This is your copy of our 1982 Annual Report.

We reached our long-sought sales goal of $1 billion.

Our earnings hit record highs, too.

It was our best year in what could be called "interesting" times.

Please fill out the questionnaire on the back.

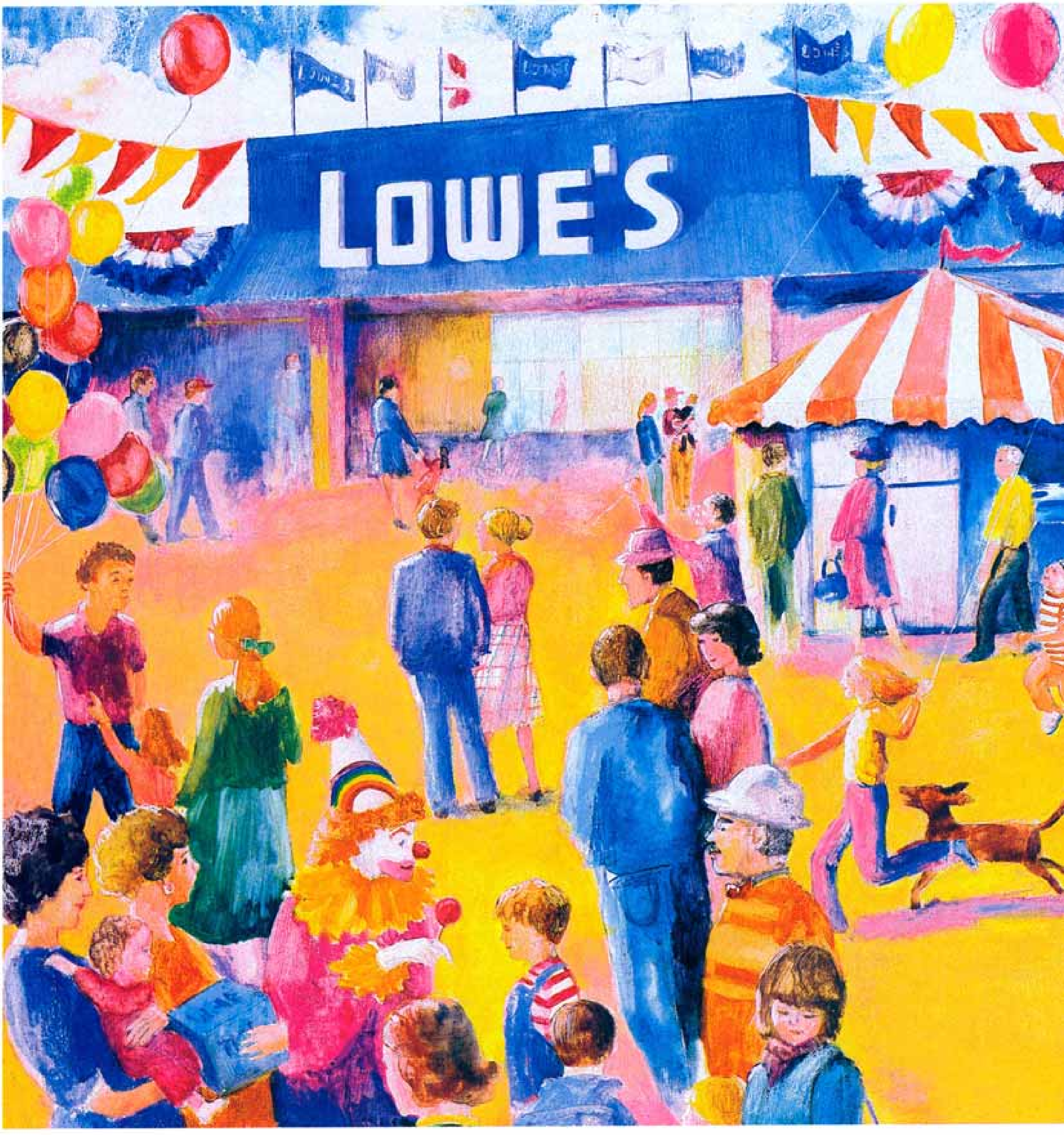
Thanks!

from all of us at Lowe's.

Lowe's '82

LOWE'S COMPANIES, INC.

INVESTORS' REVIEW—1982




LOWE'S

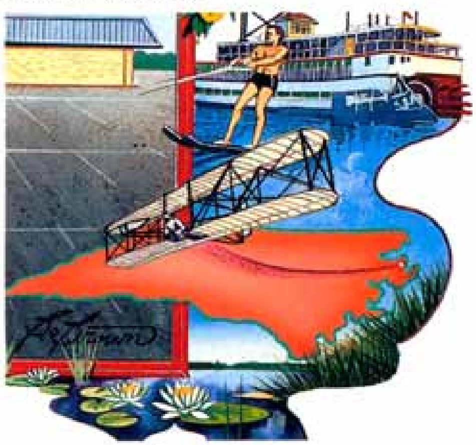
Highlights

YEAR IN REVIEW

LOWE'S SALES exceeded $1 billion for the first time and earnings reached a record high in 1982. The most dramatic change in the performance measurements was in the share price which improved 129%.

This performance outstripped such reliable and followed indexes as the Dow-Jones, the S&P 500, the Value Line Composite, and the Wilshire 5000. It also exceeded the performance of every major international stock market.

Lowe's also performed very well in a tough economic climate against a host of fine competitive retailers in similar or related businesses.



LOWE'S STORES are predominantly located in the eastern end of America's Sun Belt. The 235 stores, now in 19 states, contain more than 2.3 million square feet of retail selling space. Plans for three different kinds of new stores, to broaden our ability to serve our markets—present and intended—have been announced.

An increase of at least 10% in square footage (between 200,000 and 300,000 square feet) is expected in Fiscal '83. Much of this will come from dramatic increases in several existing stores, one of the most cost-effective ways to expand.

LOWE'S RETAIL sales-per-square-foot rose last year to $250 from $225 in 1981 and $193 five years earlier clearly indicative of our ability not only to row upstream but in difficult waters.

Sales to professional customers per-available-housing-start rose to $436 last year from 1980's level of $356 and from '78's level of $207. That's a sensational performance considering housing starts in 1978 were 2 million, in 1980 were 1.3 million and last year were barely 1 million.

Lowe's older stores, the 124 built and opened in 1974 and earlier, beat the chain average of $4.4 million in sales per store. These contained a large number outfitted with the RSVP sales floor.

RETAIL SALES at Lowe's, reaching 55% of the total, became the driving force in the Company's dramatic growth in 1982—one of the worst years for housing and retailing since the 1930s.

Steady increases, with positive monthly retail comparisons in 11 of the months, propelled the Company to its sales record of $1.04 billion—fulfilling a 20-year dream. Professional customer sales were positive in the second six months of the year and closed with startlingly high percentage gains, despite the fact that housing starts were sluggish the entire year.

Retail business at Lowe's is fueled by the D-I-Y handyman and the professional business relies increasingly on a growing group of customers other than pure homebuilders.

Company Profile

Lowe's Companies, Inc. is a specialty retailer of building materials and related products for the home construction and home remodeling markets. Lowe's has been a publicly owned company since October 10, 1961. Its stock has been listed on the New York Stock Exchange since December 19, 1979, on the Pacific Stock Exchange since January 26, 1981, and on The Stock Exchange (London) since October 6, 1981. The stock is listed under the ticker symbol of LOW.

Lowe's presently operates a total of 235 retail stores in 19 states, located principally in the South Atlantic and South Central regions of the United States. Each store combines the merchandise, service and functions of a lumber yard, a building materials supplier, an air conditioning, heating, plumbing and electrical supply center, a hardware store, an appliance and home electronics dealer, a hard goods discounter, and a professional marketing company. Merchandise items, many of which are nationally advertised brand names, are counted in stock keeping units which currently number 15,000. The typical store stocks ap-

LOWE'S CUSTOMERS determine what we sell them. Last year the dollar volume—51.5%—was in products in the structural lumber and building products categories. But the growth in sales of these was significantly off and accounted for the two lowest compound growth rates in all of Lowe's product categories.

Significant increases were measured in those products more often sold to the D-I-Y homeowner. For example, home decorating items were up 27%, home entertainment was up 46.5% and yard and patio items were up 24%. These are among the central product categories benefiting from RSVP strategy. Also significant is that these carry higher margin opportunity than those which help enclose new space such as lumber.

LOWE'S CARRIES 15,000 different products, 10,000 of which are in each of our 235 stores. In-stock status is currently running 95%.

Using a perpetual, near-real-time inventory status system, linked from stores to the general office with Accusale terminals and computers, buyers are never more than 24 hours from the reality of stock status.

Sixty percent of our retail products go through our distribution warehouses in North Carolina and Mississippi and are distributed daily to the stores via 56 tractors and 188 trailers which made 10,000 deliveries last year covering 5.5 million route miles.

More than 5,600 Lowe's items are automatically replenished by the automatic inventory system which also locates items within the warehouse and schedules sequential loading of trucks and even plots maximum performance routes.

LOWE'S SALES, pricing and inventory system, Accusale, today literally is the Company's mechanical heart. Operating around-the-clock every day in the year, this system links two IBM mainframes to 235 Data General mini-computers in the stores and to 618 printers and 2,480 in-store terminals.

It does such diverse jobs as maintaining "company firm" prices on all products and figures each salesman's commission on each item he or she sells on each sale made.

It's one of retailing's most successful—and most emulated systems.

RECENT MODIFICATIONS in Lowe's sales organization structure are designed to increase flexibility by managers and field supervisory staff and to build a logical, effective and geographically-sound system for future growth.

Efforts are underway to reduce field units to a maximum of 15 per supervisor and to cut travel distances to 150 miles so weekly store visits can be made. It's a plan for the future in a company planning its future.

COMPETITION IN the retailing of building materials is highly fragmented in the United States. Lowe's, the largest retailer in this sector of retailing, does 2% of the estimated $50 billion in sales.

In the discount retailing sector, also estimated at $50 billion in annual sales, the largest company—K mart—does 33%.

Even the 25 largest in our business did only 44.5% of the total business.

We believe this is ample space to grow at almost any rate we choose. We call it Lowe's "concentration of opportunity."

proximately 10,000 of these. These items are sold to two major customer groups—Retail Customers and Professional Customers—within the same store facility. The average store in Fiscal 1982 did $4.4 million in business of which 55% was to the Retail Customer and 45% to the Professional Customer. The company employed 7,080 persons or an average of 30.1 per store at the end of the fiscal year.

Lowe's general office is located in North Wilkesboro, N.C.

About the Cover

Symbolic of "Happy days are here again," our cover, painted by Melanie Winsten of New York, is her impression of the vibrance and vitality of a Lowe's store opening. We think it's a great proxy for the feeling inside and outside the company for the way our national economy has turned around. Together with all the happy folks pictured on the cover we are quite confident about the future and especially about 1983. We hope you enjoy the rest of this Annual Report.

Lowe's '82

CONTENTS

Credits

Primary All Lowe's People, Past and Present ***Theme and Content*** Bill Brantley and Bob Strickland ***Design*** Peter J. Stone, Boston, Mass. ***Writer*** Bill Brantley ***Data Collection and Analysis*** Henry Roemer.

Cover art Melanie W. Winsten, Olivebridge, N. Y. ***Other art*** Jeffrey Adams, New York City; Bob Brown, New York City; Bill Farnsworth, New Milford, Conn.; Ken Joudrey, New York City; Michael Kane, Westfield, N. J.; Steve Miller, Long Island City, N. Y.; Ezra Tucker, Kansas City, Mo.; Jon Weiman, New York City; and Melanie W. Winsten, Olivebridge, N. Y.; and the Bettmann Archive, New York City.

Proofreading Pat Anderson, Bill Brantley, Gregory Bridgeford, Lyn Church, Grier Killough of Deloitte Haskins & Sells, Gary Meares, Sally Mills, Jack Patterson, Frances Pennell, Irene Phillips, Henry Roemer, Tom Smith, and Debbie Turner.
Grammarian Ann Stringfield.

Index Joan Lewis. ***Printing Coordination and Production*** Matt Phelan and Billy Glover.

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LOWE'S
Companies, Inc.
BOX 1111, NORTH WILKESBORO, N.C. 28656
919 667-3111

May 10, 1983

Dear Investor:

This letter is more gratifying to write than have been those of the last two years. Regardless of when economists finally decide if and when a national economic recovery actually began, there can be no doubt when a powerful recovery was launched by Lowe's. We call it Fiscal 1982, our first billion dollar year.

Now, for the year, and for the record, here's how we did. Because we've split the stock, five shares for three, since the fiscal year ended, we'll state these key results both ways:

	Change	Fiscal 1982	Fiscal 1981
Sales			
Retail	+24%	$ 570,744,000	$461,212,000
Professional	+ 9%	463,288,000	426,830,000
Total	+16%	$1,034,032,000	$888,042,000
Net Earnings	+41%	$ 25,131,000	$ 17,859,000
Cash Dividends	+ 5%	$ 9,800,000	$ 9,376,000
Earnings per share pre-split (20,000,000 shares)	+36%	$ 1.26	$ .91
Earnings per share post-split (33,333,333 shares)	+36%	$ .75	$ .55

In our 1982 results presented above, the dollar totals of our retail sales, our net earnings, and our cash dividend payout reflect all-time highs for Lowe's.

In last year's annual report to you, we stated our belief that "our performance, and that of other retailers in the 1980s, will be judged by a new criterion which we call Competitive Profitability, that dynamic happening when a company increases market share and simultaneously attains higher gross margin on sales. We did that last year and expect to do it again in 1983. We believe Competitive Profitability will be the hallmark of well-run businesses in this decade." So we are glad to report continued progress in this key criterion. A higher gross margin has been attained; from 23.3% in 1980, to 24.8% in 1981, to 25.3% in 1982, all on the LIFO basis. This is an 8.5% rate increase over the two years, and operating disciplines and merchandising strategies have helped us pass the first test of Competitive Profitability.

Crunched by high interest rates, new housing starts in the nation dropped from 1,994,000 in 1977 to 1,061,000 in 1982, a 53% decline. But our sales to builders and other professional customers have increased from $207 to $436 on a sales-per-national-start basis, for more than a double, during these same years. In the South, retail sales of lumber, building material, and hardware grew from $13 billion in 1977 to $17.3 billion in 1982. Our retail sales are up from $250 million in 1977 to $571 million in 1982. So Lowe's accounted for 1.9% of the total five years ago, and 3.3% last year, thus achieving a 74% gain in market share. So in both customer areas, we have passed the second test of Competitive Profitability.

How we accomplished this is the story of 1982. No real thanks to the housing industry are in order, for what has been projected for several months now is just coming to pass in actuality. The recovery in housing starts and its benefits to Lowe's will be measured in 1983 as part of what we anticipate will be a very good year. But last year, and a lot of what happens in 1983 and years to come, is a story of how we rowed upstream against some strong currents, how we responded to the challenge of becoming better merchants selling to the do-it-yourself home improvement market; and how we reoriented our traditional home builder sales effort to a broader, more professional approach.

The changing dynamics of sales and profitability for 1982 may best be understood by reviewing the sales trends per average Lowe's store, presented in the chart on page 14. Our professional sales efforts were able to stop the downward trend of professional sales per store and level them, effectively arresting the downside operating leverage of prior years. Thus when retail sales per store were increased by $320,000, this provided additional year-to-year operating income to drop to the bottom line.

Our retail sales continue to benefit from the program we call RSVP, for Retail Sales Volume and Profit. Although it began as a store remerchandising program, it is in reality, a Strategic Framework around which many other organizational improvements are rallying, and being successfully challenged to better performance. It has become a philosophy of improvement in virtually every department, so its key benefit has been to "retrofit" our minds as managers within the company.

Another significant event began in 1982 and concluded just after the new year began -- the sale of 1,750,000 new shares on February 1, 1983. This was the first time Lowe's has sold new shares on the open market and the results will have beneficial effects for years to come. The new shares were priced at $32 each, very near the all-time high price at that time. This means that we have approximately $54 million in new funds with which to grow and enhance the business of the company. The effective cost of this money was about 4% after tax, a significant saving from the prevailing interest rates of more than 12% at the time. Additionally, we used the opportunity to tell the Lowe's story to old and new investors in seven cities in North America and eight in Europe, in less than two weeks meeting with more than 700 professional investors. More than one-third of the new shares were placed in Europe and Canada, solid indication of the growing international interest in the company and its future.

When these new shares were added to our outstanding number and then split, we came to the number of 36,248,475 shares, which you will see this year in quarterly reports.

We now operate 235 stores in 19 states. Of these 137, representing more than 70% of our retail selling space, have been remerchandised with our new RSVP sales floors. We have developed a balanced, portfolio approach to stores and markets so that our response to different markets will be appropriate to their differing sizes, maturity, store presence and growth potential. This plan is discussed elsewhere in this report.

Additionally, throughout this annual you will find reports of improvements made or being put into place in the vital areas of inventory management, merchandising prowess, distribution and sales organization. You will note an additional change in this year's report from many of our previous ones -- it doesn't have so many words and it has a lot fewer numbers. We think all the essential numbers and words are still here, however, and we hope you like the change.

A few weeks ago Malcolm Forbes, publisher of the magazine bearing his name, quoted a restaurant-owner friend about why he did not despise a recession. "To tell the truth...it is a challenge and gives a good opportunity to check thoroughly our menus and cooking, to tighten the rein on those in the kitchen, from the chefs down to dishwashers and all the dining room attendants, and to give personnel incentives to work out the ways to improve on old methods and a host of other things we think we are too busy to bother with in seemingly good times." We agree! -- from the chefs to the dishwashers, as he put it.

We have used the time to do a lot of things -- many of which are bearing productivity gains already. It is with considerable pride that we point to a strong and conservative accounts receivable, bad debt management and gross margins. To some in this business, in recent years merely surviving was a major accomplishment. To us it was not enough. The Lowe's team has never been stronger and it is good that it is. The future is filled with challenge and great opportunity.

Patricia Coleman, editor of Building Supply News wrote recently, "To win in the coming years, retailers...will have to be swift. Damon Runyon once said, 'The race may not necessarily go to the swift, but they are the ones to put your money on if you're going to bet.'"

We deeply appreciate your support through this time of transition. We are optimistic that 1983 will be a year of robust growth in sales and earnings. We firmly intend to merit your continuing support.

Cordial good wishes,

Robert L. Strickland

Robert L. Strickland
Chairman of the Board

Leonard G. Herring

Leonard G. Herring
President and Chief Executive Officer

Shares Out-Gained Major World Indexes

While more interest-sensitive than we care for them to be and still more cyclical than we intend for them to be in the future, Lowe's shares out-performed every major U. S. stock index last year and out-performed every major stock market index in the world.

This was the third straight year that Lowe's shares performed better than the Dow-Jones 30 Industrial Average, that "grand-daddy" of indexes most-widely quoted and most-widely cherished by American investors. Last year the Dow was up 23.5%. Lowe's was up 128.6%. The performance of other American indexes is indicative of the truth that the beginning of the rally, set off in August last year, favored the Blue Chips more than the broad range of market issues. For example, the Standard & Poor's 500 was up only 20.7% and the even broader gauge of the entire market, the Wilshire 5000, rose 21%. The Value Line Composite, included here for the first time, rose 24.4%, saying something about why that service's stock picks is so popular with the average individual American investor.

The previous year all four had been shipping water with the performance under what it had been the previous year. At the same time Lowe's had been up 5%.

Pointing further to the validity of the theory that Lowe's shares tend to perform well against almost any broad-gauge measurement is that for the third year in a row Lowe's outperformed the indexes of the world's major stock markets.

In Fiscal 1980, the Italian and Singapore market had been better performing. In Fiscal 1981 only Japan's and the British market indexes out-performed Lowe's shares. In 1982 Lowe's clearly took the lead against all of these indexes with only the British and Swiss indexes coming close to even what the various American indexes were able to record. Part of this, no doubt, can be accounted for by the significant strength of the U. S. dollar, in the wake of the unprecedented and dramatic drop in U. S. rates of inflation and the prospects for a real and sustainable recovery. It also shows with graphic clarity that the American economy and its health is the most important factor in world economic health, a clear reason why American equities are in such vogue presently with investors anywhere money is free to flow to achieve maximum rates of return. The flow of commerce and capital across national boundaries as a historic fact is seldom better described than in *The Wheels of Commerce*, volume two of *Civilization & Capitalism, 15th-18th Century*, by the illustrious French social historian Fernand Braudel.

Lowe's Stock Price Performance vs Selected Indexes

Index	% Change 1-31-82 to 1-31-83	1-31-81 to 1-31-82	1-31-80 to 1-31-81
Lowe's Stock	+ 128.6%	+ 5.0%	+ 17.6%
Dow Jones 30 Average	+ 23.5%	− 8.0%	+ 8.2%
Standard and Poor's 500	+ 20.7%	− 7.1%	+ 13.0%
Value Line Composite	+ 24.4%	− 6.3%	+ 10.5%
Wilshire 5000	+ 21.0%	− 7.1%	+ 13.2%
Selected World Stock Market Indexes			
France	− .3%	− 6.9%	
Germany	+ 9.5%	+ 3.0%	
Hong Kong	− 37.4%	− 10.7%	
Italy	− 2.8%	− 10.3%	
Japan	+ 1.1%	+ 14.3%	
London	+ 7.4%	+ 24.3%	
NYSE	+ 20.7%	− 6.6%	
Singapore	− 2.8%	+ 9.3%	
Switzerland	+ 14.3%	− 12.1%	
Toronto	+ 13.7%	− 19.8%	

SOURCES: *The Economist, The Wall Street Journal, Value Line Investment Survey.*

1982 Monthly Averages—World Bourses

SOURCE: *The Economist*

Financial Highlights

(000s) Except Per Share And Percentages

	% Change	Fiscal 1982	Fiscal 1981
For the year			
Sales of products and services	+16%	**$1,034,032**	$888,042
Net earnings	+41%	**25,131**	17,859
Cash flow	+40%	**39,794**	28,381
At year-end			
Total capital invested	+28%	**$ 393,500**	$306,564
Shareholders' equity	+12%	**198,783**	177,501
Debt	+16%	**61,864**	53,280
Number of shares	+ 2%	**33,333**	32,555
Per share*			
Earnings	+37%	**$ .75**	$ .55
Dividends paid	+ 2%	**.29**	.29
Shareholders' equity—year-end	+ 9%	**5.96**	5.45
Cash flow	+37%	**$ 1.19**	$ .87
Measurements			
Asset turnover (Sales/asset dollar)		**3.37**	2.94
Return on sales (Earnings as % of sales)		**2.43**	2.01
Return on assets		**8.19**	5.92
Leverage factor (Asset dollars/equity dollars)		**1.73**	1.79
Return on equity		**14.16%**	10.57%
(1) FIFO Net earnings	+42%	**$ 25,956**	$ 18,326
FIFO Earnings per share*	+38%	**$ .78**	$ .56

(1) The Internal Revenue Service amended its LIFO conformity regulations on January 16, 1981, so that supplemental or explanatory disclosure by a LIFO taxpayer, of earnings on a basis other than historical LIFO cost, would not violate the Internal Revenue Code. In this regard, the supplemental information is shown above using the FIFO method of inventory accounting.

*To nearest whole cent. Change percentages calculated from unrounded amounts.

How Br'er Rabbit Done Give de Slip to Ol' Br'er Recession

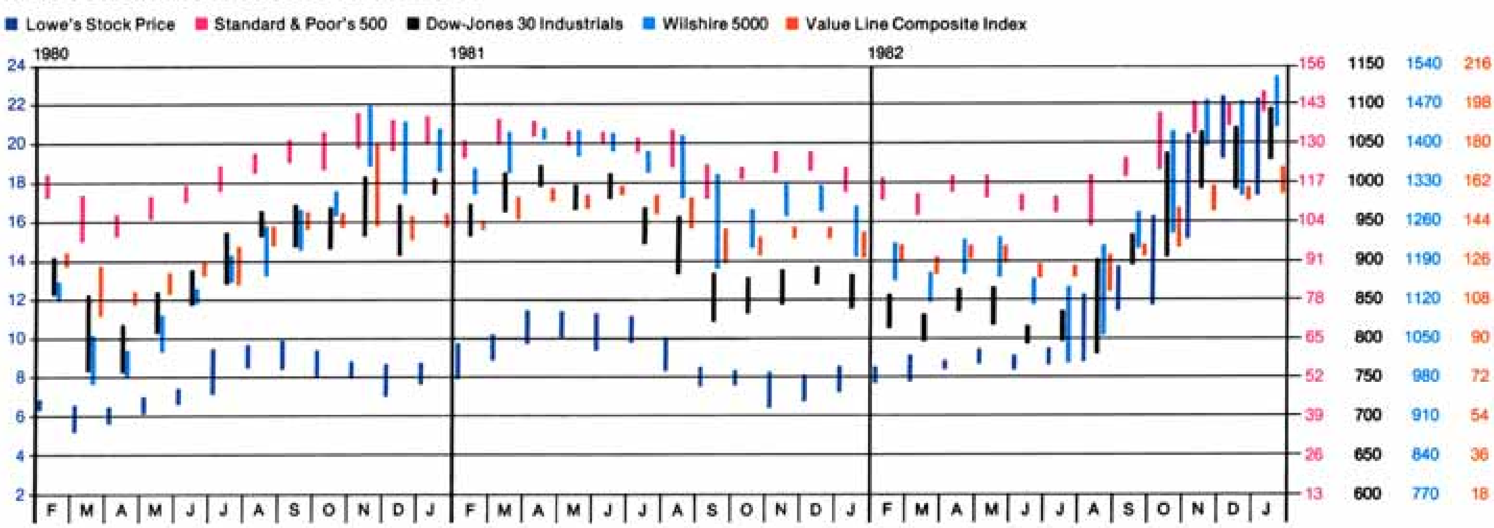
The flight from the market and the return in recent months is nothing new. Braudel points out ". . . one finds that the abandoned enterprise had ceased to be sufficiently profitable or safe, and that it had become advisable to invest elsewhere. As a merchant put it, 'better to stand idle than to labour in vain'. . ." Then Braudel writes, "There was not a town in Europe whose money did not spill out on to the neighbouring land."

America became Europe's laboratory of capitalism. "Europe had a fresh start in America: an immense opportunity. Here she could make a new beginning superimposing her own diversity on the diversity of the new continent." So too Lowe's has had the opportunity of place and the opportunity of time—to grow in less than a quarter-century from 15 stores doing $31 million in business with a market capitalization of about $20 million to today's 235 stores doing more than $1 billion in business and a market capitalization at the end of 1982 of $640 million. A very successful experiment in one part of this vast laboratory! ■

Courtesy, TIME Magazine, New York

Courtesy, The Economist, London

Lowe's Stock Price vs Selected Stock Indexes



SOURCES: *The Wall Street Journal* and respective indexes.

Other Equities Are Competition Once Again

Competition is simultaneously the most difficult thing to measure and the easiest thing to measure. Lowe's faces and meets competition in a variety of markets on a multitude of levels.

In one sense Lowe's competes for customers to buy the products we sell against a wide variety of other merchants in each community in which we operate. That fragmentation of competition is dealt with in a later portion of this Annual Report.

But in another sense Lowe's faces competition we sometimes don't even know about or readily recognize. That primarily is the competition Lowe's faces for the investment funds which tend to flow to retailers in general, hard goods retailers in particular; cyclical plays in particular, and broad recovery moves in general.

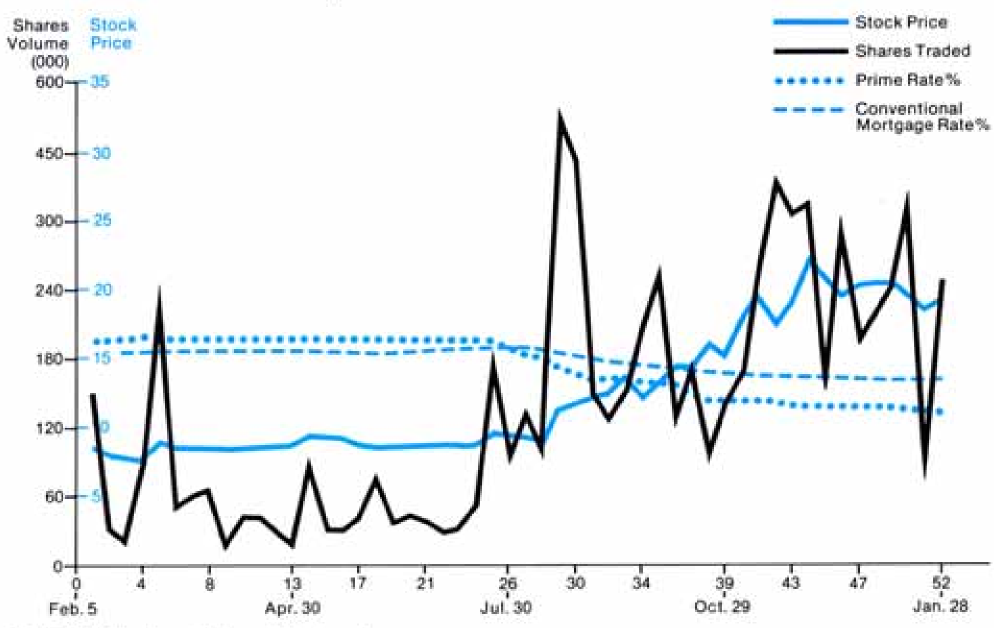
In a real sense Lowe's in the past several years has been competing with such diverse investments as stamps, art, furniture, Arabian horses and the like, which generally are regarded as objects to be acquired for their intrinsic value and satisfaction rather than as investments. The dramatic decreases in inflation have turned the investor's attention back to more conventional forms of capital formation and away from unconventional forms of capital protection. Thus the boom which was set off on Wall Street, heard around the world last August, and which continues at a nearly undiminished level.

Today Lowe's competitors are not the inverted airmail stamp of 1924 or even the St. Gaudens $20 gold piece, and certainly not a Shaker chair or a Meis van der Rohe chaise longue or a Jackson Pollock painting. Today the competitors more properly are called Payless Cashways, Dayton-Hudson, Penney, Tandy, Stanley Works and the dozens and dozens of well-managed companies in businesses similar to ours or the hundreds and hundreds in businesses dissimilar. Or the competition is in indexed funds and mutual funds and indexed futures and bonds and the like.

For many years Lowe's has measured itself in these Annual Reports against a band of hardy and progressive merchants in similar or somewhat similar fields in what we call our Profitability Model. One of the real key comparisons in this Profitability Model is the profit per employee these companies turn in. In 1981 we drop-

M. W. Winsten

Lowe's Stock Price and Trading Volume

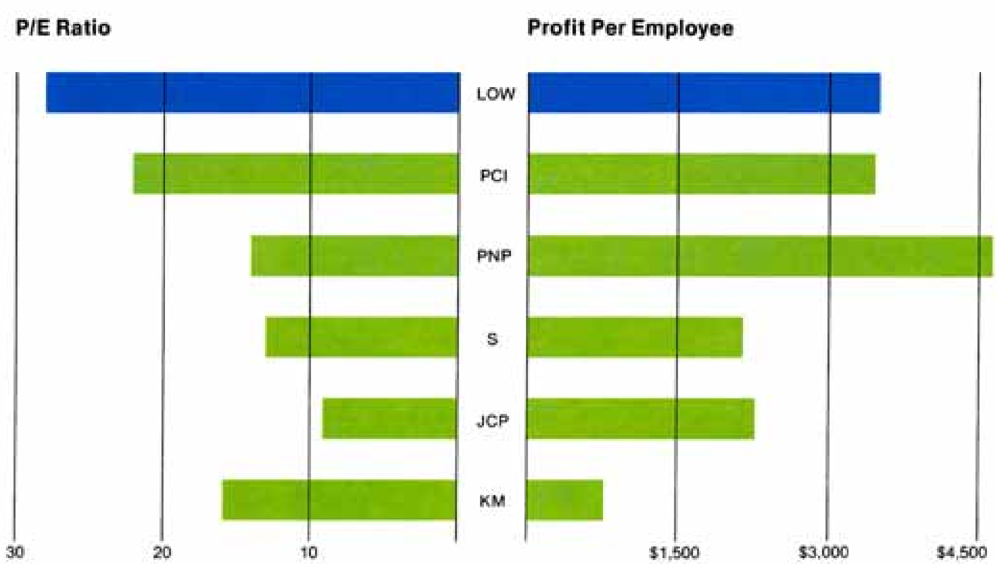


SOURCE: Media General Financial Services, Inc.
Council of Economic Advisors, *Economic Indicators*.

Lowe's vs Selected Others—Stock Price, Market Capitalization and Dividend*

Company	Stock Price % Change 1/31/82 to 1/31/83	Price Per Share 1/31/83	Stock Price % Change 1/31/81 to 1/31/82	Price Per Share 1/31/82	Price Per Share 1/31/81	Market Cap. % Change 1/31/82 to 1/31/83	Market Cap. (000,000) 1/31/83	Market Cap. % Change 1/31/81 to 1/31/82	Market Cap. (000,000) 1/31/82	Market Cap. (000,000) 1/31/81	Current Dividend**	1977 Dividend	5-Year Dividend CGR	Current Dividend Yield**
Lowe's	+ 128.6%	$19.20	+ 5.0%	$ 8.40	$ 8.00	+ 134.4%	$640.0	+ 5.0%	$ 273	$ 260	$ .31	$ .12	+ 20.9%	1.6%
D-I-Y Retailers														
Hechinger	+ 189.2	25.25	+ 28.4	8.73	6.80	+ 190.8	346	+ 29.3	119	.92	.12	NIL	NM	.5
Home Depot	+ 437.0	29.00	NA	5.40	NA	+ 507.4	328	NA	54	NA	NIL	NIL	NM	NIL
Pay 'N Pak	+ 56.8	13.42	+ 11.9	8.56	7.65	+ 55.6	98	+ 12.5	63	56	.51	.21	19.4	3.8
Payless Cashways	+ 137.1	41.50	+ 17.6	17.50	14.88	+ 175.9	560	+ 18.0	203	172	.24	.08	24.6	.6
Scottys	+ 100.6	19.00	− 2.7	9.47	9.73	+ 143.5	224	+ 1.1	92	91	.40	.05	51.6	2.1
Wolohan	+ 92.3	6.50	− 48.0	3.38	6.50	+ 90.0	38	− 45.9	20	37	NIL	.12	NIL	NIL
Department Stores														
Carter Hawley Hale	+ 7.7	15.75	− 25.0	14.63	19.50	+ 18.7	502	− 18.3	423	518	1.22	.95	5.1	7.7
Dayton Hudson	+ 91.3	55.25	+ 27.3	28.88	22.69	+ 92.1	2,663	+ 28.0	1,386	1,083	1.20	.65	13.1	2.2
Federated	+ 25.2	47.88	+ 20.9	38.25	31.63	+ 25.3	2,320	+ 21.0	1,852	1,531	2.10	1.50	7.0	4.4
Macy's	+ 130.2	39.92	+ 23.9	17.34	14.00	+ 134.6	2,001	+ 25.4	853	680	.67	.32	15.9	1.7
May	+ 85.6	45.00	− 2.5	24.25	24.88	+ 84.6	1,298	− 3.0	703	725	1.82	1.15	9.6	4.0
Woolworth	+ 39.1	24.00	− 29.2	17.25	24.38	+ 40.5	735	− 28.5	523	731	1.80	1.40	5.2	7.5
National Retail Chains														
K mart	+ 58.6	26.38	− 5.0	16.63	17.50	+ 59.3	3,284	− 4.5	2,061	2,159	1.00	.56	12.3	3.8
Penney	+ 69.8	52.00	+ 37.7	30.63	22.25	+ 73.6	3,820	+ 41.2	2,201	1,559	2.00	1.48	6.2	3.9
Sears	+ 66.0	28.63	+ 13.1	17.25	15.25	+ 67.7	10,061	+ 24.8	6,001	4,807	1.36	1.08	4.7	4.8
Wal-Mart	+ 121.8	47.00	+ 41.3	21.19	15.00	+ 129.9	3,159	+ 41.7	1,374	970	.18	.04	35.1	.4
Specialty Retailers														
Best Products	+ 57.2	25.75	− 19.1	16.38	20.25	+ 156.6	408	− 18.9	159	196	.32	NIL	NM	1.2
H. J. Wilson	+ 20.7	18.38	+ 10.0	15.23	13.84	+ 22.4	142	+ 20.8	116	96	.20	.03	46.1	1.1
Standard Brands Paint	+ 53.5	19.00	− 8.8	12.38	13.57	+ 57.1	209	− 8.9	133	146	.45	.23	14.4	2.4
Tandy	+ 54.9	55.38	+ 68.2	35.75	21.25	+ 56.4	5,783	+ 69.6	3,698	2,181	NIL	NIL	NM	NIL
Toys "R" Us	+ 80.3	40.25	+ 103.0	22.33	11.00	+ 105.1	1,419	+ 111.0	692	328	NIL	NIL	NM	NIL
D-I-Y Manufacturers														
Black & Decker	+ 30.5	20.88	− 11.7	16.00	18.13	+ 30.4	879	− 11.7	674	763	.52	.48	1.6	2.5
Masco	+ 53.8	27.50	+ 19.7	17.88	14.94	+ 64.0	1,476	+ 17.6	900	765	.44	.17	18.7	1.6
Stanley Works	+ 35.1%	$22.63	− 6.3%	$16.75	$17.88	+ 39.2%	$ 618	− 4.9%	$ 444	$ 467	$ .76	$ .41	13.7%	3.4%

*Per share amounts adjusted for all splits effective prior to May 7, 1983.
**Current indicated dividend on 1/31/83, *Wall Street Journal.*
SOURCES: Standard and Poor's Compustat, Media General, Company Annual and Quarterly Reports, *The Wall Street Journal.*



Lowe's = LOW/Payless Cashways = PCI/Pay'N Pak = PNP/Sears = S/Penney's = JCP/K mart = KM

ped out of first place behind two energetic and dynamic companies. This last year we came back up a little and are in second place by a margin so small that statistical rounding could change positions with us and the third place company. We think the point, however, is still very valid and that is that not only do we work hard as employees of this company, it seems too that companies in specialty retailing turn in a better Profitability performance than those in the big national retail chains.

Additionally, three years ago Lowe's began to present what has become one of the most popular features of these annual reviews for investors—Lowe's vs. Selected Others. In this we try to make the comparisons as alike as possible, including FIFO and LIFO information in the past

Continued on page 8

Continued from page 7

five years if a company has adopted the more progressive LIFO method of inventory accounting.

With professional analysts we believe that such things as sales and earnings are important and that compound growth rates are also important. We think that the sizes of sales and earnings are important to understanding what others are all about and that when you understand the industry in which we operate—and some of the other industries that are somewhat similar to ours—then can you more fully understand what Lowe's is about, and what Lowe's is trying to accomplish.

We have an internal slogan that says "There's more to Lowe's than Lumber." That's sort of in the category with the biblical admonition that "Man does not live by Bread alone." But as surely as that does say that man lives by bread, it also means that there is a lot of lumber bought and sold at Lowe's. So we are a lot like

Profitability Model
Fiscal 1982 Figures*

Organization (Stock Symbol)	Total Sales (000,000)	Total Profit (000,000)	Total Beginning Assets (000,000)	Total Ending Assets (000,000)	Total Beginning Shareholder Equity (000,000)	Total Ending Shareholder Equity (000,000)	Asset Turnover X	Return on Sales(%) =	Return on Assets(%) X	Leverage = Factor	Return on Equity(%)	Number of Employees	Sales Per Employee	Profit Per Employee
							(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lowe's (LOW)	$ 1,034.0	$ 25.1	$ 306.6	$ 393.5	$ 177.5	$ 198.8	3.37	2.43	8.19	1.73	14.2	7,080	$146,045	$3,545
Payless (PCI)	603.2	23.1	203.1	263.2	99.6	143.7	2.97	3.83	11.37	2.04	23.2	6,518	92,544	3,544
Pay 'N Pak (PNP)	187.3	6.4	97.8	119.5	40.2	47.4	1.92	3.42	6.54	2.43	15.9	1,343	139,464	4,765
Sears (S)	30,019.8	861.2	34,509.4	36,643.1	8,268.9	8,812.4	.87	2.87	2.50	4.17	10.4	403,600	74,380	2,134
K mart (KM)	16,772.2	261.8	6,657.3	7,343.7	2,455.6	2,601.3	2.52	1.56	3.93	2.71	10.7	240,000	69,884	1,091
Penney (JCP)	$11,414.0	$392.0	$ 6,198.0	$ 6,682.0	$2,933.0	$3,228.0	1.84	3.43	6.32	2.11	13.4	173,000	$ 65,977	$2,266

*Lowe's, K mart and Penney years ended at or near 1/31/83. Payless ended 11/27/82, Pay 'N Pak ended 2/28/83 and Sears ended 12/31/82.

(1) Total Sales ÷ Beginning Assets
(2) Total Profit ÷ Total Sales
(3) Total Profit ÷ Beginning Assets
(4) Beginning Assets ÷ Beginning Equity
(5) Total Profits ÷ Beginning Equity
(6) At Year-End
(7) Total Sales ÷ Number of Employees
(8) Total Profit ÷ Number of Employees

Lowe's vs. Selected Others—Earnings and Sales

Company	LIFO or FIFO	1982 Earnings Per Share	1977 Earnings Per Share	5-Yr. CGR E.P.S.	1982 Sales	1977 Sales	5-Yr. CGR Sales	Current* P/E Ratio	5-Yr.** Hi-Lo P/E Ratio
Lowe's	L-78	$ .75			$ 1,034.0	$ 661.6	9.3%	28	30- 9
		.78(A)	$ .76(A)	.5%					
D-I-Y Retailers									
Hechinger	L-75	.85	.21	32.3	241.3	92.6	21.1	34	30- 4
Home Depot	F	.48	–.10(B)(K)	NM	117.6	7.0(B)	156.1(C)	65	60-10
Pay 'N Pak	F	.87	.57	8.8	187.3	98.1	13.8	14	18- 3
Payless Cashways	L-80	1.92			603.2	183.5	26.9	22	26- 8
		1.97(A)	.78(A)	20.4					
Scotty's	L-81	1.07			323.9	132.0	19.7	18	21- 6
		1.07(A)	.57(A)	13.4					
Wolohan	L-74	.11	.77	–32.3	89.2	115.8	– 5.1	50	64- 5
Department Stores									
Carter Hawley Hale	L-74	1.55	2.14	– 6.2	3,054.8	1,647.6	13.1	13	14- 6
Dayton-Hudson	L-67	4.12	1.95	16.1	5,660.7	2,494.7	17.8	15	16- 6
Federated	L-47	4.79	4.05	3.4	7,698.9	4,923.4	9.4	11	11- 5
Macy's	L-67	3.28	1.29	20.5	3,219.4	1,769.5	12.7	14	17- 4
May	L-54	4.87	3.17	9.0	3,670.4	2,390.0	9.0	10	10- 5
Woolworth	L-75	2.63	3.88(D)	– 9.3(E)	5,124.0	4,342.0(D)	4.2(E)	NM	11- 3
National Retail Chains									
K mart	L-74	2.06(K)	2.39(K)	– 2.9	16,772.2	9,941.0	11.0	16	14- 8
Penney	L-75	5.87	4.62	4.9	11,414.0	8,622.0	5.8	9	10- 4
Sears	L-75(F)	2.46	2.59	– 1.0	30,019.8	22,878.0	5.6	13	13- 6
Wal-Mart	L-75	1.82	.37	37.5	3,376.3	678.5	37.8	31	30- 8
Specialty Retailers									
Best Products	L-78	2.45			1,581.7	402.2(G)	28.3(H)	19	14- 5
		2.30(A)	1.83(A)(G)	4.2(H)					
H. J. Wilson	L-79	.72			458.2	124.2	29.8	12	41- 5
		.78(A)	1.29(A)	– 9.6					
Standard Brands Paint	L-81	1.21			259.8	155.2	10.9	14	15- 7
		1.20(A)	1.10	1.8					
Tandy	A.C. (I)	2.45	.60	32.5	2,264.5	1,014.2	17.4	23	28- 5
Toys "R" US	L-80	1.75	.29	43.3	1,041.7	274.3	30.6	26	32- 5
D-I-Y Manufacturers									
Black & Decker	L-79(J)	.87	1.10(L)	– 4.4(M)	1,132.9	699.9(L)	9.6(M)	NM	24- 7
Masco	F	1.78	.95	13.4	855.7	450.7	13.7	15	16- 7
Stanley Works	L-41	$1.40	$1.46	– .8%	$ 962.8	$ 660.3	7.8%	23	21- 6

*Indicated P/E on 1/31/83, *Wall Street Journal* **Calendar years using fully diluted EPS when applicable

(A) FIFO Figures
(B) Fiscal 1979
(C) 3-Year CGR
(D) Fiscal 1978
(E) 4-Year CGR
(F) From Consolidated Operations
(G) June 25, 1977
(H) 5.5-Year CGR
(I) Average Cost
(J) U. S. inventories LIFO (34%), European are FIFO (66%)
(K) Fully diluted
(L) Year Ended 9/30/77
(M) 5.25 CGR

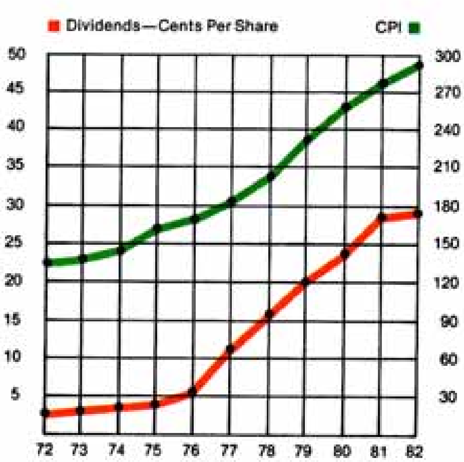
SOURCES: Standard and Poor's Compustat, Media General, Company Annual and Quarterly Reports, The Wall Street Journal.

many of the other D-I-Y retailers. But we are also merchants and in that sense we are like the fine department stores, and we are also a chain of stores, and in that sense are like some of the national retail chains. We, too, are a specialty retailer and in that sense, while we sell different products, we are very much like some of the specialty retailers. So we have these various companies, all of which we admire for one or more reasons and from which we hope we learn, that we compare ourselves to. It's important to rank high, especially in such outstanding company as we have chosen for ourselves. We think that we are in the upper percentiles in most of these measurements over the longer view of investments.

And, really because no one else tends to do it, we like to see where we are in terms of those very vital measurements to investors: Share price, PE ratios, and Market capitalization.

We like to think, too, that while a pretty girl is always a pretty girl, that everything about her is enhanced when all about her is complementary. We like to think we are that pretty girl, but we also believe we are in an attractive industry in an attractive time. But as the sage has noted, "Beauty is in the eye of the beholder." ■

Lowe's Common Stock vs Consumer Price Index*

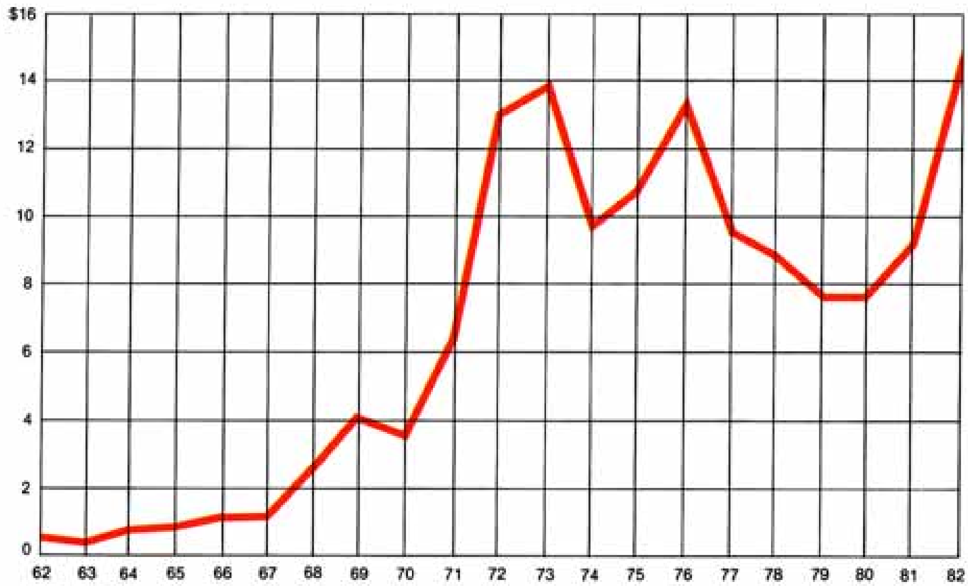


Lowe's dividend 10.5 Year Compound Growth Rate: 24.9%
CPI 10.5 Year Compound Growth Rate: 8.4%

*CPI numbers for 1972-1977 are July statistics corresponding to the end of Lowe's fiscal year at that time; numbers for 1978 through 1982 reflect fiscal years ending January 31 of the following calendar year, consequently a 10.5 year rate has been calculated.

SOURCE: *Economic Indicators*

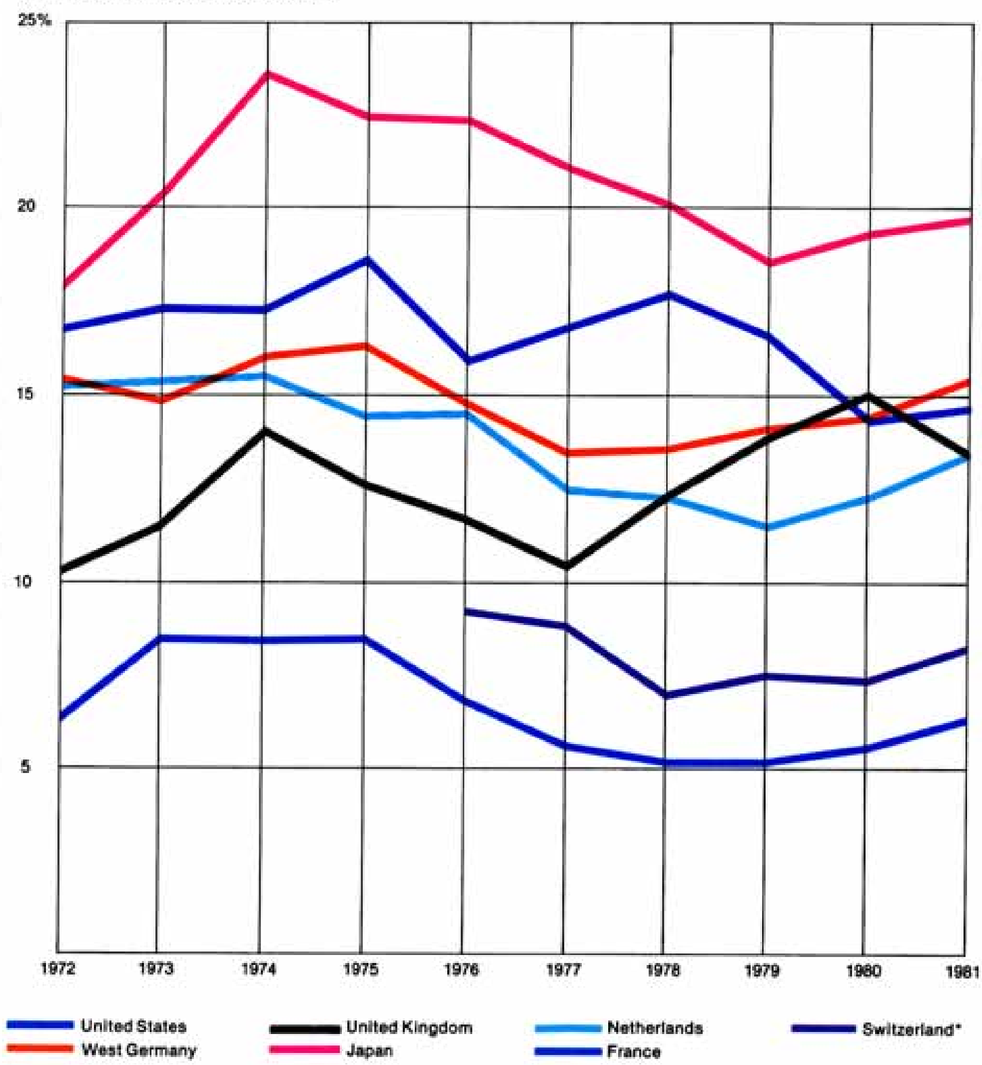
Lowe's Stock Price*



*Yearly average of the stock price's high and low, adjusted for stock splits.
SOURCE: *The Wall Street Journal*

U. S. Savings Rates vs. Other Countries

(% of Diposable Personal Income Saved)



SOURCE: U. S. Department of Commerce, *International Economic Indicators*, Credit Suisse
*Pre-1976 data not available

New Sales-Floor Format Stores Are Planned

The 235 stores which constitute the Lowe's chain are predominantly located in the Southeastern quarter of the United States. While the periphery of Lowe's Land is described by a line running through Pennsylvania and north of the Ohio River on the north and by another line running from west of Houston, Texas to southern Illinois on the north and west, the majority of the company's operations are in North Carolina and the four states surrounding North Carolina. These five states account for 131 of the total number of stores.

The company operates 2.3 million square feet of retail selling space with 54% of the total being in the five core states. The remaining retail square footage is located unevenly among the remaining 14 states with the next seven accounting for 32% of the space in 57 stores. The remaining seven states account for 14% of the space in 35 stores.

In the full grip of the recession in 1982, the company opened only six new stores with a total of 72,750 square feet added. Another four new stores were built in existing markets during the year, giving a net square footage gain of 35,196. These gains, when added to smaller gains in some stores which received the RSVP remodeling and remerchandising treatment, totalled 110,214 square feet for the year.

The company has announced plans to add more than 10% in new square footage in Fiscal 1983. One important way this will be done is to more than double the present square footage of several stores which have the RSVP sales floor. First of these will be in Wilmington, North Carolina, where the present sales floor of 11,500 square feet will be expanded to 24,000 square feet.

In addition to this "Super RSVP," new stores which we call "Super Prototypes" will have sales floors ranging from 14,000 to 20,000 square feet. Already in Fiscal 1983 one of these, in Beckley, West Virginia has been opened with 14,000 square feet.

It has become obvious with the success of RSVP stores that Lowe's needs larger sales floors to properly present current merchandise assortments. Also a "portfolio system" has been developed to balance store sales maturity levels and to meet the varying needs of the communities it serves and expects to enter.

The "Super RSVP" and the "Super Prototype," when added to the two different kinds of stores the chain already operates as its nucleus—the "Standard RSVP," which has between 11,100 square feet and 13,250 square feet, and the "Small RSVP," which has less than 10,000 square feet—will form the majority of Lowe's selling space for several years to come. Many of these "RSVP" stores will be the candidates for the "Super RSVP" program.

In addition to these, another new kind of Lowe's store is on the drawing boards and is expected to be open to customers within the fiscal year. This is called the "Super Cluster" store and will have between 24,000 and 30,000 square feet. It would be located where Lowe's has at least one existing store, making it the super retail store and part of a cluster of Lowe's stores. Ideally the "Super Cluster," which would not have to be limited in location by the need for large acreage to accommodate outside storage (because that would already be available in that market area with the existing Lowe's store or stores), would be located in those markets which are growing actively and already have a Lowe's store. It could go into areas as small as a Raleigh or a Winston-Salem and as large as an Indianapolis or a Memphis.

These "Super Cluster" stores, again ideally would be located in existing "second-use" space which is generally

Continued on page 12

Lowe's Store Locations

NORTH CAROLINA
Albemarle*
Asheboro*
Asheville*
Boone*
Burlington
Cary*
Chapel Hill*
Charlotte #1
Charlotte #2*
Charlotte-North*
Durham*
Elizabeth City
Fayetteville*
Forest City
Franklin*
Gastonia*
Goldsboro*
Greensboro
North Greensboro*
Greenville*
Hendersonville*
Hickory
High Point*
Jacksonville*
Kannapolis*
Kinston
Lincolnton
Lumberton
Monroe*
Morganton*
Mount Airy
Murfreesboro
New Bern*
North Wilkesboro*
Raleigh
Reidsville
Rockingham*
Rocky Mount*
Salisbury
Sanford*
Shelby*
Sparta
Statesville
Washington
Waynesville
Whiteville*
Wilmington
Wilson
Winston-Salem*
Winston-Salem Metro*
Zebulon

VIRGINIA
Bon Air*
Bristol*
Charlottesville*
Chesapeake*
Chester*
Coeburn
Clay Pool Hill*
Danville*
Dublin*
Fredericksburg*
Harrisonburg*
Leesburg*
Lynchburg*
Manassas*
Marion
Martinsville*
Newport News*
Richmond
Roanoke
South Boston
Staunton
Suffolk
Vienna
Virginia Beach*
Winchester*
Woodbridge

GEORGIA
Albany
Athens*
Augusta*
Brunswick
College Park*
Columbus*
Decatur
Doraville
Gainesville
La Grange
Macon*
Marietta
Moultrie
Rome
Savannah
Smyrna*
Thomasville
Thomson
Valdosta
Warner Robbins

SOUTH CAROLINA
Aiken*
Anderson*
Charleston
Columbia*
Easley
Florence*
Gaffney
Greenville*
Greenwood*
Laurens
Manning
Mount Pleasant*
Myrtle Beach*
Orangeburg*
Rock Hill*
Spartanburg*
Sumter*
West Columbia*

TENNESSEE
Bartlett*
Chattanooga*
Clarksville*
Cleveland
Cookeville
Dyersburg
Gallatin
Jackson*
Johnson City*
Kingsport
Knoxville
Lebanon
Maryville*

Square Footage by Half-Decade

1960 AND BEFORE

Stores opened	16
Stores closed	1
Stores net	15
Stores to date	15
Sq. footage opened	74,880
Sq. footage closed	3,200
Sq. footage during this period	71,680
Sq. footage to date	71,680

1961 — 1965

Stores opened	23
Stores closed	0
Stores net	23
Stores to date	38
Sq. footage opened	127,857
Sq. footage closed	0
Sq. footage during this period	127,857
Sq. footage to date	199,537

1966 — 1970

Stores opened	31
Stores closed	2
Stores net	29
Stores to date	67
Sq. footage opened	205,862
Sq. footage closed	7,950
Sq. footage during this period	197,912
Sq. footage to date	397,449

1971 — 1975

Stores opened	74
Stores closed	1
Stores net	73
Stores to date	140
Sq. footage opened	840,501
Sq. footage closed	4,200
Sq. footage during this period	836,301
Sq. footage to date	1,233,750

1976 — 1980

Stores opened	80
Stores closed	6
Stores net	74
Stores to date	214
Sq. footage opened	823,651
Sq. footage closed	69,289
Sq. footage during this period	754,362
Sq. footage to date	1,988,112

1981 — 1982

Stores opened	21
Stores closed	0
Stores net	21
Stores to date	235
Sq. footage opened	349,239
Sq. footage closed	0
Sq. footage during this period	349,239
Sq. footage to date	2,337,351

Morristown
Murfreesboro*
Nashville

FLORIDA
Ft. Walton Beach*
Gainesville*
Inverness
Kissimmee*
Lakeland*
Maitland
Melbourne*
Orange City*
Orlando
Pensacola*
Port Orange*
Tallahassee*

LOUISIANA
Alexandria*
Baker*
Baton Rouge*
Bossier City*
Hammond*
Lafayette*
Lake Charles*
Leesville*
Natchitoches
Shreveport*
Thibodaux*
West Monroe*

KENTUCKY
Corbin
Danville
Elizabethtown*
Frankfort*
Lexington
Louisville*
Owensboro*
Paducah*
Paintsville
Pikeville*
Richmond
Whitesburg*

ALABAMA
Auburn/Opelika
Decatur*
Dothan
Gadsden*
Huntsville*
Montgomery*
Muscle Shoals*
Prattville
Tuscaloosa*
Mobile*

WEST VIRGINIA
Beckley*
Charleston
Fairmont*
Huntington
Matewan
Morgantown*
Princeton*
Summersville
Teays Valley

PENNSYLVANIA
Altoona*
Chambersburg*
Hanover*
Harrisburg*
Lancaster*
Mechanicsburg*
York*

MISSISSIPPI
Greenville
Greenwood
Gulfport*
Hattiesburg*
Jackson
Meridian*
Tupelo*

OHIO
Athens
Belpre
Cincinnati
Circleville
Lancaster*
Springfield*
Wheelersburg*

INDIANA
Clarksville*
Franklin
Indianapolis*
West Indianapolis
Lawrence
New Castle
Westfield

ARKANSAS
El Dorado*
Hot Springs*
Jonesboro
Little Rock
Pine Bluff*
West Memphis*

MARYLAND
Charles County*
Cumberland
Easton
Frederick*
Hagerstown*
Salisbury*

TEXAS
Angleton
Baytown
Liberty
Longview
New Caney
Texarkana*

DELAWARE
Dover
Wilmington

ILLINOIS
Marion*

*Indicates store with RSVP floor plan

Continued from page 11

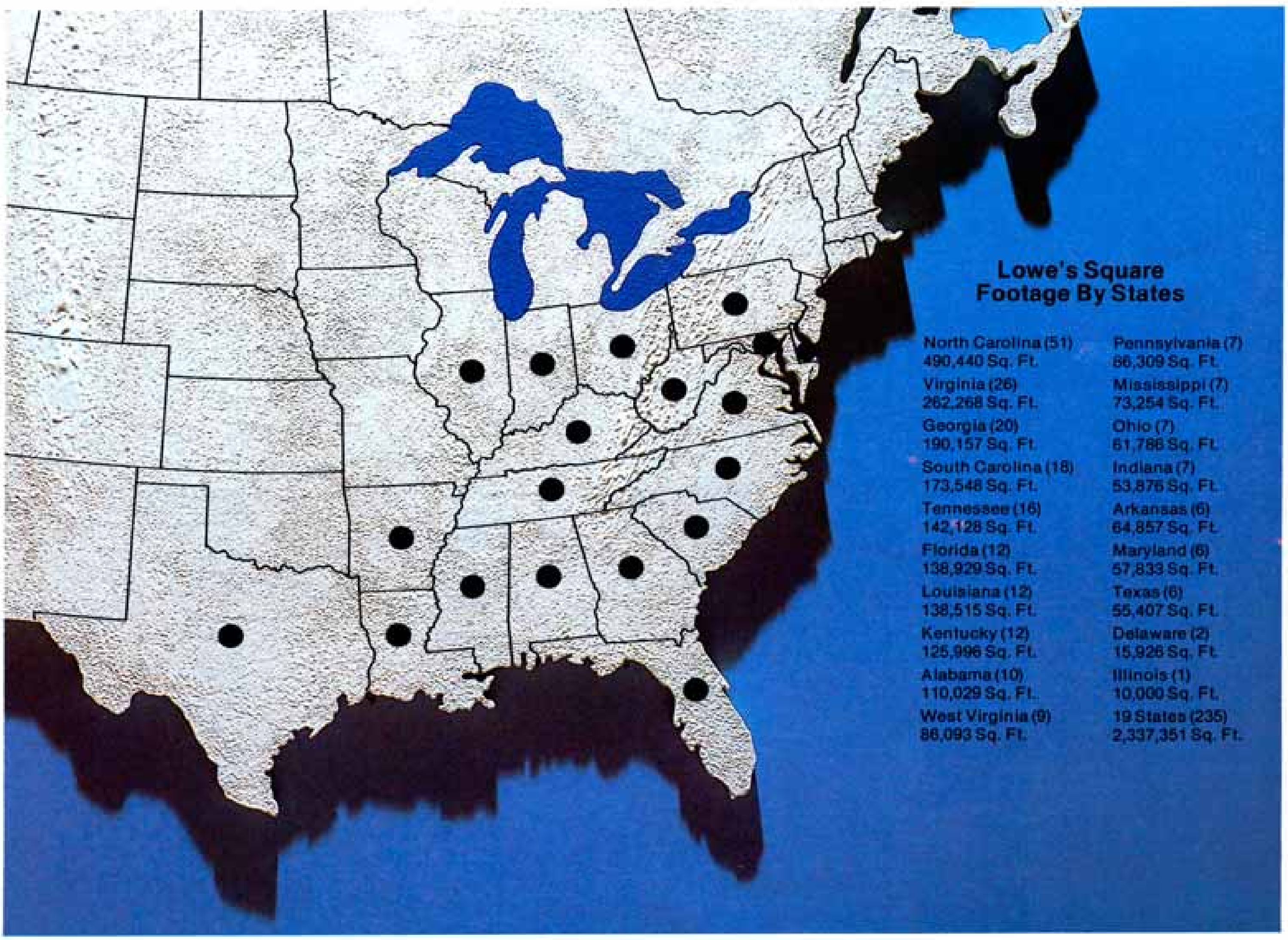
available in larger markets presently. These offer the advantages of lower occupancy costs, good to prime locations, an existing shopping area already established, and good parking for customers. Additionally, the advantages to Lowe's are to spread advertising and promotional costs over a widened customer base, diminished initial costs and better locations, and greater opportunity to make a dominant retail statement within a shopping area.

Hand-in-hand with the "Super RSVP" stores, which offer the advantages of doubling space without having to buy new locations, operating out of existing warehousing space, and the increased leverage of not having to put in place a new local top management team, the "Super Cluster" stores offer areas of significant opportunity for Lowe's.

This then is the Lowe's Portfolio of Stores for future growth and expansion, a systematic program which is designed to serve Lowe's well in the future by fully accommodating the varying needs of a growing market area, one expanding both geographically and in population. ■

Lowe's Portfolio of Stores for Growth & Expansion

Store Type	Sales Floor Size	Purpose and Function
Super Cluster	24,000′ to 30,000′	Pursue retail dominance through additional retail merchandise offering. Additional stores in larger markets with one or more existing standard stores which dominates builder business and also aggressively pursues retail.
Super Retro (Super RSVP)	24,000′	To dominate markets with smaller number of households with one store only, by maximizing leverage opportunities inherent in converting Standard RSVP to Super RSVP format.
Super Prototype	14,000′ to 24,000′	Built new in new Lowe's markets to achieve market dominance in opportunity centers. (Traditional Lowe's expansion communities.)
Standard RSVP	10,000′ to 15,000′ (The majority of the chain today—140 stores)	Nucleus of Lowe's, the source of strength, opportunity for leverage in both aspects of business—in updated presentation.
Small RSVP	Less than 10,000′—95 stores	The rest of Lowe's today. Beachhead and occupied territory well-served. Areas of stationary support or opportunistic growth as local market conditions demand.



Sales Floors Are Fields of Opportunity

While each of Lowe's 235 stores is a complete and distinct business entity, as we have said in prior Annual Reports, each store's ability to be successful is a combination of factors but primarily the most important factor is each store's ability to serve the needs of its customers. Recent experience has pointed to the obvious truth that the more merchandise we have available, arrayed in such a way that it makes a complete statement to the customer that: "This Is The Place To Buy Everything For The Home," the more successful we will be. The lesson learned from experience is that we do not presently have a sufficient amount of square footage in most of our stores to make a complete statement and to adequately serve the needs of shoppers.

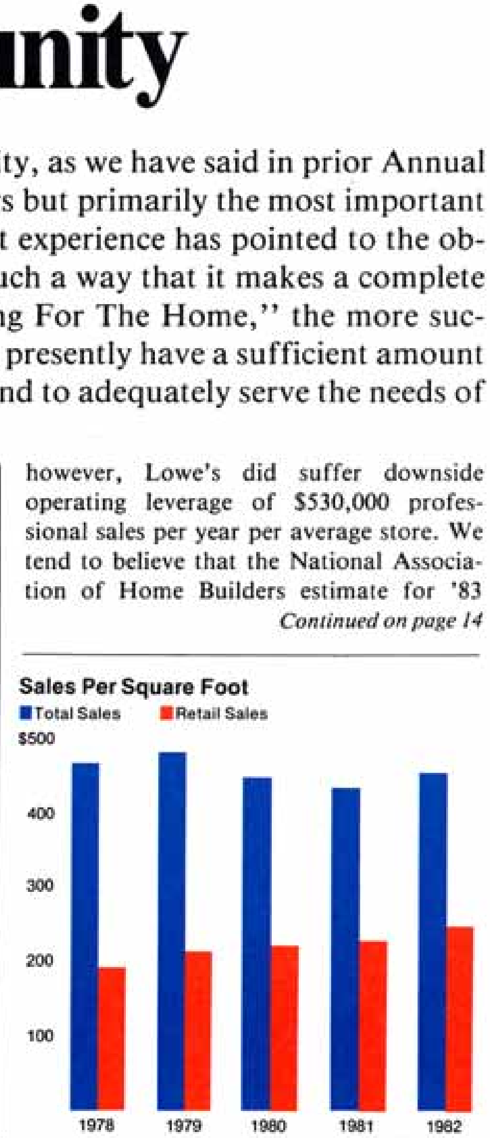
This challenge contains significant opportunity, one which is being addressed in restrained and judicious fashion by modestly and moderately increasing square footage. Elsewhere we have detailed how we intend to more than double the selling space of a lot of existing stores and how we intend to increase the size of prototypical standard stores. Both of these new formats will continue to serve the existing customer groups presently served by all stores—the retail D-I-Y customer and the professional builder. A third type of larger store which we call the "Super Cluster" will be as large as the largest of these other two types of stores, but it will be oriented to be predominately a place where the retail customer shops by virtue primarily of its location. To the extent that there is builder business near this store it will be handled through it but delivery will be effected from a nearby store with expansive (and expensive) outside storage yards and covered inside storage.

While Lowe's sales in the past five years per store have been on an uneven path, primarily caused by the severity of the economic recession, the company's retail sales per square foot have steadily risen from $193 per square foot in 1978 to $214 in 1980 to $250 in 1982.

In the same period of time it is instructive to look at what has happened to sales of the other segment of Lowe's customer group—the builder. In 1978 total U.S. private housing starts were at 2 million and Lowe's builder sales per start were $207. Two years later the number of housing starts was at 1.3 million and Lowe's builder sales per start had risen to $356. Last year when starts barely crossed the 1 million threshold Lowe's builder sales per start rose to $436. In the five years covered, housing starts were cut in half and Lowe's builder sales per start more than doubled, however, Lowe's did suffer downside operating leverage of $530,000 professional sales per year per average store. We tend to believe that the National Association of Home Builders estimate for '83

Continued on page 14

Sales Per Square Foot



Store Sales Performance—By Age of Store ($000) Rounded Totals

Number of Stores and Year Opened	Fiscal 1978 Total Sales	Fiscal 1978 Sales Per Store	Fiscal 1979 Total Sales	Fiscal 1979 Sales Per Store	Fiscal 1980 Total Sales	Fiscal 1980 Sales Per Store	Fiscal 1981 Total Sales	Fiscal 1981 Sales Per Store	Fiscal 1982 Total Sales	Fiscal 1982 Sales Per Store	Sales Per Store C.G.R.(2)	1981-82 Percent Increase
175 Comparable Stores (1)	$777,340	$ 4,442	$831,207	$ 4,750	$771,034	$4,406	$753,151	$4,304	$ 823,629	$4,706	1.5%	9.3%
20 1978 Stores . .	15,785	789	62,449	3,122	65,210	3,261	65,415	3,271	71,865	3,593	4.8%	9.8%
13 1979 Stores . .			10,995	846	34,878	2,683	34,939	2,688	43,120	3,317	11.2%	23.4%
6 1980 Stores . .					12,492	2,082	22,371	3,729	24,460	4,077		9.3%
15 1981 Stores . .							12,166	811	57,860	3,857		
6 1982 Stores . .									13,098	2,183		
TOTALS: Sales . . .	$793,125	$4,269	$904,651	$4,470	$883,614	$4,170	$888,042	$4,111	$1,034,032	$4,453		8.3%
Number of Stores, Year End:		200 (3)		212 (3)		215 (3)		229 (3)		235 (3)		
Number of Stores, Average:		185.8		202.4		211.9		216.		232.2		

(1) Comparable stores were one year old or older at the beginning of 1978.

(2) Annual compound growth rates through 1982 are from 1978 for the 175 comparable stores. Rates for the 1978 new stores were computed from their 1979 (first full year) results, the 1979 new stores from 1980 and so forth, all through 1982 results.

(3) Six stores have been closed and results adjusted accordingly. The chain average sales volume is computed from average stores open during the year.

Continued from page 13

starts of 1.46 million is probably the best one presently available, although we note with interest some consensus figures by other forecasters of 1.6 million starts. In either case, the drama is in Lowe's performance, and we believe our 1983 performance will be dramatic indeed.

It is not appropriate to judge each side of the business by the same set of tools.

The 175 stores opened before 1978 did $4,706 in sales per store last year which was greater than the chain average of $4,453 per store. Most of the company's 137 stores which have been outfitted in the last two-and-one-half years with the RSVP sales floor are in the 1977-and-before group of stores.

The story of the year, however, was in the drama of increases over the previous year. In each age group the stores exceeded their compound growth rate—and it was a year of recession! ■

Lowe's Average Store Sales Trends

YEAR	Average Stores Open During Year (1)	Retail Sales Per Average Store (000)	Pro Sales Per Average Store (000)	Total Sales Per Average Store (000)
1977	168.3	$1,485	$2,446	$3,931
1978	185.8	1,745	2,524	4,269
1979	202.4	1,943	2,527	4,470
1980	211.9	1,981	2,189	4,170
1981	216.0	2,135	1,976	4,111
1982	232.2	$2,458	$1,995	$4,453

(1) Weighted by adding the number of stores open at beginning of year; plus stores opened and closed during year computed by adding total months of operation for new stores and closed stores and dividing by 12.

Sales Floor Size and Productivity

	1 Stores Open at End of Year	2 Weighted Average Stores Open During Year(1)	3 Total Sales Floor Square Footage End of Year	4 Average Sales Floor Size End of Year(2)	5 Weighted Avg. Sales Floor Sq. Ft. During Year(3)	6 Total Sales (000)	7 Retail Sales (000)	8 Total Sales Per Sq. Ft.(4)	9 Retail Sales Per Sq. Ft.(5)
1978	199	185.8	1,817,000	9,026	1,677,031	$ 793,125	$324,142	$473	$193
1979	209	202.4	1,931,419	9,186	1,859,246	904,651	393,179	487	211
1980	214	211.9	1,988,112	9,265	1,963,254	883,614	419,775	450	214
1981	229	216.0	2,221,881	9,497	2,051,224	888,042	461,212	433	225
1982	235	232.2	2,337,351	9,825	2,281,365	$1034,032	$570,744	$453	$250

(1) Stores open at beginning of year; plus stores opened and closed during year computed by adding total store months of operation for new stores and closed stores and dividing by 12.
(2) Average of beginning average sales floor size plus ending average sales floor size. (3) Column 2 × Column 4. (4) Column 6 divided by Column 5. (5) Column 7 divided by Column 5.

Jeffrey Adams

Ken Joudrey


VS

Retail Business Reaches 55% of Sales

In 1982 for the first time the retail portion of Lowe's business became the driving force, the dynamic for growth, as it posted 55% of total sales. The major significance of this is not that it was accomplished but that it was accomplished in the worst of economic times. For the first time Lowe's and its investors could say that we are not totally subject to the yo-yo cycles of what the housing industry does. The stillness at the end of a malfunctioning yo-yo is as deadly as swinging at the end of Judge Parker's rope in old Fort Smith.

Most of Lowe's programs over the past four years have been oriented to decreasing the dependency on the pure homebuilder side of our business and the related vulnerability, which is its constant companion, by increasing the participation in the less cyclical retail portion of the business done with the do-it-yourself customer and his brother, the home improvement customer, who buys to have someone else do the installation.

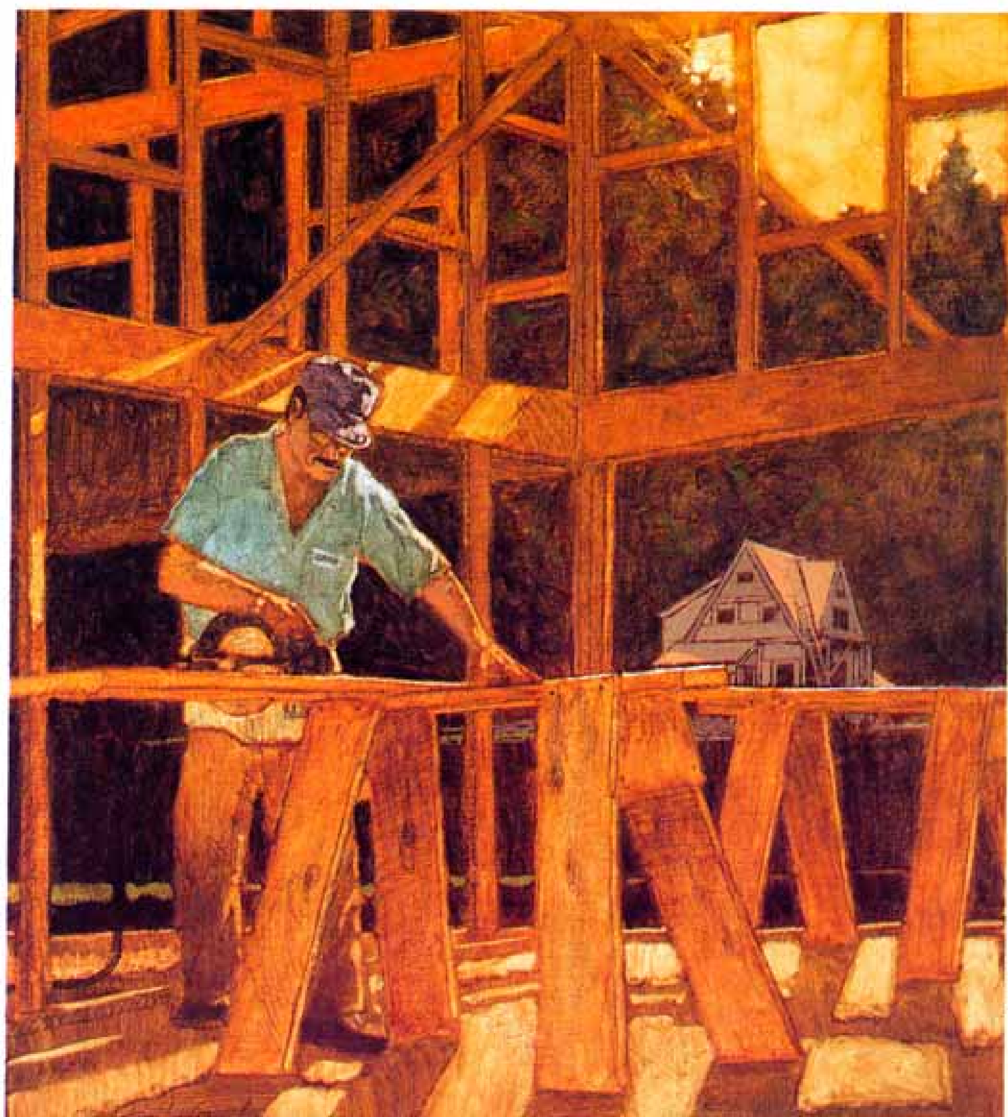
Reduced dependence on the mind-and-profit-numbing narcotic of boom-and-bust housing cycles was to be accomplished while making both sides of this business more profitable. Changing the mix of products sold to both customer groups was part of this changed and important new emphasis. If we could simultaneously convince the builder customer to buy more of the products it takes to finish a home, rather than just buy those products it takes to begin a home, we would be ahead. We did this by a more strategic deployment of our accounts receivable assets—the money we, in effect, lend the builder for approximately 41 days. Further, important new programs were initiated for non-homebuilder professional sales.

And, if we could simultaneously convince the retail customer that we had literally everything within our stores or no farther than our own or our suppliers' warehouses that it takes to build or remodel a home and complete it, we would be ahead. We did this by more carefully and systematically arranging and merchandising our selling areas, making them inviting and informative places to shop and by offering the private-label Lowe's credit card to significantly enhance the individual's ability to be project-oriented in his and her shopping.

The net effect was that sales to the retail customer rose in a steady fashion over the past several years and, in a more pronounced fashion, over the recent several months.

For example, Lowe's sales to retail customers rose from 38% of the total in 1977 to 41% in 1978 to 43% in 1979 to 47.5% in 1980 (the first partial year of RSVP) to 51.9% in 1981 and to 55.2% in 1982.

But within 1982 there is an even more interesting pattern of sales increases. In February, the first month of Fiscal '82, retail was 48% of the total and was down 3% from the comparable February of Fiscal '81. After that, however, the situation turned dramatically as the early RSVP stores became more mature. From then until January of 1983 retail was firmly dominant and the sales increases looked like this: +26%, +15%, +27%, +14%, +25%, +25%, +27%, +29%, +32%, and +26%. Then in January, as is historically the case, the old pattern reasserted itself, and the professional side of



Bill Farnsworth

Customer Purchase Trends

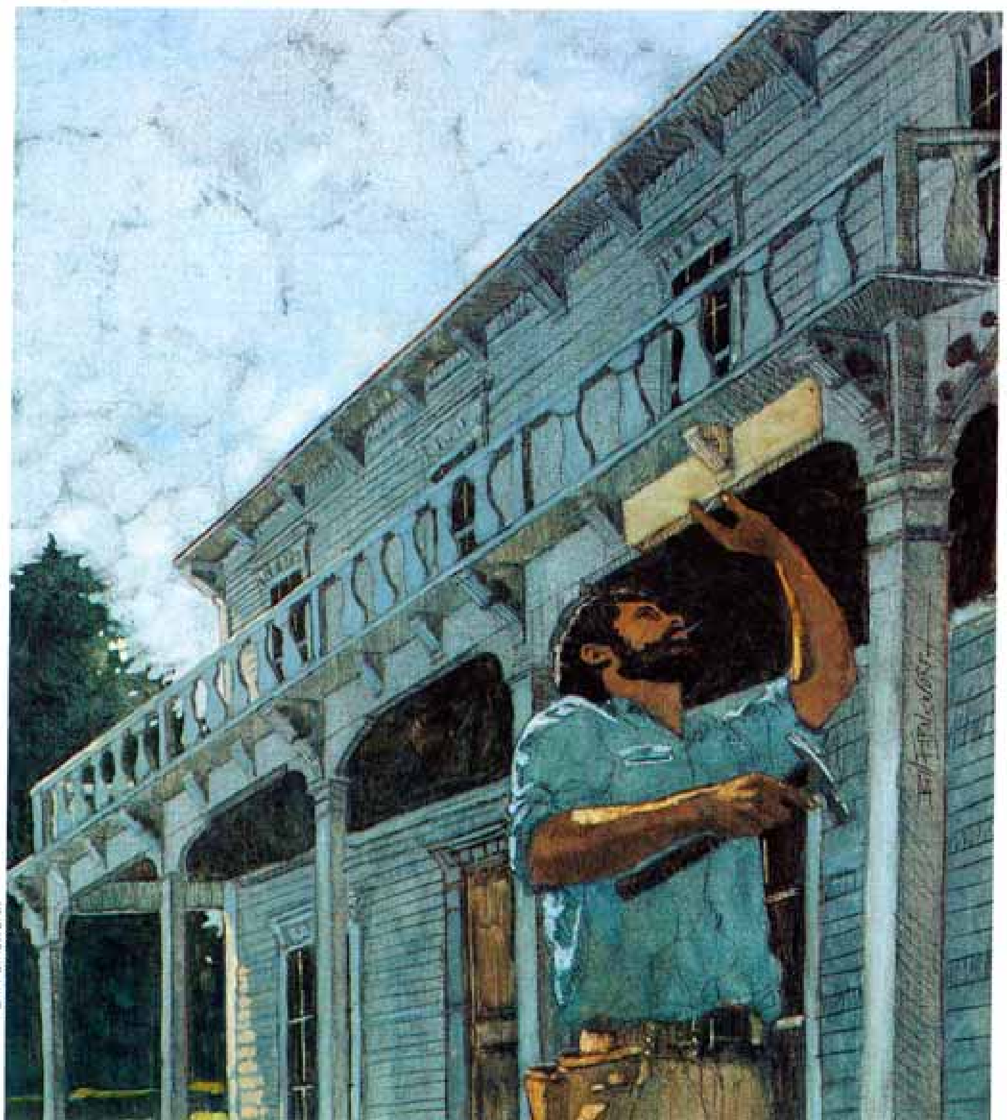
($000)

Fiscal Years(1)	1978		1979		1980		1981		1982		
Category	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	(000) Sales	% of Total	CGR (2)
Retail Customers	$324,142	41	$393,179	43	$419,775	47.5	$461,212	51.9	$ 570,744	55.2	+ 15.2%
Change(3)	+ 30%		+ 21%		+ 6.7%		+ 10.0%		+ 23.7%		
Professional Customers	$468,983	59	$511,472	57	$463,839	52.5	$426,830	48.1	$ 463,288	44.8	− .3
Change(3)	+ 14%		+ 9%		− 9.3%		− 8.0%		+ 8.5%		
Totals	$793,125	100	$904,651	100	$883,614	100	$888,042	100	$1,034,032	100	+ 6.9%
Change(3)	+ 20%		+ 14%		− 2.3%		+ .5%		+ 16.4%		

(1) Fiscal years ending January 31 of following calendar year. (2) Compound growth rates, 1978 through 1982. (3) Percent change from previous year.

the business swung back into the lead, briefly taking the dominant position with 54% of the total, although the retail business posted a 32% gain. The early months of Fiscal '83 have seen a see-saw battle between the two customer groups for dominance, occasioned by the strong upsurge in professional business, which is living on significantly lower interest rates and related improvements in confidence about the new-home construction market.

The drama in this internal contest for position can also be illustrated by looking at the sequential monthly changes during Fiscal '82 in the professional business. From February through July the numbers were all negative comparisons: −23%, −20%, −14%, −10%, −3%, and −2%.



Bill Farnsworth

Then, as if to totally validate the premise that Lowe's cash registers are the best barometer of the nation's economic health, in August—and on cue—the month-to-month comparisons turned positive with a +8%. September came in with a +13% and October boomed with +33%, followed by +40%, +49% and +81% in the final three months. Curiously, the housing start numbers nationally did not get better at the same time the builder numbers did at Lowe's. Part of that is due to the aggressive activities of Lowe's professional sales staff and an expansion of their philosophical selling orientation to include small commercial accounts, selling locally and regionally to major national accounts, selling to apartment management organizations, and sales to local housing authorities.

A spirit of comradely competition between the two selling disciplines at Lowe's keeps each group keen. The important thing about the RSVP program is not just the "retrofitting" of sales floors and merchandising but the "retrofitting" of thinking throughout the company and a realization that feast or famine need not be our lot in life. Every day can be a day of feast if the foundation is not dependent on cycles and when the boom in the cycles comes, it can be an across-the-board enhancement of good times for all. Truly, we at Lowe's believe we have found in the ashes of past dependency a magic formula for independence. ■

RSVP Product Groups Post Large Sales Gains

Letting our customers define what they want and need is the way we determine what we buy and sell to them. We hope we learned that lesson well enough to never fall into the bear-trap that Detroit is presently trying to free itself from. And, along the way we learned the truth of the ancient maxim of retailing that it is more profitable to sell a lot of things at a higher margin than it is to sell a few things at lower margins.

Learning this and listening to customers led us to begin emphasizing those products with which people could repair and remodel existing space and to contract the emphasis we placed on materials with which to enclose new space.

Thus the primer of merchandising at Lowe's has been written.

And in the six years from 1974 through 1979 the structural lumber, building commodities and millwork sales at Lowe's had ranged between 60% and 69% of all of the dollars spent at Lowe's. In 1980, that percentage dropped to 57% and then further decreased in 1981 to 53%. Last year it was down to 26%, an astounding decrease.

In 1974, when the sale of those categories accounted for 61.3% of total merchandise sold, the nation was in a housing recession and the number of starts dropped from 2 million the previous year to 1.3 million. Then in 1975 when the materials used to enclose new space accounted for 63% of Lowe's sales, the housing starts figure sank to 1.2 million. Even when starts got back to boom proportions of 2 million in 1978, the percentage of sales going to structural lumber and building commodities was 69%.

Obviously something dramatic was going on at Lowe's in these more recent years—1981 and 1982 which were more like 1974 and 1975 than any others in recent history.

One of the best ways to see the dramatic shift in the merchandising mix is to look not at the percentage of the total that the RSVP-enhanced retail categories gained but to look at the percentage gains made in 1982 over 1981, and in 1981 over 1980.

Major gainers in 1982 over 1981, by product category, were Home Entertainment with a 46.5% increase, Recreation, Yard and Patio items, including lawn mowers with a 24% increase, Tools with a 20.4% increase, and Home Decorating and Illumination, which was up 26.9%. All of these are RSVP categories. They represent two of the four "hot corners" of the store, plus benefit from the seasonal impact areas at the front of the store and are in the most-shopped area, the hardware center, at the

Merchandise Sales Trends*

Fiscal Years[1] ($000,000) Category	1982 Total Sales 4 yr. CGR	1982 Total Sales	1982 % Change From 1981	1982 % of Total	1981 Total Sales	1981 % of Total	1980 Total Sales	1980 % of Total	1979 Total Sales	1979 % of Total	1978 Total Sales	1978 % of Total
1. Structural Lumber	1.3%	$ 177	+ 12.8%	17.1%	$157	17.7%	$166	18.8%	$190	21.0%	$168	21.2%
2. Building Commodities and Millwork	3.0	357	+ 13.4	34.5	315	35.5	338	38.2	354	39.1	318	40.0
3. Home Decorating and Illumination	14.8	117	+ 26.9	11.3	92	10.3	86	9.7	77	8.5	67	8.5
4. Kitchens, Bathrooms and Laundries	13.0	105	+ 12.6	10.2	93	10.5	87	9.9	78	8.6	65	8.1
5. Heating, Cooling and Water Systems	18.8	69	+ 10.8	6.7	62	7.0	48	5.4	41	4.6	35	4.4
6. Home Entertainment	18.3	34	+ 46.5	3.3	23	2.6	19	2.1	19	2.1	18	2.2
7. Recreation, Yard, Patio, Garden and Farm	16.8	69	+ 23.9	6.7	56	6.3	51	5.8	51	5.6	37	4.7
8. Tools	20.2	17	+ 20.4	1.6	14	1.6	12	1.4	10	1.1	8	1.0
9. Special Order Sales (S.O.S)	3.1	89	+ 17.5	8.6	75	8.5	77	8.7	85	9.4	79	9.9
TOTALS	6.9%	$1,034	+ 16.4%	100%	$888	100%	$884	100%	$905	100%	$793	100%

SOURCE: Company Financial Data (1) Fiscal years ending January 31 of following calendar year *To nearest million. Change percentages calculated from unrounded amounts.

Bob Brown

back of the store. Also turning in smart increases was the Kitchens and Baths area, another one of the corners.

As if to underscore these sizeable increases in RSVP-related categories of merchandise, the previous year's big gainers were Home Entertainment, up 24.5%, Tools, up 14.2%, and Heating, Cooling and Water systems, up 30.5%. That latter category, when coupled with Kitchens, Baths and Laundries, which showed a 7% increase, points to the importance, even that early, of the remerchandising strategy.

Satisfaction with quality performance is not a hallmark at Lowe's. Quite obviously it is one thing to manage assets defensively and another to manage them aggressively to enhance shareholders' wealth. Different times call for different postures.

The old song of the 1940s, "Accentuate the Positive and Eliminate the Negative" is good advice as we move into a period of more optimal growth.

The merchandising department at Lowe's is limited only by our vision and skills, not by the customers' desires and wants. Americans have spoken loudly that they want value and price. The proliferation of retailing formats which feature off-price merchandise in the same communities with upscale merchandisers is ample evidence. Offering a sufficiently broad selection and assortment of what the most people want is the key.

We have embarked on several programs to broaden this selection. One of these is import buying where we can deliver increased value and selection at generally lower prices and higher margins. Another is the beginning of a brand name-house brand merchandising policy which delivers what we call Five-Star-Quality at Four-Star-Prices. Private labeling is not something that merchants adopt willy-nilly. At Lowe's it has begun only with paint, lawn mowers, and hand tools.

Our goal is both simple and ambitious. We intend to build a world-class merchandising department at Lowe's. Our customers spend world-class currency and they are demanding quality commensurate with price. ■

Distribution Keeps Stores in Stock

Retail customers at the moment of purchase are like the pedestrians at an always-green traffic light—they walk and don't wait if you are out of stock. Keeping Lowe's stores in stock is a tough job when you carry 15,000 different products, 10,000 of which are in each of the company's 235 stores. In Fiscal '83, Lowe's has had an in-stock level of 94.8% on all items across the board. This kind of performance level doesn't just happen.

Today, Lowe's operates with a perpetual inventory system, a program which allows buyers and managers to manage inventory lead time through a program which daily updates inventory positions accurately, checks on-order status, and the sales as of the previous day. Thus buyers are no more than 24 hours away from reality. Now they are able to cut the lead time between order and delivery to stores, are able to change the lead time and cut the "safety stock requirements" because of the ability to manage lead times. Thus an improved service level. In less than two years, all of this has moved from a troublesome situation to a not-at-all troublesome condition.

Lowe's neatly dovetails its distribution systems and its inventory management systems to effect better service to individual stores and, therefore, to customers, while reducing the amount of money tied-up in inventory, which previously had to be in place to insure high in-stock status.

Lowe's Accusale system is the information management muscle which allows all of this to happen. Today the vast majority of Lowe's merchandise is purchased in North America, with a small but important part of it coming from five Far Eastern nations. This inventory, which supplies more than 60% of our retail business, moves into and out of two product distribution warehouses—a 10½-acre facility in North Wilkesboro, North Carolina and a 5-acre facility in Hernando, Mississippi. Lowe's fleet of distribution equipment, which numbers 56 over-the-road tractors and 188 road trailers, made more than 10,000 deliveries last year, or an average of 42.5 trips to each store. This accounted for only half of the trips; the rest are handled by dedicated contract carriers. In the early days of Fiscal '83 some stores are getting as many as one delivery truck per day, pointing up the dramatic increase in sales activity. The 5.5 million miles Lowe's trucks travel from warehouse to stores is augmented by the fact that each one returns by way of a vendor to haul merchandise back to the warehouse for distribution to the store network.

Data processing figures out things like: what the distribution trucks will be loaded with after having guided the selection of merchandise from the location within the warehouse, the schedule for the loaded truck to follow; how long it will take to unload it at the store; where to travel to the vendor to pick up a load of merchandise for back-haul to the warehouse; schedule sequential unloading of the truck back at the warehouse; and locate the optimum position in the warehouse for storage of the new merchandise until it is ready to go out.

The task of determining what each order to each store will consist of has been greatly enhanced with the adoption of perpetual stock status and inventory system which gathers in information nightly from the stores based on what they sold during the previous sales hours. Accusale captures the information on an item-by-item, store-by-store basis and expedites it. In past years, Lowe's ran weekly inventory updates in hard-copy form. Today it is on-line, ready for buyers to use on their terminal screens by 7:30 a.m. This immediacy has allowed the reduction of six days in the lead time for products to be ordered, which alone saves $24 million in inventory funds which are available for use to augment inventory offerings or to be used elsewhere in the business.

Inventory management through Accusale also makes possible a system of price discipline which makes pricing a strategic management decision, not a field sales force determination. Every item within the company has a company firm price, including commodities. These can and frequently are changed weekly and a salesman cannot change them without store office intervention. The second tier of Accusale controlled prices is the manager firm price. These cover some 400 to 500 items which are competitive in a store market and this allows the manager to review and establish a local market price by overriding the company firm price. The third tier is a builder price which applies to builder customers only on up to 300 items. Again this is responsiveness to the competitive nature of many Lowe's markets and to the pricing vagaries of commodities products. This program, thanks to Accusale software and hardware, has been fully operational since late in Fiscal '82.

The automatic inventory system also allows sales forecasting and automatic replenishing of products. Inforem, the IBM-originated software, generates a sales forecast by item by store and today more than 5,600 items in the North Wilkesboro and Hernando warehouses are on the automatic replenishment model. The sales profile is based on a seasonal profile of a family of like items rather than on precisely specific items. It has a variable response smoothing mode which takes present sales and replenishes according to a three-year historical sales model. For Lowe's SKUs, which have a relatively stable pattern of sales, it does a very good job of keeping stores in stock. The entire system tends to remove the routine clerical decision aspect of the buyers' jobs, which typically cover 200 different items for more than 200 stores or more than 40,000 clerical decisions a week which are eliminated. Today Lowe's buyers, who have the power and ability to override Inforem, are having to change less than 2% of its decisions. Obviously unprecedented amounts of time are now available to buyers to do more than be order clerks.

The improvement in productivity can be measured in at least one way. In December 1981 there were 123 merchandisers at Lowe's. Today more products are being handled, and better, by 118 merchandisers.

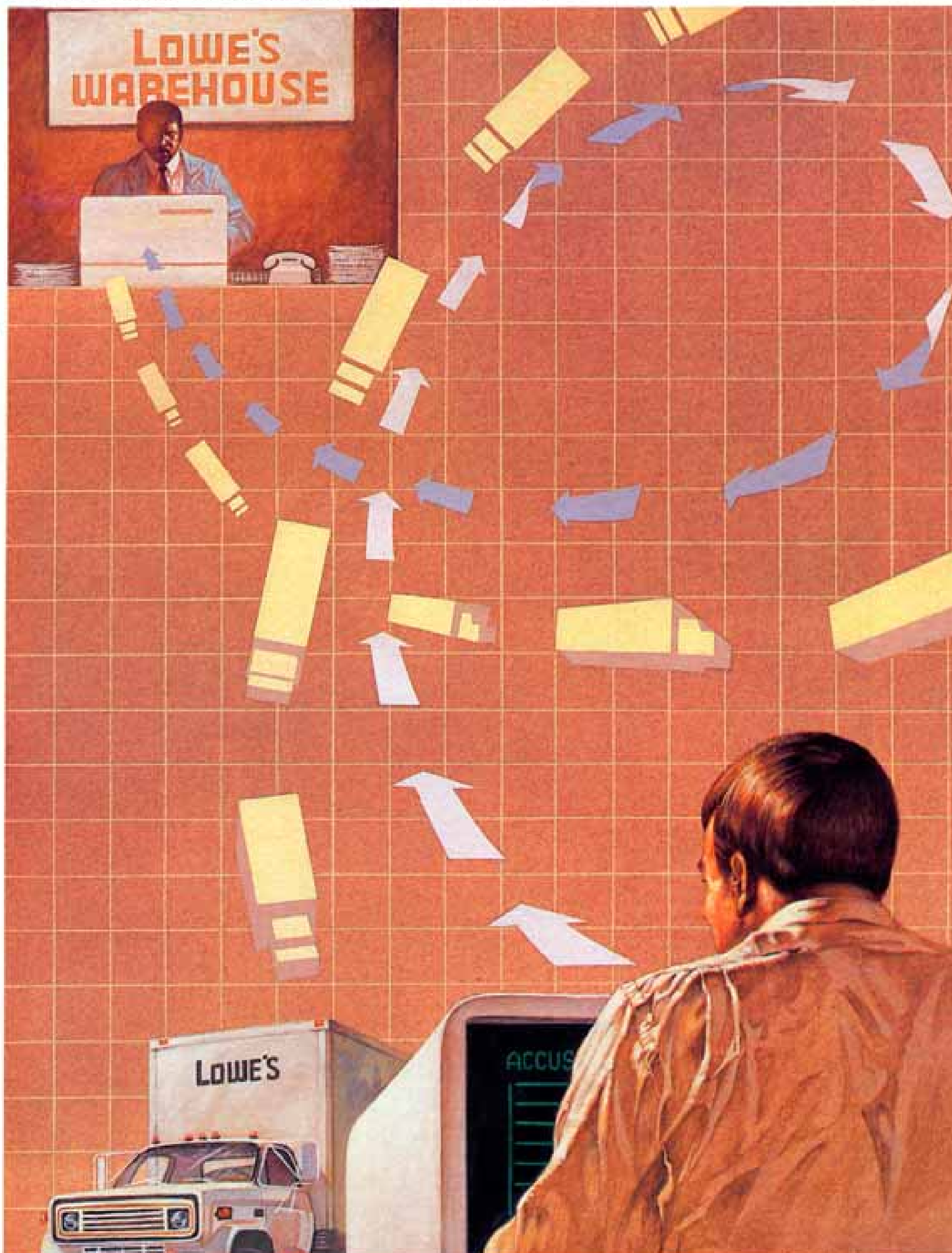
In addition to the new stores added in the interim, more than 4,000 new items have been added to the stockkeeping units Lowe's offers through its stores to its customers.

Our system has smoothed out the job of managing manpower and item distribution at the distribution centers. Today it gives stores the ability to see what's coming in the next truck from the warehouses—and it has the capability, with a slight number of enhancements, to double the number of SKUs and the number of stores it can handle.

One of the newest areas data processing is being challenged to improve is to determine the proper channel for an item to travel to a store—whether through the warehouse to stores or from the vendor direct to the stores. The first project the model was asked to solve was on paint, which previously had been directly shipped to stores. An internally developed model determined that the better channel was through the central warehouse, effecting a savings of 40 cents per gallon—a savings, based on last year's sales, of $400,000. Today it is being asked to determine how we handle water heaters. The answer looks to be a combination of direct shipment and through warehouses, depending on the location of stores to vendors. Now every new family of merchandise added gets a "best channel" and it is systematically reviewing flow paths for every other item already carried. When 7,700 items, representing 35% of total company sales, flow through the warehouse system, the nickel and dime savings on even a few can become big money.

With today's exploding growth in products going through stores to customers, the need for additional distribution warehouse space is becoming vital. Near-term solutions probably call for building a third warehouse, probably somewhere in the northwestern area of Lowe's Land to serve that growing area of expansion and opportunity. Burgeoning growth has already propelled the amount of product which moves through the Thomasville, North Carolina lumber distribution and service facility from 2,000 loads in Fiscal '82 to 1,000 loads a month in the first quarter of '83.

At Lowe's we believe that we are more advanced and cost-effective in distribution and inventory management than any other company in our industry and within a short time, with enhancement of systems being put into place, we believe we will compare favorably with any company in any American industry. This is just one more way Lowe's makes money by working smarter. ■



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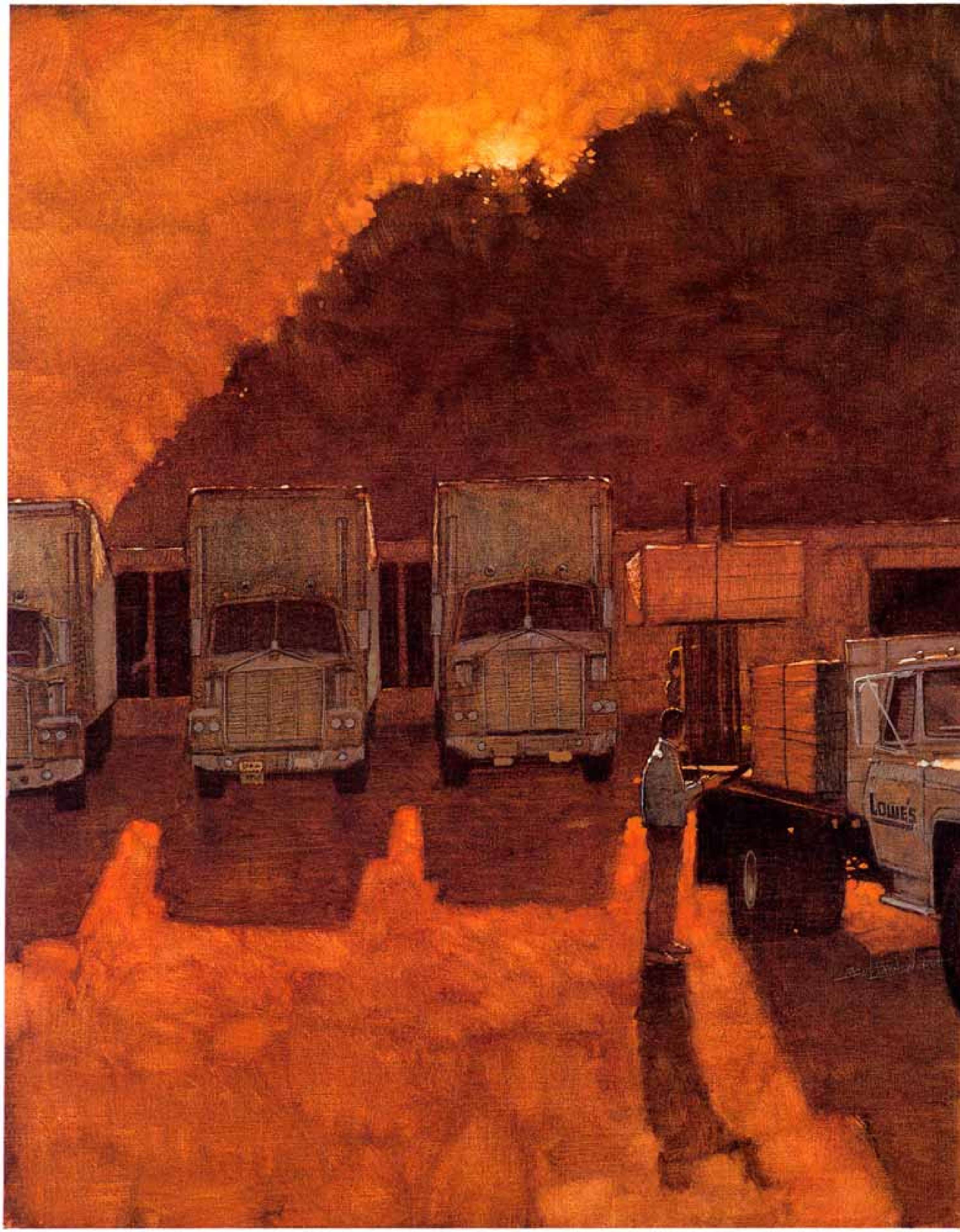


Bill Farnsworth

Accusale–Inventory Management Muscle

Lowe's has been surviving and prospering with a mechanical heart for years—10 years now. Here we call it Accusale, our own construction of OEM hardware and Lowe's software. It handles such vital functions as all sales at the store level, all inventory management at the stockkeeping unit (SKU) level for the store, accounts receivable, all pricing systems, and it figures all salesmen's commission structure. In one sense it also does windows and includes the kitchen sinks.

Data processing at Lowe's is an old and venerated part of our business. Using Accusale as its central point of reference, Lowe's data processing handles all sales reporting, inventory control and much of the automatic replenishment, receiving reports, payroll, special order sales, administrative messages and electronic mail, accounts receivable and cash concentration. The main computers in Lowe's general offices talk back and forth with each store's Accusale system throughout the day and drain the stores' systems at least nightly of all its pent-up information for next-day use.

Operating 24 hours daily, seven days a week, every day in the year, Lowe's hardware is comprised of an IBM 3033 and an IBM 3031 mainframe computers, Data General mini-computers, of which 235 are in the stores, and a Honeywell communications network. The typical Lowe's store will have 11 to 12 Accusale terminals and two printers. Some stores have as many as 18 terminals. In the entire company Lowe's operates 618 printers and 2,480 terminals.

It all begins when a shopper inquires about an item and indicates an interest in buying. The Accusale terminal is used to provide information to answer the inquiry. It will build the invoice line item by line item, in either the retail or builder customer mode. It then will prepare the invoice and at that point the data is captured and updated in the store's computer, automatically adjusting the inventory so that an item once sold cannot inadvertently be sold again. The stored data is transmitted to the general office later in the day after the store closes. The video screen tells the salesman many things, not the least of which is what his commission is on each item he is selling. That attention-riveting feature tends to help enforce pricing discipline at the store sales level.

Lowe's has typically maintained market leadership in this field of retailing, perhaps being at the extreme cutting edge of technology most of the time through timely revisions in the software and upgrades of hardware. Currently there are four versions of the hardware in the field and new vendors for a complete redesign of the point-of-purchase and in-store systems are being evaluated.

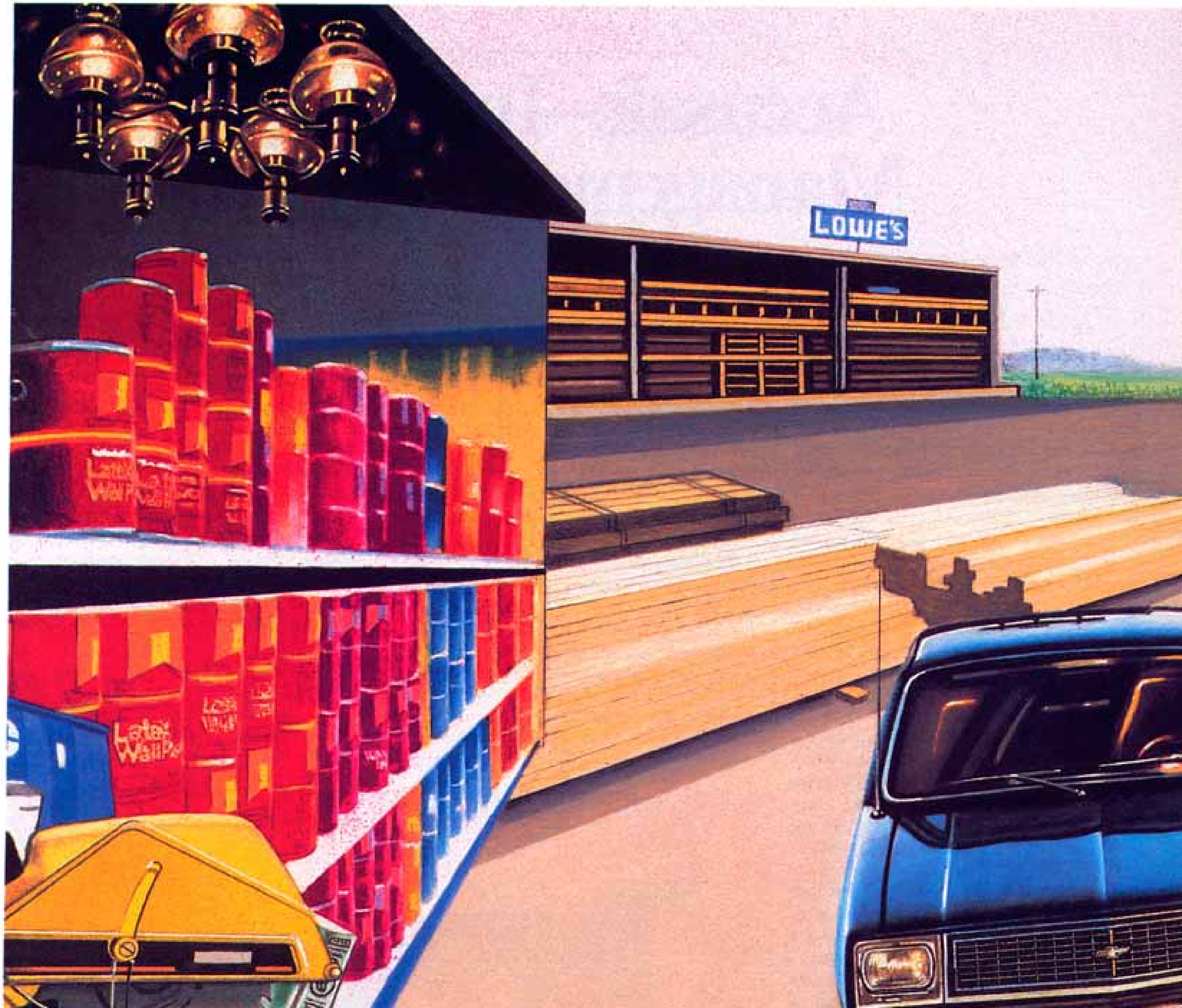
The integrated on-line systems serve the merchandising, sales, distribution and financial functions of the company primarily. Additionally, there are 230 computer terminals in the general office user areas, in use by merchandise buyers largely but also by most of the financial and accounting personnel. Efforts are presently underway to tie the capacity of the data processing systems to new word processing capabilities for expanded use with compatible systems.

The unique use of data processing for inventory control and purchasing is discussed elsewhere in this report. And while it contains a lot of at least Buck Rogers if not Star Wars gee-whiz aspects, the system is broadly used for somewhat more prosaic functions such as financial modeling, accounting systems and payroll which is delivered to more than 235 sites in 19 states.

The backlog of on-line sophisticated applications for merchandising, sales, stores and financial work to meet present level needs and to take advantage of cost savings

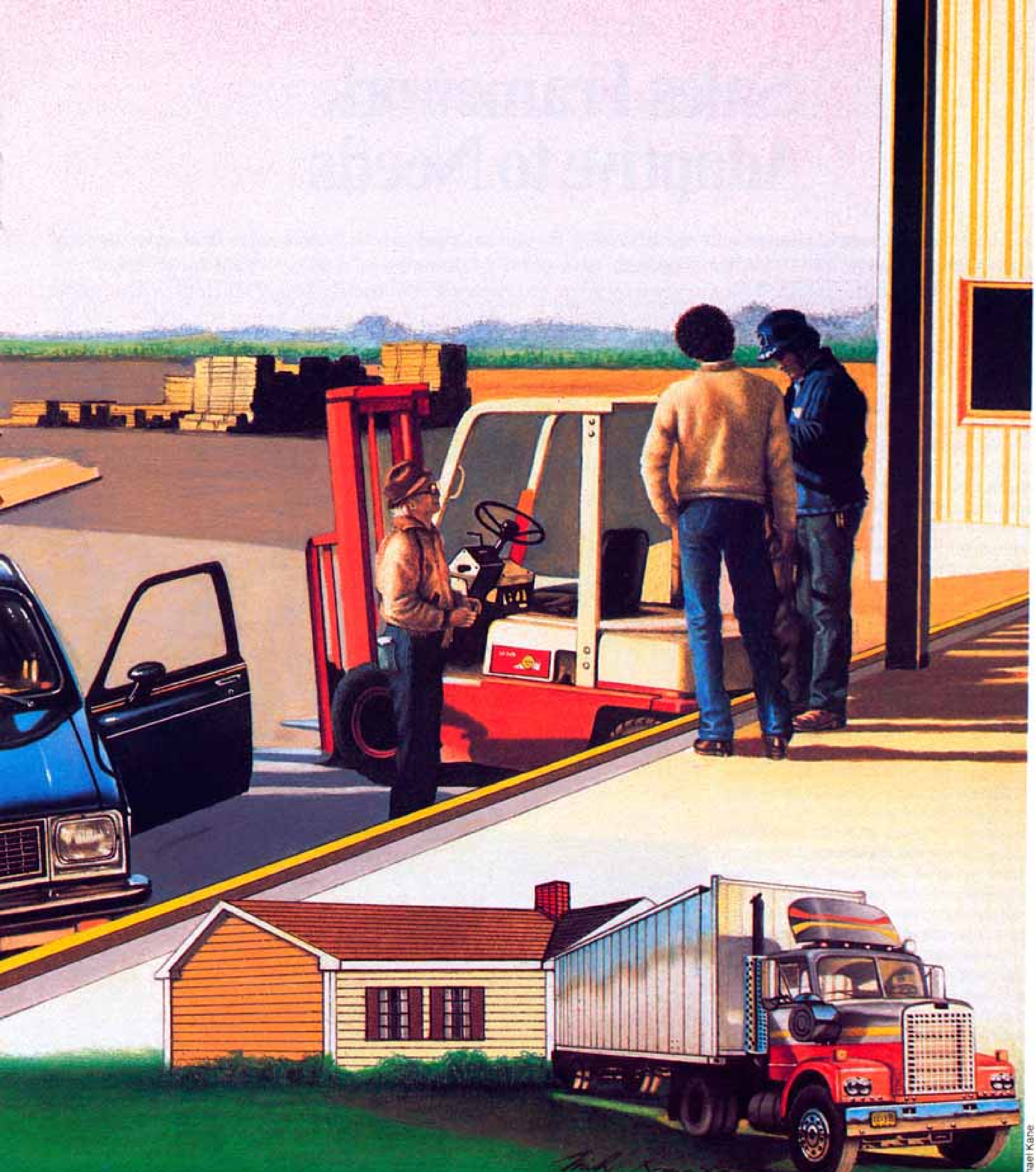
Continued on page 24

Jon Weiman



to keep the company on the competitive edge in retailing, is considerable. But each project must be logically defined, justified and programmed into an overall Corporate Information System which is dovetailed to the needs of the company. Just as additions to the store network are not built overnight, neither is it possible to play leapfrog in adding to the data processing and Accusale network. The goal of all of this vital and life-giving work at Lowe's is to stay ahead of the growth spiral we are in.

While data processing and planning functions, by their very nature, must be ahead of almost everything else, it still takes brains and dollars to stay ahead. Economic crunching times tend to slow momentum; however, Lowe's is, according



to our new CIS chief, Frank Dooley, not as good as we may like to think we are, but far ahead of almost everyone else in the world at the store level, and capable of using our potential to make huge quantitative and qualitative leaps ahead of almost anyone.

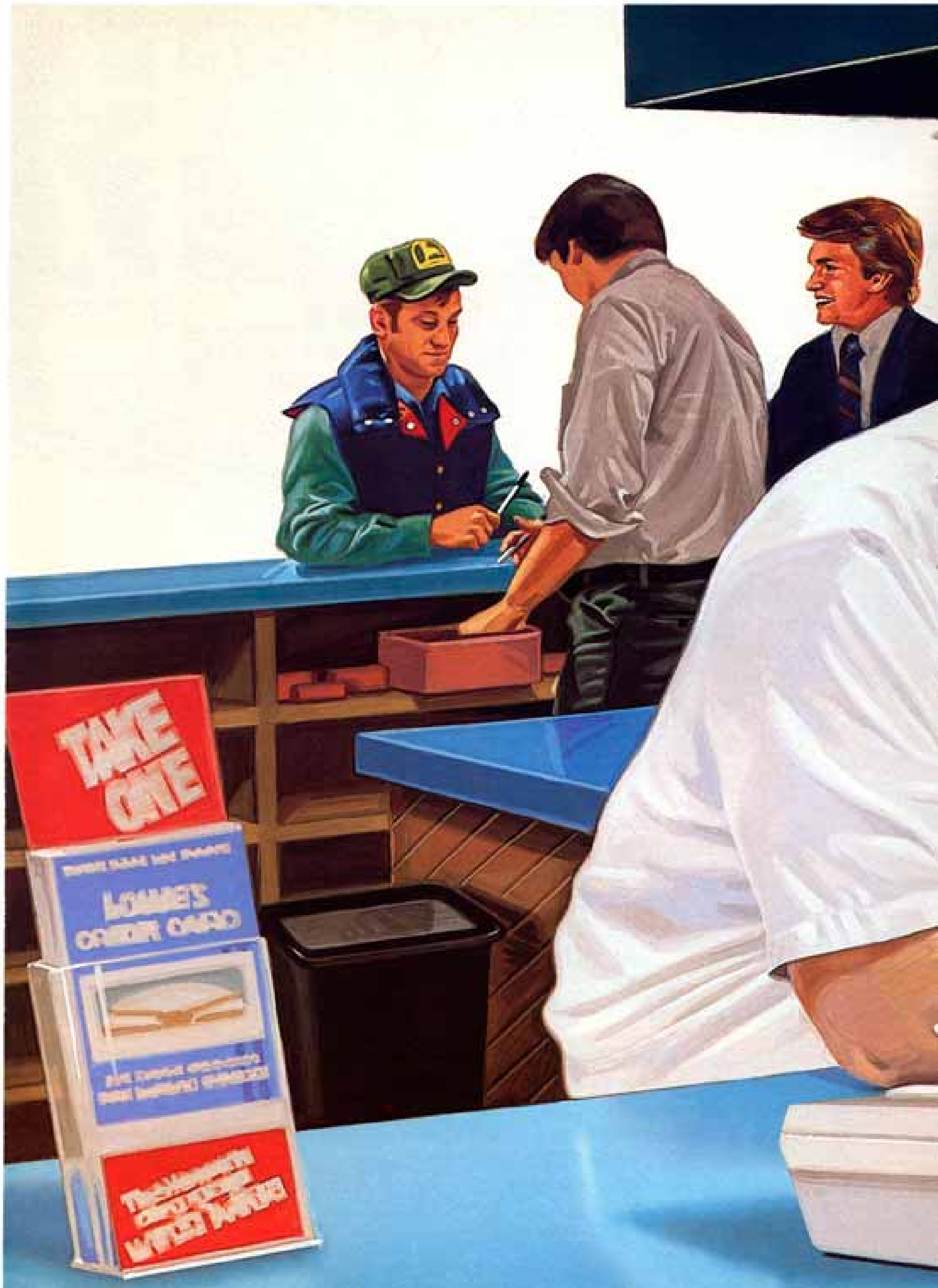
One of the hallmarks of successful managers in American business is the ability to make calm and rational assessments and to act swiftly on those judgments. It is a hallmark of Lowe's and it has been since the earliest days of the company when technology was welcomed as something more than a partner, something more akin to a reliable and functioning vital part of the corporate body. Sort of like a fail-safe mechanical heart. ■

Sales Framework Adaptive to Needs

With evolution people change and modify; with revolution people lose their heads. With any dynamic and living organization—whether a people, or a plant community or a sales organization—slow and orderly change is the smartest way to get it to adapt to changing conditions. Today much is written about why this or that in America is not working as well as it did in the past or as well as it might today. Too little is written or known about why lethargy and inertia (also known as "business as usual") have caused these communities or industrial or plants to wither, become uncompetitive, and die.

Lowe's is presently just at the outset of a moderated evolutionary change in its selling organization. The company had four to five regional sales organizations several years back when its operations were more nearly concentrated around its historic organizational hub in the foothills of western North Carolina. Today, just one of those regions stretches from Georgia on the east to Texas on the west—a distance equivalent from Georgia to Toronto, Canada. Another region has required its senior executive to run the roads from Indianapolis on the north to north Georgia on the south and from eastern Kentucky to western Tennessee. Not only have distances conspired to make regional management less effective by adding huge travel-time burdens, the number of stores within each region has grown to a less-than optimum level.

Today's situation is being realistically addressed with the major thought being to effect what is best for our growing organization. Nominal guidelines are for geographical area managers to have no more than 150 miles of territory to cover from one side of his province to the other. The number of stores within the unit is set at a maximum of 15 so the manager can be in each of the stores much more often, with visits to each within two weeks. This will give the new geographic zone manager from 300 to 350 employees to work with directly or indirectly. Monthly education meetings for store managers will be possible as opposed to quarterly meetings which



had been the practice. These can be "sit down" meetings not "speak down" meetings in which younger managers, despite their abilities, have tended to be intimidated. One Lowe's veteran said, "It will be a seminar rather than a classroom. Large meetings silence the young manager. He had rather lose his store than be embarrassed in front of his fellow older manager."

The high degree of individual attention and concern the regional manager can offer will be significantly enhanced. "We won't be sending them cards and letters. We'll be meeting them face-to-face to actually help them with their real problems on a frequent basis—we'll be able to fit each store manager to the changing needs of his market."

Ken Joudrey

One immediate improvement will be opportunity to better utilize the headquarters support systems, especially in advertising where managers can be shown how pooling of resources can blanket a state with the one to four newspapers which tend to dominate most states.

While the store operations officers in charge of this gradually evolving plan have not yet described what the geographic units will be called—regions or districts or areas or what—nor have they picked titles for the unit executive—manager, director or vice-president—they see the function as much more important. "It matters little what we call them; it matters greatly how they function—at the beginning and in the months and years to come," one executive commented.

"Today some people ride 200 miles on Monday to get to their first store and another 200 on Friday to get home. We want to take these people off the highways and put them into the stores. That's where the work is. We want to move as slow and as fast as is necessary to get the job done for the company. There is no stone-engraved timetable." By beginning to put into place a more permanent infrastructure, the company will have a pattern of growth which will serve it through this decade and into the next one. It also offers challenges to young managers who now see that they have opportunities to move up into a widened number of new and interesting jobs. With slow change people grow; with quick changes sometimes adaptation is unsuccessful. ■

1982 Essay

Of Merchants and Nobility, Practice and Theory

Out of the mind, body and soul-numbing poverty of the Middle Ages, Western man dragged himself up to begin to build a society by the accumulation of a little property, later referred to as capital, until education and some leisure could free his mind to begin the electrifying leaps to what we now call technology.

Emerging somewhere in the 1500s was the merchant, a man apparently roundly condemned if we study the contemporary evidence amassed in the last 40 years by the French social historian Fernand Braudel. As much as the merchant was put down for his business, he was successful when he had products or services to sell to people who had some medium of exchange.

Braudel writes that first came the markets, "held only at intervals," for which the "first competition . . . came from the shops . . . these innumerable small units" which he defines as those "open almost all the time."

"The first people to have shops . . . were the artisans. 'Real' shopkeepers arrived later: they were the middlemen of exchange, inserting themselves between producer and consumer, and confining their activities to buying and selling: the goods they sold were not (or not entirely at any rate) the work of their own hands," he writes. Until the 19th century they would sell anything, without specialization. "And whenever we have records of the stock in such shops, we find the strangest assortment of goods, whether in fifteenth-century Paris, Poitiers, Krakow, Frankfurt- am-Main, or the shop kept . . . in a small town in Westmorland, northern England, in the eighteenth century." Here the shopkeeper, Abraham Dent, kept good books (although he published no annual reports) and they survive. He sold practically everything Braudel reports: black and green teas of different qualities "—and at high prices because he was inland and thus unable to take advantage of smuggling," and sugar, treacle, flour, wine and brandy, beer, cider, barley, hops, soap, Spanish white (a finely powdered chalk used as a pigment), lampblack, pearl ashes, beeswax, tallow, candles, tobacco, lemons, almonds, raisins, vinegar, peas, pepper, the usual condiments and spices; mace, cloves." He also sold haberdashery: silk, cotton and woolen fabrics, needles, pins; and books, bound magazines, almanacs and paper. He did not sell eggs, butter and cheese.

Dent had assortment.

Braudel points out that Dent's chief customers were "inhabitants of the town and of the surrounding villages. The suppliers came from a much wider area . . ."

Gradually distinctions appeared between those who sold by weight, those who sold by measure, those who sold objects, those who sold second-hand items. Then came special kinds of shops "encouraged by the development of 'services' . . . the apothecary, the pawnbroker, the money-changer or banker, the innkeeper . . . the tavern-keeper . . ." It was the dawn of specialty retailing.

Then came the proliferation of many shops "to conquer and devour the towns . . ." Over storing, obviously! Braudel quotes Daniel Defoe (author of *Robinson Crusoe*) that the spread of shops by 1663 had occurred "monstrously" and that by the end of the century "luxury shops were transformed at great expense, the walls covered in mirrors, and gilded columns, bronze ornaments and candelabra appeared, to the disgust of Defoe, who considered them extravagant." Upscale merchandising format!

"But a French visitor in 1728 was very taken with the first shop windows: 'What we do not on the whole have in France,' he notes, 'is glass like this, generally very fine and very clear. The shops are surrounded with it and usually the merchandise is arranged behind it, which keeps the dust off, while still displaying the goods to passers-by, presenting a fine sight from every direction.' " Not only upscale merchandising but obviously appealing to those who make the retail buying decisions.

Braudel sees the development and growth of shops which provided a fixed point of sale and the number of services which was extended as "a trend in keeping with the overall development of the economy."

He cites the expansion in population numbers, a long-term upward economic trend, the desire of a retail merchant to have his own establishment as leading to expansion of the emerging distribution network. "The fact that there were, in the end, too many outlets proves at most that the rise in the retail trade ran ahead of economic growth, and placed too much confidence in it."

He suggests that "the fixed point of sale, the long opening hours, advertising, bargains and word of mouth all helped the shop. People went in for a chat, as much as to buy anything. It was a place of entertainment, as one can see from the amusing and realistic dialogues composed by the author of the *Bourgeois poli* of Chartres." But he concludes, "the principal reason for the development of shops was credit." Ah, yes. Receivables. That made "the shopkeeper then, a capitalist in a very small way, who lived between those who owed him money and those to whom he owed it." And again he returns to Defoe for his conclusion that "the chain of credit is the foundation of trade."

From the very beginning of organized and coherent civilization has come a rational and systematically developed merchant-shopkeeping-merchandise system which is one of the foundations of modern capitalism. It evolved slowly over generations by one central principle: Let the customer define what the shop would sell because that was what they would return to buy from the successful merchant.

That lesson is sometimes learned today before the hard way puts the merchant out of business. Adaptation. It is the doing of the deed that defines it finally and clearly. Theory does not begat practice. Practice helps formulate theory.

Josef Albers, the great artist and teacher of color, has written, "Just as the knowledge of acoustics does not make one musical—neither on the productive nor the appreciative side—so no color system by itself can develop one's sensitivity for color. This is parallel to the recognition that no theory of composition by itself

Palais Royal Galleries by Abraham Basse, circa 1637; The Bettmann Archive

leads to the production of music, or of art."

So, too, the knowledge of merchandising does not make a merchant. It is buying and selling, daily, for a living, that makes a merchant and confers knowledge of what retailing and wholesaling is all about. Albers, who once taught at North Carolina's Black Mountain College after the closing of the Bauhaus in Germany by Hitler 50 years ago, said that he also placed "practice before theory, which after all, is the conclusion of practice."

The clear statement of a merchant is a store with purpose and integrity of offering. Those who achieve it are called very successful. They can be named and if so done would include people like Charles Lazarus of Toys 'R' Us, William Andres of Dayton-Hudson, Sam Walton of Wal-Mart, the Lewis family of Best Products, and maybe the people of Lowe's. Martin Buber, the greatest 20th century philosopher, in one of his many insightful texts, wrote, "the way to true communication is not to simplify and popularize, turning difficult concepts into easy stereotypes, but to grasp what you are concerned with so wholly and concretely that you can communicate it directly and simply without being unfaithful to its integrity." It is not farfetched to suggest that great merchant practitioners are those who communicate truly well . . . directly . . . without being unfaithful to the form the communication takes: the statement of the store.

Fulfilling needs, and making money while doing it, is not only noble but enriching in more than a monetary sense. Sometimes it is a high calling, a nobility of purpose, a noble obligation which is as elevating spiritually as it is mentally and physically. It is part of what drives a good many good men and good women everywhere, including those in this company called Lowe's, where we, the employees, are also sharing owners of the tools of enterprise and of labor.

The Polish poet Karol Wojtyla has written:

> Work starts within, outside it takes such space
> that it soon seizes hands, then the limits of breath.

In another poem, Wojtyla has written:

> Whoever enters Him keeps his own self.
> He who does not
> has no full part in the business of this world
> despite all appearances.

It is that participation in creation, wherever and however we who work choose it, that we become fulfilled.

Again from Wojtyla, who now presides over one of the mightiest enterprises on earth:

> The human body in history dies more often and earlier
> than the tree.
> Man endures beyond the doors of death in catacombs and crypts.
> Man who departs endures in those who follow.
> Man who follows endures in those departed.
> Man endures beyond all coming and going
> in himself
> and in you.

So we all who participate in the practice of this business called retailing, the buying and selling of what people want and need, whether we are yesterday's merchant of Westmorland or today's merchants of North Wilkesboro, do well by doing good.

—Bill Brantley

Severe Fragmentation Provides Opportunity

The building materials market at retail and the discount retailing market have been estimated by some as both being about $50 billion in annual sales size. K mart, the biggest of the discount retailers did $16.7 billion last year or 33% of the total market. Lowe's, the biggest of the building materials retailers, did $1 billion last year or 2% of the total market. The point of the whole issue of the extreme fragmentation in the building materials market is that there is a lot of room for everyone presently in the business to expand and succeed without stumbling over each other. A modern Chinese erstwhile philosopher once wrote, "Let a thousand flowers grow." It sounds like Chairman Mao might have just finished reading the latest "Giants" issue of *Building Supply News*.

In its 1983 survey of the market, BSN reported on the 340 largest firms in our business. Sixty-three of us or 20% of those included as giants, did $18 billion in sales or 79% of the total of $23 billion done by the entire 340.

Obviously, that didn't leave much for the next 55 companies who are 18% of the total. They together did $1.8 billion—about the total of Lowe's and Payless Cashways—or 8% of the total sales volume. Next down were 80 companies who account for 26% of the total who did slightly less than 7% of the sales volume. Rounding out the 340 giants were the bottom 112 firms which did a total of $1.3 billion together or 6% of the total.

Guess what? Somewhere out there are a huge gaggle of companies, each doing less than $10 million annually (that's less than a lot of individual Lowe's stores) who together are doing more than $27 billion in business.

That's what we call fragmentation of competition, and it's also what we call concentration of opportunity.

Even using the conservative U.S. Department of Commerce figures which indicate that the total lumber, building materials and hardware sales in the U.S. were $42 billion last year, that still means a lot of little companies are doing an additional $19 billion in business.

The Do-It-Yourself Research Institute estimates that the total home improvement market (not including any new home construction) in the U.S. was $62 billion last year and will be $72 billion in 1983. DIYRI forecasts growth in this industry will have the market at the $91 billion level in 1985 and at $156 billion level in 1990. There ought to be a lot of opportunity for a lot of people to make a buck or two along the way.

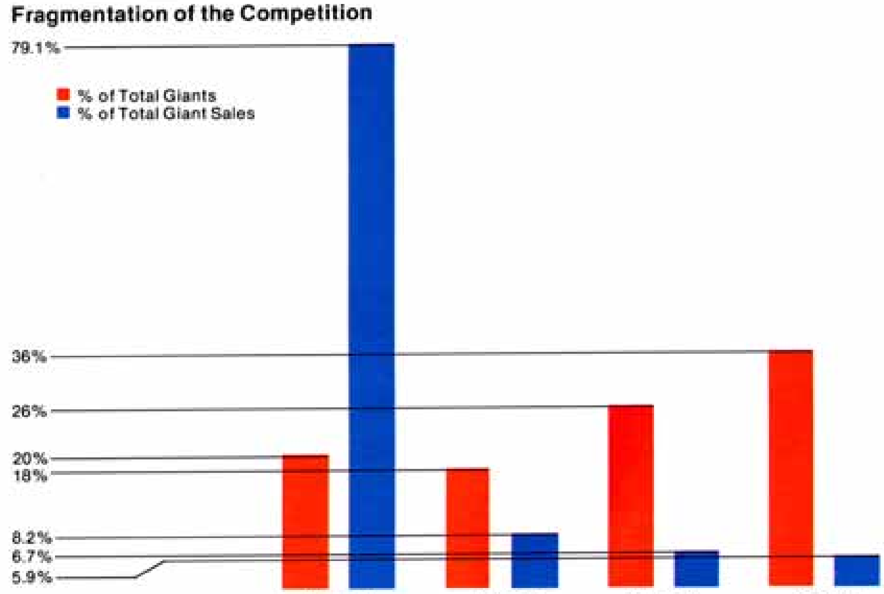
Another way of seeing how rapidly or slowly the major chains are gaining market share is to look at what the top 12 firms have done in the last year and the last 10 years and what the remaining top 25 firms have done in both time periods.

In 1972 the 12 largest (that included us even then) did 8% of the total business available then. Three years ago the 12 largest (not necessarily the same 12) did 13.5% of the total available business. Last year that had risen to 28% of the total available. That's a 10-year compound growth rate of 22.5% for the Big 12 while the market itself grew only 8.5% according to Commerce Department figures.

Ten years ago the remaining 13 of the giants did 2.9% of the business. By 1980 they were doing 4.7% of the business and just last year they had increased their share to 16.5% for a 10-year compound growth rate of 29%.

Lowe's has increased its market penetration over the recent decade and in the most recent two years. Factoring out only the Lumber, Building Materials and Hardware sales in the Southern region of the Commerce Department figures, it is helpful to note that 10 years ago Lowe's total sales

Fragmentation of the Competition



	Sales of $50 Million-Plus	Sales of $25-49.9 Million	Sales of $15-24.9 Million	Sales of $10-14.9 Million	Total
Number of Firms	63	55	80	112	310
% of Total Giants	20%	18%	26%	36%	100%
Sales of Group (000,000)	$18,111.7	$1,885.2	$1,526.4	$1,361.3	$22,884.6
% of Total Giant Sales	79.1%	8.2%	6.7%	5.9%	100%

SOURCE: *Building Supply News*

were 2.9% of the Southern total and our retail sales were 1.1%. Are these same store sales? No, not for Lowe's and not for Home Depot and certainly not for the South either.

Two years ago our percent of the total had risen by nearly 100% to 5.2%. In the same time our retail sales more than doubled to 2.4% of the total. Last year the trend continued and we had 6.0% of the Southern region total and retail accounted for 3.3%, a highly significant gain within one year. Over 10 years the compound growth rate for Lowe's sales was 16%, for retail sales was 20.6% and the Southern market, by this measurement, grew 7.8%.

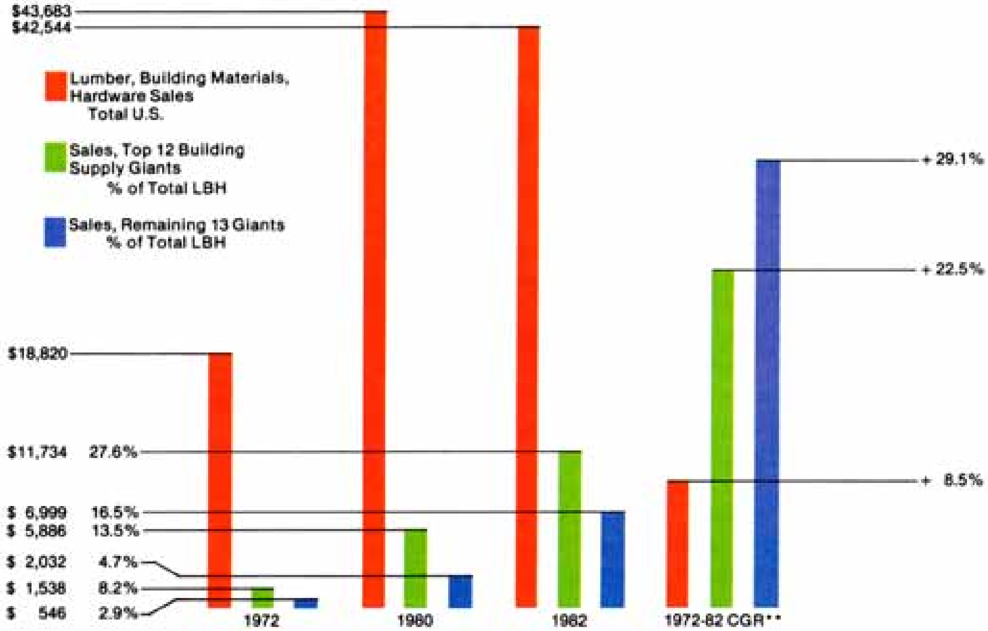
Expanded sales floors within the markets already served, more stores in markets already served, more and larger stores in new markets, and the acquisition of more stores in new areas beyond our present perimeter, offer significant opportunities for growth as well. Plans for these areas of expansion and growth have been detailed elsewhere in this annual review.

As other retailers come along with other types of retail sales formats, it is important to remember that sometimes some types of oblique competition are referred to as "wars." Only when battles are precisely drawn across the same pieces of land is this truly accurate. But even in indirect competition there are a lot of different kinds of survivors. And merely to observe two people trying to kill each other off can sometimes be mistaken for mutual suicide. Observers tend to be survivors. But sometimes these battle-wars are great nonevents. The market is so big that many formats, advanced by many good merchants, all have a good chance of success. That's one of the dynamic facts about general retailing today. One need only make a cursory pass at the mass merchandisers, the discounters, the department store chains, the specialty retailers, the catalogue showrooms, and so on to see that this is a business of major flux, of tremendous ebb and flow. Wow! Thanks for the insight, Mao. ■

The Growth of the Chains

The 25 Largest Building Supply Retailers*

(000,000s) Except Percents

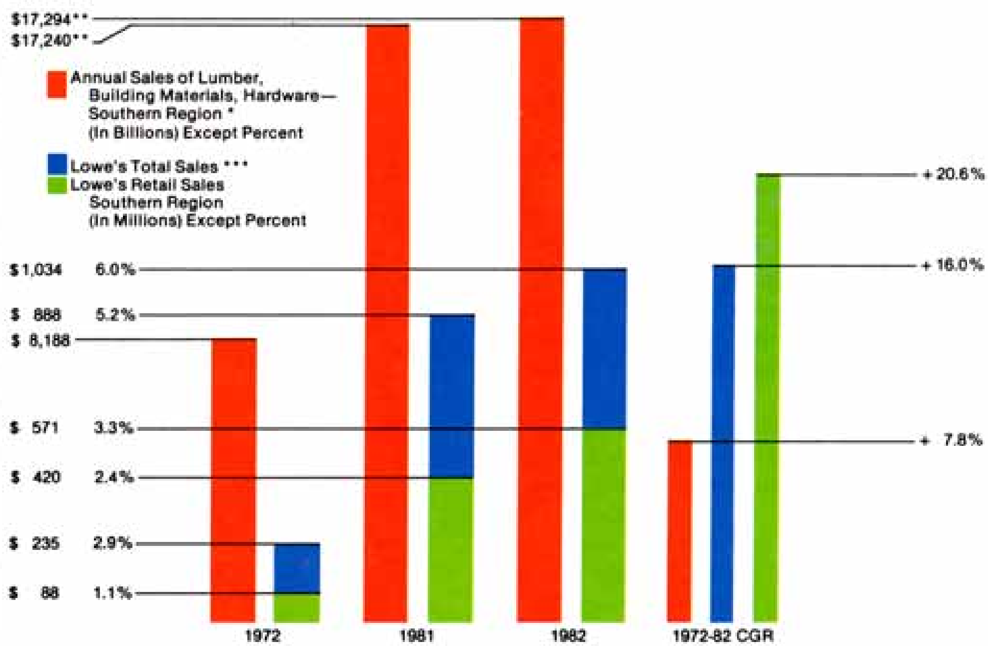


*Excluding mass merchandisers such as Sears, K Mart, Montgomery Ward and J. C. Penney

**Compound Growth Rate

SOURCES: Department of Commerce, *Retail Trade, Building Supply News*

The Penetration of Lowe's



* LBH figures for 1972 are unrevised and include farm equipment

** LBH figures for 1981 and 1982 also include mobile home sales

*** 1972 Lowe's annual sales are based on fiscal year ending 7-31-72

SOURCE: Department of Commerce *Retail Trade*

Housing Turnaround of Recent Minting

In the bright sunlight of a blossoming national economic recovery it is easy—mercifully easy—to forget that a few short months ago inflation rates were double what they are today, interest rates were 50% to 100% above today's, and that the turnaround in the housing industry in America is of recent minting.

Few basic industries suffered the outrageous fortune in the last four years that the housing industry did—and still does. It was not the poor productivity in the industry, nor high union demands, nor foreign competition. It was lack of money, available money to fund new home construction and new home purchasing, money which disappeared because it flowed to where the returns would be greater.

Millions of Americans had just about begun to despair of getting their share of the American dream—their own home. They were even willing to take smaller homes, they were willing—if they could find the financing—to pay larger and larger slices of their income for that dream. Four years of rampant inflation and high interest rates put the double-whammy on hope.

Last year the rate of housing starts, bolstered by multi-family activity, climbed to a shade above the dismal rate of 1981; back-to-back worst years in modern American history.

Then, despite the dramatic and unprecedented drop in inflation, the starts rate and the mortgage rate stayed stubbornly out-of-touch with what was happening on the inflation front as signaled by the explosive Wall Street rally which boomed, and boomed and boomed.

That side of Lowe's business which is most directly affected by mortgage rates and levels of housing starts turned modestly hopeful, but it was more hard work on the part of the professional sales staff here than it was any outside relief in the way of better conditions.

Existing home sales followed the free fall of the housing starts and reached a low of 1.9 million last year, down by 1 million from the level reached only two years earlier. The drop in the South was less than the national rate and less than any other major region, pointing to the strength in the Sun Belt which continued to attract retirees, many of whom had cash to buy existing homes, and workers coming to the high-tech, smokeless industries which fuel the South's current growth.

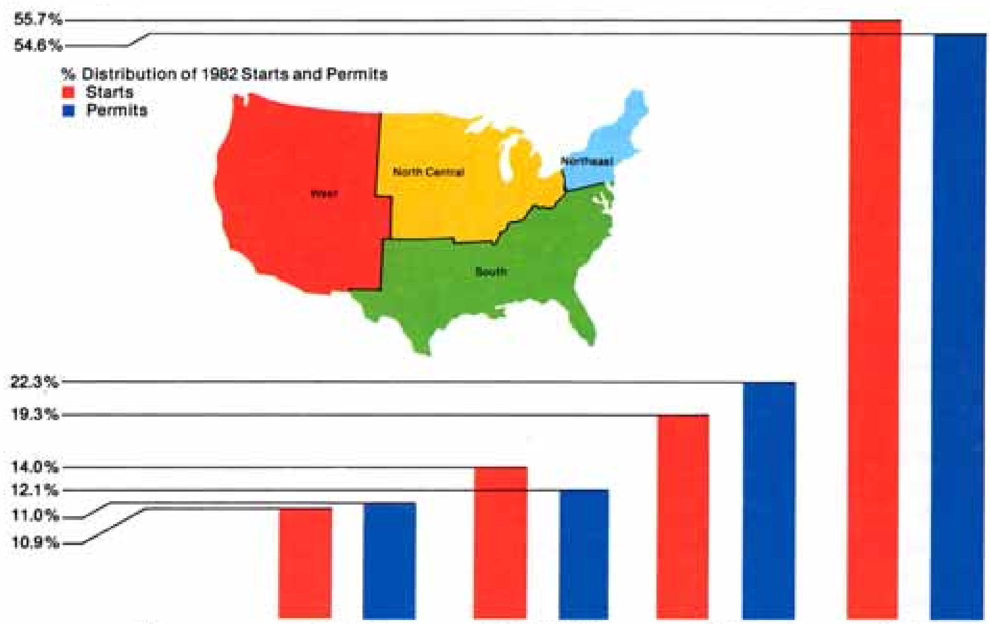
Much has been written and spoken in the popular media about the rising cost of new homes during recent years. It's all true, only probably worse than the 2-minute commentators realize. In 1963 when the median price of a new home was $18,000, 40.6% of families could afford it. Ten years later when the price had advanced to $32,500, 36.6% could afford it. While final figures on affordability are not in for last year, the median cost of a new home had risen to $69,300. The previous year when the median cost was $68,900, only 11.2% of families could afford it.

The brightest spot in these numbers comes from survey of existing home prices, and the amount of income needed to qualify to purchase this median home had declined in 1982 from $33,988 at the beginning of the year to $30,745 on December of 1982. It dropped still further in January of 1983 to $30,035 and in February to $29,897. The Catch-22 was that median income had also dropped in the period, according to the National Association of Realtors which says that median housing prices and median incomes have not been in balance since 1978.

If it is any wonder that those who predicted a year ago a dramatic decline in interest and inflation rates were called spinners of fairy tales, then it should be no wonder that those companies which have seen their opportunities adversely affected by the yo-yo of boom-and-bust housing cycles look upon all of this as grim times.

At Lowe's we have rowed upstream long

Regional Housing Starts and Permits (Private Housing Starts Only)
(Thousands)



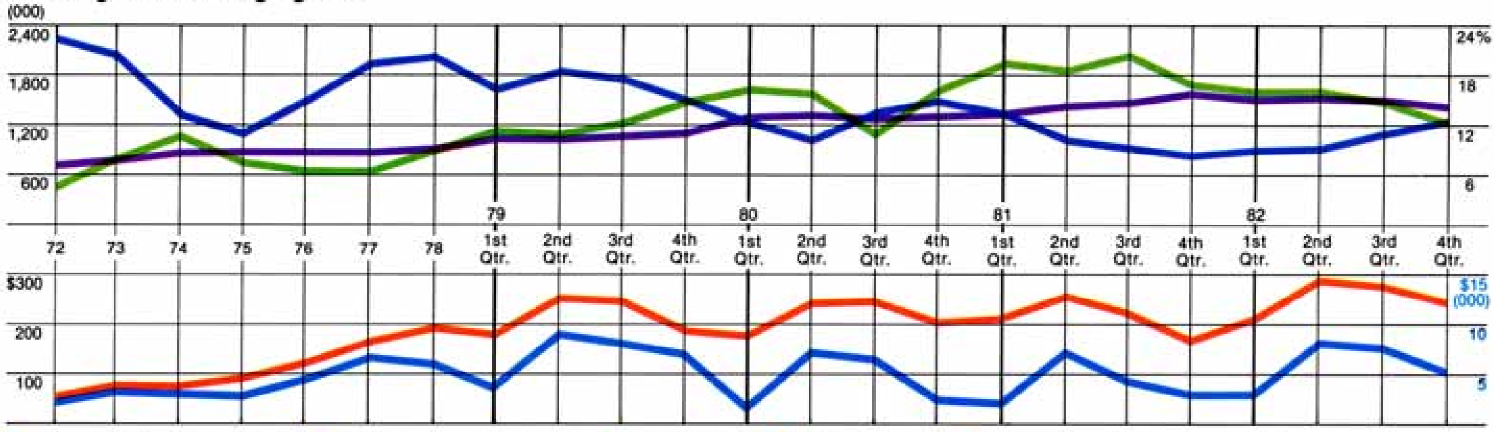
	U.S.		Northeast		North Central		West		South	
Year	Starts	Permits	Starts	Permits	Starts	Permits	Starts	Permits	**Starts**	**Permits**
1971	2,085	1,981	271	308	440	430	490	478	**884**	**737**
1980*	1,292	1,191	125	118	218	192	306	319	**643**	**562**
1981	1,084	985	117	110	165	133	240	251	**562**	**491**
1982P	1,061	994	116	109	149	120	205	222	**591**	**543**

*Permit figures for 1978 through 1981 are for 16,000 permit-issuing places and are not, therefore, directly comparable to permit figures prior to 1978 which reflect 14,000 permit-issuing places.

P = Preliminary

SOURCE: *Construction Review, Construction Reports*

Housing—The Changing Mix*



■ Privately Owned Housing Starts(1) ■ New Home Mortgage Yields(1) ■ Prime Rate %(1) ■ Lowe's Sales(2)(3) ■ Lowe's Quarterly Net Earnings(3)(4)(5)
(1) 1979-1982 = 3 Months Average. (2) Years 1972-78 = Quarterly Average (3) Year Ended 7-31 for years through 1977
(4) Years 1972-78 = Quarterly Average (5) 1972-77 Earnings = FIFO basis; Subsequent earnings are LIFO
*Lowe's sales and earnings on fiscal-year quarters; starts, mortgage and prime rates on calendar-year quarters.

Existing Home Sales *

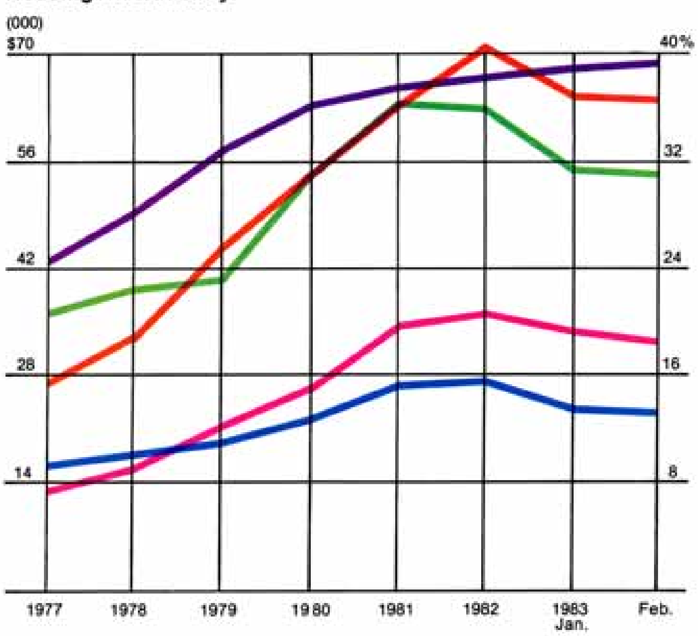
	U.S.		Northeast	North Central	West	South	
	Units Sold (000)	Dollar Volume (Billions)	Units Sold (000)	Units Sold (000)	Units Sold (000)	Units Sold (000)	% of U.S. Total
1972	2,252	$ 67.8	361	630	473	788	35
1980	2,973	216.4	403	806	672	1,092	37
1981	2,419	189.4	353	632	516	917	38
1982	1,990	160.2	354	490	366	780	39
1972-82 CGR**	– 1.2%	9.0%	–.2%	– 2.5%	– 2.5%	–.1%	

*Reflective of sales of previously owned homes, does not include new housing.
**Compound Growth Rate
SOURCE: National Association of Realtors

enough and expended enough physical and mental energy to have achieved a retailer's "high." Never again dependency on this profit-numbing, and potentially deadly, mirage.

The Chinese proverb says that if you give a man a fish he can eat for a day but if you teach him to fish he can live for a lifetime. We have learned how to fish. ■

Housing Affordability

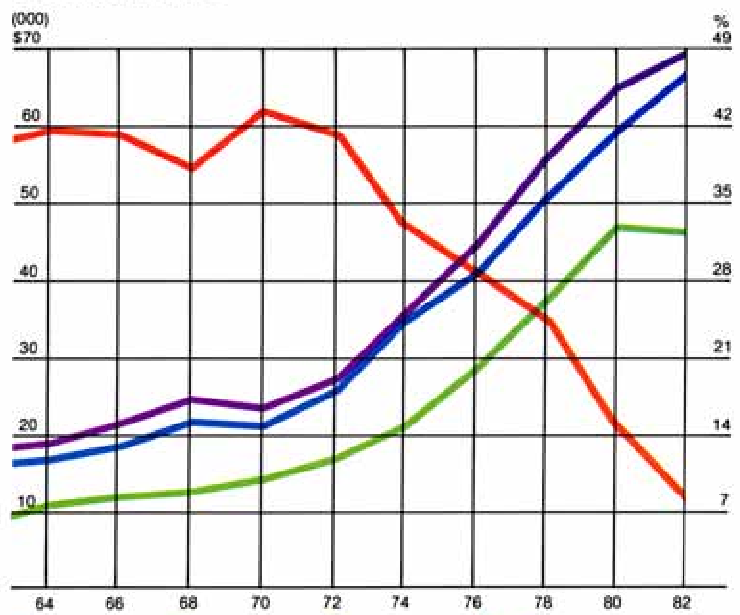


■ Median Price Existing Home ■ Mortgage Payment ■ Monthly P & I* Payment ■ Payment as % Income ■ Qualifying Income

*Principal and Interest.

SOURCE: *Existing Home Sales*, National Association of Realtors.

Cost of New Homes



■ Median Price New Home** ■ Total Cost of New Homes (South) ■ Remodeling Expenditures (Billions) ■ % Families With Income to Afford Housing Expenses*

*Based on a commitment of 25% of median family income to shelter expenses including mortgage, insurance, operating expenses and repairs.
**Median Sales Price
SOURCE: *Construction Review*, NAHB Economics Division

Directors

Name and Age	Director Since	Business Experience, Directorships, Positions within the Last Five Years
Gordon E. Cadwgan, 69	1961	Chairman of Audit Committee and Member of Compensation Committee of the Board. Trustee and Financial Consultant; affiliated with Tucker, Anthony & R. L. Day, Inc., Boston, Mass., since February, 1979. Director, Leach & Garner Company, Attleboro, Mass. Vice-President, Merrill Lynch, Pierce, Fenner & Smith, Inc., Boston, Mass., 1978-1979. Senior Fellow and Chairman, Investment Committee, Brown University, Providence, R. I. Director, Bevis Industries, Inc., (Tubing, Rotary Blowers, and Pumps) Providence, R. I.
Leonard G. Herring, 55	1956	President and Chief Executive Officer since 1978. Member, Office of the President 1970-1978. Secretary of the Company 1956-1978. Executive Vice President 1976-1978. Director, Northwestern Financial Corporation, North Wilkesboro, N. C., since 1969. Member, Listed Company Advisory Committee to the New York Stock Exchange Board of Directors, New York, N. Y.
Petro Kulynych, 61	1952	Managing Director since 1978. Executive Vice-President 1970-1978. Member, Office of the President 1970-1978. Director, North Wilkesboro Federal Savings & Loan Association, North Wilkesboro, N. C., since 1974. Trustee, Wake Forest University, Winston-Salem, N. C.
William H. McElwee, Sr., 75	1961	General Counsel and Managing Director since November, 1980. Senior Vice-President and General Counsel 1972-1980. Member of Compensation Committee of the Board. Partner, McElwee, McElwee, Cannon & Warden (Attorneys-at-Law), North Wilkesboro, N. C. Member Emeritus, North Carolina Board of Law Examiners, Raleigh, N. C.
Robert G. Schwartz, 55	1973	Chairman of Compensation Committee and Member of Audit Committee of the Board. Metropolitan Life Insurance Company, New York, N. Y. Chairman of the Board since February 1, 1983. Vice-Chairman of the Board and Director, 1980-1983. Executive Vice-President, 1979-1980. Senior Vice-President, 1976-1978. Director, Potlatch Corporation, San Francisco, Calif., since 1973. Director, Kaiser Cement Corporation (cement) since 1977, Oakland, Calif., since 1977. Director, NL Industries, Inc., (petroleum services, chemicals, metals), New York, N. Y., since 1980. Director, R. H. Macy & Company, Inc., (department stores), New York, N. Y., since 1982. Director, State Street Research and Management Company, Boston, Mass., since 1983.
Robert L. Strickland, 52	1961	Chairman of the Board since 1978. Member of Compensation Committee of the Board. Executive Vice-President 1976-1978. Member, Office of the President 1970-1978. Director, Revelstoke Companies, Ltd. (Lumber Mills, Retail Building Materials and Ready-Mix Concrete Plants), Calgary, Alberta, Canada, since 1976. Chairman and President, Do-It-Yourself Research Institute, Indianapolis, Ind. Director, The Home Center Institute, Indianapolis, Ind. Vice-Chairman, The ESOP Association, Washington, D. C. Director, Council of Better Business Bureaus, Inc., Washington, D. C. Director, The Committee of Publicly Owned Companies, New York, N. Y.
John A. Walker, 60	1961	Member of Audit Committee of the Board. Managing Director 1978-1980. Executive Vice President 1970-1978. Member, Office of the President 1970-1978. Director, Brad Ragan, Inc. (Tire Manufacturers), Spruce Pine, N. C., since 1972. Trustee, First Carolina Investors, Charlotte, N. C., since 1971.

Data current with proxy information dated April 22, 1983.

Officers

Chairman
Robert L. Strickland

President
Leonard G. Herring

Directors
Gordon E. Cadwgan
Leonard G. Herring
Petro Kulynych
William H. McElwee, Sr.
Robert G. Schwartz
Robert L. Strickland
John A. Walker

Corporate Officers
J. Ross Burgess, *executive vice president—merchandising*
Wade Dupree, *vice president—real estate*
Richard D. Elledge, *vice president, secretary and controller*
Clayton A. Griffing, *senior vice president—finance*
Leonard G. Herring, *president and chief executive officer*
Petro Kulynych, *managing director*
Arnold N. Lakey, *vice president—credit management*
William H. McElwee, Sr. *managing director and corporate counsel*
Dwight E. Pardue, *executive vice president—store operations*
Robert L. Strickland, *chariman of the board*
Harry B. Underwood, *vice president and treasurer*

Company Officials
William F. Brantley, *vice president—investor relations*
Michael D. Brown, *senior vice president—marketing services*
Ralph Buchan, *vice president—marketing research and planning*
Alex Busick, *vice president—advertising*
Robert Cannon, *merchandising vice president—appliances, hardware, seasonal products*
Henry Church, *senior vice president—Sterling Advertising*
Wendell R. Emerine, *vice president—store operations*
Edward F. Greene, *senior vice president*
Richard D. Griffin, *vice president—corporate retail sales*
Vaughn Hayes, *vice president—inventory management*
G. Vernon McGimsey, *regional vice president*
Kenneth Moore, *merchandising vice president—structural lumber and plywood*
U. Dean Nichols, *regional vice president*
Jack Patterson, *vice president—regional advertising development—Sterling Advertising*
M. Benfield Phillips, *vice president—corporate professional sales*
H. C. Poythress, *vice president—manager print advertising, Sterling Advertising*
Robert L. Swanson, *senior vice president—merchandising*
Charles E. Taylor, *regional vice president*
John W. Vining, Jr., *vice president— administration*
Gregory J. Wessling, *merchandising vice president—building commodities, farm supplies and millwork*
William White, *regional vice president*

Data current as of May 2, 1983.

Investor's Quick Reference Guide

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

Dividend Payment Dates:
Usually the last of April, July, October and January.

Dividend Disbursing Agent:
Wachovia Bank & Trust Co., N. A.
Box 3001
Winston-Salem, N. C. 27102

Information Contact:
Kyle Royce
919-748-6400

Dividend Reinvesting Agent*:
Wachovia Bank & Trust Co., N.A.
Box 3001
Winston-Salem, 27102

Information Contact:
Ed Hartgrove, Jr.
919-748-6400

Dividend Policy:
Lowe's pays a cash dividend each quarter and since becoming a public company in 1961 has paid 88 consecutive quarterly dividends.

Lowe's Telephone:
919-667-3111

Lowe's Telex:
510-922-5737

Lowe's Mailing Address:
Box 1111
North Wilkesboro, N. C. 28656

Lowe's Street Address:
State Highway 268 East
(Elkin Highway)
North Wilkesboro, N. C. 28659

Annual Meeting Date:
May 27, 1983, 10 a.m.
Lowe's General Offices
North Wilkesboro, N. C.

Questions about Lowe's, Shareholder Inquiries and to obtain Form 10-K: Call or write:
Bill Brantley
Vice President, Investor Relations
Box 1111
North Wilkesboro, N. C. 28656
Telephone: 919-667-3111, ext. 4631
Telex: 510-922-5737

*Effective June 30, 1983

Stock Transfer Agents:
Wachovia Bank & Trust Co., N. A.
Box 3001
Winston-Salem, N. C. 27102

Information Contact:
Victor Winterflood
919-748-6447

Morgan Guaranty Trust Co.
9 West 57th Street
New York, N. Y. 10019

Stock Registrars:
The Northwestern Bank
Box 85
Winston-Salem, N. C. 27102

The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, N. Y. 10005

Lowe's Common Stock:
Ticker symbol: LOW
Listed:
New York Stock Exchange
20 Broad Street
New York, N. Y. 10005

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

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

Quarterly Reports:
Mailed usually the fourth week after the end of the quarter, April 30, July 31, October 31 and January 31.

Disclosure Policy:
Lowe's Companies, Inc., for more than 21 years, has maintained a policy of complete and free disclosure of all information needed by investors to determine whether they should buy, sell or hold Lowe's stock. The company desires and intends not only to meet the letter but the spirit of laws, regulations and rules. It follows and—in some cases—leads good practice and custom. Annually the company seeks new and fresh ways of presenting financial and other information about itself to better inform the investor.

Your comments are always welcome.

1982 Shareholders Survey

(1) Which Sections of the January 31, 1982 Annual Report did you read?

All the report	48%
Letter to Shareholders	40%
Letter to Shareholders Translations	9%
Performance Review	38%
Lowe's at 20	22%
Prospects for Leadership	22%
Dimensions of the Future—Essay	24%
Investor Relations Report	20%
Shareholder Census & Survey	19%
Market Research	24%
Financial Report	33%
21-year Financial Review	31%
Other	4%

(2) Ratings of the Quality of the Annual Report Sections (10-point scale) 10 = outstanding:

All of the Report	8
Letter to Shareholders	8
Letter to Shareholders Translations	7
Performance Review	8
Lowe's at 20	7
Prospects for Leadership	7
Dimensions of the Future—Essay	8
Investor Relations News Report	8
Shareholder Census & Survey	8
Market Research	8
Financial Report	8
21-year Financial Review	9
Other	8

(3) Rating of the Usefulness of Sections of the Annual Report (10-point scale):

All the Report	9
Letter to Shareholders	8
Letter to Shareholders Translations	5
Performance Review	8
Lowe's at 20	6
Prospects for Leadership	7
Dimensions of the Future—Essay	7
Investor Relations News Report	7
Shareholder Census & Survey	7
Market Research	8
Financial Report	9
21-year Financial Review	9
Other	8

(4) Overall Report Rating on 10-point scale:

The overall Report	8

(5) Status of Respondent as a Shareholder:

Yes	54%
No	46%

(5a) Size of Holding—How many Shares do you currently own?

Number of shares owned	
1—99	20%
100—499	46%
500—999	12%
1000—9000	19%
Over 10,000	4%
Average size of holding	7,402

(5b) As a Lowe's shareholder what is your primary investment objective in holding Lowe's stock now?

I have a long-term profit on my original investment	26%
I believe that when interest rates subside, Lowe's price may recover	32%
The dividends on my original investment are satisfactory	12%
I have a loss on my investment in Lowe's and am awaiting a recovery, at which point I would make another decision	5%
Other	7%

(6) As a potential Lowe's shareholder what would be your primary reason for holding Lowe's stock?

Capital Appreciation	43%
Dividend Income	3%
Both Capital Appreciation & Dividend Income	50%
Other	4%

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

Yes	57%
No	43%

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

Through my stockbroker	16%
Through a Lowe's employee or store	15%
Through a Lowe's shareholder	7%
By reading previous Annual Report	18%
Newspaper or Magazine article	12%
Investment publication	21%
This is my first exposure to Lowe's	6%
Other	14%

LOWE'S QUARTERLY STOCK PRICE RANGE AND CASH DIVIDEND PAYMENT.*

Fiscal Year Ended January 31, 1983:	High	Low	Dividend
Fourth Quarter —NYSE, PSE	$22.35	$15.15	$.078
Third Quarter —NYSE, PSE	16.28	8.93	.072
Second Quarter—NYSE, PSE	9.53	8.40	.072
First Quarter —NYSE, PSE	9.15	7.65	.072
Fiscal Year Ended January 31, 1982:	High	Low	Dividend
Fourth Quarter —NYSE, PSE	$ 8.55	$ 6.30	$.072
Third Quarter —NYSE, PSE	10.01	7.50	.072
Second Quarter—NYSE, PSE	11.30	9.40	.072
First Quarter —NYSE, PSE	11.36	7.90	.072
Fiscal Year Ended January 31, 1981:	High	Low	Dividend
Fourth Quarter —NYSE, PSE	$ 8.80	$ 7.00	$.06
Third Quarter —NYSE	9.95	8.00	.06
Second Quarter—NYSE	9.45	6.05	.06
First Quarter —NYSE	6.90	5.35	.06
Fiscal Year Ended January 31, 1980:	High	Low	Dividend
Fourth Quarter —NYSE	$ 7.30	$ 6.80	$.05

	Bid		Asked		Dividend
	High	Low	High	Low	
Fourth Quarter —OTC	$7.70	$6.80	$8.00	$7.10	$.05
Third Quarter —OTC	8.20	6.80	8.30	7.10	.05
Second Quarter—OTC	7.20	6.50	7.50	6.90	.05
First Quarter —OTC	7.80	7.00	8.10	7.30	.05

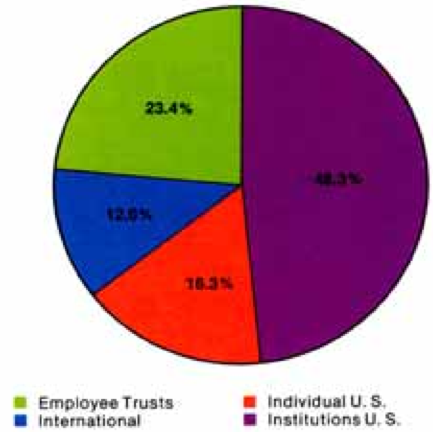
*As restated for a five-for-three split to shareholders of record April 14, 1983.

NYSE: New York Stock Exchange
PSE: Pacific Stock Exchange
OTC: Over-The-Counter Market

(Lowe's shares are also listed on the London Stock Exchange.)

The number of Lowe's shareholders on the record date of April 14, 1983 was 5,144.

Shareholder Analysis



SOURCE: Lowe's Corporate Records

State	Holders	Shares
Alabama*	104	13,523
Alaska	3	826
Arizona	15	1,911
Arkansas*	14	975
California	69	274,706
Colorado	6	1,614
Connecticut	52	53,617
Delaware*	39	13,854
District of Columbia	15	8,105
Florida*	142	139,053
Georgia*	187	114,814
Hawaii	1	11
Idaho	1	500
Illinois*	72	896,076
Indiana*	39	28,078
Iowa	5	315
Kansas	9	2,901
Kentucky*	75	26,010
Louisiana*	79	9,287
Maine	11	4,771
Maryland*	117	82,171
Massachusetts	89	185,615
Michigan	36	17,262
Minnesota	17	40,234
Mississippi*	67	14,890
Missouri	31	35,710
Montana	2	31
Nebraska	8	36,573
Nevada	4	787
New Hampshire	8	3,778
New Jersey	86	86,634
New Mexico	2	1,206
New York	161	19,929,151
North Carolina*	2,248	4,043,719
Ohio*	87	79,288
Oklahoma	5	1,678
Oregon	9	11,366
Pennsylvania*	94	360,426
Rhode Island	66	153,834
South Carolina*	267	119,849
South Dakota	1	1
Tennessee*	198	115,462
Texas*	61	26,922
Utah	1	75
Vermont	3	29,471
Virginia*	411	455,936
Washington	15	8,207
West Virginia*	67	25,997
Wisconsin	11	4,508
Wyoming	1	75
Canada	14	199,636
International**	17	114,543
	5,142	27,775,982
Employees in Profit-Sharing Trust***	1,698	3,323,880
Employees in Stock Ownership Plan and Trust***	5,850	5,148,613
Total	12,690	36,248,475

*Indicates state with Lowe's store.

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

***In computing total shareholders of record, the two trusts are counted as one shareholder each, one in the North Carolina 2,248, and one in the New York 161. Also, the total holders figure has been adjusted for employees who are members of both plans.

Lowe's Companies, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Financial Position

(In thousands)

	Fiscal 1982	Fiscal 1981	Fiscal 1980
Funds provided:			
Net earnings	$25,131	$17,859	$18,891
Charges not requiring funds:			
Depreciation	11,178	10,522	10,320
Deferred income taxes	3,485	—0—	—0—
Funds from operations	39,794	28,381	29,211
Long-term debt borrowings	14,501	1,883	—0—
Stock issued to ESOP	5,951	—0—	—0—
Disposals of fixed assets	690	902	561
Other	(38)	52	(282)
Total funds provided	60,898	31,218	29,490
Funds applied:			
Dividends paid	9,800	9,376	7,813
Fixed assets acquired	22,601	30,698	13,585
Current maturities and repayment of long-term debt	7,132	4,948	4,183
Total funds applied	39,533	45,022	25,581
Increase (decrease) in working capital	21,365	(13,804)	3,909
Changes in working capital components:			
Accounts receivable	27,281	(20,065)	1,730
Merchandise inventory	54,006	(11,575)	6,593
Other current assets	1,607	751	(2,088)
Current maturities of long-term debt	(1,215)	(259)	(64)
Accounts payable	(42,621)	4,044	(6,436)
ESOP benefits payable	(1,828)	1,429	(687)
Accrued salaries and wages	(3,455)	644	186
Other current liabilities	(3,009)	(1,782)	(2,634)
Income taxes payable	(2,672)	(3,494)	14,701
Working capital changes before cash*	28,094	(30,307)	11,301
Increase (decrease) in cash*	(6,729)	16,503	(7,392)
Cash*, beginning of year	32,070	15,567	22,959
Cash*, end of year	$25,341	$32,070	$15,567

*Cash and cash equivalents.

See accompanying notes to consolidated financial statements.

Report of Independent Certified Public Accountants

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

We have examined the consolidated balance sheets of Lowe's Companies, Inc. and subsidiary companies as of January 31, 1983, 1982 and 1981, and the related consolidated statements of current and retained earnings and of changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the consolidated financial position of Lowe's Companies, Inc. and subsidiary companies at January 31, 1983, 1982 and 1981, and the consolidated results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in Fiscal 1981 in the methods of accounting for depreciation and capitalization of interest costs as described in Note 2 to the consolidated financial statements.

DELOITTE HASKINS & SELLS
Lenoir, North Carolina
March 18, 1983

Management Analysis: Lowe's Financial Strategies

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

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

Dramatically different sales trends are presented graphically in Chart A for Lowe's sales to retail customers and to the builder. Total sales have averaged a growth rate of 16% per year from 1978 through 1982, however, retail sales have accelerated at a 7% average annual increase, while sales to professionals have been flat over the five-year period. These trends are a result of the adverse economic circumstances plaguing the housing industry since late 1979 and the company's increased emphasis upon penetrating the retail do-it-yourself market. The growth of retail sales and the persistent long range growth rate shown in line 5, pages 13-15 are attributable to the marketplace acceptance of Lowe's merchandise and services and to the company's continued geographic expansion. The sales trends are in part influenced by inflation, but in 1982 the rate of inflation for our merchandise was less than one-fourth that registered by the Consumer Price Index. Indeed, the inflation in our merchandise was at the lowest rate experienced since the company adopted LIFO in Fiscal 1978.

Net earnings as a percentage of sales during the last five years are delineated in Chart B. This net return on sales is a measure of productivity which is affected by sales volume, customer and product mix, and income statement factors-margin rates, fixed and variable expenses, and tax rates. The rates shown here for 1978, 1979, 1980, 1981 and 1982 reflect LIFO Inventory accounting. A restated, historical comparison is presented in line 19, page 52. The constant challenge to management when expenses generally inflate at rates comparable to the Consumer Price Index and prices of our merchandise increase at a rate of only one-fourth to one-half that rate is to increase productivity so that the falling trend of net earnings to sales will be reversed.

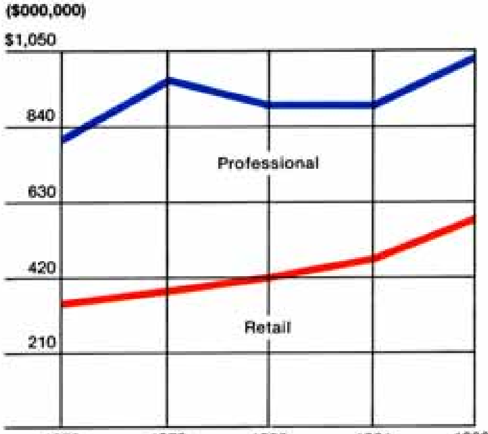
Funds from operations (Cash Flow) as portrayed in Chart C, result from net earnings and non-cash charges against earnings, principally depreciation. Such funds are used for two purposes: first, providing the source of dividends to be paid to shareholders; second, with the balance being reinvested in the business for future growth. Lowe's policy in the past five years has been to provide a steady increase in cash flow to shareholders in the form of cash dividends in spite of cyclical earnings fluctuations. Our long term Cash Flow growth rates are shown in line 9, page 52.

We have discovered an easy way to compare the real internal Cash Flow during years of LIFO inventory accounting, with years of FIFO inventory accounting, of which some of both are presented in the 21-year review. The Formula is:

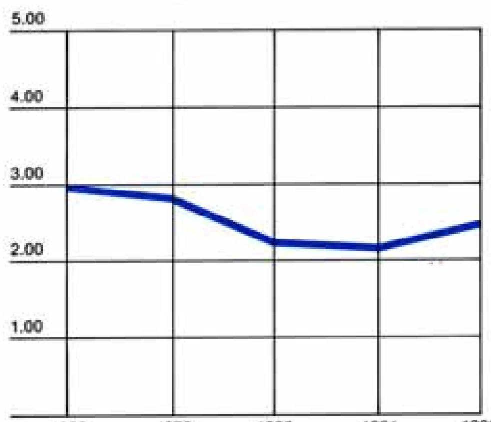
From: FIFO Net Earnings Before Taxes
Subtract: Actual Taxes (from the Audited Financials)
Add: Depreciation and Deferred Income Taxes
Result: Real Cash Flow

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

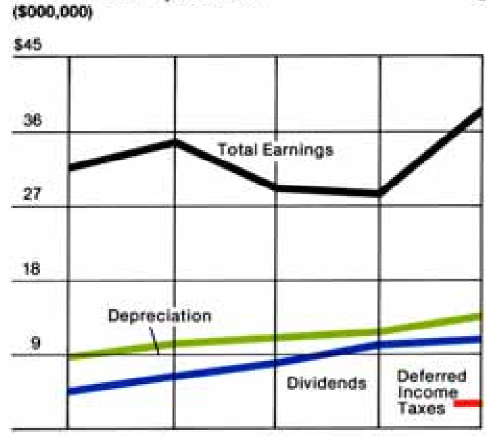
Total Sales Trends **A**
($000,000)



Percent Earnings to Sales **B**



Funds From Operations **C**
($000,000)



Lowe's Companies, Inc. and Subsidiary Companies

Consolidated Statements of Current and Retained Earnings

(In thousands, except per share data)

	Year Ended January 31, 1983		Year Ended January 31, 1982		Year Ended January 31, 1981	
	Fiscal 1982	% of Sales	**Fiscal 1981**	% of Sales	**Fiscal 1980**	% of Sales
Current earnings:						
Net sales	$1,034,032	100.0	$888,042	100.0	$883,614	100.0
Cost of sales	772,986	74.8	667,610	75.2	677,974	76.7
Gross profit	261,046	25.2	220,432	24.8	205,640	23.3
Expenses:						
Selling, general and administrative	187,199	18.1	164,786	18.6	144,312	16.3
Depreciation (Note 2)	11,178	1.1	10,522	1.2	10,320	1.2
ESOP benefits (Note 8)	10,666	1.0	8,932	1.0	10,528	1.2
Interest (Notes 2 and 12)	4,478	.4	2,966	.3	4,203	.5
Total expenses	213,521	20.6	187,206	21.1	169,363	19.2
Pre-tax earnings	47,525	4.6	33,226	3.7	36,277	4.1
Income tax provision (Note 7)	22,394	2.2	15,367	1.7	17,386	2.0
Net earnings	$ 25,131	2.4	$ 17,859	2.0	$ 18,891	2.1
Earnings per share*	$ .75		$ .55		$ .58	
Dividends per share (Note 9)	$ .29		$ .29		$ .24	
Shares outstanding (Note 9)	33,333		32,555		32,555	
Retained earnings (Note 9):						
Balance at beginning of period as previously reported	$ 162,470		$157,243		$146,165	
Retroactive adjustment for three-for-two stock split			(3,256)		(3,256)	
Retroactive adjustment for five-for-three stock split	(6,511)		(6,511)		(6,511)	
As restated	155,959		147,476		136,398	
Adjustment for five-for-three stock split on shares issued to ESOP on February 1, 1982	(156)					
Net earnings	25,131		17,859		18,891	
Cash dividends	(9,800)		(9,376)		(7,813)	
Balance at end of period	$ 171,134		$155,959		$147,476	

*After reduction of $.51, $.36 and $.39 in Fiscal 1982, 1981 and 1980, respectively, to give retroactive effect to the five-for-three stock split in the form of a dividend payable to shareholders of record April 14, 1983.

See accompanying notes to consolidated financial statements.

Financial Condition—Balance Sheet Management

Historically, two major strategies for balance sheet management, one for each side of the sheet, have helped to make this a dynamic document. First, on the asset side, we concern ourselves with the structural balance of the various asset components which contribute to our profits and growth. Since fixed assets provide no direct return on investment, we maintain the major portion of our assets in items that "turn" around sales, specifically, inventory and accounts receivable. In recent years, inventory and receivables have been maintained at an average of 62% of total assets, but careful management during Fiscal 1981 brought their total to 53% at year-end. With the economic upturn experienced in the fourth quarter of Fiscal 1982, they returned to 62% of total assets.

It is important to note that our major asset, inventory, has been valued using the LIFO method of accounting since 1978. The effect on the balance sheet is that during inflationary periods, the LIFO method tends to reduce the stated value of similar units of inventory, thus reducing inventory as a percentage of total assets.

Inventory is the single most important asset to a company like Lowe's, because it is the raw material of profitability. Therefore, continuing attention is given to managing it properly. Lowe's sales to inventory ratio—total sales divided by average inventory at cost—was 6.2 times in 1982, versus 6.3 times in 1981. The additional $54 million investment in ending inventory for Fiscal 1982 versus 1981 supported the higher sales volumes created by a healthier economy.

Accounts receivable represent the next largest current asset we manage. The accounts receivable balance is generated almost entirely from sales to professional customers, since our retail customers primarily pay cash or use credit cards.

Our receivables increased $27 million, or by 57% during Fiscal 1982. The $75 million on January 31, 1983 was equal to 62% of sales to professional buyers during the preceding 90 days, compared to 63% one year ago, and 60% two years ago. Reflecting good management, the allowance for doubtful accounts was only 4.3% of gross accounts receivable in Fiscal 1982 versus 5.5% in Fiscal 1981.

Fixed assets, principally store buildings, fixtures and equipment, increased by $11 million this year, reflecting the addition of 6 new stores opened in the fiscal year, and a continuing existing store retrofitting program.

All other assets were 7% of the total, primarily cash and short-term investments. These funds, which fluctuate seasonally, are made available by the Company's cash management system and our effective control of other current assets.

The second major strategy in balance sheet management deals with the liabilities and shareholders' equity side where we are specifically concerned with the financing of assets. The most important components here are shareholders' equity, accounts payable, long-term debt, and other liabilities.

Equity financed 51% of total assets on January 31, 1983. On February 8, 1983, the Company sold 2.917 million shares of common stock (1.75 million before the adjustment for the five-for-three stock split described in Note 9). The gross proceeds of $54 million will be added to the general funds of the Company and will be used principally to finance the cost of land, building and equipment for new and existing stores and to fund working capital requirements. However, equity cannot finance the total assets required to maximize Lowe's operations and opportunities. Other funds are needed and obtained, some on short-term basis and some long-term.

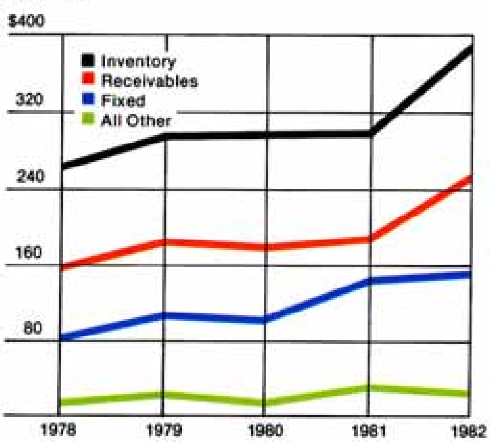
Accounts payable are a function of inventory levels and purchasing trends and, as such, fluctuate as a percent of inventory and as a source of financing total assets. It should be noted here that payables are evaluated based upon the FIFO method of inventory accounting even when the Company is utilizing the LIFO method.

Long-term debt has been used by Lowe's as a method of financing a portion of our store expansion. After peaking at 24% of total assets in 1978, long-term debt has been reduced and on January 31, 1983, it financed just 14% of total assets. This low level invites further comment. To facilitate additional expansion, we expect to secure additional debt financing in Fiscal 1983. Specifically, we plan industrial revenue bond financing for certain new stores and sale-leaseback transactions involving certain existing stores.

Other liabilities represent various obligations, including current and deferred income taxes payable and employee retirement benefits. Such liabilities were funding 12% of our assets on January 31, 1983.

In summary, balance sheet management is one of the most important of Lowe's corporate strategies, obviously essential to our growth, and we are pleased with the condition of our balance sheet at the close of this fiscal year.

Assets Trends & Composition D
In Millions

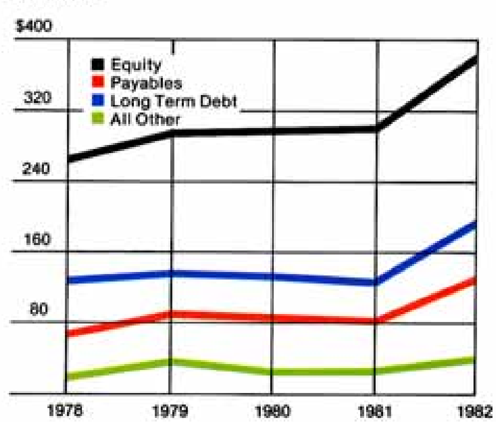


Balance Sheet Trends E
% of Total*

	1978	1979	1980	1981	1982
Inventory:	41%	40%	42%	37%	43%
Receivables:	25%	22%	23%	16%	19%
Fixed Assets:	30%	30%	30%	36%	31%
All Other:	4%	8%	5%	11%	7%
Totals:	100%	100%	100%	100%	100%
Equity:	52%	53%	56%	58%	51%
Payables:	17%	15%	17%	16%	23%
Debt:	24%	19%	17%	16%	14%
All Other:	7%	13%	10%	10%	12%
Totals:	100%	100%	100%	100%	100%
Equity ÷ Debt Ratio	2.17	2.81	3.25	3.63	3.54

*Totals Rounded

Equity and Liabilities Trends and Composition F
In Millions



Lowe's Companies, Inc. and Subsidiary Companies

Consolidated Balance Sheets

(In thousands)

	January 31, 1983		January 31, 1982		January 31, 1981	
	Fiscal 1982	% of Total	**Fiscal 1981**	% of Total	**Fiscal 1980**	% of Total
ASSETS						
Current assets:						
Cash	$ 2,035	.5	$ 6,781	2.2	$ 8,567	2.8
Short-term investments	23,306	5.9	25,289	8.3	7,000	2.3
Accounts receivable—net (Note 12)	75,388	19.2	48,107	15.7	68,172	22.6
Merchandise inventory (Note 3)	167,535	42.6	113,529	37.0	125,104	41.5
Other current assets	3,271	.8	1,664	.5	913	.3
Total current assets	271,535	69.0	195,370	63.7	209,756	69.5
Property, less accumulated depreciation (Notes 2, 4 and 6)	121,406	30.9	110,673	36.1	91,399	30.3
Other assets	559	.1	521	.2	573	.2
Total assets	$393,500	100.0	$306,564	100.0	$301,728	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current maturities of long-term debt (Note 6)	$ 5,631	1.4	$ 4,416	1.4	$ 4,157	1.4
Accounts payable	90,580	23.0	47,959	15.7	52,003	17.2
ESOP benefits payable (Note 8)	10,871	2.8	9,043	3.0	10,472	3.5
Accrued salaries and wages	9,110	2.3	5,655	1.8	6,299	2.1
Other current liabilities	13,337	3.4	10,328	3.4	8,546	2.8
Income taxes payable	5,470	1.4	2,798	.9	(696)	(.2)
Total current liabilities	134,999	34.3	80,199	26.2	80,781	26.8
Long-term debt, excluding current maturities (Note 6)	56,233	14.3	48,864	15.9	51,929	17.2
Deferred income taxes (Note 7)	3,485	.9	—0—	.0	—0—	.0
Total liabilities	194,717	49.5	129,063	42.1	132,710	44.0
Commitments, contingencies, and litigation (Note 11)						
Shareholders' equity (Note 9):						
Common stock — $.50 par; issued and outstanding 1982 33,333,333; 1981 and 1980 32,555,315	16,667	4.2	16,278	5.3	16,278	5.4
Capital in excess of par	10,982	2.8	5,264	1.7	5,264	1.7
Retained earnings	171,134	43.5	155,959	50.9	147,476	48.9
Total shareholders' equity	198,783	50.5	177,501	57.9	169,018	56.0
Total liabilities and shareholders' equity	$393,500	100.0	$306,564	100.0	$301,728	100.0

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Fiscal years ended January 31, 1983, 1982 and 1981

Note 1—Summary of Significant Accounting Policies:

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

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated.

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

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

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

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

The provision for depreciation is based generally on accelerated methods for assets placed in service before January 1, 1981; subsequent additions are depreciated on the straight-line method (Note 2).

LEASES—Assets under capital leases are amortized in accordance with the Company's normal depreciation policy for owned assets. The charge to earnings resulting from amortization of these assets is included in depreciation expense in the consolidated financial statements (Note 10).

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

EMPLOYEE BENEFIT PLANS—Since 1957 the Company has maintained benefit plans for its employees as described in Note 8. The plans provide for employer contributions only and are funded annually.

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

START-UP EXPENSES—Expenses associated with the opening of new stores and service facilities are charged to earnings as incurred.

INTEREST COSTS—Beginning in Fiscal 1981, interest costs associated with new store construction are capitalized and charged to earnings over the lives of the related assets. In years prior to Fiscal 1981, all interest costs were expensed as incurred (Note 2).

EARNINGS PER SHARE—Earnings per share are calculated on the weighted average shares of common stock outstanding each year. Earnings per share have been retroactively adjusted to reflect the five-for-three stock split described in Note 9.

Note 2—Accounting Changes:

Before Fiscal 1981, the provision for depreciation was based on accelerated methods for both financial reporting and income tax purposes. The Economic Recovery Tax Act of 1981 precludes this consistency for assets placed in service after December 31, 1980. Therefore, the Company has elected to record depreciation on a straight-line basis for financial reporting purposes beginning with assets placed in service in Fiscal 1981 inasmuch as the Company believes the straight-line method more properly matches depreciation cost with revenue. This change increased net earnings for the year ended January 31, 1982, by $524 thousand or 2 cents per share.

Effective February 1, 1981, the Company adopted the policy of capitalizing interest costs related to the financing of new store construction. This accounting change, made in accordance with Statement of Financial Accounting Standards No. 34, resulted in the capitalization of interest of $544 thousand, which increased net earnings by $276 thousand or 1 cent per share in Fiscal 1981.

Note 3—Merchandise Inventory:

The Company adopted the LIFO method of inventory accounting in Fiscal 1978. If the FIFO method had been used, inventories would have been $25.183 million, $23.556 million and $22.636 million higher at January 31, 1983, 1982 and 1981, respectively. Net earnings would have been increased $825 thousand or 2 cents per share, $467 thousand or 1 cent per share, $3.394 million or 10 cents per share in Fiscal 1982, 1981 and 1980, respectively.

Note 4—Property and Accumulated Depreciation:

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

	January 31,		
	1983	1982	1981
	(Thousands of dollars)		
Cost:			
Land	$ 19,390	$ 16,272	$ 14,159
Buildings	81,225	75,938	62,603
Store and office equipment	32,907	29,145	24,545
Transportation equipment	34,839	30,021	25,859
Leasehold improvements	19,532	17,185	14,494
Total cost	187,893	168,561	141,660
Accumulated depreciation	66,487	57,888	50,261
Net property (Note 10)	$121,406	$110,673	$ 91,399

Note 5—Short-Term Borrowings and Line of Credit:

The Company has a line of credit agreement with a bank which provides for short-term unsecured borrowings of up to $30 million with interest at the lower of prime or bank transaction rate, none of which was outstanding at January 31, 1983, 1982 or 1981.

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

	Year ended January 31, 1983	1982	1981
	(Thousands of dollars)		
Maximum amount outstanding at any month-end	$20,000	$14,000	$15,000
Average amount outstanding (based on weighted daily average)	$ 4,238	$ 3,468	$ 1,192
Weighted average interest rate (ratio of actual interest expense to average amount outstanding)	14.2%	15.9%	18.9%

Note 6—Long-Term Debt:

Long-term debt is summarized as follows:

Debt category	Interest rates	Debt retirement: Payment cycle	Year of maturity	January 31, 1983	1982	1981
				(Thousands of dollars)		
Secured debt (1):						
Insurance company notes	8% to 9%	quarterly	1993	$25,990	$28,343	$30,997
Bank notes	7% to prime + 2%	quarterly	1994	1,087	2,656	3,001
Industrial revenue bonds	7% to 7.5%	annually	1991	1,155	1,275	1,390
Industrial revenue bonds	64% of prime	monthly	1992	5,650	1,760	-0-
Other notes	8% to 10.75%	monthly	2004	104	107	-0-
Unsecured debt:						
Insurance company (2)	8.25%	annually	1992	16,500	18,000	19,500
Bank notes (3)	9.25%	maturity	1984	10,000	-0-	-0-
Other notes	8%	annually	1982	-0-	18	35
Capital leases	10.5% to 16.5%	monthly	1994	1,378	1,121	1,163
Total long-term debt				61,864	53,280	56,086
Less current maturities (4)				5,631	4,416	4,157
Long-term debt, excluding current maturities				$56,233	$48,864	$51,929

(1) Real properties pledged as collateral for secured debt had net book values at January 31, 1983, as follows (in millions): Insurance company notes—$32.1; Bank notes—$1.8; Industrial revenue bonds—$5.5; and Other notes—$.2.

(2) The notes covering the insurance company loans place certain requirements as to the financial condition to be maintained, restrict other borrowing, and limit the payment of dividends. After giving effect to the most restrictive provisions, approximately $41.4 million of consolidated retained earnings is available for payment of dividends.

(3) Under terms of a revolving credit agreement with a bank, the Company may borrow up to $10 million with interest at the lower of prime or bank transaction rate. The $10 million outstanding at January 31, 1983, was subsequently retired on February 16, 1983. Terms of the insurance company loan agreement restrict maturities of borrowings under this agreement to not more than three years after the date the debt is incurred.

(4) Debt maturities, exclusive of capital leases (see Note 10), for the next five fiscal years are as follows (in millions): 1983—$5.463; 1984—$15.687 (see (3) above); 1985—$5.753; 1986—$6.014; 1987—$5.984.

In February 1983, the Company entered into sale-leaseback arrangements for eight store properties totaling $8.6 million.

Note 7—Income Taxes:

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

	Current	Deferred	Total
	(Thousands of dollars)		
Fiscal 1982:			
Federal	$16,401	$2,997	$19,398
State	2,558	438	2,996
Total	$18,959	$3,435	$22,394
Fiscal 1981:			
Federal	$12,549	$ 809	$13,358
State	1,896	113	2,009
Total	$14,445	$ 922	$15,367
Fiscal 1980:			
Federal	$15,038	$ 220	$15,258
State	2,098	30	2,128
Total	$17,136	$ 250	$17,386

Deferred income taxes arise principally because depreciation is treated differently for financial reporting than for income tax purposes. The cumulative effect of all timing differences in Fiscal 1981 and 1980 is not material and therefore all income taxes are shown as currently payable in the consolidated balance sheets for those years.

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

	Year ended January 31, 1983 Amount	Percent	1982 Amount	Percent	1981 Amount	Percent
	(Thousands of dollars)					
Federal tax at statutory rates	$21,862	46.0	$15,284	46.0	$16,688	46.0
State income taxes—net of federal tax benefit	1,618	3.4	1,085	3.3	1,149	3.2
Investment tax credits	(1,086)	(2.3)	(993)	(3.0)	(519)	(1.4)
Other	-0-	-0-	(9)	-0-	68	.1
Provision for income taxes	$22,394	47.1	$15,367	46.3	$17,386	47.9

Note 8—Employee Benefit Plans:

Lowe's Companies Profit-Sharing Plan and Trust held approximately 11% of the outstanding shares of the Company as of January 31, 1983. Contributions to this Plan were discontinued effective December 31, 1977, and accounts of members became fully vested at that time.

The Board of Directors adopted an Employee Stock Ownership Plan (ESOP) effective January 1, 1978. This plan is a multi-employer plan, with one trust serving the parent and the subsidiaries. The amount contributed to the plan is determined annually by the Board of Directors. The Board authorized a contribution of 12.5%, 12% and 15% of eligible compensation for Fiscal 1982, 1981 and 1980, respectively.

On February 1, 1982, the Company issued 778,018 Lowe's common shares (after the five-for-three stock split described in Note 9) to the ESOP with an aggregate market value of $5.951 million, as part of the Company's Fiscal 1981 contribution. At January 31, 1983, the ESOP held approximately 15% of the outstanding stock of the Company and was its largest shareholder.

Note 9—Shareholders' Equity:

On January 31, 1983, shareholders voted to increase the number of authorized shares of common stock to 60 million. Authorized shares of common stock were 50 million and 20 million at January 31, 1982 and 1981, respectively.

On March 18, 1983, the Board of Directors declared a five-for-three stock split in the form of a dividend to be distributed to shareholders of record on April 14, 1983. In Fiscal 1981, a three-for-two split in the form of a dividend was declared by the Board of Directors. Accordingly, in the financial statements for each of the three fiscal years in the period ended January 31, 1983, an amount equal to the par value of the additional shares to be issued has been transferred from Retained Earnings to Common Stock. Shares and per share amounts have been adjusted to give retroactive effect to the splits.

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

	Shares	Shareholders' equity			
	Issued and outstanding	Common stock	Capital in excess of par value	Retained earnings	Total equity
	(In Thousands)	(Thousands of dollars)			
Balance January 31, 1980	13,022	$ 6,511	$ 5,264	$146,165	$157,940
Stock split (3-for-2)	6,511	3,256		(3,256)	-0-
Stock split (5-for-3)	13,022	6,511		(6,511)	-0-
Net earnings				18,891	18,891
Cash dividends				(7,813)	(7,813)
Balance January 31, 1981	32,555	16,278	5,264	147,476	169,018
Net earnings				17,859	17,859
Cash dividends				(9,376)	(9,376)
Balance January 31, 1982	32,555	16,278	5,264	155,959	177,501
Shares issued to ESOP (after 5-for-3 split)	778	389	5,718	(156)	5,951
Net earnings				25,131	25,131
Cash dividends				(9,800)	(9,800)
Balance January 31, 1983	33,333	$16,667	$10,982	$171,134	$198,783

On February 8, 1983, the Company sold 2.917 million shares of common stock (1.75 million before the adjustment for the five-for-three stock split described above). The net proceeds, estimated at $53.7 million, will be added to the general funds of the Company and will be used principally to finance the cost of land, buildings and equipment for new and existing stores and to fund working capital requirements.

Note 10—Leases:

Assets under capital leases, included in property in the consolidated balance sheets, are as follows:

	January 31,		
	1983	1982	1981
	(Thousands of dollars)		
Capital Leases:			
Buildings	$1,360	$1,360	$1,360
Store and office equipment	371	-0-	-0-
Total capitalized leases	1,731	1,360	1,360
Less accumulated amortization	613	509	441
Net capital lease property	$1,118	$ 851	$ 919

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

	Operating leases			
Year ended January 31,	Real estate	Equipment	Capital leases	Total
	(Thousands of dollars)			
1984	$1,979	$1,377	$ 321	$ 3,677
1985	1,647	713	321	2,681
1986	1,277	439	216	1,932
1987	1,071	366	163	1,600
1988	704	152	163	1,019
Later years	2,064	-0-	1,044	3,108
Total minimum lease payments	$8,742	$3,047	2,228	$14,017
Less amount representing interest			850	
Present value of minimum lease payments			1,378	
Less current maturities			168	
Present value of minimum lease payments, less current maturities			$1,210	

Rental expenses charged to earnings are as follows:

	Year ended January 31,		
	1983	1982	1981
	(Thousands of dollars)		
Rental Expenses:			
Real estate	$2,312	$2,182	$2,141
Equipment	1,792	1,245	1,037
Total	$4,104	$3,427	$3,178

The Company leases three store locations from Lowe's Companies Profit-Sharing Plan and Trust.

Note 11—Commitments, Contingencies and Litigation:

The Company had purchase commitments as of January 31, 1983, of approximately $1.3 million for land, buildings and construction of store facilities, and $2.5 million for equipment. Letters of credit have been issued for $1.8 million to the Company's insurance carrier to secure deferred premiums. The Company is defendant in various lawsuits incurred in the normal course of business. There is no material litigation pending not covered by insurance.

Note 12—Other Information:

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

	Year ended January 31,		
	1983	1982	1981
	(Thousands of dollars)		
Allowance for doubtful accounts:			
Beginning balance	$ 2,800	$ 3,504	$ 3,717
Additions: charged to expenses	2,730	1,720	2,529
Deductions: accounts charged off	(2,133)	(2,424)	(2,742)
Ending balance	$ 3,397	$ 2,800	$ 3,504

Interest expense is comprised of the following:

	Year ended January 31,		
	1983	1982	1981
	(Thousands of dollars)		
Long-term debt	$ 4,746	$ 4,856	$ 5,270
Short-term debt	602	553	225
Amortization of loan costs	23	19	20
Short-term interest income	(712)	(1,918)	(1,312)
Interest capitalized	(181)	(544)	-0-
Net interest expense	$ 4,478	$ 2,966	$ 4,203

Advertising expenses were $18.095 million, $14.967 million and $14.490 million for Fiscal 1982, 1981 and 1980, respectively.

Supplemental Information on the Effects of Changing Prices

Statement of earnings adjusted for changing prices:

	Year Ended January 31, 1983	
	Historical dollars	Constant dollars
	(Thousands of dollars)	
Net sales	$1,034,032	$1,034,032
Cost of Sales	772,986	773,087
Gross profit	261,046	260,945
Expenses:		
Selling, general and administrative	187,199	187,199
Depreciation	11,178	14,917
ESOP Benefits	10,666	10,666
Interest	4,478	4,478
Total expenses	213,521	217,260
Pre-tax earnings	47,525	43,685
Income tax provision	22,394	22,394
Net earnings	$ 25,131	$ 21,291
Effective income tax rate	47.1%	51.3%
Other Information:		
Purchasing power gain from holding net monetary liabilities during the year		$ 1,968

Five-year comparison of selected supplementary financial data adjusted for effects of changing prices (in average Fiscal 1982 constant dollars):

	Year ended January 31,				
	1983	1982	1981	1980	1979
	(Dollars in thousands, except per share data)				
Net sales:					
Historical dollars	$1,034,032	$888,042	$ 883,614	$ 904,651	$ 793,125
Constant dollars	$1,034,032	$940,984	$1,027,851	$1,194,474	$1,167,955
Net earnings:					
Historical dollars	$ 25,131	$ 17,859	$ 18,891	$ 24,955	
Constant dollars	$ 21,291	$ 9,956	$ 17,521	$ 29,102	
Net assets (shareholders' equity) at year-end:					
Historical dollars	$ 198,783	$177,501	$ 169,018	$ 157,940	
Constant dollars	$ 306,269	$285,708	$ 285,937	$ 277,293	
Purchasing power gain from holding net monetary liabilities during the year	$ 1,968	$ 3,974	$ 6,212	$ 8,600	
Earnings per share: (2)					
Historical dollars	$ .75	$ .55	$ .58	$ .77	
Constant dollars	$ .64	$ .31	$ .54	$ .89	
Net assets (shareholders' equity) at year-end per share (2)					
Historical dollars	$ 5.96	$ 5.45	$ 5.19	$ 4.85	
Constant dollars	$ 9.19	$ 8.78	$ 8.78	$ 8.52	
Cash dividends declared per common share: (2)					
Historical dollars	$ .29	$ .29	$ .24	$ .20	$ .16
Constant dollars	$ .29	$ .30	$ .28	$ .26	$ .23
Market price per common share at year-end: (2)					
Historical dollars	$ 19.27	$ 8.40	$ 7.95	$ 6.80	$ 7.75
Constant dollars	$ 19.11	$ 8.63	$ 8.85	$ 8.45	$ 10.98
Average Consumer Price Index—Urban (1)	289.9	274.2	249.1	219.7	196.9

(1) Base period, 1967 = 100

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

Explanatory Notes to Supplemental Information

As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the company must provide supplemental information concerning the effects of changing prices on its financial statements. The disclosures are intended to address two different aspects of an inflationary environment: (1) the effect of a rise in the general price level on the exchange value or purchasing power of the dollar (constant dollar) and (2) the specific price changes in the individual resources used by the Company (current cost). Because there is presently no consensus on which aspect of inflation (if any) should be reported, the FASB has devised an experiment requiring certain large, publicly held companies to present supplemental information reflecting both types of inflation measurements, if such measurements produce materially different results. The Company has determined that the amounts of net earnings computed by the constant dollar and current cost methods for Fiscal Years 1978 through 1982 are not materially different, thus disclosure of current cost information is not considered necessary and is not required by FASB Statement No. 33.

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

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

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

1. Historical cost basis—Earnings reported on the historical cost basis of accounting are the same amounts as reported in the primary financial statements.
2. Constant dollar accounting—Earnings reported on the constant dollar method represent income and expenses stated in constant dollars adjusted for general inflation. General inflation has been measured by the average level of the Consumer Price Index-Urban (CPI-U) for the period February 1, 1982, through January 31, 1983. Under this measurement method, historical amounts of depreciation expense have been increased to give effect to the increase in the CPI-U level which has occurred since the date properties were acquired. In addition, cost of sales, under the LIFO method, has been increased to reflect prior year liquidated inventory layers into current year constant dollars. Such increase approximated $101,000. Sales and expenses already reflect approximate average current year constant dollars and, accordingly, are the same as amounts reported in historical financial statements.

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

PURCHASING POWER GAIN FROM HOLDING NET MONETARY LIABILITIES DURING THE YEAR— Purchasing power gain results where monetary liabilities exceed monetary assets, because the amount of money necessary to pay such net liabilities is represented by dollars of diminishing purchasing power. Purchasing power gain has been computed on average net monetary liabilities for the year multiplied by the change in the CPI-U for the year. Such gain does not represent earnings nor funds available for dividends.

Management Analysis: Summary of Operations

Results of Operations. From Fiscal 1980 to Fiscal 1981 the Company experienced only minimal sales growth, compared to its historical growth rates. This was due to the highest level of mortgage interest rates and the lowest level of housing starts since World War II, which caused a decline in the Company's sales to builder customers. To compensate for this decline, the Company intensified its marketing efforts toward retail customers, causing retail sales to increase 10%. These trends of decreased builder sales and increasing retail sales continued for the first two quarters of Fiscal 1982. Then during the last half of Fiscal 1982, sales began to increase substantially as interest rates and inflation began to decline and housing starts began to show improvement. With retail sales continuing strong as builder sales began to recover, the Company completed Fiscal 1982 with a 16% sales increase from the previous year. For further sales analysis see the table entitled "Merchandise Sales Trends" on page 19 and the table entitled "Customer Purchase Trends" on page 17.

Gross profit increased from 23.27% of sales in Fiscal 1980 to 24.82% in Fiscal 1981 and then to 25.25% in Fiscal 1982. This trend reflects the Company's increased endeavors to improve its margin rates, particularly on sales to the retail market. As of January 31, 1983, 137 of the Company's stores had been converted to a new retail-oriented format (RSVP), which is designed to increase retail sales, which typically carry a higher margin. The margin increase for Fiscal 1981 also reflects some LIFO inventory layer adjustments caused by deflationary prices in certain products.

Selling, General and Administrative expense increased 14% from Fiscal 1980 to 1981, primarily in the areas of salaries, facility remodeling, and new store expansion. These increases, occurring during a period of low sales growth, resulted in an unfavorable percent-to-sales trend (from 16.33% to 18.56%). However, in Fiscal 1982, Selling, General and Administrative dollar expenses increased less than did sales; this leverage caused a decrease to 18.11% of sales.

The decline in ESOP Benefits Expense for Fiscal 1981 was caused by a reduction of the annual contribution to the Employee Stock Ownership Plan from the previous 15% of eligible compensation to 12%. The Fiscal 1982 charge represents a 12.5% contribution rate on a higher level of salaries.

Depreciation increased slightly from Fiscal 1980 to 1981 due to the acquisition of fifteen new stores but net of an accounting change (see Note 2 to the financial statements). Depreciation increased from Fiscal 1981 to 1982 due to the acquisition of six new stores and other equipment.

For analysis of interest changes, see Note 12 to the financial statements.

Liquidity and Capital Resources. Due to the seasonal nature of its business, the Company has established a yearly pattern of short-term borrowings during the winter and spring months, when Inventory and Receivables increase. This debt is normally repaid in the summer and fall when sales and collections are at their peak. Sufficient lines of credit are maintained to cover this borrowing. Because of the tight control maintained over its levels of Receivables and Inventory, the Company needs these lines of credit less in a time of slower economic activity. During Fiscal 1980 and 1981, short-term debt was utilized only briefly, and excess cash was invested in short-term instruments, earning interest of $1.9 million in Fiscal 1981 and $1.3 million in Fiscal 1980. During Fiscal 1982, the building of Inventory and Receivables, and the related short-term borrowing, continued into the fall.

New stores have normally been financed with 15-year mortgages, but financial management had postponed long-term borrowing until 1982, awaiting more attractive interest levels. In that year, the Company contracted for a sale-leaseback arrangement with a state employees' retirement fund, involving eight stores, and also engaged in three Industrial Revenue Bond financings.

On February 8, 1983, the Company sold 2.917 million shares of common stock (1.75 million before the adjustment for the five-for-three stock split described in Note 9), with gross proceeds of approximately $54 million. These funds will be used principally to finance the cost of land, buildings and equipment for new and existing stores and to fund working capital requirements.

For discussion of the effects of inflation on the Company's financial statements, see the "Supplemental Information on the Effects of Changing Prices" pages 46 and 47.

Lowe's Companies, Inc. and Subsidiary Companies

Selected Financial Data

(In thousands, except per share data)

Selected Income Statement Data:

	Year ended January 31,				
	1983	1982	1981	1980	1979
Net sales	$1,034,032	$888,042	$883,614	$904,651	$793,125
Cost of sales	772,986	667,610	677,974	693,976	603,794
Gross profit	261,046	220,432	205,640	210,675	189,331
Expenses:					
Selling, general and administrative	187,199	164,786	144,312	136,037	121,662
Depreciation	11,178	10,522	10,320	10,064	8,714
ESOP benefits	10,666	8,932	10,528	10,226	7,488
Interest	4,478	2,966	4,203	7,017	5,602
Total expenses	213,521	187,206	169,363	163,344	143,466
Pre-tax earnings	47,525	33,226	36,277	47,331	45,865
Income tax provision: State	2,996	2,009	2,128	2,629	2,593
Federal	19,398	13,358	15,258	19,747	19,548
Total income taxes	22,394	15,367	17,386	22,376	22,141
Net earnings	$ 25,131	$ 17,859	$ 18,891	$ 24,955	$ 23,724
Earnings per common share*	$ .75	$ .55	$ .58	$ .77	$ .73
Shares outstanding*	33,333	32,555	32,555	32,555	32,555
Dividends paid per share*	$ .29	$ .29	$ .24	$ .20	$ .16
Investment tax credit recognized	$ 1,086	$ 993	$ 519	$ 816	$ 1,165

Selected Balance Sheet Data:

	1983	1982	1981	1980	1979
Current assets	$ 271,535	$195,370	$209,756	$210,913	$189,228
Current liabilities	134,999	80,199	80,781	85,847	65,238
Working capital	$ 136,536	$115,171	$128,975	$125,066	$123,990
Total assets	$ 393,500	$306,564	$301,728	$299,899	$269,695
Long-term debt, including current maturities	$ 61,864	$ 53,280	$ 56,086	$ 60,205	$ 67,400
Shareholders' equity	$ 198,783	$177,501	$169,018	$157,940	$139,496

Selected Quarterly Data:

		Three months ended			
		January 31	October 31	July 31	April 30
Fiscal 1982	Net sales	$250,069	$277,627	$291,576	$214,760
	Gross profit	$ 64,304	$ 70,892	$ 72,895	$ 52,955
	Net earnings	$ 5,365	$ 8,040	$ 8,513	$ 3,213
	Earnings per share*	$ .16	$ .24	$ .25	$ .10
Fiscal 1981	Net sales	$173,501	$227,910	$268,560	$218,071
	Gross profit	$ 47,146	$ 57,484	$ 65,373	$ 50,429
	Net earnings	$ 3,128	$ 4,859	$ 7,697	$ 2,175
	Earnings per share*	$ .10	$ .15	$ .23	$ .07
Fiscal 1980	Net sales	$205,798	$248,181	$246,805	$182,830
	Gross profit	$ 48,220	$ 57,579	$ 56,857	$ 42,984
	Net earnings	$ 2,471	$ 6,976	$ 7,474	$ 1,970
	Earnings per share*	$ .08	$ .21	$ .23	$ .06

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

Sales Analysis

Sales Analysis By Product Group

Fiscal Years(1) ($000,000)	1982				1981		1980		1979		1978	
Category	Total Sales 4 yr. CGR	Total Sales	% Change From 1981	% of Total	Total Sales	% of Total	Total Sales	% of Total	Total Sales	% of Total	Total Sales	% of Total
1. Structural Lumber	1.3%	$ 177	+ 12.8%	17.1%	$157	17.7%	$166	18.8%	$190	21.0%	$168	21.2%
2. Building Commodities and Millwork	3.0	357	+ 13.4	34.5	315	35.5	338	38.2	354	39.1	318	40.0
3. Home Decorating and Illumination	14.8	117	+ 26.9	11.3	92	10.3	86	9.7	77	8.5	67	8.5
4. Kitchens, Bathrooms and Laundries	13.0	105	+ 12.6	10.2	93	10.5	87	9.9	78	8.6	65	8.1
5. Heating, Cooling and Water Systems	18.8	69	+ 10.8	6.7	62	7.0	48	5.4	41	4.6	35	4.4
6. Home Entertainment	18.3	34	+ 46.5	3.3	23	2.6	19	2.1	19	2.1	18	2.2
7. Recreation, Yard, Patio, Garden and Farm	16.8	69	+ 23.9	6.7	56	6.3	51	5.8	51	5.6	37	4.7
8. Tools	20.2	17	+ 20.4	1.6	14	1.6	12	1.4	10	1.1	8	1.0
9. Special Order Sales (S.O.S)	3.1	89	+ 17.5	8.6	75	8.5	77	8.7	85	9.4	79	9.9
TOTALS	6.9%	$1,034	+ 16.4%	100%	$888	100%	$884	100%	$905	100%	$793	100%

SOURCE: Company Financial Data (1) Fiscal years ending January 31 of following calendar year *To nearest million. Change percentages calculated from unrounded amounts.

Gross Margin, Expense, and Earnings Analysis

	Years Ended									
	% Change[1]	% of Total[2] Jan. 31, 1983	% Change[1]	% of Total[2] Jan. 31, 1982	% Change[1]	% of Total[2] Jan. 31, 1981	% Change[1]	% of Total[2] Jan. 31, 1980	% Change[1]	% of Total[2] Jan. 31, 1979
Net Sales	+ 16%	100.00%	+ 1%	100.00%	− 2%	100.00%	+ 14%	100.00%	+ 20%	100.00%
Cost of Sales (FIFO)[3]	+ 16	74.60	− 1	75.07	− 2	75.97	+ 15	75.88	NA	75.06
LIFO Charge	+ 77	.16	− 86	.10	− 11	.76	− 12	.83	NA	1.07
Cost of Sales (LIFO)[3]	+ 16	74.75	− 2	75.18	− 2	76.73	+ 15	76.71	+ 22	76.13
Gross Margin	+ 18	25.25	+ 7	24.82	− 2	23.27	+ 11	23.29	+ 13	23.87
Expenses:										
S, G & A.	+ 14	18.11	+ 14	18.56	+ 6	16.33	+ 12	15.04	+ 23	15.34
Depreciation	+ 6	1.08	+ 2	1.18	+ 3	1.17	+ 15	1.11	+ 29	1.10
Employee benefits	+ 19	1.03	− 15	1.01	+ 3	1.19	+ 37	1.13	− 3	.94
Interest expense[4]	+ 51	.43	− 29	.33	− 40	.48	+ 25	.78	+ 26	.71
Total expenses	+ 14	20.65	+ 11	21.08	+ 1	19.17	+ 15	18.06	+ 19	18.09
Pre-Tax earnings	+ 43	4.60	− 8	3.74	− 23	4.10	+ 3	5.23	− 6	5.78
Provision for income taxes[5]	+ 46	2.17	− 12	46.25	− 22	47.93	+ 1	47.28	− 7	48.27
Net Earnings	+ 41%	2.43%	− 5%	2.01%	− 24%	2.14%	+ 5%	2.76%	− 4%	2.99%

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

Sales Analysis By Customer Group

($000)

	Years Ended							
	Jan. 31, 1983		Jan. 31, 1982		Jan. 31, 1981		Jan. 31, 1980	
	% Change[1]	Amount	% Change[1]	Amount	% Change[1]	Amount	% Change[1]	Amount
Retail Customers	+ 24%	$ 570,744	+ 10%	$461,212	+ 7%	$419,775	+ 21%	$393,179
Professional Customers	+ 9%	463,288	− 8%	426,830	− 9%	463,839	+ 9%	511,472
Totals	+ 16%	$1,034,032	+ 1%	$888,042	− 2%	$883,614	+ 14%	$904,651

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

Sales Analysis By Stores: Comparable vs New Stores

($000)

	Years Ended				
	Jan. 31, 1983	Jan. 31, 1982	Jan. 31, 1981	Jan. 31, 1980	Jan. 31, 1979
Number of Stores Open	235	229	214*	209*	199*
Total Sales	$1,034,032	$883,042	$883,614	$904,651	$793,125
% Change Total Sales	+ 16.4%	+ .5%	− 2.3%	+ 14.1%	+ 19.9%
Number of Comparable Stores[1]	229	214	208*	196*	179*
Sales of Comparable Stores	$1,020,934	$875,876	$871,122	$893,656	$777,340
Sales of Comparable Stores Previous Year	$ 888,042	$883,614	$904,651	$793,125	$661,625
% Change Comparable Store Sales	+ 15.0%	− .9%	− 3.7%	+ 12.7%	+ 17.5%
Number of New Stores	6	15	6	13	20
Sales of New Stores	$ 13,098	$ 12,166	$ 12,492	$ 10,995	$ 15,785
% Added by New Store Sales	+ 1.5%	+ 1.4%	+ 1.4%	+ 1.4%	+ 2.4%

[1]Comparable Stores are stores which have been open more than a year.
*Six stores have been closed: in December 1977, December 1978, May 1979, September 1979, January 1980, and June 1980.

Quarterly Review of Performance

1982 Sales and Earnings
Dollars in Thousands and % of Total Year

Quarterly Earnings Statement Analysis

(% total sales to nearest hundredth.
Income tax is % of pre-tax earnings)

	Quarter Ended Jan 31 1983	Oct 31 1982	Jul 31 1982	Apr 30 1982
1 Net sales	100.00%	100.00%	100.00%	100.00%
2 Cost of sales (FIFO)	74.66%	74.37%	74.64%	74.76%
3 LIFO charge	−.38%	.09%	.36%	.58%
4 Cost of sales (LIFO)	74.28%	74.46%	75.00%	75.34%
5 Gross profit	25.72%	25.54%	25.00%	24.66%
Expenses:				
6 S, G, & A	19.00%	17.59%	17.05%	19.16%
7 Depreciation	1.33%	.98%	.91%	1.16%
8 Emp. benefits	1.15%	.99%	.94%	1.07%
9 Interest expense	.38%	.41%	.53%	.40%
10 Total	21.86%	19.97%	19.43%	21.79%
11 Pre-tax earnings	3.86%	5.57%	5.57%	2.87%
12 Tax provision	44.39%	48.00%	47.62%	47.87%
13 Net earnings	2.15%	2.90%	2.92%	1.50%

	Quarter Ended Jan 31 1982	Oct 31 1981	Jul 31 1981	Apr 30 1981
1 Net sales	100.00%	100.00%	100.00%	100.00%
2 Cost of sales (FIFO)	75.28%	74.51%	74.84%	75.79%
3 LIFO charge	−2.45%	.27%	.82%	1.08%
4 Cost of sales (LIFO)	72.83%	74.78%	75.66%	76.87%
5 Gross profit	27.17%	25.22%	24.34%	23.13%
Expenses:				
6 S, G, & A	21.72%	18.92%	16.40%	18.31%
7 Depreciation	1.66%	1.04%	1.03%	1.15%
8 Emp. benefits	-0-	1.33%	1.15%	1.29%
9 Interest expense	.31%	.13%	.28%	.64%
10 Total	23.69%	21.42%	18.86%	21.39%
11 Pre-tax earnings	3.48%	3.80%	5.48%	1.74%
12 Tax provision	48.29%	43.94%	47.70%	42.67%
13 Net earnings	1.80%	2.13%	2.87%	1.00%

Quarterly Earnings Statement Changes

(Change from same quarter previous year to nearest tenth %)

	Quarter Ended Jan 31 1983	Oct 31 1982	Jul 31 1982	Apr 30 1982	Quarter Ended Jan 31 1982	Oct 31 1981	Jul 31 1981	Apr 30 1981
Net sales	44.1%	21.8%	8.6%	− 1.5%	− 15.7%	− 8.2%	8.8%	19.3%
Cost of sales (FIFO)	43.0%	21.6%	8.3%	− 2.9%	− 16.4%	−10.1%	7.0%	19.4%
LIFO charge	− 78.0%	−58.6%	−52.0%	−46.8%	−398.2%	−65.8%	6.7%	66.9%
Cost of sales (LIFO)	47.0%	21.3%	7.6%	− 3.5%	− 19.8%	−10.6%	7.0%	19.9%
Gross profit	36.4%	23.3%	11.5%	5.0%	− 2.2%	− .2%	15.0%	17.3%
Expenses:								
S, G, & A	26.1%	13.2%	12.9%	3.0%	.5%	14.4%	22.3%	20.7%
Depreciation	15.6%	14.7%	− 4.3%	− .8%	4.1%	− 4.6%	12.2%	− 3.8%
Emp. benefit	NM	− 9.5%	−11.2%	−17.8%	−100.0%	3.0%	19.7%	18.1%
Int. expense	76.1%	283.8%	105.1%	−37.7%	− 30.4%	−65.9%	−38.5%	2.7%
Total	33.0%	13.5%	11.8%	.3%	− 5.9%	11.0%	19.8%	18.3%
Pre-tax earnings	59.5%	78.4%	10.4%	62.4%	32.9%	−36.3%	1.0%	6.6%
Income tax provision	46.6%	94.9%	10.3%	82.2%	40.5%	−42.5%	− 1.1%	1.8%
Net earnings	71.5%	65.5%	10.6%	47.7%	26.6%	−30.3%	3.0%	10.4%

	Quarter Ended Jan 31 1981	Oct 31 1980	Jul 31 1980	Apr 30 1980	Quarter Ended Jan 31 1980	Oct 31 1979	Jul 31 1979	Apr 30 1979
Net sales	7.8%	− 3.6%	− 7.6%	− 3.3%	8.8%	15.8%	17.2%	13.0%
Cost of sales (FIFO)	7.3%	− 3.5%	− 7.5%	− 2.7%	11.2%	17.0%	17.5%	14.3%
LIFO charge	29.5%	−11.8%	−28.8%	− 7.3%	− 44.5%	−14.4%	18.7%	−14.6%
Cost of sales (LIFO)	7.5%	− 3.5%	− 7.8%	− 2.7%	10.4%	16.5%	17.6%	13.9%
Gross profit	8.8%	− 4.0%	− 6.9%	− 5.2%	3.7%	13.5%	16.1%	10.1%
Expenses:								
S, G, & A	17.6%	2.6%	.1%	5.2%	5.5%	9.0%	15.8%	17.9%
Depreciation	6.0%	− .2%	1.1%	3.0%	1.6%	16.1%	19.2%	29.3%
Emp. benefit	13.5%	2.0%	− 3.2%	.7%	38.4%	33.9%	40.5%	33.8%
Int. expense	− 50.0%	−46.8%	−39.7%	−26.2%	.1%	31.2%	46.2%	26.9%
Total	13.9%	.6%	− 1.9%	3.3%	6.6%	11.4%	18.4%	19.9%
Pre-tax earnings	− 23.8%	−16.3%	−18.8%	−50.3%	− 11.8%	19.4%	11.0%	−23.2%
Income tax provision	21.5%	−15.2%	−18.0%	−51.4%	1.8%	14.9%	7.4%	−30.2%
Net earnings	− 25.7%	−17.3%	−19.7%	−49.4%	− 20.2%	24.0%	14.6%	−16.0%

Lowe's Store Sales Profile

(Dollars in thousands, rounded totals)

Fiscal 1978

Category	Stores	Sales	Per Store Average	% Change[1]	% of Total[2]
1st Qtr.					
CS[1]	158	$155,272	$ 982.7	− 1%	93%
NS[1]	24	12,068	502.8	+ 12%	7%
Totals	182	$167,340	$ 919.5	− 2%	100%
2nd Qtr.					
CS	174	$220,528	$1,267.4	+ 4%	97%
NS	11	7,309	664.5	+ 141%	3%
Totals	185	$227,837	$1,231.6	+ 13%	100%
3 Qtr.					
CS	179	$216,704	$1,210.6	+ 9%	97%
NS	10	5,714	571.4	+ 26%	3%
Totals	189	$222,418	$1,176.8	+ 17%	100%
4th Qtr.					
CS	179	$168,375	$ 940.6	+ 8%	96%
NS	20	7,155	357.8	+ 34%	4%
Totals	199	$175,530	$ 882.1	+ 13%	100%

Fiscal 1979

Category	Stores	Sales	Per Store Average	% Change[1]	% of Total[2]
1st Qtr.					
CS	181	$177,640	$ 981.4	NC	94%
NS	19	11,450	602.6	+ 20%	6%
Totals	200	$189,090	$ 945.5	+ 3%	100%
2nd Qtr.					
CS	183	$250,875	$1,370.9	+ 8%	94%
NS	19	16,211	853.2	+ 28%	6%
Totals	202	$267,086	$1,322.2	+ 7%	100%
3 Qtr.					
CS	186	$243,133	$1,307.2	+ 8%	94%
NS	18	14,435	801.9	+ 40%	6%
Totals	204	$257,568	$1,262.6	+ 7%	100%
4th Qtr.					
CS	196	$186,287	$ 950.4	+ 1%	98%
NS	13	4,621	355.5	− 1%	2%
Totals	209	$190,908	$ 913.4	+ 4%	100%

Fiscal 1980

Category	Stores	Sales	Per Store Average	% Change[1]	% of Total[2]
1st Qtr.					
CS	197	$175,042	$ 888.5	− 9%	96%
NS	15	7,788	519.2	− 14%	4%
Totals	212	$182,830	$ 862.4	− 9%	100%
2nd Qtr.					
CS	199	$236,822	$1,190.1	− 13%	96%
NS	13	9,983	767.9	− 10%	4%
Totals	212	$246,805	$1,164.2	− 12%	100%
3 Qtr.					
CS	202	$239,774	$1,187.0	− 9%	97%
NS	11	8,407	764.2	− 5%	3%
Totals	213	$248,181	$1,165.2	− 8%	100%
4th Qtr.					
CS	208	$201,485	$ 968.7	+ 2%	98%
NS	6	4,313	718.8	+ 102%	2%
Totals	214	$205,798	$ 961.7	+ 5%	100%

Fiscal years end on January 31 of the following year.
CS = Comparable Stores; NS = New Stores

[1]Per Store Average change to nearest whole percent.

[2]Portion of Total Sales, to nearest whole percent.

	Quarter Ended Jan 31 1981	Oct 31 1980	Jul 31 1980	Apr 30 1980
1 Net sales	100.00%	100.00%	100.00%	100.00%
2 Cost of sales (FIFO)	75.88%	76.08%	76.13%	75.72%
3 LIFO charge	.69%	.72%	.83%	.77%
4 Cost of sales (LIFO)	76.57%	76.80%	76.96%	76.49%
5 Gross profit	23.43%	23.20%	23.04%	23.51%
Expenses:				
6 S, G, & A	18.23%	15.19%	14.59%	18.10%
7 Depreciation	1.34%	1.00%	1.00%	1.42%
8 Emp. benefits	1.28%	1.18%	1.05%	1.30%
9 Interest expense	.37%	.35%	.50%	.74%
10 Total	21.22%	17.72%	17.14%	21.56%
11 Pre-tax earnings	2.21%	5.48%	5.90%	1.95%
12 Tax provision	45.69%	48.70%	48.70%	44.66%
13 Net earnings	1.20%	2.81%	3.03%	1.08%

	Quarter Ended Jan 31 1980	Oct 31 1979	Jul 31 1979	Apr 30 1979
1 Net sales	100.00%	100.00%	100.00%	100.00%
2 Cost of sales (FIFO)	76.24%	75.93%	76.06%	75.22%
3 LIFO charge	.55%	.79%	1.08%	.81%
4 Cost of sales (LIFO)	76.79%	76.72%	77.14%	76.03%
5 Gross profit	23.21%	23.28%	22.86%	23.97%
Expenses:				
6 S, G, & A	16.70%	14.26%	13.47%	16.63%
7 Depreciation	1.37%	.97%	.92%	1.33%
8 Emp. benefits	1.21%	1.12%	1.00%	1.25%
9 Interest expense	.80%	.63%	.75%	.97%
10 Total	20.08%	16.98%	16.14%	20.18%
11 Pre-tax earnings	3.13%	6.30%	6.72%	3.79%
12 Tax provision	44.31%	48.07%	48.18%	45.67%
13 Net earnings	1.74%	3.27%	3.48%	2.06%

	Quarter Ended Jan 31 1979	Oct 31 1978	Jul 31 1978	Apr 30 1978
1 Net sales	100.00%	100.00%	100.00%	100.00%
2 Cost of sales (FIFO)	74.57%	75.17%	75.86%	74.33%
3 LIFO charge	1.07%	1.07%	1.07%	1.07%
4 Cost of sales (LIFO)	75.64%	76.24%	76.93%	75.40%
5 Gross profit	24.36%	23.76%	23.07%	24.60%
Expenses:				
6 S, G, & A	17.21%	15.16%	13.63%	15.94%
7 Depreciation	1.46%	.96%	.90%	1.17%
8 Emp. benefits	.95%	.97%	.84%	1.05%
9 Interest expense	.88%	.56%	.61%	.86%
10 Total	20.50%	17.65%	15.98%	19.02%
11 Pre-tax earnings	3.86%	6.11%	7.09%	5.58%
12 Tax provision	38.41%	49.98%	49.81%	50.28%
13 Net earnings	2.37%	3.06%	3.56%	2.77%

Lowe's Product Sales Profile

(Dollars in thousands, rounded totals)

	Fiscal 1979		Fiscal 1980		Fiscal 1981		Fiscal 1982		
Category	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% Change[1]	% of Total
1st Qtr.									
A	$127,423	67%	$118,483	65%	$142,515	65%	$130,263	− 9%	61%
B	61,667	33%	64,347	35%	75,556	35%	84,497	+ 12%	39%
Totals	$189,090	100%	$182,830	100%	$218,071	100%	$214,760	− 2%	100%
2nd Qtr.									
A	$178,734	67%	$157,538	64%	$164,429	61%	$177,319	+ 8%	61%
B	88,352	33%	89,267	36%	104,131	39%	114,257	+ 9%	39%
Totals	$267,086	100%	$246,805	100%	$268,560	100%	$291,576	+ 9%	100%
3rd Qtr.									
A	$175,618	68%	$170,296	69%	$144,237	63%	$170,557	+ 18%	61%
B	81,950	32%	77,885	31%	83,673	37%	107,070	+ 28%	39%
Totals	$257,568	100%	$248,181	100%	$227,910	100%	$227,627	+ 22%	100%
4th Qtr.									
A	$125,179	66%	$130,465	63%	$ 95,317	56%	$152,489	+ 60%	61%
B	65,729	34%	75,333	37%	78,184	44%	97,580	+ 25%	39%
Totals	$190,908	100%	$205,798	100%	$173,501	100%	$250,069	+ 44%	100%

"A" denotes sales of lumber, building materials and hardware.
"B" denotes all other sales.

Lowe's Customer Sales Profile

(Dollars in thousands, rounded totals)

	Fiscal 1979		Fiscal 1980		Fiscal 1981		Fiscal 1982		
Category	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% Change[1]	% of Total
1st Qtr.									
RC	$ 78,483	42%	$ 87,994	48%	$101,356	46%	$117,704	+ 16%	55%
PC	110,607	58%	94,836	52%	116,715	54%	97,056	− 17%	45%
Totals	$189,090	100%	$182,830	100%	$218,071	100%	$214,760	− 2%	100%
2nd Qtr.									
RC	$112,665	42%	$125,021	51%	$137,118	51%	$167,011	+ 22%	57%
PC	154,421	58%	121,784	49%	131,442	49%	124,565	− 5%	43%
Totals	$267,086	100%	$246,805	100%	$268,560	100%	$291,576	+ 9%	100%
3rd Qtr.									
RC	$116,943	45%	$114,704	46%	$125,687	55%	$157,791	+ 26%	57%
PC	140,625	55%	133,477	54%	102,223	45%	119,836	+ 17%	43%
Totals	$257,568	100%	$248,181	100%	$227,910	100%	$277,627	+ 22%	100%
4th Qtr.									
RC	$ 85,013	45%	$ 92,056	45%	$ 97,051	56%	$128,238	+ 32%	51%
PC	105,895	55%	113,742	55%	76,450	44%	121,831	+ 59%	49%
Totals	$190,908	100%	$205,798	100%	$173,501	100%	$250,069	+ 44%	100%

"PC" denotes Lowe's professional customer (charge) sales.
"RC" denotes Lowe's retail customer (cash) sales.

Fiscal years end on January 31 of following year.
[1]Percent change from same quarter previous year, to nearest whole percent.

	Fiscal 1981					Fiscal 1982				
Category	Stores	Sales	Per Store Average	% Change[1]	% of Total[2]	Stores	Sales	Per Store Average	% Change[1]	% of Total[2]
1st Qtr.										
CS[3]	211	$215,243	$1,020.1	+ 15%	99%	216	$204,110	$ 945.0	− 7%	95%
NS[4]	5	2,828	565.6	+ 9%	1%	15	10,650	710.0	26%	5%
Totals	216	$218,071	$1,009.6	+ 17%	100%	231	$214,760	$ 929.7	− 8%	100%
2nd Qtr.										
CS	212	$264,624	$1,248.2	+ 5%	99%	217	$275,744	$1,270.7	2%	95%
NS	5	3,936	787.2	+ 3%	1%	16	15,832	989.5	26%	5%
Totals	217	$268,560	$1,237.6	+ 6%	100%	233	$291,576	$1,251.4	1%	100%
3 Qtr.										
CS	213	$223,446	$1,049.0	− 12%	98%	220	$265,300	$1,205.9	15%	96%
NS	7	4,464	637.8	− 17%	2%	13	12,327	948.2	49%	4%
Totals	220	$227,910	$1,036.0	− 11%	100%	233	$277,627	$1,191.5	15%	100%
4th Qtr.										
CS	214	$167,691	$ 783.6	− 19%	97%	229	$245,166	$1,070.6	37%	98%
NS	15	5,810	387.3	− 46%	3%	6	4,903	817.2	111%	2%
Totals	229	$173,501	$ 757.6	− 21%	100%	235	$250,069	$1,064.1	149%	100%

[3]Comparable Stores, stores which have been open for one year or more after the quarter in which they were opened.
[4]New Stores, stores which have been open less than one year.

FIFO Supplemental Information Review

Fiscal Years Ended January 31, of Following Calendar Year, 1973-1977 Restated

		20.5-Year Compound Growth Rates 1962-1982 (2)	10.5-Year Compound Growth Rates 1972-1982 (2)	1982	1981 (1)	1980 (1)	1979 (1)
	Stores and People						
1	Number of Stores	13.4%	10.0%	235	229	214	209
2	Number of Employees	13.9%	9.9%	7,080	6,003	5,950	5,804
3	Customers Served (Thousands)	16.1%	14.0%	15,075	11,973	11,376	11,024
4	Average Customer Purchase			$ 68.59	$ 74.17	$ 77.67	$ 82.02
	Comparative Income Statement (Thousands)						
5	Total Sales	18.3%	15.2%	$1,034,032	$888,042	$883,614	$904,651
6	Pre-Tax Earnings	16.8%	10.0%	$ 49,151	$ 34,146	$ 42,964	$ 54,815
7	Taxes on Income	16.4%	9.4%	$ 23,195	$ 15,820	$ 20,679	$ 26,043
8	Net Earnings	17.1%	10.5%	$ 25,956	$ 18,326	$ 22,285	$ 28,772
9	Cash Flow (3)	19.0%	12.8%	$ 40,619	$ 28,848	$ 32,605	$ 38,836
10	Cash Dividends Paid	16.9%	24.9%	$ 9,800	$ 9,376	$ 7,813	$ 6,511
11	Earnings, Minus Dividends, Reinvested	17.3%	6.7%	$ 16,156	$ 8,950	$ 14,472	$ 22,261
	Dollars Per Share (Nearest Cent) (4) (5)						
12	Sales	17.7%	14.6%	$ 31.02	$ 27.28	$ 27.14	$ 27.79
13	Earnings	17.2%	9.9%	$ .78	$ .56	$ .68	$ .88
14	Cash Flow (3)	18.1%	12.3%	$ 1.22	$ .89	$ 1.00	$ 1.19
15	Cash Dividends	17.9%	24.1%	$ .29	$ .29	$ .24	$ .20
16	Earnings Retained and Reinvested	16.8%	6.0%	$ .48	$ .27	$ .44	$ .68
17	Shareholders' Equity	18.7%	16.8%	$ 6.34	$ 5.82	$ 5.54	$ 5.10
	Strategic Profit Model*						
18	Asset Turnover (Sales per Asset Dollar)			$ 3.13	$ 2.74	$ 2.80	$ 3.26
19	Return on Sales (Earnings as % of Sales)			× 2.51%	× 2.06%	× 2.52%	× 3.18%
20	Return on Assets			= 7.86%	= 5.64%	= 7.06%	= 10.38%
21	Leverage Factor (Asset Dollars per Equity Dollar)			× 1.74	× 1.80	× 1.90	× 1.93
22	Return on Shareholders' Equity			= 13.68%	= 10.16%	= 13.41%	= 20.03%
	Comparative Balance Sheet (Thousands)						
23	Current Asset Totals	17.1%	14.7%	$ 296,718	$218,926	$232,392	$226,863
24	Cash and Short-Term Investments	13.3%	11.9%	$ 25,341	$ 32,070	$ 15,567	$ 22,959
25	Accounts Receivable—Net	15.7%	10.1%	$ 75,388	$ 48,107	$ 68,172	$ 66,442
26	Inventories (Lower of Cost or Market)	18.6%	17.8%	$ 192,718	$137,085	$147,740	$134,461
27	Other Current Assets	18.0%	22.4%	$ 3,271	$ 1,664	$ 913	$ 3,001
28	Fixed Assets	25.0%	19.1%	$ 121,406	$110,673	$ 91,399	$ 88,695
29	Other Assets	7.2%	27.1%	$ 559	$ 521	$ 573	$ 291
30	Total Assets	18.4%	15.8%	$ 418,683	$330,120	$324,364	$315,849
31	Current Liabilities Totals	17.2%	13.2%	$ 147,541	$ 91,939	$ 92,068	$ 93,842
32	Accounts Payable	16.1%	12.0%	$ 90,580	$ 47,959	$ 52,003	$ 45,567
33	Income Tax Payable	16.0%	12.8%	$ 18,012	$ 14,538	$ 10,592	$ 22,000
34	Other Current Liabilities	22.7%	17.1%	$ 38,949	$ 29,442	$ 29,473	$ 26,275
35	Long-Term Debt	18.7%	17.9%	$ 56,233	$ 48,864	$ 51,929	$ 56,112
36	Total Liabilities	17.6%	14.5%	$ 207,259	$140,803	$143,997	$149,954
37	Shareholders' Equity	19.3%	17.4%	$ 211,424	$189,317	$180,367	$165,895
38	Ratio: Equity Long-Term Debt			3.76	3.87	3.47	2.96
39	Year-End Leverage Factor: Assets ÷ Equity			1.98	1.74	1.80	1.90
	Shareholders and Shares						
40	Shareholders of Record, Year-End			5,144	5,415	4,620	5,147
41	Shares Outstanding, Year-End (Thousands) (4) (5)			33,333	32,555	32,555	32,555
42	Stock Price Range During Year						
	High (Adjusted for stock splits) (11)			$ 22.35	$ 11.36	$ 9.95	$ 8.30
	Low (Adjusted for stock splits) (11)			$ 7.65	$ 6.30	$ 5.35	$ 6.80
	High (Historic unadjusted)			$ 37¼	$ 28⅜ (10)	$ 24⅞	$ 20¾
	Low (Historic unadjusted)			$ 12¾	$ 10½ (10)	$ 13½	$ 17

Explanatory Notes

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

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

(3) Cash Flow is defined as the total of net earnings plus depreciation and deferred income taxes.

(4) Number of shares has been adjusted to reflect stock split-ups and stock dividends.

(5) Variation in the outstanding shares is the result of a Treasury Stock purchase in 1963, subsequent employee stock option transactions, and a stock issuance to the Employee Stock Ownership Plan (Note 8 of the Consolidated Financial Statements) of 778,018 common shares on February 1, 1982. As of January 31, 1983, no additional shares had been sold or issued for acquisitions.

(6) Lowe's shares were adjusted for a stock dividend of 100%, (which had the net effect of a 2-for-1 stock split-up, and was effective April 5, 1966.)

(7) A 2-for-1 stock split-up, effective November 18, 1969.

(8) A stock dividend of 50%, (which had the net effect of a 3-for-2 stock split-up, and was effective November 30, 1971; a stock dividend of 33⅓% (which had the net effect of a 4-for-3 stock split-up, and was effective July 25, 1972.)

(9) A stock dividend of 50% (which had the net effect of a 3-for-2 stock split-up, and was effective June 2, 1976.)

(10) A 3-for-2 stock split-up, effective November 2, 1981.

(11) Adjusted for 5-for-3 stock split-up April 29, 1983.

Fiscal Years Ended July 31

1978 (1)	1977	1976	1975	1974	1973	1973	Base Year 1972	10-Year Compound Growth Rates 1962-1972	Base Year 1962	
199	180	154	141	125	105	100	86	16.9%	18	1
5,809	5,123	4,200	3,600	2,900	3,200	3,296	2,630	18.3%	491	2
10,013	8,817	7,611	6,324	5,349	5,201	4,717	3,820	18.4%	703	3
$ 79.20	$ 75.04	$ 68.25	$ 61.40	$ 64.75	$ 68.45	$ 69.29	$ 61.40		$ 46.52	4
$793,125	$661,625	$519,395	$388,254	$346,343	$355,999	$326,846	$234,556	21.8%	$ 32,716	5
$ 54,331	$ 48,554	$ 38,430	$ 24,483	$ 26,255	$ 26,999	$ 25,393	$ 18,143	24.3%	$ 2,054	6
$ 26,469	$ 23,861	$ 19,133	$ 12,057	$ 13,163	$ 13,491	$ 12,665	$ 9,022	24.2%	$ 1,034	7
$ 27,862	$ 24,693	$ 19,297	$ 12,426	$ 13,092	$ 13,508	$ 12,728	$ 9,121	24.5%	$ 1,020	8
$ 36,576	$ 31,437	$ 24,851	$ 17,020	$ 16,835	$ 16,640	$ 15,519	$ 11,416	25.9%	$ 1,145	9
$ 5,209	$ 3,907	$ 1,706	$ 1,215	$ 1,098	$ 1,020	$ 1,017	$ 946	8.9%	$ 402	10
$ 22,653	$ 20,786	$ 17,591	$ 11,211	$ 11,994	$ 12,488	$ 11,711	$ 8,174	29.5%	$ 618	11
$ 24.36	$ 20.32	$ 15.95	$ 11.93	$ 10.73	$ 11.18	$ 10.27	$ 7.40	21.1%	$ 1.09	12
$ .86	$ .76	$ .59	$ .38	$ .41	$ .42	$ .40	$ .29	25.5%	$ .03	13
$ 1.12	$ .97	$ .76	$ .52	$ .52	$ .52	$ .49	$ .36	24.6%	$ .04	14
$ .16	$ .12	$ .05	$ .04	$ .03	$ .03	$ .03	$ .03	11.6%	$ .01	15
$ .70	$ .64	$ .54	$ .34	$ .39	$ .37	$ .39	$ .26	29.2%	$ .02	16
$ 4.41	$ 3.75	$ 3.12	$ 2.58	$ 2.24	$ 1.81	$ 1.63	$ 1.24	20.6%	$ .19	17
$ 3.28	$ 3.39	$ 3.13	$ 2.90	$ 2.78	$ 3.98	$ 3.65	$ 3.40		$ 2.76	18
× 3.51%	× 3.73%	× 3.72%	× 3.20%	× 3.78%	× 3.79%	× 3.89%	× 3.89%		× 3.12%	19
= 11.49%	= 12.64%	= 11.64%	= 9.28%	= 10.15%	= 15.08%	= 14.22%	= 13.20%		= 8.62%	20
× 1.98	× 1.92	× 1.98	× 1.85	× 2.16	× 2.03	× 2.28	× 2.26		× 2.34	21
= 22.81%	= 24.27%	= 23.05%	= 17.17%	= 22.70%	= 30.61%	= 32.42%	= 29.81%		= 20.23%	22
$196,817	$176,640	$139,505	$117,383	$ 89,136	$ 89,517	$ 96,391	$ 70,110	19.6%	$ 11,702	23
$ 9,362	$ 10,947	$ 735	$ 1,968	$ 3,780	$ 967	$ 7,859	$ 7,802	14.8%	$ 1,956	24
$ 66,836	$ 61,468	$ 45,876	$ 35,467	$ 23,779	$ 28,564	$ 37,603	$ 27,440	22.0%	$ 3,769	25
$119,714	$102,918	$ 91,976	$ 79,159	$ 60,623	$ 59,571	$ 50,639	$ 34,475	19.4%	$ 5,868	26
$ 1,782	$ 1,307	$ 918	$ 790	$ 955	$ 415	$ 290	$ 393	13.7%	$ 109	27
$ 80,096	$ 64,432	$ 55,386	$ 48,006	$ 44,818	$ 34,933	$ 29,238	$ 19,330	31.4%	$ 1,261	28
$ 371	$ 453	$ 414	$ 420	$ 146	$ 86	$ 85	$ 45	(10.3)%	$ 134	29
$277,284	$241,525	$195,304	$165,809	$134,101	$124,536	$125,714	$ 89,485	21.2%	$ 13,097	30
$ 68,689	$ 68,076	$ 50,863	$ 49,338	$ 29,108	$ 34,332	$ 55,694	$ 40,217	21.6%	$ 5,696	31
$ 44,833	$ 38,948	$ 23,856	$ 30,810	$ 18,834	$ 18,966	$ 36,101	$ 27,684	20.6%	$ 4,255	32
$ 2,329	$ 8,753	$ 4,875	$ 3,851	$ 3,961	$ 3,522	$ 5,073	$ 5,086	19.5%	$ 855	33
$ 21,527	$ 20,375	$ 22,132	$ 14,677	$ 6,313	$ 11,844	$ 14,520	$ 7,447	28.9%	$ 586	34
$ 64,961	$ 51,312	$ 42,880	$ 32,588	$ 32,667	$ 32,541	$ 18,238	$ 10,014	19.5%	$ 1,680	35
$133,650	$119,388	$ 93,743	$ 81,926	$ 61,775	$ 66,873	$ 73,932	$ 50,231	21.1%	$ 7,435	36
$143,634	$122,137	$101,562	$ 83,883	$ 72,326	$ 57,663	$ 51,782	$ 39,254	21.4%	$ 5,662	37
2.21	2.38	2.37	2.57	2.21	1.77	2.84	3.92		3.37	38
1.93	1.98	1.92	1.98	1.85	2.16	2.43	2.28		2.31	39
4,750	4,688	4,110	3,686	3,335	3,718	3,704	3,038		2,047	40
32,555	32,555	32,555	32,555	32,293	31,855	31,828	31,708		30,000	41
										42
$ 10.71	$ 11.01	$ 13.75	$ 13.75	$ 14.15	$ 17.88	$ 19.22	$ 17.92		$ .66	
$ 6.90	$ 8.10	$ 9.01	$ 7.74	$ 5.34	$ 10.01	$ 12.48	$ 8.14		$ .35	
$ 26¾	$ 27½	$ 51½ (9)	$ 51½	$ 53	$ 67	$ 72	$ 89½ (8)		$ 19⅞	
$ 17¼	$ 20¼	$ 26½ (9)	$ 29	$ 20	$ 37½	$ 46¾	$ 49½ (8)		$ 10½	

***Strategic Profit Model**

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

Asset Turnover is affected by sales volume, by the cash-charge sales mix and by the composition and performance of left-side balance sheet factors. The amounts of assets allocated to inventory, accounts receivable, and fixed assets, and the turnover rates of inventory and receivables, all affect Asset Turnover. For every $1.00 in assets at the beginning of Fiscal 1982, Lowe's achieved $3.13 in sales.

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

Fiscal 1982's return on sales was 2.51%. This multiplied by Asset Turnover, gives Return on Assets of 7.86%. This is the same as dividing Net Earnings by Beginning Assets, although totals vary due to rounding.

Leverage introduces "right-side" balance sheet factors, and measures equity dollars versus total asset dollars. For every $1.00 of Shareholders' Equity at the beginning of 1982, Lowe's had $.74 in Liabilities, thus financing $1.74 in Assets. This $1.74 leverage factor times the 7.86% Return on Assets gives Return on beginning Shareholders' Equity of 13.68%. Totals vary due to rounding.

Index

* *Charts, Graphs, Tables*

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LOWE'S COMPANIES, INC.
P.O. Box 1111
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5. Are you currently a Lowe's shareholder?

___Yes ___No

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

- __Long-term profit on original investment or for capital appreciation.
- __Dividend Income
- __Both Capital Appreciation and Dividend Income
- __Other (Please state) ______________

____

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

___Yes ___No

Will you state why you indicated one or the other? ______________

____

____

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

- __Through my stockbroker
- __Through a Lowe's employee or store
- __Through a Lowe's shareholder
- __By reading previous Annual Reports
- __Newspaper or Magazine article
- __Investment publication
- __This is my first exposure to Lowe's
- __Other ______________

If your answer is your stockbroker, may we have his or her name so we can send new information on Lowe's?

Name ______________
Company ______________
Address______________

____

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

- __Security Analyst
- __Financial Advisor
- __Employee
- __Individual Investor
- __Stockbroker
- __Trade Media
- __Investment Club
- __Financial Media
- Financial Institution
- __Supplier
- __Other (Specify below)

____

10. Are you a male____or a female____?

11. In what age group would you be listed?

- ___Under 25
- ___25-34
- ___35-44
- ___45-54
- ___55-64
- ___65 years and older

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

- ___Professional/Executive
- ___Skilled trade or factory worker
- ___Manager/Supervisor
- ___Secretarial/Clerical
- ___Accounting/Finance
- ___Retired ______________ (Write in previous occupation)
- ___Other ______________

13. This space is provided for your comments or questions. We will answer to the best of our ability.

Thanks again for reading the '82 Annual Report and especially for answering these questions. Be sure to include your name and mailing address if you have further questions.

Thank you!

Lowe's 17th Annual Shareholder Survey

Dear Investor:

Thanks for reading the Lowe's 1982 Annual Report. Please take a few minutes to tell us what you thought of it by completing the following questions? Your opinions are important to us and help us to continue to improve our ability to serve you.

When you've completed the survey, detach it, fold it and seal with the handy adhesive at the left and drop in the mailbox. Postage is prepaid.

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

I read:

- ___ All of the report
- ___ Letter to Shareholders
- ___ Performance Review
- ___ Departmental Articles
- ___ Essay on Retailing
- ___ Shareholder Census & Survey
- ___ Financial Report
- ___ 21-Year Financial Review
- ___ Other (Please Specify)
- ___ ____________________

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

Simply circle the number which most closely represents your feeling about the sections you read.

	Unacceptably Poor									Outstanding
All of the report	1	2	3	4	5	6	7	8	9	10
Letter to Shareholders	1	2	3	4	5	6	7	8	9	10
Performance Review	1	2	3	4	5	6	7	8	9	10
Departmental Articles	1	2	3	4	5	6	7	8	9	10
Essay on Retailing	1	2	3	4	5	6	7	8	9	10
Shareholder Census & Survey	1	2	3	4	5	6	7	8	9	10
Financial Report	1	2	3	4	5	6	7	8	9	10
21-Year Financial Review	1	2	3	4	5	6	7	8	9	10
Other ____________	1	2	3	4	5	6	7	8	9	10

3. When preparing the Annual Report, we try to include as much useful information as possible to communicate where Lowe's has been, where we are and where we are going. Please take a moment and consider the various sections of the Report and indicate the **usefulness** of that section below by circling the number next to the section which most closely represents that section's usefulness to your understanding Lowe's.

	Completely Useless									Essential Information
All of the report	1	2	3	4	5	6	7	8	9	10
Letter to Shareholders	1	2	3	4	5	6	7	8	9	10
Performance Review	1	2	3	4	5	6	7	8	9	10
Departmental Articles	1	2	3	4	5	6	7	8	9	10
Essay on Retailing	1	2	3	4	5	6	7	8	9	10
Shareholder Census & Survey	1	2	3	4	5	6	7	8	9	10
Financial Report	1	2	3	4	5	6	7	8	9	10
21-Year Financial Review	1	2	3	4	5	6	7	8	9	10
Other ____________	1	2	3	4	5	6	7	8	9	10
______________	1	2	3	4	5	6	7	8	9	10

Lowe's Companies, Inc.
Highway 268 East, Box 1111
North Wilkesboro, N.C. 28656

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4. *Summing It Up*
In general and all things considered, please rate the overall Lowe's 1982 Annual Report by circling the number below which best describes your **overall impression**.

	Unacceptably Poor									Outstanding
Overall, I feel the 1982 Annual Report is	1	2	3	4	5	6	7	8	9	10

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

(over)