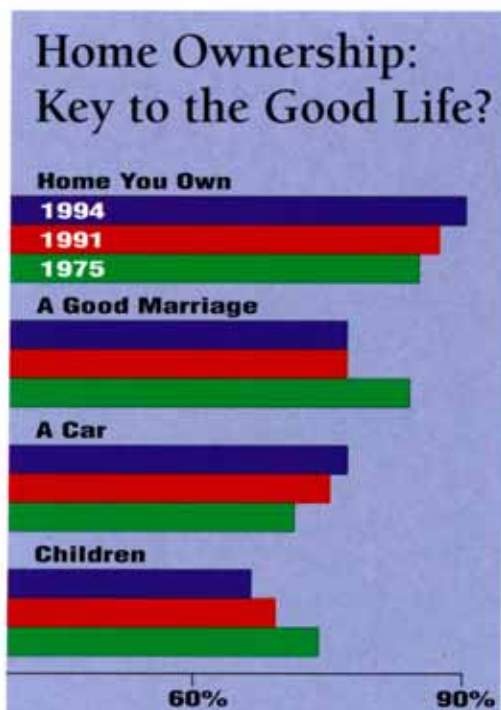
* R & R = Repair and Remodeling e = estimate p = preliminary
Source: Home Improvement Research Institute; Management Horizons



Stuarts Draft, Virginia— When builder Troy Rutherford first came here in 1980, the town didn't even have a stoplight. Then Hershey decided to build a plant, and Troy started buying land. Pam Rutherford, Troy's wife, is a realtor, and together they have developed a subdivision called Forest Springs Estates, not far from the farm where they breed ostriches. Troy says, "We kept buying options on land when our competitors didn't. We built efficiently and kept our costs down. Lowe's has played a big part in our success, supplying us with materials at low prices whenever and wherever we need them." A Lowe's representative visits the Rutherfords' job sites every day, and Troy can call a special number at the store to get immediate personal attention. He says "I'm very happy in my partnership with Lowe's."

“A man builds a house in England with the expectation of living in it and leaving it to his children; while we shed our houses in America as easily as a snail does his shell.”

— Harriet Beecher Stowe

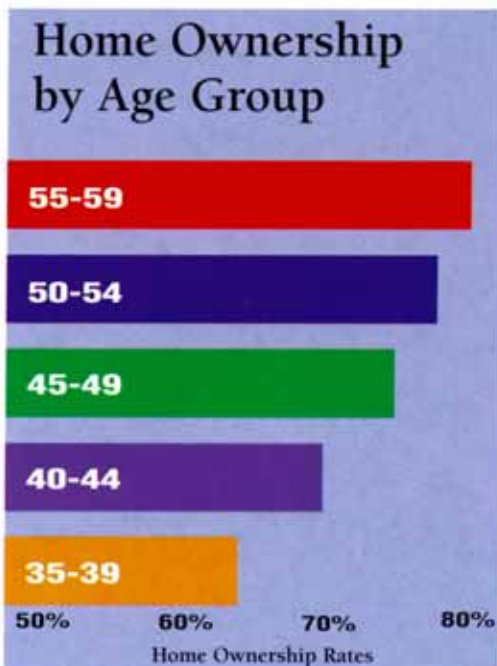


Source: Roper Starch Worldwide, Inc.

In 1972, as Baby Boomers began flooding the real estate market, there were 2.4 million housing starts—the largest number since World War II. Many of those were multi-family dwellings, encouraged by government subsidies. Nowadays, Boomers are in the process of trading up to single-family homes, to bigger homes, and to homes in communities where they think they want to stay for a while. The National Association of Home Builders reports that two-thirds of new single-family homes are now being sold to trade-up buyers. Subject to regional economies and fluctuations in mortgage rates, trade-up moves will probably dominate the market and housing construction at least through the end of the decade.

As the housing stock of more vigorous building boom years begins to age, opportunity grows in the remodeling sector. Remodeling expenditures totaled \$40 billion in 1995, and are expected to reach \$49 billion by the year 2000. A survey conducted by the National Association of Home Builders found that homeowners undertaking remodeling projects are frequently seeking to incorporate contemporary amenities—such as home theatres and exercise rooms—into their existing houses. Kitchen remodelers go for environmentally correct trash compactors and “smart” appliances; owners of older homes frequently choose to add windows and remove walls for a lighter, more airy feeling.

Sales of existing homes also create opportunity for Lowe’s, as home buyers customize newly acquired dwellings to their tastes and needs. We have found existing home sales to be a useful leading indicator for our business, especially if we allow a few months for home buyers to recover from closing costs and moving expenses.



Source: Bureau of the Census, Current Housing Reports



Galveston Bay, Texas—Lowe's stores serve the special needs of their communities. For instance, our store in Texas City, Texas carries a broad assortment of marine supplies for boating enthusiasts and professional fishermen. Lowe's customer Tommy Cooke is the captain of a shrimp boat, the Debbie J. On the day of these photos, he had just made his final boat payment. Tommy says "I like Lowe's because of their low prices on things I need for the Debbie J, like epoxy and paint."

“Dine on onions, but have a home; reduce your food and add to your dwelling.”

— *The Talmud*

Even in periods of high employment and real wage growth, consumer confidence can be shaken by fears of inflation and rising interest rates. That’s what happened in the first half of 1995, when the nation’s housing markets shifted into neutral. Since then, mortgage rates have dipped again and consumer confidence has risen, apparently unaffected by talk about high debt levels. Today’s consumers tend to focus more on the manageability of monthly payments than on their overall indebtedness. The current low interest rate environment makes it possible for them to carry debt comfortably.

A comparison of personal consumption expenditures by category since the start of this decade reveals great stability. Food, which accounted for 21% of personal expenditures twenty years ago, had declined to 16% by 1991 and has dipped to 15% for the past two years. Medical care, which made news by rising from 11% to 15% of personal outlays between 1980 and 1990, has remained at 15% ever since. The good news is that there is no bad news here: if housing expenditures continue at 15%, and outlays for household operations stay at 6%, there will still be an increase in real dollars spent as household incomes rise.

What opportunities has Lowe’s found on the other side of the Baby Boom? There are eighty million members of the generation called (regrettably) “X.” As targeted consumers, they have repeatedly denied easy access to marketers, just as they have resisted cultural identification with specific issues or events. That doesn’t mean that ultimately their list of priorities won’t look a lot like their parents’ by the time they reach their peak earning years. But Lowe’s doesn’t expect to win their hearts and minds with the same marketing techniques. Through programs such as our NASCAR sponsorship and our Internet presence on the World Wide Web (<http://www.lowes.com>), we are establishing a relationship with the next generation of homeowners.

**Gross Domestic Product,
Disposable Personal Income
and Savings Rate**
Dollars in Billions

Year	GDP	DPI	Savings Rate as % of DPI	CPI-U* 1982-84 =100
1995p	\$7,113.2	\$5,268.8	4.2%	\$152.4
1994	6,738.4	4,959.3	4.1	148.2
1993	6,347.8	4,706.7	4.1	144.5
1992	6,025.8	4,500.2	5.5	140.3
1991	5,737.1	4,230.5	4.7	136.2
1990	5,567.8	4,050.5	4.3	130.7
1989	5,266.8	3,787.0	4.0	124.0
1988	4,908.2	3,548.2	4.4	118.3
1987	4,544.5	3,289.5	4.3	113.6
1986	4,277.7	3,131.5	6.0	109.6
1985	4,053.6	2,943.0	6.4	107.6
1980	\$2,742.1	\$1,952.9	7.9%	\$ 82.4

*Consumer Price Index - Urban
p = preliminary
Source: U.S. Department of Commerce, Bureau of Economic Analysis;
Bureau of Labor Statistics

“If I ever go looking for my heart’s desire again, I won’t look any further than my own back yard; because if it isn’t there, I never really lost it to begin with.”

— *Judy Garland as Dorothy in “The Wizard of Oz”*



San Francisco, California— Although the nearest Lowe's store is a thousand miles away, Bay area composer Marshall Crutcher is part of a Lowe's community. With his wife, Katita Waldo, a principal dancer for the San Francisco Ballet, Marshall recently bought a townhouse built in 1906. While he was doing some online surfing one day, his search engine turned up a hot link to Lowe's home page on the World Wide Web (<http://www.lowes.com>). Now he visits our site at least once a month. "I've downloaded some great stuff," he says. "The How-To clinics are especially useful, because we're starting to fix up the house whenever we have a spare moment. Last month, one of the clinics was 'How to Hang Wallpaper,' which I read just in time: it told me how I should have prepped the plaster!"



Merchandise Sales Trends			1995						Base Year	
			1994		1993		1989			
Dollars in Millions	Total Sales	Change	Total	%	Total	%	Total	%	Total	%
Category	6-Year CGR	From 1994	Sales		Sales		Sales		Sales	
1. Structural Lumber	+10%	(10%)	\$ 823	12	\$ 911	15	\$ 745	16	\$ 455	17
2. Building Commodities & Millwork	+10	+ 9	1,331	19	1,225	20	979	21	761	29
3. Home Decorating & Illumination	+28	+28	1,524	22	1,195	20	807	18	346	13
4. Kitchen, Bathroom & Laundry	+24	+21	846	12	701	11	498	11	237	9
5. Heating, Cooling & Water Systems	+21	+27	443	6	348	6	267	6	144	5
6. Home Entertainment	+16	+13	305	4	271	4	218	5	125	5
7. Yard, Patio & Garden	+25	+32	974	14	736	12	493	11	261	10
8. Tools	+27	+22	465	6	382	6	259	6	112	4
9. Special Order Sales	+10	+ 6	364	5	342	6	272	6	210	8
Totals	+18%	+16%	\$7,075	100	\$6,111	100	\$4,538	100	\$2,651	100

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, 1996, 1995 and 1994, 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, 1996, 1995 and 1994, 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 LLP
Charlotte, North Carolina
February 20, 1996
(March 4, 1996 as to the
fourth paragraph of Note 14)

Management's Responsibility for Financial Reporting

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 LLP, 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 here provides an independent opinion upon the fairness of the financial statements. 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.

Richard D. Elledge
Sr. VP & Chief Accounting Officer

Leonard G. Herring
President & CEO

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

INTRODUCTION

This discussion summarizes the significant factors affecting Lowe's consolidated operating results, financial condition, and liquidity/cash flows during the three-year period ended January 31, 1996 (i.e., Fiscal 1995, 1994, and 1993). This discussion should be read in conjunction with the Letter to Shareholders, financial statements, and financial statement footnotes included in this annual report.

During these three years, Lowe's has been effecting a major transformation of the company, from a chain of small stores designed principally to serve new home builders, to a chain of "big box" home improvement stores designed to serve the larger and faster growing retail consumer market for home improvement. To this end, in 1991 we recorded a \$71.3 million restructuring charge to cover expected expenses incident to this strategy, over the four years ending with fiscal 1995. The following table presents highlights of the changes implemented by this policy over the last three years:

	End of Fiscal			
	1995	1994	1993	1992
Stores	365	336	311	303
Sales Floor Square Footage (M)	24.0	18.6	14.2	10.0
Average Store Size	66K	55K	46K	33K
Sales (M)	\$7,075	\$6,110	\$4,538	\$3,846
Net Earnings (M)	\$ 226	\$ 224	\$ 132	\$ 85
Shareholders' Equity (M)	\$1,657	\$1,420	\$ 874	\$ 733

These three years have been arguably the most successful in the history of the company, and our transformation will continue.

We ended 1995 with 365 stores and 24 million square feet of selling space, a 29% increase over 1994 and a 69% expansion since 1993. Net earnings for 1995 were 3.2% of sales, return on beginning assets was 7.3%, and return on beginning shareholders' equity was 15.9%. These returns are below the decade-high results posted in 1994. Our results in 1994 were stimulated by favorable interest rate movements which boosted consumer confidence, and mortgage refinancing which augmented disposable income. Conversely, higher interest rates and a less positive economic environment dampened growth in 1995.

Expansion plans for 1996 envision about 60 new stores with 75% in new markets and the balance in relocations for approximately 6.7 million square feet of additional retail space. Approximately one half of the 1996 projects will be leased and one half will be owned.

Merchandise distribution capabilities are a central component of Lowe's marketing and operating strategy. At year end, we operated three distribution centers and eleven smaller support facilities, four of which are reload centers only. In addition, a new center having approximately 775,000 square feet will be operational in early 1996, a second center having approximately 950,000 square feet is expected to become operational during third quarter 1996 and a third center having approximately 778,000 square feet is expected to be operational in early 1997.

OPERATIONS

Record sales of \$7.1 billion were achieved during 1995, a 16% increase over 1994 sales of \$6.1 billion. Sales for 1994 were 35% higher than 1993 levels. These increases are attributable to customer receptiveness to our large stores with their dominant inventory assortment, everyday competitive prices and enhanced customer service.

Gross margin in 1995 moved up slightly, to 24.9% from 24.8% in 1994. Both these years were an improvement over the 23.8% posted in 1993. As Lowe's opens more large stores each year, the expanded merchandise selection helps improve gross margin.

LIFO charges were \$8.3 million, \$435 thousand, and \$15.5 million for 1995, 1994, and 1993, reducing gross margins by 12, 1, and 34 basis points, respectively. Note 3 to the financial statements provides further information.

Selling General and Administrative (SG&A) expenses for 1995 were \$1.1 billion or 15.9% of sales. SG&A in the two previous years was 15.4% and 15.8% to sales. 1995's increase of 50 basis points primarily resulted from store employment growing faster than the 16% sales growth, and an increase in credit card expense.

Store opening costs were \$49.6 million for 1995. These costs were \$40.7 and \$29.3 million for 1994 and 1993, respectively. These costs currently average about \$900 thousand per store, and are expensed, not capitalized.

Depreciation, reflecting continuing fixed asset expansion, increased 36.8% to \$150 million. There was a 36% increase for 1994 which was computed from the 1993 base of \$80.5 million. These increases were in line with expectations. Depreciation for these years as a percentage of sales was 2.1% for 1995 and 1.8% for 1994 and 1993, which favorably tracks square footage increases. Approximately one half of new stores opened in the last three years were leased, whereas previously more than one half were owned.

Employee retirement plans for 1995 were \$46.1 million or .7% to sales. This cost is consistent with .8% for each of the two previous years. See Note 10 to the financial statements for further disclosure.

Interest costs as a percent of sales are holding relatively steady at .5% for 1995 and 1994 and .4% for 1993. Interest totaled \$38 million in 1995, \$27.9 million for 1994, and \$18.3 million for 1993. Interest costs as represented by capital leases were \$16.9, \$7.4, and \$2.8 million for 1995, 1994, and 1993, respectively. See Note 6 to the financial statements for particulars on long-term indebtedness, and the discussion below on liquidity and capital resources.

Cash dividends paid to common shareholders were \$30.5, \$27.4, and \$23.6 million in 1995, 1994, and 1993, respectively. Lowe's has paid cash dividends each quarter since becoming a public company in 1961. At January 31, 1996 there were 11,299 shareholders of record. Please refer to the Stock Performance Chart on page 32 for further details on dividends and stock performance.

BALANCE SHEET MANAGEMENT

Effective inventory management stems from efficient logistics and distribution of the "right" merchandise assortments based on sales plans and forecasts. Inventory turnover is an

often used performance measurement. (Lowe's calculates "turn" by using cost of sales as the numerator and divides by the average of beginning inventory plus the subsequent four quarters' ending inventories.) In 1995, Lowe's inventory turned 4.3 times, comparable to 4.7 turns in 1994 and 1993, as sales fell below expectations in the second half of 1995.

Accounts receivable were \$113 million at January 31, 1996 compared to \$109 million for 1994 and \$49 million for 1993. A program was in effect through first quarter 1995 wherein the Company sold an undivided fractional interest in a designated pool of receivables. Note 2 to the financial statements provides more detail.

Property, less accumulated depreciation increased 33% to \$1.86 billion for 1995. In 1994 it increased 37% over 1993 levels. The majority of the increase stems from our expansion program, including point-of-sale equipment, fixtures, and displays.

Other assets primarily consist of land and buildings relating to vacated stores which are available for sale or lease, investments in low income housing, and notes receivable relating to sales of excess properties. These vacated properties are carried at their estimated net realizable value. At January 31, 1996, this value was approximately \$26 million compared to \$42 million one year ago. At year-end, five properties having a book value of approximately \$5.7 million were under contract to be sold. Investments in low income housing at January 31, 1996 were \$13 million compared to \$11 million for the previous year. Notes receivable relating to sales of excess properties were \$9.7 million at year-end, up \$.7 million from the previous year.

Accounts payable, the major financing source for inventory, financed 52% of 1995 year-end inventory compared to 60% for 1994 and 55% for 1993. The proportions reflect the result of changes in inventory product mix, sales velocity, and levels of purchases near year end.

Long-term debt, excluding current maturities, at January 31, 1996 was \$866.2 million, up 27% from January 31, 1995. The previous year's increase was 15%. These increases were in line with expectations and are being used to primarily fund our continuing program for expansion and growth.

The special one-time restructuring charge is addressed in Note 15 to the financial statements. Charges against the restructuring accrual associated with relocating and closing stores were \$13.8, \$19.7, and \$19.0 million for 1995, 1994, and 1993, respectively. Fiscal 1995 was the completion year relating to the special one-time 1991 restructuring accrual of \$71.3 million.

Shareholders' equity continues to finance the biggest portion of assets. Total shareholders' equity increased by \$236.8 million in 1995 and financed 46.6% of assets at January 31, 1996. This compares to 45.7% for 1994 and 39.7% for 1993. (See Note 11 to the financial statements for further details and related comments under "working capital" below.)

FINANCIAL MANAGEMENT

Liquidity and Capital Resources

Primary sources of liquidity are cash flows from operating activities and certain financing activities. Information on consolidated cash flows (operating, financing, and investing activities) is set forth in the Statements of Cash Flows on page 22.

Working capital at January 31, 1996, was \$653.8 million. This compared to \$611.3 million and \$402.7 million for each of the two previous years, respectively.

Financing activities in 1994 included the sale of 10,350,000 shares of Lowe's common stock under the shelf registration discussed below. This transaction realized \$315.7 million, net of the

underwriting discount and other costs. The proceeds were used to finance the Company's expansion program and for general corporate purposes. The schedule set forth below depicts working capital debt activity (except for debt associated with certain real property acquisitions in the normal course of business):

In 1995, Lowe's issued the following long-term debt:

- \$100 million aggregate (net \$99 million) principal 6.375% Senior Notes, issued in December 1995.

In 1994, Lowe's did not issue any long term debt.

In 1993, Lowe's issued the following long-term debt:

- \$32 million medium-term notes issued in February 1993; and
- \$287.5 million aggregate (net \$250 million) principal 3% Convertible Subordinated Notes, issued in July 1993.

Lowe's reduced long term debt as follows:

In 1995, \$25.1 million of scheduled repayments

In 1994, \$41.5 million of scheduled repayments.

In 1993, \$6.3 million of scheduled repayments.

During 1995, 1994, and 1993, the Company entered into various leases for new store facilities. Several of these leases were classified as capital leases, the result of which is to increase long-term debt. Amounts classified as capital leases (i.e. long-term debt) were \$96.9 million, \$104.2 million, and \$29.3 million for 1995, 1994, and 1993, respectively.

Major uses of cash will continue to be investments in new store facilities. In 1995, capital investment was \$637 million (cash outlays of \$520 million plus capital leases of \$97 million and like-kind exchanges of \$20 million) which did not include operating leases of \$113 million. Lowe's 1996 capital budget is targeted at \$1 billion, inclusive of approximately \$240 million of operating or capital leases. More than 80% of this planned commitment is for store expansion.

Present plans are to finance 1996's expansion program through funds from operations, operating leases, issuance of about \$40 million of common stock to the Employee Stock Ownership Plan, and from external financing.

During 1994, the Company filed with the Securities and Exchange Commission a shelf registration statement covering \$500 million of "unallocated" debt or equity securities. At January 31, 1996, an uncommitted aggregate of \$74 million was available under the shelf registration. This registration enables the Company to issue common stock, preferred stock, senior unsecured debt securities, or subordinated unsecured debt securities.

Short-term capital needs will be financed through utilization of Lowe's bank credit agreements and commercial paper program. Formal bank credit agreements in place are discussed in Note 5 to the financial statements.

The ratio of long-term debt to equity plus long-term debt was 34.3%, 32.4%, and 40.4% with fixed charge coverage at 5.8, 6.8, and 6.5 for 1995, 1994, and 1993, respectively.

OTHER

General inflation has not had a material impact on Lowe's during the past three years, although as noted above, the LIFO charge increased to \$8.3 million in 1995 from \$435 thousand in 1994. Overall inventory inflation was .79%, .07%, and 2.38% for 1995, 1994, and 1993, respectively. Lumber products have experienced substantially more volatility than other merchandise categories, due to supply-demand variability, weather constraints, environmental concerns, etc., etc. The inflation (deflation) rates for lumber and building materials were (3.2%), (0.4%), and 12.0% for 1995, 1994, and 1993.

Store Performance Perspective

To further enhance understanding and analysis of the relative pace, progress, and performance of our new family of stores, compared to two older and smaller store groups, we are providing the information in the following tables.

Table 1 Store Group Unit Totals, Four Quarter Average

	1995			1994			1993	
	% of Total	% Change	Units	% of Total	% Change	Units	% of Total	Units
Small (1)	17%	(11)%	59	20%	(14)%	66	25%	77
Medium (2)	16	(19)	59	23	(22)	73	31	94
Large (3)	67	27 %	238	57	40 %	187	44	134
Total	100%		356	100%		326	100%	305

Table 1 Comments: The small stores average less than 6,800 square feet of sales floor, and represent 17% of the total units. The 24 contractor yards are included in our small store totals. The medium stores stem from our 1984-1988 expansion, and average about 22,000 square feet. The large stores average about 86,500 square feet, with our 1996 prototypes being 101,000 to 115,000, plus large garden centers.

Table 2 Sales Contribution by Store Group, Fiscal Year

	1995		1994		1993
	% of Total	% Change	% of Total	% Change	% of Total
Small (1)	10%	(18)%	13%	1%	18%
Medium (2)	11	(24)	18	(16)	28
Large (3)	79	32 %	69	72%	54
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 sales decreases of both the small and medium groups are partially attributable to their reduction in number. The small stores and contractor yards posted an 8% average sales decline as contractor yards became a larger percentage of this group. Medium size stores, on average, had a 5% sales decrease. The average large store's sales increase of 3.5%, combined with their numerical increase, provided 79% of total sales, up from 54% just two years ago.

Table 3 Operating Profits* by Store Group, Fiscal Year

	1995		1994		1993
	% of Total	% Change	% of Total	% Change	% of Total
Small (1)	7%	(32)%	11%	7%	15%
Medium (2)	13	(31)	18	(9)	30
Large (3)	80	16 %	71	91%	55
Total	100%		100%		100%

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

Table 3 Comments: The above table presents group totals. 52 of the 59 small stores and yards are "comparable," and their average sales declined 11% as contractor yards now represent a larger percentage of this total group and these units are more affected by weaker housing and lower commodity prices.

The 59 mid-sizers are stores of the mid-80s. Their average comparable store sales declined 2.5%. The large stores are designed for our customers of the 90's and they continue to outperform our smaller store groups. Their larger sales floors and wider merchandise assortments helped them post better performance per average store than the small and medium store groups. Indeed, the 171 "comp" stores posted increases of 2% in sales. Most importantly, the 67% of our stores that are the large ones posted 79% of our sales and 80% of operating profits.

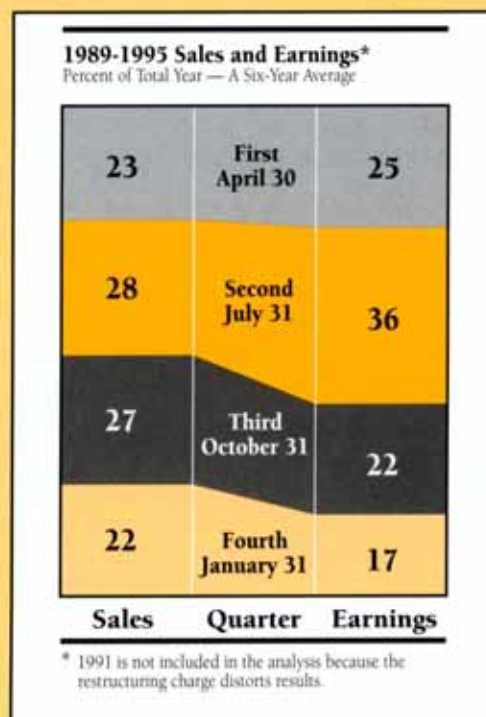
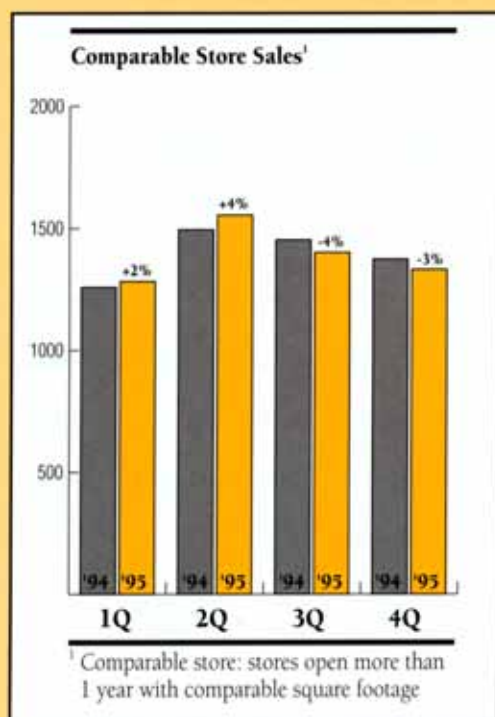
	1995	1994	1993
	Total Sq.Ft. (000,000)	Total Sq.Ft. (000,000)	Total Sq. Ft. (000,000)
(1) Pre 1984 Stores; Contractor Yards:	Avg. 6,762 Sq.Ft. .4	.5	.6
(2) '84-'88 Stores:	Avg. 22,112 Sq.Ft. 1.2	1.5	2.0
(3) Post '88 Expansion Stores:	Avg. 86,484 Sq.Ft. 22.4	16.6	11.6

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 1995	% Sales	Fiscal 1994	% Sales	Fiscal 1993	% Sales
Current Earnings						
Net Sales	\$7,075,442	100%	\$6,110,521	100.0%	\$4,538,001	100.0%
Cost of Sales	5,312,195	75.1	4,597,977	75.2	3,456,717	76.2
Gross Margin	1,763,247	24.9	1,512,544	24.8	1,081,284	23.8
Expenses:						
Selling, General and Administrative	1,127,333	15.9	941,079	15.4	717,028	15.8
Store Opening Costs	49,626	.7	40,727	.7	29,251	.6
Depreciation	150,011	2.1	109,647	1.8	80,530	1.8
Employee Retirement Plans (Note 10)	46,130	.7	49,687	.8	37,873	.8
Interest (Notes 7 and 16)	38,040	.5	27,873	.5	18,278	.4
Total Expenses	1,411,140	19.9	1,169,013	19.2	882,960	19.4
Pre-Tax Earnings	352,107	5.0	343,531	5.6	198,324	4.4
Income Tax Provision (Note 9)	126,080	1.8	119,971	1.9	66,538	1.5
Net Earnings	\$ 226,027	3.2%	\$ 223,560	3.7%	\$ 131,786	2.9%
Shares Outstanding – Weighted Average	160,453		154,926		147,398	
Earnings Per Common & Common Equivalent Share						
	\$ 1.41		\$ 1.44		\$.89	
Earnings Per Common Share – Assuming Full Dilution						
	\$ 1.36		\$ 1.39		\$.89	
Retained Earnings (Notes 6 and 11)						
	Amount	Per Share	Amount	Per Share	Amount	Per Share
Balance at Beginning of Year	\$ 792,891		\$ 596,764		\$ 489,033	
Net Earnings	226,027	\$1.41	223,560	\$1.44	131,786	\$.89
Cash Dividends (Notes 6 and 11)	(30,471)	\$(.19)	(27,433)	\$(.18)	(23,571)	\$(.16)
Stock Split	—		—		(484)	
Balance at End of Year	\$ 988,447		\$ 792,891		\$ 596,764	

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 1995	% Total	Fiscal 1994	% Total	Fiscal 1993	% Total	
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 63,868	1.8%	\$ 150,319	4.8%	\$ 73,253	3.3%	
Short-Term Investments	107,429	3.0	118,155	3.8	35,215	1.6	
Accounts Receivable – Net (Note 2)	113,483	3.2	109,214	3.5	48,500	2.2	
Merchandise Inventory (Note 3)	1,267,077	35.6	1,132,282	36.5	853,707	38.8	
Deferred Income Taxes (Note 9)	19,168	.5	18,129	.6	12,300	.6	
Other Current Assets	32,659	.9	29,069	.9	60,932	2.7	
Total Current Assets	1,603,684	45.0	1,557,168	50.1	1,083,907	49.2	
Property, Less Accumulated Depreciation (Notes 4 and 6)	1,858,274	52.3	1,397,713	45.0	1,020,234	46.3	
Long-Term Investments (Note 8)	41,059	1.2	83,459	2.7	40,408	1.8	
Other Assets	53,369	1.5	67,652	2.2	57,099	2.7	
Total Assets	\$3,556,386	100.0%	\$3,105,992	100.0%	\$2,201,648	100.0%	
Liabilities and Shareholders' Equity							
Current Liabilities:							
Short-Term Notes Payable (Note 5)	\$ 16,617	.5%	\$ 1,903	.1%	\$ 2,281	.1%	
Current Maturities of Long-Term Debt (Note 6)	14,127	.4	26,913	.9	49,547	2.3	
Accounts Payable	655,399	18.4	675,436	21.7	467,278	21.2	
Employee Retirement Plans (Note 10)	44,924	1.3	43,950	1.4	34,422	1.6	
Accrued Salaries and Wages	67,370	1.9	63,356	2.0	45,883	2.1	
Other Current Liabilities	151,494	4.2	134,334	4.4	81,765	3.6	
Total Current Liabilities	949,931	26.7	945,892	30.5	681,176	30.9	
Long-Term Debt, Excluding Current Maturities (Note 6)	866,183	24.4	681,184	21.9	592,333	26.9	
Deferred Income Taxes (Note 9)	83,557	2.3	49,211	1.6	26,165	1.2	
Accrued Store Restructuring Costs (Note 15)	—	—	9,815	.3	28,305	1.3	
Total Liabilities	1,899,671	53.4	1,686,102	54.3	1,327,979	60.3	
Commitments, Contingencies and Litigation (Notes 13 and 14)							
Shareholders' Equity (Notes 6, 11 and 12)							
Common Stock – \$.50 Par Value;							
Fiscal	Issued and Outstanding						
1995	160,918,046						
1994	159,527,389						
1993	147,886,770	80,459	2.3	79,764	2.6	73,943	3.4
Capital in Excess of Par	596,828	16.7	554,838	17.9	202,962	9.2	
Retained Earnings	988,447	27.8	792,891	25.5	596,764	27.1	
Unearned Compensation – Restricted Stock Awards	(8,076)	(.2)	(5,949)	(.2)	—	—	
Unrealized Loss on Available For Sale Securities	(943)	—	(1,654)	(.1)	—	—	
Total Shareholders' Equity	1,656,715	46.6	1,419,890	45.7	873,669	39.7	
Total Liabilities and Shareholders' Equity	\$3,556,386	100.0%	\$3,105,992	100.0%	\$2,201,648	100.0%	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Low's Companies, Inc. and Subsidiary Companies

Dollars in Thousands

Fiscal Years End on January 31 of Following Year

	Fiscal 1995	Fiscal 1994	Fiscal 1993
Cash Flows from Operating Activities:			
Net Earnings	\$226,027	\$223,560	\$131,786
Adjustments to Reconcile Net Earnings to Net Cash Provided By Operating Activities:			
Depreciation	150,011	109,647	80,530
Amortization of Original Issue Discount	3,601	3,205	1,615
Increase in Deferred Income Taxes	32,924	18,108	5,860
(Gain) Loss on Disposition/Writedown of Fixed and Other Assets	(1,171)	5,924	8,969
Decrease (Increase) in Operating Assets:			
Accounts Receivable – Net	(4,269)	(60,714)	4,788
Merchandise Inventory	(134,795)	(278,575)	(259,512)
Other Operating Assets	(3,298)	31,170	(26,186)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	(20,037)	208,158	136,694
Employee Retirement Plans	38,196	41,257	32,937
Accrued Store Restructuring	(8,304)	(10,000)	(8,905)
Other Operating Liabilities	24,424	67,236	17,123
Net Cash Provided by Operating Activities	303,309	358,976	125,699
Cash Flows from Investing Activities:			
Decrease (Increase) in Investment Assets:			
Short-Term Investments	18,538	(83,374)	(29,315)
Purchases of Long-Term Investments	(30,906)	(74,614)	(41,714)
Proceeds from Sale/Maturity of Long-Term Investments	66,588	29,452	24,576
Other Long-Term Assets	(2,656)	(2,438)	1,645
Fixed Assets Acquired	(520,362)	(414,103)	(336,888)
Proceeds from the Sale of Fixed and Other Long-Term Assets	20,856	15,179	27,641
Net Cash Used in Investing Activities	(447,942)	(529,898)	(354,055)
Cash Flows from Financing Activities:			
Sources:			
Long-Term Debt Borrowings	98,959	500	281,915
Net Increase in Short-Term Borrowings	14,714	—	—
Proceeds from Issuance of Common Stock	—	315,697	—
Stock Options Exercised	44	1,100	1,504
Total Financing Sources	113,717	317,297	283,419
Uses:			
Repayment of Long-Term Debt	(25,064)	(41,498)	(6,276)
Net Decrease in Short-Term Borrowings	—	(378)	(912)
Cash Dividend Payments	(30,471)	(27,433)	(23,571)
Total Financing Uses	(55,535)	(69,309)	(30,759)
Net Cash Provided by Financing Activities	58,182	247,988	252,660
Net Increase (Decrease) in Cash and Cash Equivalents	(86,451)	77,066	24,304
Cash and Cash Equivalents, Beginning of Year	150,319	73,253	48,949
Cash and Cash Equivalents, End of Year	\$ 63,868	\$150,319	\$ 73,253

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Lowe's Companies, Inc. and Subsidiary Companies
Fiscal Years Ended January 31, 1996, 1995 and 1994

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. The Company serves customers in 365 stores in states predominantly located in the eastern half of the United States. Below are those accounting 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.

Use of Estimates – The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 with a maturity of between three months and one year are classified as short-term investments. Investments with maturities greater than one year are classified as long-term. Investments consist primarily of tax exempt notes and bonds, auction rate tax exempt securities, municipal preferred tax exempt stock and reverse repurchase agreements.

The Company has classified all investment securities as available-for-sale and they are carried at fair value. Unrealized gains and losses on such securities are excluded from earnings and reported as a separate component of shareholders' equity, net of the related income taxes, until realized.

Derivatives – Interest rate swap agreements, which are principally used by the Company in the management of interest rate exposure, are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related liability. Amounts to be paid or received under interest rate swap agreements are recognized as interest income or expense in the periods in which they accrue.

Premiums paid for purchased interest rate cap agreements are being amortized to interest expense over the terms of the caps. Unamortized premiums are included in other assets in the consolidated balance sheet. Amounts to be received under the cap agreements are accounted for on an accrual basis, and are recognized as a reduction of interest expense.

Accounts Receivable – The majority of the accounts receivable arise from sales to professional building contractors predominantly located in the eastern half 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 are not reflected in receivables. These credit card 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 cost of sales 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 is 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.

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. 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.

Store Closing Costs – Upon closing or relocating a store, costs considered to be unrecoverable, such as the book value of leasehold improvements and the estimated loss on sale of land and building, are charged to expense. The Company also records a provision for the present value of future lease obligations, net of sub-lease income. The estimated net realizable value of closed store real estate owned is included in other assets. See Note 15 regarding store restructuring accrual in Fiscal 1991.

Earnings Per Share – Earnings per share are calculated on the weighted average shares of common stock and dilutive common stock equivalents outstanding each year. The Company's 3% Convertible Subordinated Notes due July 22, 2003, are potentially dilutive securities for purposes of calculating fully diluted earnings per share.

Recent Accounting Pronouncement – In March 1995, Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121) was issued. SFAS 121 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. Also, SFAS 121 requires that certain long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less costs to sell. Management believes that the adoption of SFAS 121 in fiscal 1996 will not have a material effect on the Company's financial statements.

Note 2, Accounts Receivable:

Until termination in April 1995, the Company had an agreement to sell, with limited recourse, an undivided fractional interest in a designated pool of receivables. Under the agreement, as collections reduce previously sold interests in receivables, an interest in new receivables could be sold. At January 31, 1995 and 1994, the interest in receivables sold totaled \$38.5 and \$121.9 million, respectively. Due to hold-back provisions of the agreement, the Company was due \$8.5 and \$31.9 million at January 31, 1995 and 1994, respectively, for interests sold. These receivables are included in Accounts Receivable – Net in the balance sheet for the respective years. The costs associated with selling the interest in receivables were \$.5, \$1.7 and \$3.3 million for Fiscal 1995, 1994 and 1993, respectively. The Company maintained an allowance for doubtful accounts because it retained substantially the same risk of credit loss as if the receivables had not been sold.

The allowance for doubtful accounts was \$1.9, \$2.3 and \$2.7 million at January 31, 1996, 1995 and 1994, respectively.

Note 3, Merchandise Inventory:

If the FIFO method had been used, inventories would have been \$73.2, \$65.0 and \$64.5 million higher at January 31, 1996, 1995 and 1994, respectively.

Note 4, Property and Accumulated Depreciation:

Net property includes \$248.9, \$159.0 and \$59.0 million in assets from capital leases for Fiscal 1995, 1994 and 1993, respectively.

Property is summarized below by major class:

	January 31		
	1996	1995	1994
<i>(Dollars in Thousands)</i>			
Cost:			
Land	\$ 355,701	\$ 290,312	\$ 224,551
Buildings	939,120	686,737	478,373
Store and Office Equipment	913,225	666,885	500,811
Leasehold Improvements	109,850	98,217	113,287
Total Cost	2,317,896	1,742,151	1,317,022
Accumulated Depreciation and Amortization	(459,622)	(344,438)	(296,788)
Net Property (Note 13)	\$1,858,274	\$1,397,713	\$1,020,234

The estimated depreciable lives, in years, of the Company's property are: buildings, 20 to 40; store and office equipment, 3 to 10; leasehold improvements, generally the life of the related lease.

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

Several banks have extended lines of credit aggregating \$176 million for the purpose of issuing documentary letters of credit and standby letters of credit. These lines do not have termination dates but are reviewed periodically. Commitment fees from .12% to .50% per annum are paid on the amounts of standby letters of credit used. At January 31, 1996, outstanding letters of credit aggregated \$89.9 million.

Effective April 10, 1995, the Company entered into a \$300 million revolving credit facility with a syndicate of 13 banks. The facility expires on April 10, 2000, and is used to support the Company's commercial paper program and for short-term borrowings. A facility fee of .09% per annum is paid on the unused amount of the facility. At January 31, 1996, there were no borrowings outstanding under this revolving credit facility.

A \$100 million revolving credit and security agreement, expiring in September 1996, is available from a financial institution. A portion of the Company's accounts receivable is pledged as collateral. At January 31, 1996, there was \$14.8 million outstanding under this credit agreement.

In addition \$75 million is available, on an unsecured basis, 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.

Note 6, Long-Term Debt:

Debt Category	Interest Rates	Fiscal Year of Final Maturity	January 31		
			1996	1995	1994
(Dollars in Thousands)					
Secured Debt¹:					
Insurance Company Notes	6.75%	1998	\$ 286	\$ 414	\$ 534
Bank Notes					17
Industrial Revenue Bonds					833
Other Notes	9.50%	2005	470	561	663
Unsecured Debt:					
Industrial Revenue Bonds	3.30% to 5.27%*	2020	6,726	7,997	10,230
Industrial Revenue Bonds ²	3.85%*	2005	8,000	8,800	9,600
Medium Term Notes	6.50% to 8.20%	2022	249,979	249,972	249,966
Convertible Subordinated Notes ³	3.00%	2003	255,554	254,505	251,524
Senior Notes ⁴	6.38%	2005	98,968		
Bank Notes ⁵	4.75%*	1996	6,000	23,863	57,955
Capital Leases (Note 13)	6.12% to 11.56%	2033	254,327	161,985	60,558
Total Long-Term Debt			880,310	708,097	641,880
Less Current Maturities			14,127	26,913	49,547
Long-Term Debt, Excluding Current Maturities			\$866,183	\$681,184	\$592,333

* Interest rate varies as a percentage of prime rate or other interest index.
Interest rates shown are as of January 31, 1996.
Prime rate was 8.5% at January 31, 1996.

Debt maturities, exclusive of capital leases (see Note 13), for the next five fiscal years are as follows (in millions): 1996, \$8.2; 1997, \$13.3; 1998, \$1.7; 1999, \$46.5; 2000, \$74.4.

Notes:

¹ Real properties pledged as collateral for secured debt had net book values (in millions) at January 31, 1996, as follows: insurance company notes – \$3.6 and other notes – \$.8.

² With certain restrictions, the floating rate demand industrial revenue bonds can be converted to a fixed interest rate based on a fixed interest index at the Company's option.

³ On July 22, 1993, the Company sold \$287.5 million aggregate principal of its 3% Convertible Subordinated Notes due July 22, 2003. The notes are convertible into Lowe's Common Stock at the conversion rate of 38.32 shares of common stock per each \$1,000 principal amount. The notes were issued at an original price of \$880.27 per \$1,000 principal amount, which represented an original issue discount of 11.973% payable at maturity. Annual interest on the notes at 3% and accretion of the original issue discount represents an annual yield to maturity of 4.5%. The notes are callable (subject to certain adjustments) at any time on or after July 22, 1996.

During Fiscal 1995 and 1994, \$2,532,000 and \$224,000 principal of the Company's 3% Convertible Subordinated Notes were converted into 96,904 and 8,570 shares of the Company's common stock, respectively.

⁴ On December 15, 1995, the Company issued \$100 million of 6.375% Senior Notes due December 15, 2005. The notes were issued at an original price of \$989.55 per \$1,000 principal amount, which represented an original issue discount of .395% payable at maturity and an underwriters' discount of .65%. Annual interest on the notes at 6.375% and accretion of the original issue discount represents an annual yield to maturity of 6.429%. The notes may not be redeemed prior to maturity.

⁵ 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, Derivative Financial Instruments:

The Company has only limited involvement with derivative financial instruments, and does not use them for trading purposes.

The Company enters into derivatives, exclusively interest rate swaps and caps, to lower funding costs or alter interest rate exposures for long-term liabilities. Interest rate swaps allow the Company to raise long-term borrowings at fixed rates and swap them into variable rates for shorter durations. This enables the Company to separate interest rate management from debt funding decisions. At January 31, 1996, the Company had 14 interest rate swap agreements outstanding with financial institutions, having notional amounts of \$10 million each and a total notional amount of \$140 million. Under the agreements, the Company will receive interest payments at an average fixed rate of 5.60% and will pay interest on the same notional amounts at a floating rate based on an interest rate index, which was 5.27% as of January 31, 1996. These interest rate swap agreements are scheduled to terminate as follows (in millions): 1996, \$90; 1997, \$50.

Interest rate cap agreements are used to reduce the potential impact of increases in interest rates on the interest rate swap agreements, discussed above. At January 31, 1996, the Company was a party to 14 interest rate cap agreements, each with terms tied to the terms of the interest rate swap agreements. The agreements entitle the Company to receive from counterparties on a semi-annual basis the amounts, if any, by which the Company's interest payments on its \$140 million notional amount of interest rate swap agreements exceed approximately 75 basis points over the fixed rate on each swap.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements and interest rate cap agreements. The Company anticipates that counterparties will be able to fully satisfy their obligations under the agreements. The counterparties consist of a number of financial institutions whose credit ratings were AA or better at the time the agreements were instituted. No collateral is held in relation to the agreements. Credit exposure exists in relation to all the Company's financial instruments, and is not unique to derivatives.

Note 8, Disclosures about Fair Values of Financial Instruments:

The following estimated fair value amounts have been determined, 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, 1996		January 31, 1995		January 31, 1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Dollars in Thousands)						
Assets:						
Cash and Cash Equivalents	\$ 63,868	\$ 63,868	\$150,319	\$150,319	\$ 73,253	\$ 73,253
Short-Term Investments	107,429	107,429	118,155	118,155	35,215	35,240
Net Receivables	113,483	113,483	109,214	109,214	48,500	48,500
Long-Term Investments	41,059	41,059	83,459	83,459	40,408	40,801
Liabilities:						
Accounts Payable	655,399	655,399	675,436	675,436	467,278	467,278
Short-Term Debt	16,617	16,617	1,903	1,903	2,281	2,281
Long-Term Debt:						
Convertible Subordinated Notes	255,554	348,455	254,505	402,186	251,524	362,250
Other	\$624,756	670,313	\$453,592	456,914	\$390,356	410,216
Off-Balance Sheet Financial Instruments -						
Unrealized Gains (Losses):						
Interest Rate Swap Agreements	—	758	—	(6,482)	—	\$ 4,421
Interest Rate Cap Agreements	—	\$ 9	—	\$ 3,915	—	—

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

Short-term investments and long-term investments— At January 31, 1996 and 1995, these investments are classified as available for sale and carried at their fair value. January 31, 1994's 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 and interest rate cap agreements— The fair value of interest rate swaps and caps are the amounts at which they could be settled, based on estimates obtained from dealers.

The amortized cost, gross unrealized gains and losses and fair values of investment securities, all of which are classified as available-for-sale securities, at January 31, 1996 and 1995 are as follows:

Type	Amortized		Gross Unrealized		Fair Value
	Cost		Gains	Losses	
Municipal Obligations	\$ 29,298		\$ 6	\$ (1)	\$ 29,303
Auction Rate and Adjustable Rate Preferred Stock	79,879		8	(1,761)	78,126
Classified as Short-term	109,177		14	(1,762)	107,429
Municipal Obligations	39,762		332	(35)	40,059
Auction Rate Preferred Stock	1,000		—	—	1,000
Classified as Long-term	40,762		332	(35)	41,059
Total at January 31, 1996	\$149,939		\$ 346	\$(1,797)	\$148,488
Municipal Obligations	\$ 33,234		\$ 1	\$ (228)	\$ 33,007
Auction Rate and Adjustable Rate Preferred Stock	86,476		13	(1,341)	85,148
Classified as Short-term	119,710		14	(1,569)	118,155
Municipal Obligations	50,944		989	(1,902)	50,031
Auction Rate Preferred Stock	33,500		—	(72)	33,428
Classified as Long-term	84,444		989	(1,974)	83,459
Total at January 31, 1995	\$204,154		\$1,003	\$(3,543)	\$201,614

The proceeds from sales of available-for-sale securities were \$60.4 and \$79.9 million for the years ended January 31, 1996 and 1995, respectively.

Gross realized gains and (losses) on the sale of available-for-sale securities were \$326 thousand and \$(426) thousand for fiscal 1995 and \$112 thousand and \$(836) thousand for fiscal 1994.

Maturities of municipal obligations classified as long-term are \$12.4 million up to 1 year, \$23.3 million after 1 year through 5 years, and \$1.0 million after 5 years through 10 years and \$3.3 million after 10 years. The \$1.0 million money market preferred stock has no stated maturity.

Note 9, Income Taxes:

Fiscal Years End on January 31 of Following Year	Fiscal 1995		Fiscal 1994		Fiscal 1993	
	Amount	%	Amount	%	Amount	%
(Dollars in Thousands)						
Statutory Rate Reconciliation						
Pre-Tax Earnings	\$352,107	100.0%	\$343,531	100.0%	\$198,324	100.0%
Federal Income Tax at Statutory Rate	123,237	35.0	120,236	35.0	69,413	35.0
State Income Taxes – Net of Federal Tax Benefit	8,093	2.3	4,248	1.2	2,340	1.2
Other	(5,250)	(1.5)	(4,513)	(1.3)	(5,215)	(2.6)
Total Income Tax Provision	\$126,080	35.8%	\$119,971	34.9%	\$ 66,538	33.6%
Components of Income Tax Provision						
Current						
Federal	\$ 86,347	68.5%	\$ 98,432	82.0%	\$ 58,088	87.3%
State	6,809	5.4	3,431	2.9	2,590	3.9
Total Current	93,156	73.9	101,863	84.9	60,678	91.2
Deferred						
Federal	27,282	21.6	15,004	12.5	4,850	7.3
State	5,642	4.5	3,104	2.6	1,010	1.5
Total Deferred	32,924	26.1	18,108	15.1	5,860	8.8
Total Income Tax Provision	\$126,080	100.0%	\$119,971	100.0%	\$ 66,538	100.0%

The tax effect of cumulative temporary differences and carryforwards that gave rise to the deferred tax assets and liabilities and the related valuation allowance at January 31, 1996, 1995 and 1994 are as follows (in thousands):

	January 31, 1996			January 31, 1995			January 31, 1994		
	Assets	Liabilities	Total	Assets	Liabilities	Total	Assets	Liabilities	Total
Accrued Store Restructuring Costs	\$ 6,245	—	\$ 6,245	\$17,077	—	\$ 17,077	\$22,381	—	\$ 22,381
Insurance	6,725	—	6,725	4,568	—	4,568	2,432	—	2,432
Depreciation	—	\$(92,280)	(92,280)	—	\$(67,461)	(67,461)	—	\$(49,090)	(49,090)
Property Taxes	4,859	—	4,859	6,230	—	6,230	4,944	(1,038)	3,906
Other, Net	17,156	(5,529)	11,627	14,265	(5,612)	8,653	15,923	(5,691)	10,232
Less Valuation Allowance	(1,565)	—	(1,565)	(149)	—	(149)	(3,726)	—	(3,726)
Total	\$33,420	\$(97,809)	\$(64,389)	\$41,991	\$(73,073)	\$(31,082)	\$41,954	\$(55,819)	\$(13,865)

The valuation allowance increased \$1,416,000, decreased \$3,577,000 and increased \$420,000 during the years ended January 31, 1996, 1995 and 1994, respectively.

Note 10, 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 14% of eligible compensation for the Fiscal Year 1995 and 13% of eligible compensation for each of the Fiscal Years 1994 and 1993. Contributions may be made in cash or shares of the Company's common stock and are generally made in the following fiscal year.

As of January 31, 1996, the Employee Stock Ownership Trust held approximately 15.3% of the outstanding common stock of the Company and was its largest shareholder.

Shares allocated to ESOP participants' 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, 1996, 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 1995, 1994 and 1993 were \$6.0, \$4.9 and \$3.9 million, respectively. The Company's common stock is an investment option for participants in the ESIP. As of January 31, 1996, the ESIP held approximately .9% of the outstanding common stock of the Company. Shares held in the ESIP are voted by the trustee as directed by an administrative committee of the ESIP.

The Company does not have any material liability for postemployment or postretirement benefits.

Note 11, Shareholders' Equity:

Authorized shares of common stock were 700 million at January 31, 1996.

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	Unearned Compensation Restricted Stock Awards	Unrealized Loss on Available For Sale Securities	Total Equity		
Balance January 31, 1993	145,946	\$72,973	\$171,214	\$489,033	nil	nil	\$ 733,220		
Net Earnings				131,786			131,786		
Tax Effect of Incentive									
Stock Options Exercised (Note 12)			172				172		
Cash Dividends				(23,571)			(23,571)		
Stock Options Exercised (Note 12)	245	122	1,442	(60)			1,504		
Stock Issued to ESOP (Note 10)	1,696	848	30,134	(424)			30,558		
Balance January 31, 1994	147,887	73,943	202,962	596,764	nil	nil	873,669		
Net Earnings				223,560			223,560		
Tax Effect of Non-qualified									
Stock Options Exercised (Note 12)			2,344				2,344		
Cash Dividends				(27,433)			(27,433)		
Stock Sale	10,350	5,175	310,522				315,697		
Stock Options Exercised (Note 12)	172	86	1,219				1,305		
Stock Received for Exercise of Stock Options	(6)	(3)	(202)				(205)		
Stock Issued to ESOP (Note 10)	922	461	31,268				31,729		
Conversion of 3% Notes	8	4	193				197		
Shares Issued to Directors	4	2	124				126		
Unearned Compensation-Restricted									
Stock Awards	190	96	6,408		\$(5,949)		555		
Unrealized Loss on Available for Sale									
Securities, Net of Income Taxes of \$886						\$(1,654)	(1,654)		
Balance January 31, 1995	159,527	79,764	554,838	792,891	(5,949)	(1,654)	1,419,890		
Net Earnings				226,027			226,027		
Tax Effect of Non-qualified									
Stock Options Exercised (Note 12)			25				25		
Cash Dividends				(30,471)			(30,471)		
Stock Options Exercised (Note 12)	4	2	42				44		
Stock Issued to ESOP (Note 10)	1,182	591	36,631				37,222		
Conversion of 3% Notes	97	49	2,183				2,232		
Shares Issued to Directors	4	2	93				95		
Unearned Compensation-Restricted									
Stock Awards	104	51	3,016		(2,127)		940		
Unrealized Loss on Available for Sale									
Securities, Net of Income Tax						711	711		
Benefit of \$378									
Balance January 31, 1996	160,918	\$80,459	\$596,828	\$988,447	\$(8,076)	\$(943)	\$1,656,715		

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.

Unearned Compensation – Restricted Stock Awards of \$8,076,000 included in Shareholders' Equity on the balance sheet is the result of restricted stock grants totaling 294,000 shares made to certain executives and directors. The amount will be amortized as earned over periods not exceeding seven years.

The Company has 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. A shareholder's interest is not diluted by the effects of a stock dividend or stock split. 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.

Note 12, Stock Incentive Plans:

The Company has a stock option plan under which incentive and non-qualified stock options, stock appreciation rights, restricted stock awards and incentive awards may be granted to key employees. No awards may be granted after January 31, 2004. At January 31, 1996, there were 2,112,040 shares available for grants under the plan. Option information is summarized as follows:

Key Employee Stock Option Plan	Shares	Option Price Per Share
	(In Thousands)	
Outstanding January 31, 1993	371	\$4.063, \$6.375, \$10.188
Exercised	(217)	\$4.063, \$6.375
Outstanding January 31, 1994	154	\$6.375, \$10.188
Granted	20	\$38.75
Canceled or Expired	(2)	\$6.375
Exercised	(152)	\$6.375, \$10.188
Outstanding January 31, 1995 and 1996	20	\$38.75

Prior to Fiscal 1989, all options granted were incentive options. Between Fiscal 1989 and Fiscal 1994, options granted have been adjustable non-qualified options exercisable at a maximum price of \$10.188 per share. Upon exercise of a non-qualified option, the optionee makes a payment to the Company equal to the shares' fair market value on the date the option was granted. In accordance with a formula set forth in each option agreement, the Company uses part of the option price to make a federal income tax deposit on behalf of the optionee. The options granted in Fiscal 1994 were incentive options.

Incentive stock option shares 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 \$25 thousand, \$2.34 million and \$172 thousand during Fiscal Years 1995, 1994 and 1993, respectively.

Stock appreciation rights are denominated in units, which are comparable to a share of Common Stock for purposes of determining the amount payable under an award. An award entitles the participant to receive the excess of the final value of the unit over the fair market value of a share of common stock on the first day of the performance period. The final value is the average closing price of a share of Common Stock during the last month of the performance period. Limits are established with respect to the amount payable on each unit. A total of 888,450 stock appreciation rights, with performance periods of one to three years, with a maximum payout of \$7,173,000, were outstanding at January 31, 1996. The costs of these rights are being expensed over the performance periods.

A total of 325,500 restricted stock awards have been granted to certain executives and directors. These shares are non-transferable and subject to forfeiture for periods prescribed by the Company. These shares may become transferable and vested earlier based on achievement of certain performance measures. A total of 29,500 shares were forfeited during Fiscal 1995 and no shares became vested or transferable during Fiscal 1995.

During Fiscal 1989, shareholders approved a Non-Employee Directors' Stock Option Plan. This plan provided that adjustable non-qualified options representing 4,000 shares of Lowe's common stock would be granted to each outside Director following the Annual Meeting in 1989, 1990, 1991, 1992 and 1993. Two hundred thousand shares of common stock were reserved to fulfill the requirements of this plan. Options representing 28,000 shares were granted under this plan in each of Fiscal 1989, Fiscal 1990, Fiscal 1991, Fiscal 1992 and Fiscal 1993, of which options representing 56,000 shares have been exercised. The option price per share was \$6.375 for Fiscal 1989, \$10.906 for Fiscal 1990, \$8.625 for Fiscal 1991, \$10.969 for Fiscal 1992 and \$18.875 for Fiscal 1993. The non-qualified options granted to Directors include the same tax deposit feature described above with respect to the Key Employee Stock Option Plan. This plan expired at the end of Fiscal 1993.

At January 31, 1996, options for 20,000 shares (expiration date in 2004) were exercisable under the Key Employee Stock Option Plan and options for 84,000 shares (expiration dates range from 1999 through 2003) were exercisable under the Non-Employee Directors' Stock Option Plan.

The Company has a Directors' Stock Incentive Plan. This Plan provides that at the first Board meeting following each annual meeting of shareholders, the Company shall issue each non-employee Director 500 shares of Common Stock. Up to 25,000 shares may be issued under this Plan. In Fiscal 1995 and 1994, 3,500 and 4,000 shares, respectively, were issued under this Plan.

Note 13, Leases:

The Company leases certain store facilities under agreements with original terms generally of twenty years. Agreements generally provide for contingent rental based on sales performance in excess of specified minimums. To date, contingent rentals have been very nominal. The leases typically contain provisions for four renewal options of five years each. Certain equipment is also 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:

Fiscal Year	Operating Leases		Capital Leases		Total
	Real Estate	Equipment	Real Estate	Equipment	
(Dollars in Thousands)					
1996	\$ 49,234	\$645	\$ 26,963	\$ 316	\$ 77,158
1997	50,261	36	26,982	197	77,476
1998	43,886	23	26,684	193	70,786
1999	43,368	11	26,658	193	70,230
2000	42,612	—	26,676	120	69,408
Later Years	586,661	—	384,202	—	970,863
Total Minimum Lease Payments	\$816,022*	\$715	\$518,165	\$1,019	\$1,335,921
Total Minimum Capital Lease Payments			\$519,184		
Less Amount Representing Interest			264,857		
Present Value of Minimum Lease Payments			254,327		
Less Current Maturities			5,880		
Present Value of Minimum Lease Payments, Less Current Maturities			\$248,447		

*Total minimum payments have not been reduced by minimum sublease rentals of \$3.6 million to be received in the future under noncancelable subleases.

Rental expenses under operating leases for real estate and equipment were \$54.1 million, \$40.2 million and \$27.2 million in Fiscal 1995, 1994 and 1993, respectively.

Note 14, Commitments, Contingencies and Litigation:

The Company had purchase commitments at January 31, 1996, of approximately \$46.5 million for land, buildings and construction of facilities, and \$37.8 million for equipment.

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 is subject to various environmental protection laws and regulations and is operating within such laws or is taking action aimed at assuring compliance with such laws and regulations. The Company has been identified as a potentially responsible party in connection with three landfill sites at which environmental damage is alleged. Any associated costs to the Company is not expected to have a material impact on the Company's financial condition or results of operations.

On March 4, 1996, a state government agency in one of the states where the Company conducts business publicized that under certain conditions, imported plastic mini-blinds of the type sold by the Company may create a lead poisoning hazard for young children. The Company has sold blinds of this type for about ten years. Lowe's is in contact with the Consumer Products Safety Commission, and is awaiting results of further testing of this product being conducted by the state agency. It is too early in this process for the Company to determine whether or not there is any significant potential loss or liability to the Company. Therefore, no accounting provision for any potential loss under adverse circumstances related to this publicized matter has been made in the 1995 financial statements.

Note 15, Store Restructuring:

In Fiscal 1991, the Company recorded a 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. As anticipated, the last of these restructuring costs that were accrued for were paid in Fiscal 1995.

Note 16, Other Information:

Net interest expense is composed of the following:

Years Ended January 31,	1996	1995	1994
(Dollars in Thousands)			
Long-Term Debt	\$34,536	\$ 36,001	\$22,388
Capitalized Leases	16,872	7,436	2,758
Short-Term Debt	3,001	1,056	1,217
Amortization of Loan Costs	296	295	272
Short-Term Interest Income	(10,897)	(12,237)	(4,765)
Interest Capitalized	(5,768)	(4,678)	(3,592)
Net Interest Expense	\$38,040	\$ 27,873	\$18,278

Supplemental disclosures of cash flow information:

Years Ended January 31,	1996	1995	1994
Cash Paid for Interest (Net of Amount Capitalized)	\$55,231	\$ 43,145	\$25,677
Cash Paid for Income Taxes	\$77,858	\$108,064	\$58,761

Non-cash investing and financing activities:

Fixed Assets Acquired Under Capital Leases	\$96,948	\$104,207	\$29,343
Common Stock Issued to ESOP (Notes 10 and 11)	37,222	31,729	30,558
Common Stock Issued to Executives and Directors	3,162	6,630	—
Common Stock Received for Exercise of Stock Options	—	205	—
Conversion of Debt to Common Stock	2,232	197	—
Notes Received in Exchange for Property	\$ 1,450	\$ 6,067	\$ 886

Supplemental disclosure of operating expenses:

Advertising expenses were \$87.8, \$71.0 and \$59.3 million for Fiscal 1995, 1994 and 1993, 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)

	1995	1994	1993	1992	1991
Selected Income Statement Data:					
Net Sales	\$7,075,442	\$6,110,521	\$4,538,001	\$3,846,418	\$3,056,247
Net Earnings	226,027	223,560	131,786	84,720	6,487
Earnings Per Share-Full Dilution	1.36	1.39	.89	.58	.04
Cash Dividends Per Share	\$.19	\$.18	\$.16	\$.14	\$.14
Selected Balance Sheet Data:					
Total Assets	\$3,556,386	\$3,105,992	\$2,201,648	\$1,608,877	\$1,441,228
Long-term Debt, Including Current Maturities	\$ 880,310	\$ 708,097	\$ 641,880	\$ 335,283	\$ 131,350
Selected Quarterly Data (Unaudited)*					
Three Months Ended	January 31	October 31	July 31	April 30	
Fiscal 1995					
Net Sales	\$1,696,702	\$1,765,992	\$1,978,058	\$1,634,690	
Gross Margin	418,622	428,943	493,572	422,110	
Net Earnings	38,175	43,919	85,007	58,926	
Earnings Per Share - Full Dilution	\$.23	\$.27	\$.51	\$.36	
Fiscal 1994					
Net Sales	\$1,487,489	\$1,579,005	\$1,647,019	\$1,397,008	
Gross Margin	391,130	381,146	403,560	336,708	
Net Earnings	46,265	54,191	71,351	51,753	
Earnings Per Share - Full Dilution	\$.28	\$.33	\$.45	\$.34	
Fiscal 1993					
Net Sales	\$1,145,828	\$1,158,370	\$1,241,691	\$ 992,112	
Gross Margin	279,017	275,620	292,480	234,167	
Net Earnings	25,733	31,645	44,960	29,448	
Earnings Per Share - Full Dilution	\$.17	\$.21	\$.31	\$.20	

*** LIFO Adjustment:**

Fiscal 1995 - The total LIFO effect for the year was a charge of \$8.3 million. A charge of \$10.8 million was made against earnings through the first nine months, resulting in a fourth quarter credit of \$2.5 million.

Fiscal 1994 - The total LIFO effect for the year was a charge of \$4 million. A charge of \$9.5 million was made against earnings through the first nine months, resulting in a fourth quarter credit of \$9.1 million.

Fiscal 1993 - The total LIFO effect for the year was a charge of \$15.5 million. A charge of \$10.3 million was made against earnings through the first nine months, resulting in a fourth quarter charge of \$5.2 million.

Stock Performance

Lowe's Quarterly Stock Price Range and Cash Dividend Payment

	Fiscal 1995			Fiscal 1994			Fiscal 1993		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$38 7/8	\$27 1/2	\$.045	\$36 1/2	\$27 3/4	\$.040	\$17 11/16	\$13 5/16	\$.040
2nd Quarter	37 1/4	26	.045	37 3/4	30 1/2	.045	20	15	.040
3rd Quarter	37 7/8	26 1/4	.050	40 7/8	30	.045	24 11/16	18 3/8	.040
4th Quarter	\$34 7/8	\$27 7/8	\$.050	\$41 3/8	\$33 1/8	\$.045	\$31	\$23 3/16	\$.040

Source: The Wall Street Journal

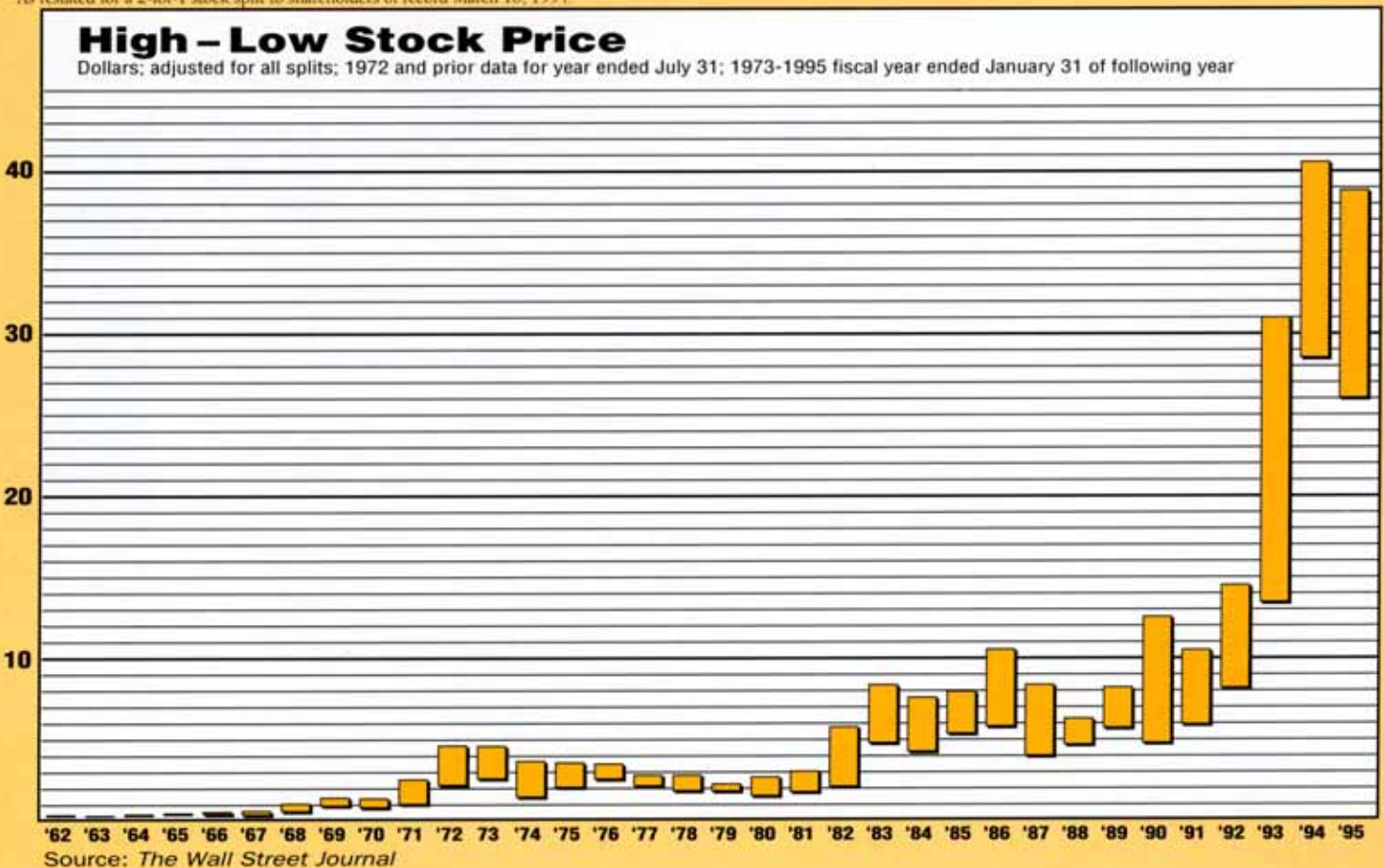
* As restated for a 2-for-1 stock split to shareholders of record March 16, 1994.

Monthly Stock Price and Trading Volume

	Fiscal 1995			Fiscal 1994		
	High	Low	Shares Traded	High	Low	Shares Traded
February	\$38 7/8	\$33 1/2	11,795,700	\$33 5/16	\$27 3/4	14,331,000
March	34 5/8	31 1/4	16,022,200	34 9/16	31 3/8	16,412,600
April	35 3/4	27 1/2	19,984,000	36 1/2	29 7/8	9,693,600
May	30 3/8	26 1/8	20,533,900	37 3/4	30 1/2	13,487,600
June	30	26	19,802,000	35 5/8	31 1/4	15,486,600
July	37 1/4	29 3/4	19,425,000	36 5/8	33 7/8	8,854,000
August	37 7/8	32 7/8	14,939,500	36 7/8	30	15,005,800
September	34 3/8	29 5/8	17,574,600	39 3/4	34 3/8	12,305,000
October	30	26 1/4	20,922,800	40 7/8	36 1/4	9,601,200
November	33	27 7/8	12,222,700	41 3/8	36 1/4	9,042,500
December	34 1/2	30 1/8	10,799,500	38 1/4	33 1/8	14,727,800
January	\$34 7/8	\$28 5/8	14,845,000	\$38 1/4	\$33 1/4	7,686,300

Source: The Wall Street Journal

* As restated for a 2-for-1 stock split to shareholders of record March 16, 1994.



Quarterly Review of Performance

Earnings Statement

Dollars in Thousands, Except Per Share Data

Quarter Ended	Fiscal 1995				Fiscal 1994			
	1/31/96	10/31/95	7/31/95	4/30/95	1/31/95	10/31/94	7/31/94	4/30/94
Net Sales	\$1,696,702	\$1,765,992	\$1,978,058	\$1,634,690	\$1,487,489	\$1,579,005	\$1,647,019	\$1,397,008
FIFO Gross Margin	416,076	432,455	498,293	424,673	382,055	382,972	406,587	341,365
LIFO (Charge) Credit	2,546	(3,512)	(4,721)	(2,563)	9,075	(1,826)	(3,027)	(4,657)
LIFO Gross Margin	418,622	428,943	493,572	422,110	391,130	381,146	403,560	336,708
Expenses:								
S,G & A	286,364	284,828	290,677	265,464	255,885	239,190	239,790	206,214
Store Opening Costs	13,275	16,322	11,438	8,591	15,362	10,628	7,345	7,392
Depreciation	42,363	38,867	35,811	32,970	30,823	28,661	26,174	23,989
Employee Retirement Plans	7,829	11,574	13,188	13,539	12,177	13,265	13,135	11,110
Interest	10,636	9,145	8,929	9,330	6,293	5,852	7,345	8,383
Total Expenses	360,467	360,736	360,043	329,894	320,540	297,596	293,789	257,088
Pre-Tax Earnings	58,155	68,207	133,529	92,216	70,590	83,550	109,771	79,620
Income Tax Provision	19,980	24,288	48,522	33,290	24,325	29,359	38,420	27,867
Net Earnings	38,175	43,919	85,007	58,926	46,265	54,191	71,351	51,753
Earnings Per Common & Common Equivalent Share	.24	.27	.53	.37	.29	.34	.47	.35
Earnings Per Common Share – Assuming Full Dilution	\$.23	\$.27	\$.51	\$.36	\$.28	\$.33	\$.45	\$.34

Earnings Statement Changes

Changes from Same Quarter Previous Year, to Nearest Tenth Percent

Quarter Ended	Fiscal 1995				Fiscal 1994			
	1/31/96	10/31/95	7/31/95	4/30/95	1/31/95	10/31/94	7/31/94	4/30/94
Net Sales	14.1%	11.8%	20.1%	17.0%	29.8%	36.3%	32.6%	40.8%
FIFO Gross Margin	8.9	12.9	22.6	24.4	34.4	37.4	37.3	43.6
LIFO (Charge) Credit	(71.9)	92.3	56.0	(45.0)	(273.3)	(40.4)	(18.6)	32.7
LIFO Gross Margin	7.0	12.5	22.3	25.4	40.2	38.3	38.0	43.8
Expenses:								
S,G & A	11.9	19.1	21.2	28.7	33.7	29.2	30.5	31.6
Store Opening Costs	(13.6)	53.6	55.7	16.2	22.1	47.3	12.7	152.4
Depreciation	37.4	35.6	36.8	37.4	39.2	41.7	34.3	28.4
Employee Retirement Plans	(35.7)	(12.7)	.4	21.9	56.5	24.5	23.6	26.2
Interest	69.0	56.3	21.6	11.3	3.6	21.1	107.2	119.2
Total Expenses	12.5	21.2	22.6	28.3	33.6	30.5	31.2	34.7
Pre-Tax Earnings	(17.6)	(18.4)	21.6	15.8	81.0	75.9	60.1	84.1
Income Tax Provision	(17.9)	(17.3)	26.3	19.5	83.3	85.0	62.9	101.8
Net Earnings	(17.5)	(19.0)	19.1	13.9	79.8	71.2	58.7	75.7
Earnings Per Common & Common Equivalent Share	(18.2)	(19.6)	13.3	5.6	66.7	58.9	53.2	73.8
Earnings Per Common Share – Assuming Full Dilution	(17.4%)	(18.9%)	13.2%	5.7%	62.6%	57.1%	47.4%	67.8%

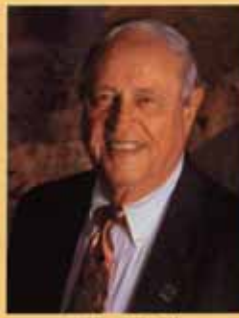
Earnings Statement Percentages

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

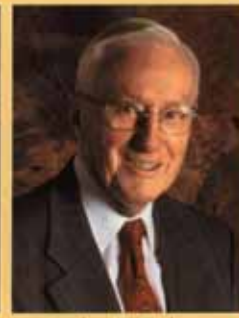
Quarter Ended	Fiscal 1995				Fiscal 1994			
	1/31/96	10/31/95	7/31/95	4/30/95	1/31/95	10/31/94	7/31/94	4/30/94
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FIFO Gross Margin	24.52	24.49	25.19	25.98	25.68	24.26	24.68	24.43
LIFO (Charge) Credit	.15	(.20)	(.24)	(.16)	.61	(.12)	(.18)	(.33)
LIFO Gross Margin	24.67	24.29	24.95	25.82	26.29	24.14	24.50	24.10
Expenses:								
S,G & A	16.88	16.13	14.69	16.23	17.20	15.15	14.55	14.75
Store Opening Costs	.78	.92	.58	.53	1.03	.67	.45	.53
Depreciation	2.49	2.20	1.81	2.02	2.07	1.82	1.59	1.72
Employee Retirement Plans	.46	.66	.67	.83	.82	.84	.80	.80
Interest	.63	.52	.45	.57	.42	.37	.45	.60
Total Expenses	21.24	20.43	18.20	20.18	21.54	18.85	17.84	18.40
Pre-Tax Earnings	3.43	3.86	6.75	5.64	4.75	5.29	6.66	5.70
Income Tax Provision	34.36	35.61	36.34	36.10	34.46	35.14	35.00	35.00
Net Earnings	2.25%	2.49%	4.30%	3.60%	3.11%	3.43%	4.33%	3.70%



William A. Andres



John M. Belk



Gordon E. Cadwgan



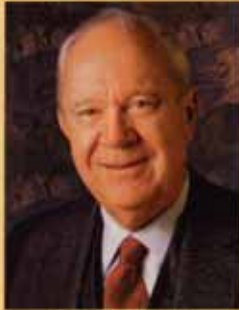
Carol A. Farmer



Leonard G. Herring



Petro Kulynych



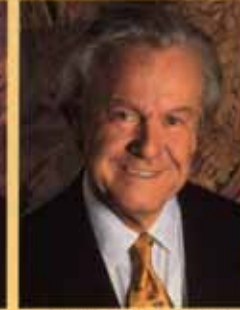
Russell B. Long



Claudine B. Malone



Robert G. Schwartz



Robert L. Strickland



Robert L. Tillman

Lowe's Board of Directors

William A. Andres

Director since 1986, age 69. Chairman of Governance Committee, Member of Compensation Committee and Executive Committee of the Company. Previously Chairman of the Board and Chief Executive Officer (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; Hannaford Bros., Scarborough, Me., since 1986.

John M. Belk

Director since 1986, age 76. Member of Audit Committee, Compensation Committee and Governance Committee 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 82. Chairman of Audit Committee, Member of Compensation Committee and Governance Committee of the Company. Cadwgan Associates, Inc. (Trustee and Financial Consultant), affiliated with Tucker Anthony, Inc., Boston, Mass., since 1979. Other directorships: Third Century Fund, Inc., Providence, R.I., since 1981.

Carol A. Farmer

Director since 1994, age 51. Member of Audit Committee, Governance Committee and Government/Legal Affairs Committee of the Company. President, Carol Farmer Associates, Inc. (Trend Forecasting and Consulting), Boca Raton, Fla., since 1985. Other directorships: The Sports Authority, Inc., Ft. Lauderdale, Fla., since 1995.

Leonard G. Herring

Director since 1956, age 68. President and Chief Executive Officer since 1978, Member of Executive Committee and Government/Legal Affairs Committee of the Company. Other directorships: First Union Corporation, Charlotte, N.C., since 1986.

Petro Kulynych

Director since 1952, age 74. Member of Audit 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.

Russell B. Long

Director since 1987, age 77. Chairman of Government/Legal Affairs Committee, Member of Compensation Committee and Governance Committee of the Company. Partner, Long Law Firm (Attorneys-at-Law), Washington, D.C., since 1988. Other directorships: Catalyst Vidalia Corp., Vidalia, La., since 1989. Other: Member of Advisory Board, Metropolitan Life Insurance Company, New York, N.Y. since 1992; United States Senator 1948-1987; Member, Senate Finance Committee 1952-1987 (Chairman 1965-1981).

Claudine B. Malone

Director since 1995, age 59. Member of Audit Committee, Governance Committee and Government/Legal Affairs Committee of the Company. President, Financial & Management Consulting, Inc., McLean, Va., since 1984. Other directorships: Chairman, Federal Reserve Bank, Richmond, Va., since 1996 (Member since 1994); Dell Computer Corporation, Austin, Tex., since 1993; Hannaford Brothers, Scarborough, Me., since 1991; Hasbro, Inc., Pawtucket, R.I., since 1992; Houghton Mifflin, Boston, Mass., since 1982; LaFarge Corporation, Reston, Va., since 1994; The Limited, Inc., Columbus, Oh., since 1982; Mallinckrodt Group Inc., St. Louis, Mo., since 1994; Penn Mutual Life Insurance Company, Philadelphia, Pa., since 1978; SAIC-Science Applications International Corporation, San Diego, Calif., since 1993; Union Pacific Resources Corporation, Fort Worth, Tex., since 1995.

Robert G. Schwartz

Director since 1973, age 68. Chairman of Compensation Committee, Member of Audit Committee and Governance Committee of the Company. Director of Metropolitan Life Insurance Company, New York, N.Y., since 1980, having previously served as Chairman of the Board (1983-1993), President and Chief Executive Officer (1989-1993) of that company. (Mr. Schwartz retired in March, 1993.) Other directorships: Potlatch Corporation, San Francisco, Calif., since 1973; Comsat 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; Lone Star Industries, Inc., Stamford, Conn., since 1994; Ascent Entertainment Group, Inc., Denver, Colo., since 1995.

Robert L. Strickland

Director since 1961, age 65. Chairman of the Board since 1978, Chairman of Executive Committee and Member of Government/Legal Affairs Committee of the Company. Other directorships: Deputy Chairman, Federal Reserve Bank, Richmond, Va., since 1996; T. Rowe Price Associates, Inc., Baltimore, Md., since 1991; Hannaford Bros., Scarborough, Me., since 1994.

Robert L. Tillman

Director since 1994, age 52. Senior Executive Vice President and Chief Operating Officer of the Company since 1994, having previously served as Executive Vice President – Merchandising (1991-1994), Member of Executive Committee and Government/Legal Affairs Committee of the Company. Other directorships: Wachovia Bank of North Carolina, N.A., Winston-Salem, N.C., since 1994; Home Center Institute, Chicago, Ill., since 1994.

Lowe's Leadership

Executive Officers and Management

Gregory M. Bridgeford – Senior Vice President and General Merchandise Manager

J. Gregory Dodge – Senior Vice President, Real Estate/Engineering & Construction

Richard D. Elledge – Senior Vice President, Chief Accounting Officer and Assistant Secretary

Lee Herring – Senior Vice President, Logistics

Leonard G. Herring – President and Chief Executive Officer

William L. Irons – Senior Vice President, Management Information Services

W. Cliff Oxford – Senior Vice President, Corporate and Human Development

Dale C. Pond – Senior Vice President, Marketing

Larry D. Stone – Executive Vice President, Store Operations

Robert L. Strickland – Chairman of the Board

Robert L. Tillman – Senior Executive Vice President and Chief Operating Officer

William C. Warden, Jr. – Executive Vice President, General Counsel, Secretary and Chief Administrative Officer

Gregory J. Wessling – Senior Vice President and General Merchandise Manager

Corporate Officers, Regional Staff and Departmental Management

Frank A. Beam – Regional Vice President

Kevin D. Bennett – Senior Corporate Counsel and Assistant Secretary

Kenneth W. Black, Jr. – Contoller

Douglas L. Bowen – Vice President, Contractor Yards

Nick Canter – Regional Vice President

Jeffrey E. Gray – Senior Corporate Counsel and Assistant Secretary

R. Vaughn Hayes – Vice President, Store Planning

Duane E. Hiemenz – Regional Vice President

Perry G. Jennings – Vice President, Human Resources

Arnold N. Lakey – Vice President, Credit Management

W. Nathan Mitchell – Assistant Secretary, Senior Director of Accounting

Kenneth A. Neal – Assistant Treasurer

James C. Neustadt – Vice President, Advertising

Robert G. Oberosler – Vice President, Loss Prevention and Safety

William D. Pelon – Regional Vice President

Edward C. Seemann – Vice President, Systems Development

David E. Shelton – Vice President, Sales Operations

Robert D. Skees – Vice President, Internal Audit

John W. Vining, Jr. – Vice President, Administration

William L. White – Regional Vice President

Karen R. Worley – Assistant Controller

35-Year Review

LIFO accounting

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

	5-Year CGR	Fiscal 1995	Fiscal 1994	Fiscal 1993	Fiscal 1992	Fiscal 1991
Stores and People						
1 Number of Stores	3.4%	365	336	311	303	306
2 Square Footage	27.7	23,945,111	18,604,368	14,174,889	9,975,537	8,016,136
3 Number of Employees	23.4	44,546	37,555	28,843	21,269	18,368
4 Customers Served (Thousands)	22.1%	146,957	122,847	92,932	80,461	64,284
5 Average Customer Purchase		\$48.15	\$49.74	\$48.83	\$47.80	\$47.54
Comparative Income Statement (Thousands)						
6 Total Sales	20.1%	\$7,075,442	\$6,110,521	\$4,538,001	\$3,846,418	\$3,056,247
7 Depreciation	23.9	150,011	109,647	80,530	69,820	58,298
8 LIFO Credit (Charge)	NM	(8,250)	(435)	(15,524)	(9,514)	(5,979)
9 Store Restructuring	—	—	—	—	—	71,288
10 Operating Income ¹	26.1	540,158	481,051	297,132	211,311	80,187
11 Pre-Tax Earnings ²	28.6	352,107	343,531	198,324	125,892	4,951
12 Taxes on Income	34.0	126,080	119,971	66,538	41,172	(1,536)
13 Net Earnings	26.0	226,027	223,560	131,786	84,720	6,487
14 Cash Dividends Paid	9.5	30,471	27,433	23,571	21,153	20,020
15 Earnings Retained	30.5%	\$ 195,556	\$ 196,127	\$ 107,731	\$ 63,554	\$ (13,533)
Dollars Per Share (Weighted Average Number of Shares)						
16 Sales	18.3%	\$44.10	\$39.44	\$30.79	\$26.32	\$20.93
17 Earnings	24.2	1.41	1.44	.89	.58	.04
18 Cash Dividends	7.9	.19	.18	.16	.14	.14
19 Earnings Retained	28.5	1.22	1.27	.73	.43	NM
20 Shareholders' Equity	17.6%	\$10.33	\$ 9.16	\$ 5.93	\$ 5.02	\$ 4.58
Strategic Profit Model³						
21 Asset Turnover (Sales Per Asset Dollar)		\$ 2.28	\$ 2.78	\$ 2.82	\$ 2.67	\$ 2.54
22 Return on Sales (Net Earnings as Percent of Sales)		× 3.20%	× 3.66%	× 2.90%	× 2.20%	× .21%
23 Return on Assets		= 7.28%	=10.15%	= 8.19%	= 5.88%	= .54%
24 Leverage Factor (Asset Dollars Per Equity Dollar)		× 2.19	× 2.52	× 2.19	× 2.16	× 1.76
25 Return on Shareholders' Equity		=15.92%	=25.59%	=17.97%	=12.67%	= .95%
Comparative Balance Sheet (Thousands)						
26 Total Current Assets	21.1%	\$1,603,684	\$1,557,168	\$1,083,907	\$ 745,554	\$ 770,078
27 Cash and Short-Term Investments	27.9	171,297	268,474	108,468	54,849	30,814
28 Accounts Receivable — Net	3.3	113,483	109,214	48,500	53,288	115,739
29 Inventories (Lower of Cost or Market)	22.4	1,267,077	1,132,282	853,707	594,195	602,795
30 Other Current Assets	29.0	32,659	29,069	60,932	34,710	14,275
31 Fixed Assets	28.0	1,858,274	1,397,713	1,020,234	787,197	612,955
32 Other Assets	3.4	53,369	67,652	57,099	52,856	46,845
33 Total Assets	24.2	3,556,386	3,105,992	2,201,648	1,608,877	1,441,228
34 Total Current Liabilities	23.0	949,931	945,893	681,176	499,634	588,951
35 Accounts Payable	28.5	655,399	675,436	467,278	330,584	307,814
36 Other Current Liabilities	27.7	151,494	134,335	81,765	72,626	61,400
37 Long-Term Debt (Excluding Current Portion)	40.3	866,183	681,184	592,333	313,562	113,650
38 Total Liabilities	29.6	1,899,671	1,686,102	1,327,979	875,657	772,674
39 Shareholders' Equity	19.4%	\$1,656,715	\$1,419,890	\$ 873,669	\$ 733,220	\$ 668,554
40 Equity/Long-Term Debt (Excluding Current)		1.91	2.08	1.47	2.34	5.88
41 Year-End Leverage Factor: Assets/Equity		2.15	2.19	2.52	2.19	2.16
Shareholders, Shares and Book Value						
42 Shareholders of Record, Year-End		11,299	9,765	7,470	7,257	6,216
43 Shares Outstanding, Year-End (Thousands) ⁴		160,918	159,527	147,886	145,946	145,760
44 Weighted Average Shares, Year-End (Thousands)		160,453	154,926	147,398	146,152	146,052
45 Book Value		\$10.30	\$ 8.90	\$ 5.91	\$ 5.02	\$ 4.59
Stock Price During Year⁵						
46 High (Adjusted for Stock Splits)		\$38.88	\$41.38	\$31.00	\$14.38	\$10.35
47 Low (Adjusted for Stock Splits)		\$26.00	\$27.75	\$13.32	\$ 8.00	\$ 5.75
48 Closing Price December 31		\$33.50	\$34.75	\$29.75	\$12.07	\$ 8.53
Price Earnings Ratio						
49 High		28	29	35	25	233
50 Low		18	19	15	14	129

Supplemental Information
FIFO accounting

Base Year Fiscal 1990	Fiscal 1984	Fiscal 1980	Fiscal 1977	Fiscal 1970	Fiscal 1961	
309	248	214	175	64	15	1
7,061,925	2,980,000	1,998,239	1,570,000	379,653	71,680	2
15,556	10,727	5,950	5,274	1,670	399	3
54,142	23,938	11,376	8,224	2,729	651	4
\$52.33	\$70.55	\$77.67	\$72.27	\$47.09	\$47.85	5
\$2,833,108	\$1,688,738	\$883,614	\$594,358	\$128,491	\$31,128	6
51,431	14,805	10,320	6,212	1,221	133	7
688	2,686	(6,686)	—	—	—	8
—	—	—	—	—	—	9
169,101	136,195	50,800	52,856	11,487	2,185	10
100,251	119,076	36,277	42,487	9,938	1,890	11
29,164	57,633	17,386	21,056	5,068	956	12
71,087	61,443	18,891	21,431	4,870	934	13
19,334	11,600	7,813	2,735	844	102	14
\$ 51,753	\$ 49,843	\$ 11,078	\$ 18,696	\$ 4,026	\$ 832	15
\$19.03	\$11.65	\$6.79	\$4.56	\$1.02	\$.26	16
.48	.42	.15	.16	.04	.01	17
.13	.08	.06	.02	.01	—	18
.35	.34	.09	.14	.03	.01	19
\$ 4.59	\$ 2.35	\$1.30	\$.87	\$.20	\$.04	20
\$ 2.47	\$ 3.24	\$ 2.95	\$ 3.01	\$ 3.09	\$ 3.32	21
× 2.51%	× 3.64%	× 2.14%	× 3.61%	× 3.79%	× 3.00%	22
= 6.20%	= 11.79%	= 6.31%	= 10.84%	= 11.72%	= 9.96%	23
× 1.78	× 1.79	× 1.90	× 2.10	× 1.99	× 2.57	24
= 11.01%	= 21.10%	= 11.99%	= 22.71%	= 23.34%	= 25.60%	25
\$ 616,461	\$432,370	\$209,756	\$186,198	\$38,878	\$9,305	26
50,144	84,204	15,567	13,324	4,658	1,299	27
96,354	97,319	68,172	76,162	14,887	3,108	28
460,804	248,268	125,104	96,164	19,040	4,801	29
9,159	2,579	913	548	293	97	30
541,464	195,237	91,399	60,210	10,390	1,229	31
45,127	6,501	573	401	148	1,301	32
1,203,052	634,108	301,728	246,809	49,416	11,835	33
337,676	189,418	80,781	87,709	21,212	4,922	34
186,860	125,003	52,003	60,324	15,178	3,187	35
44,578	64,415	28,778	27,385	6,034	1,735	36
159,204	92,488	51,929	46,244	3,315	1,791	37
520,380	292,760	132,710	133,953	24,527	6,792	38
\$ 682,672	\$341,348	\$169,018	\$112,857	\$24,889	\$5,043	39
4.29	3.69	3.25	2.44	7.51	2.81	40
1.76	1.86	1.79	2.19	1.99	2.35	41
6,261	6,372	4,620	4,588	2,117	—	42
145,838	144,992	130,220	130,220	126,232	120,000	43
148,856	144,992	130,220	130,220	126,232	120,000	44
\$ 4.68	\$ 2.35	\$ 1.30	\$.87	\$.20	\$.04	45
\$12.41	\$ 7.41	\$ 2.49	\$ 3.28	\$ 1.16	—	46
\$ 4.60	\$ 4.07	\$ 1.34	\$ 2.18	\$.62	—	47
\$ 6.13	\$ 6.19	\$ 1.89	\$ 3.00	\$ 1.03	—	48
26	17	17	20	31	—	49
10	10	9	13	16	—	50

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 33 1/3% 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).
- A 2-for-1 stock split, effective April 4, 1994.

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
1993 - 1,696,000 common shares issued to ESOP
June 27, 1994 - 10.35 million common shares sold in public issuance
1994 - 922,000 common shares issued to ESOP
190,000 common shares issued in restricted stock awards
8,000 common shares from 3% convertible notes
4,000 common shares issued to directors
1995 - 1,182,000 common shares issued to ESOP
104,000 common shares issued in restricted stock awards
97,000 common shares from 3% convertible notes
4,000 common shares issued to directors
- Ongoing employee option transactions.
- ⁵ Stock price source: *The Wall Street Journal*
NM = not meaningful
CGR = compound growth rate

Investor Information

Stock Transfer Agent & Registrar

Wachovia Bank of North Carolina, N.A.
P.O. Box 3001
Winston-Salem, NC 27102
Information contact:
Christopher A. Spillare
(910) 770-5822 or (800) 633-4236

Dividend Disbursing Agent

Wachovia Bank of North Carolina, N.A.
P.O. Box 3001
Winston-Salem, NC 27102
Information contact:
Virginia C. Lakey
(910) 770-6116 or (800) 633-4236

Dividend Reinvesting Agent

Wachovia Bank of North Carolina, N.A.
P.O. Box 3001
Winston-Salem, NC 27102
Information contact:
Deborah N. Keaton
(910) 770-4402 or (800) 633-4236

Dividend Policy

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

Dividend Declaration Dates

Usually the middle of April, July, October and January

Dividend Payment Dates

Usually the last of April, July, October and January

Lowe's Telephone Numbers

Telephone (910) 651-4000
FAX (910) 651-4766

Lowe's Addresses

Mailing: P.O. Box 1111, North Wilkesboro, NC 28656
Street: State Highway 268 East (Elkin Highway)
North Wilkesboro, NC 28659
E-Mail: webeditor@lowes.com
Web: <http://www.lowes.com>

Annual Meeting Date

May 31, 1996 at 10:00 AM, Lowe's Corporate Offices

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
London Stock Exchange
Old Broad Street
London, ECN1HP England

General Counsel

William C. Warden, Jr.
Executive Vice President, Chief Administrative Officer
(910) 651-4497

Certified Public Accountants

Deloitte & Touche LLP
1100 Carillon
Charlotte, NC 28202
(704) 372-3560

Shareholder Services

Shareholders' and security analysts' inquiries should be directed to:

Clarissa S. Felts – Director Investor Research
(910) 651-4254
T. Carson Anderson, IV – Manager Investor Relations
(910) 651-4385

For copies of financial information:
(910) 651-4703

Lowe's Profile

Lowe's Companies, Inc. is the world's second largest home improvement retailer, serving the do-it-yourself home improvement, home decor, home electronics, and home construction markets.

Lowe's 365 stores serve customers in 23 states located mainly in the East. In 1995 our average store did \$19.9 million in sales. Our big stores averaged \$23.4 million in sales.

At year-end, our retail sales space totaled approximately 24 million square feet. Our employees numbered 44,546.

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

LOWE'S
Companies, Inc.

PO Box 1111, North Wilkesboro, NC 28656
(910) 651-4000