# LOWE'S

ANNUAL REPORT

**Fiscal ~~1992~~** 1993

**Sales: ~~$3,846,418,000~~** $4,538,001,000

**Net Earnings: ~~$84,720,000~~** $131,786,000

**Earnings Per Share: ~~58¢~~** 89¢

**Return On Equity: ~~12.67%~~** 17.97%

## Financial Highlights

$ In Thousands, Except for Per Share Data

| | Change | Fiscal 1993 | Fiscal 1992 |
|---|---|---|---|
| Sales | + 18% | $4,538,001 | $3,846,418 |
| Gross Margin | + 20% | 1,081,284 | 900,665 |
| Total Expenses | + 14% | 882,960 | 774,773 |
| Income Taxes | + 62% | 66,538 | 41,172 |
| Net Earnings | + 56% | $ 131,786 | $ 84,720 |
| Return on Beginning Equity | | 17.97% | 12.67% |
| Per Share:* | | | |
| Earnings | + 54% | $ .89 | $ .58 |
| Cash Dividends | + 10% | $ .16 | $ .14 |
| As of January 31: | | | |
| Shareholders of Record | | 7,470 | 7,257 |
| Total Number of Employees | | 28,843 | 21,269 |
| Shares Outstanding* | | 147,398 | 146,152 |

* Weighted average in thousands, adjusted for a 2-for-1 stock split distributed March 31, 1994.

## Comparison of 5-Year Cumulative Total Return

**Lowe's, the S&P 500, and the S&P Retail Index**

| As of Jan. 31: | Lowe's | S&P 500 | S&P Retail Index |
|---|---|---|---|
| 1994 | 575.26 | 187.68 | 232.13 |
| 1993 | 258.50 | 166.88 | 237.54 |
| 1992 | 189.31 | 151.40 | 180.72 |
| 1991 | 115.78 | 123.75 | 133.84 |
| 1990 | 121.29 | 114.37 | 116.49 |
| 1989 | 100 | 100 | 100 |

Robert L. Strickland

Leonard G. Herring

# Dear Shareholders:

We have long viewed Lowe's as a partnership. Our partners are our customers, our employees, our suppliers, our communities, and of course you, our shareholders. Making the partnership more interesting and fulfilling is the fact that so many of our other partners are also shareholder partners! Lowe's employees have been public shareholders since 1961. They own 25% of all our outstanding shares, and have been joined in ownership of Lowe's by many of our customers and suppliers. So since we're all in this together, it is a great pleasure to report this year's results — the product of more partnership teamwork than ever before.

Financially, 1993's results came from an 18% sales growth, a managed margin increase of 20%, and a controlled expense increase of just 14%. Structurally, and with major implications for the future, this is a continuing story of successful transformation. Our new large store chain has achieved critical mass:

From 13% of our total chain three years ago
to 52% at the end of '93;
From 16% of sales three years ago
to 54% in '93; and
From 14% of operating earnings three years ago
to 55% in '93.

During 1993 we said, and feel it appropriate to repeat now: "As we view this performance along with our continued plans to accelerate the impact of our large store rollout, we are reminded of Arthur Clarke's great line, 'Even the future is not what it used to be!'"

Our vision for Lowe's success entails the enrichment of our partners. We understand that each partner's definition of personal enrichment is unique: obviously, the definition may include both material and nonmaterial concepts such as pride, citizenship, and social contribution. Whatever your own definition of enrichment, we are pleased that this report card on Lowe's 1993 will record real progress toward our goal of "Enriched Partners."

## For Our Customers

Lowe's 1993 results reflect the scope of our ongoing transformation from a chain of small showroom-type stores to a chain of home improvement destinations filled with exciting merchandise for the Nineties consumer. Lowe's customers have responded enthusiastically to our large stores' dominant product assortments, all offered at Lowe's Everyday Competitive Prices. Our superstores are the ideal format for both efficient self-service and on-demand trained service assistance. In these large stores we are striving to achieve the optimum balance between shopping convenience and a stimulating value-filled shopping experience.

The effectiveness of our large store strategy is evidenced in our 21% retail sales increase for 1993, which combined with an 11% increase in contractor sales for an 18% gain overall. Retail customers accounted for 72% of our 1993 sales, while professional buyers supplied 28%.

We consider Lowe's ideal domain to include anything that enhances the home by adding style, comfort, safety, utility, or any combination of those elements. We see a major growth opportunity in serving our customers by continuing to expand our home decor lines to include fashion-forward offerings in such categories as home illumination, decor accessories, ready-to-assemble furniture, and floor and window treatments.

Of the 311 stores in our chain, 243 have been created in the last decade. Only 68 of our current stores were built before 1984, and 18 of those are now successfully operating as newly focused contractor yards.

### For Our Suppliers

Lowe's ended fiscal 1993 with 14.2 million square feet of retail selling space, a growth of 42% over the previous year. We completed 57 large store projects in 1993, and our 1994 expansion plan envisions about 50 new stores divided equally between new markets and relocations, for approximately 4.4 million additional square feet of sales floor.

In the last three years we have more than doubled our total selling space, opening up new horizons of potential for our suppliers. By broadening and deepening our product assortments, we better represent our vendors even as we are building dominance for Lowe's. By providing services such as custom cutting of glass and wood, and by developing our installed sales capabilities, we remove buying barriers and promote project sales. Also, our destination superstores are ideal platforms for point-of-purchase displays, "expotainment" videos, and other tools for improving communication between our suppliers and our customers.

Every year Lowe's recognizes a group of suppliers whose corporate philosophy, product development, packaging, marketing, distribution, and support services have distinguished themselves in Lowe's firmament. They are Lowe's Suppliers of the Year, and their sales success testifies to the power of partnership.

Last August we announced that our Suppliers of the Year divisional winners are BRK Electronics, First Alert; Clairson International; DAP, Inc.; Genova Products Incorporated; Larson Manufacturing Company; Osram Sylvania, Inc.; Plum Creek Timber Company, L.P.; R.S.I. Home Products; Ray's Nursery; and Thomson Consumer Electronics. The overall winner is Clairson International, representing the home decor division.

All our suppliers of both merchandise and services are true believers in the "moso" growth potential of Lowe's. We thanked them during 1993 with a 21% increase in retail business together. We plan to keep growing our expression of gratitude to them, and in the same fashion.

### For Our Communities

Lowe's has always believed in contributing to the quality of life in communities where we do business. Since 1957 we have administered corporate philanthropy on regional and local levels through Lowe's Charitable and Educational Foundation. In 1981 we co-founded the Home Improvement Research Institute, which has become recognized as an authoritative voice of the burgeoning home center industry.

Now we are proud to announce the foundation of Lowe's Home Safety Council, a nonprofit organization dedicated to helping families improve the quality of American homelife through better knowledge and practice of home safety.

Lowe's Home Safety Council is working to prevent the waste, the pain, and the cost of home accidents by channeling funds and effort into a variety of charitable and educational projects. Members of the council include national safety-related organizations, manufacturers in the home products industry, and notable individuals who have the desire and ability to make a contribution. Individual charter members include The Honorables Lamar Alexander, Jack Kemp, and Dr. Louis Sullivan.

The council's inaugural meeting was held in December. Projects already underway include a series of educational videos, brochures, and consumers kits; a database for home safety research; and local programs for outreach through schools and community organizations. As evidence of Lowe's commitment to the Home Safety Council, our 311 stores are now dedicated to serve an additional function as home safety centers where the public will find the information, assistance, and products they need to make their homes into safe havens.

### For Our Employees

The number of Lowe's employees is in a strong two-year growth mode, from just over 21,000 at the start of 1993 to a total approaching 39,000 by the end of 1994. We are proud to welcome so many new co-workers into the only retail organization in our industry to be included in the new edition of *THE 100 BEST COMPANIES TO WORK FOR IN AMERICA* (Robert Levering and Milton Moskowitz, Doubleday, 1993).

We have always known that Lowe's growth and vitality, our sense of community, and the family feeling among our employees all contribute to a desirable corporate climate; nevertheless, it feels good to have earned independent confirmation of Lowe's excellence. The authors also gave us high marks for our Employee Stock Ownership Plan, which has since surpassed $1 billion in value. Through the ESOP, our 401K plan, and a voluntary employee stock purchase plan, Lowe's employees own 25% of our company's shares. This means that they are strongly motivated to take Lowe's to new heights of sales and profitability. Based on the way they've successfully met the challenges of Lowe's explosive growth, they are confirming their confidence that Lowe's best is yet to come.

One area of strategic emphasis in 1993 was the augmentation of Lowe's management team. Within the last 18 months we have made several significant promotions from within Lowe's organization, while also attracting new talent such as Michael Rouleau, who joined us as executive vice president for store operations, and Bill Irons, our new senior vice president for management information services. In 1993 our team was further strengthened by Greg Dodge, who joined us as senior vice president for real estate; Dale Pond, our senior vice president for marketing; and Bill Warden, our in-house general counsel and corporate secretary.

## For Our Shareholders

Lowe's stock price soared in 1993 and continued recording new highs during the first months of 1994. In February 1994, we announced a two-for-one stock split which was distributed on March 31.

The table shows what has happened to one hundred shares of Lowe's stock bought for $12.25 per share on the initial offering date in 1961 and held as a long-term investment. At $31 per share, 12,000 shares have a market value of $372,000, or 304 times the original investment.

| Date | Action | Shares Received | Total Shares |
|---|---|---|---|
| Oct. 1961 | Bought 100 shares | 100 | 100 |
| May 1966 | 100% Dividend (2 for 1) | 100 | 200 |
| Nov. 1969 | Stock Split (2 for 1) | 200 | 400 |
| Dec. 1971 | 50% Dividend (3 for 2) | 200 | 600 |
| Aug. 1972 | 33 1/3% Dividend (4 for 3) | 200 | 800 |
| June 1976 | 50% Dividend (3 for 2) | 400 | 1,200 |
| Oct. 1981 | 50% Dividend (3 for 2) | 600 | 1,800 |
| Apr. 1983 | 66 2/3% Dividend (5 for 3) | 1,200 | 3,000 |
| June 1992 | 100% Dividend (2 for 1) | 3,000 | 6,000 |
| Mar. 1994 | Stock Split (2 for 1) | 6,000 | 12,000 |

In 1993 we paid record high cash dividends totaling more than $23.6 million. Lowe's has paid dividends for 130 consecutive quarters.

## For Our Future Partnership

This is a great time to be Lowe's! Housing expenditures and investments increased every year of the last decade, and the majority of Baby Boomers are just now reaching their peak earnings years. The home center sector of our market is growing at twice the rate of the gross national product, and when consumer durables are added (please see page 7) the market may approach $250 billion by the year 2000.

Our marketplace is highly fragmented, with the top ten home improvement retailers (combined) accounting for less than a quarter of the total market opportunity. We predict that by the year 2000, after further consolidation and shakeout, there will be roughly 2000 home improvement superstores in America. If the average superstore does about $35 million in annual sales, those 2000 stores will account for $70 billion — still less than half of the home center market opportunity.

Lowe's desire is to have 600 of those 2000 superstores, and to be consistently profitable and constantly growing.


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

- 32nd in Sales — up from 39th
- 28th in Profits — up from 40th
- 24th in Market Value — up from 27th
- 7th in Total Return to Investors — up from 20th

We salute and thank all our Partners-In-Interest, including our distinguished Board of Directors and the latest nominee to that dedicated group, Carol Farmer. Carol is one of the nation's leading futurists and consumer trend analysts, and her expertise will enhance the appeal of Lowe's stores as home improvement destinations for the Nineties.

We eagerly confront the challenges of another year of growth, anticipating the increasing fulfillment of our vision of further enrichment for all our loyal partners!

Cordial good wishes,

Robert L. Strickland
Chairman of the Board

Leonard G. Herring
President and Chief Executive Officer

North Wilkesboro, NC


# Super Stores

"Lowe's has broken out of its past molds to meet the demands of today's marketplace on today's terms," says Wyatt Kash from his office in midtown Manhattan. A longtime observer of the home improvement retail industry and publisher of *National Home Center News* since 1987, Kash is contemplating the manifold success of Lowe's big stores.

"The underlying development is that consumers have never had so much choice in what they could do for their homes," he says. "At the National Homebuilders Show in Las Vegas, there's an amazing array of products for home building and remodeling. But most homeowners don't really have any opportunity to see what's possible until they get into a large format store.

"Although big stores have been getting lots of press for several years now, from most consumers' point of view they are a recent phenomenon."

How big *are* big stores? Lowe's newest superstore, which opened at the end of March in Winston-Salem, North Carolina, contains 115,000 square feet of selling space and a 30,000-square-foot garden center which includes a year-round nursery. Lowe's completed 57 large store projects in 1993, increasing our total sales floor by 42% to 14.2 million square feet. Big stores are now 52% of Lowe's chain, up from 13% just three years ago. Last year these big stores accounted for 54% of Lowe's sales and 55% of operating earnings.

The precise square footage of Lowe's big stores may vary; more important is our overriding mandate to dominate our markets by providing a "home improvement destination"— a store which not only efficiently fulfills the present needs and desires of Lowe's customers, but also creates a stimulating context for idea generation.

"The store has emerged as a powerful marketing device, because it is a statement of priorities and values translated into products and assortment," Kash says. He echoes the consensus opinion that the latest recession and slowdown of the American economy caused consumers to examine their fiscal priorities. "People have been reevaluating their commitments to things like vacations, cars, and luxury goods."

In the face of a future that's less certain than it used to seem, the American home has gained importance as the single biggest investment most consumers ever make. Yet, says Kash, "Only five cents out of every dollar [of disposable income] currently goes into home improvement and building materials at the retail level. So there's still lots of growth potential."

He believes that this is a great time to emphasize the benefits and value of putting more of America's disposable income into the great

**We asked retail experts and some of Lowe's Partners-In-Interest to tell us what they think of Lowe's today. Here is their take on our big stores, our marketplace, and our future.**

# Super Year

American home. Lowe's has developed our destination stores to be effective vehicles for that message.

"Stores that will do the best in the future are the ones that make it fun to shop and easy to buy," he says.

Renowned retail consultant Walter Loeb affirms that destination stores are attracting shoppers by appealing to consumer priorities for the Nineties. High on that priorities list, he says, is efficiency.

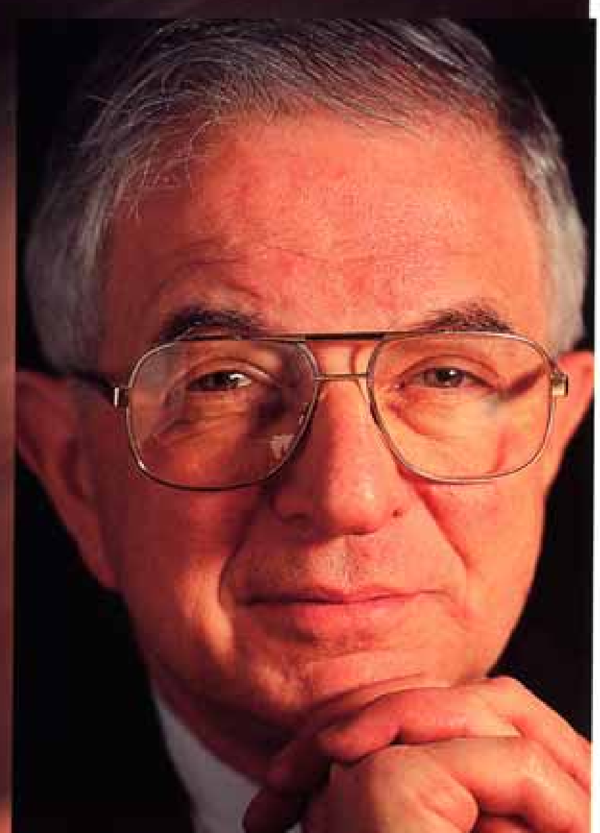
"Stores today must be clearly focused and oriented to serve the customer efficiently. Self-service is essential, along with good information at the point of sale and quick checkout procedures.

"Every trip to the store must be productive," Loeb continues. "This means you must offer deep assortments and good value, and products must be in stock.

"Lowe's stores used to be small and builder-oriented. The culture of Lowe's was the professional builder's culture. The big stores changed that. Now the future is looking very bright because of the new stores and their effective use of space.

"Lowe's growth in the future will be based on a continued focus on value, assortment, and service in these stores," says Loeb. "Growth will come mostly from Lowe's retail customers, but the professional builder will follow the retail customer to the consumer-oriented store."

In 1993, Lowe's retail sales were up 21% while sales to contractors grew 11%. Our retail



**Consultant Walter Loeb: "The future is looking very bright because of the new stores."**

## Super Stores, Super Year

customers supplied an unprecedented 72% of our total sales of \$4.5 billion; professional builders accounted for 28%.

George Lorch is surrounded by tiles in the flooring showroom at the corporate headquarters of Armstrong World Industries in Lancaster, Pennsylvania. If you've only looked at flooring in catalogues or small displays, the variety of colors and styles and materials here is likely to, well, floor you. Right next door is Armstrong's ceiling showroom with a similarly overwhelming variety of products. George Lorch, Armstrong's president and CEO, thinks of these rooms as home decor wardrobes.

"We would like consumers to be able to change their floor coverings as often as they buy new clothes," he says. "Traditionally, flooring sales have been event-driven: you bought flooring if you were moving or adding a room. We want the desire for fashion, choice, and variety to be equally powerful incentives.

"This is not an advertising strategy; it's our business plan. To make it work, we need relationships with retailers like Lowe's who are attracting large numbers of customers to their dominant assortments."

**Publisher Wyatt Kash: "Make it fun to shop and easy to buy."**

By displaying more merchandise than was ever possible before, Lowe's big stores give consumers more exciting options and a hands-on understanding of the products they are considering buying for their homes. Whether they intend to do the installation themselves or to buy the merchandise and hire a professional to do the work, better informed consumers make smarter decisions. This increases the likelihood that they will be satisfied with the merchandise and their contractor — and, ultimately, with Lowe's.

As consumers put increasing importance on upgrading and personalizing their homes, the Repair and Remodeling (R&R) industry has thrived. Recognizing the vitality and growth potential of this market segment, Lowe's has been developing and expanding our Installed Sales program. We believe that this affords Lowe's yet another opportunity to be a service leader and to increase project sales.

Wyatt Kash agrees. "The movement toward installed sales is an important trend supporting growth," he says. "More than half of the top retailers in this industry now offer some sort of installed sales program which supplies the link between consumers and reputable contractors.

"The effect is to take projects that would otherwise get postponed, and accelerate them into the current year's sales. I'm talking about installation of doors and windows, toilets, flooring, fencing — all kinds of products.

"A retailer like Lowe's is in the position of being a major source of information to help customers get their products installed. It's a potentially uncomfortable role, because you stand to get some grief if the installer doesn't do his job well. But in the absence of a well-organized remodeling industry, someone has to pick up the slack.

"The fact is that big ticket projects are going to get sold if a store can facilitate installation. What's more, it ups the ante for everybody: if one retailer successfully offers this kind of service, all their competitors have to offer it, too."

Lowe's focus on facilitating installation is greatly appreciated by our suppliers, especially those whose products require special installation skills. Armstrong's George Lorch admits that "Installation is the single biggest problem we have. Lots of installers just don't understand the products they're working with. When they don't get good results, the customer blames us."

Dick Stonesifer, president and CEO of General Electric Appliances, sees Lowe's Installed Sales program going hand-in-hand with the expanded display capabilities of our big stores.

"Lowe's now carries more of our built-in appliances than just about anybody. Customers want to see how those appliances will look once they're in the home. In Lowe's big stores, customers can see entire kitchen systems on display.

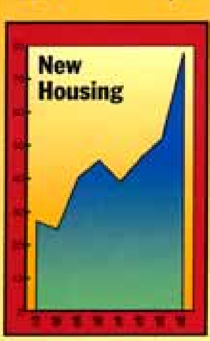
"A basic strength of Lowe's is that you actually supply the whole system — cabinetry, appliances, hardware, flooring, etc. With all that and installation, too, Lowe's is cutting a wide swathe in the field of total service, above and beyond just selling."

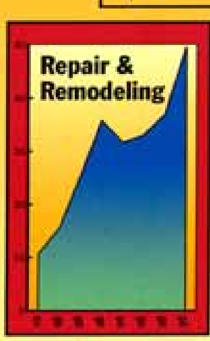
We've come a long way from the days when Henry Ford could get away with telling the public that they could have any color Ford they wanted, as long as it was black. In the fiercely Darwinian competition which defines our Nineties marketplace, the need to be responsive to consumer preferences has put a premium on rapid flow of information from the consumer

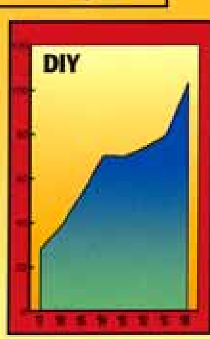
**Lowe's Total Market Potential**

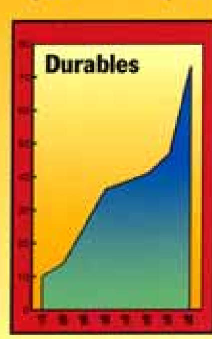
$Billions

| | Home Center Market | | | | |
|---|---|---|---|---|---|
| | Building Contractor | | Home Owner | | |
| | New Housing | R & R* | DIY | Durables | Total |
| 1998e | $77 | $50 | $102 | $73 | $302 |
| 1993p | 52 | 37 | 79 | 47 | 215 |
| 1992 | 46 | 33 | 74 | 41 | 194 |
| 1991 | 39 | 32 | 69 | 39 | 179 |
| 1990 | 45 | 36 | 70 | 36 | 187 |
| 1985 | 40 | 25 | 53 | 25 | 143 |
| 1980 | 24 | 16 | 38 | 14 | 92 |
| 1977 | $27 | $11 | $28 | $10 | $76 |










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

through the retailer to the manufacturer.

Lowe's partnership with our suppliers is strengthened by the high priority we are placing on state-of-the-art information systems. By increasing the speed and accuracy of information flowing from our sales floors to our suppliers' factory floors, we enable manufacturers to supply us with products that will maximize customer satisfaction. Bill Corbin is an executive vice president of Weyerhaeuser, one of the nation's leading manufacturers of wood products. He sees his company's relationship with Lowe's as an alliance which depends on shared information about consumers' needs and desires.

"Lowe's has demonstrated a good understanding of the consumer," he says. "That's evident in the increased store space devoted to displays, the availability of quick reliable service, technical help, installation, and wood that is precut or which can be cut to the specifications of a particular job.

**Lowe's Home Safety Council charter members Meri-K Appy of the National Fire Protection Association (L) and Lamar Alexander (seated) meet with Lowe's David Oliver and Cynthia Haynes in Washington, D.C. Inset, charter member Jack Kemp.**

"Our role in partnership with Lowe's has been to be a good listener," Corbin says. "The better use we make of the information that we receive, the more we can reduce waste in our system and improve our product quality and service."

The accurate flow of information is also increasing the efficiency of Weyerhaeuser's delivery systems. "Now we can offer 24-hour supply and direct delivery to a project location," Corbin explains.

For Armstrong's George Lorch, good information flow is the key to meeting the challenges of today's high fashion home decor marketplace.

"We've got to develop new products faster, and manufacture them in shorter runs with shorter set-up times," he says. "We want to put out more products, offer more choice. At the same time, no retailer wants to carry lots of inventory. So we have to be able to get products to you quickly

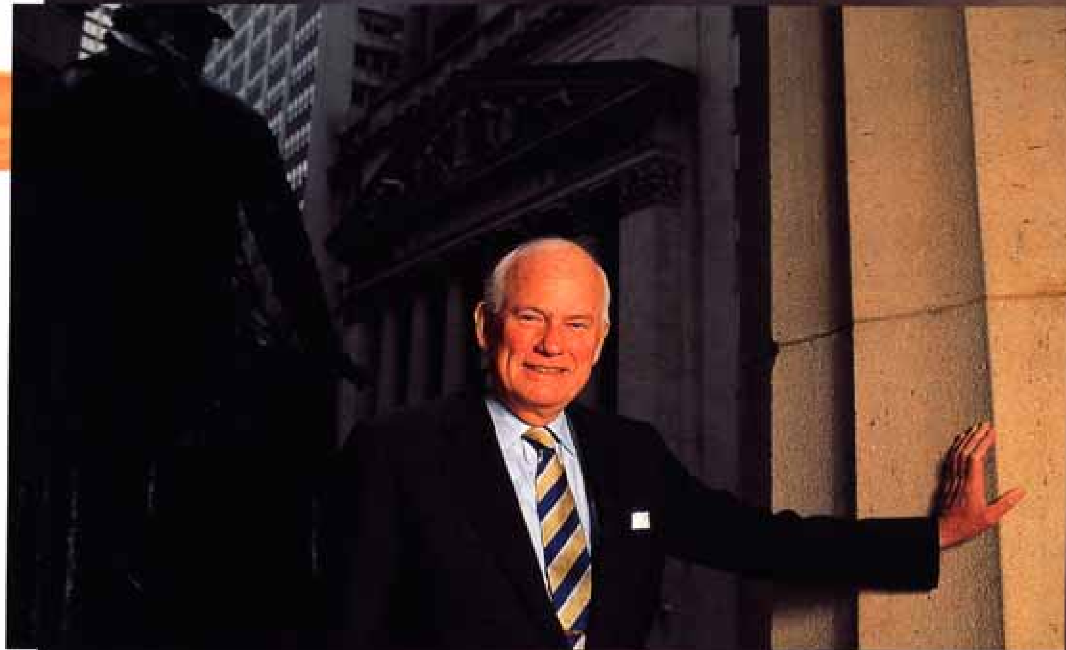
**The Competitive Situation—**
**Top Ten Building Supply/Home Centers**
Dollars In Millions

| Rank | Company | 1993 Sales | 1992 Sales | Percent of 1993 Home Improvement Market* |
|---|---|---|---|---|
| 1 | The Home Depot | $9,239 | $7,148 | 8.0% |
| 2 | Lowe's Companies | 4,538 | 3,844 | 3.9 |
| 3 | Payless Cashways | 2,581 | 2,550 | 2.2 |
| 4 | Builders Square | 2,150 | 2,419 | 1.9 |
| 5 | Hechinger | 2,100 | 1,869 | 1.8 |
| 6 | Homebase | 1,700 | 1,600 | 1.5 |
| 6 | Menard | 1,700 | 1,400 | 1.5 |
| 8 | 84 Lumber | 1,000 | 900 | .9 |
| 9 | Grossman's | 852 | 835 | .7 |
| 10 | Wickes Lumber | 820 | 738 | .7 |
| | | $26,680 | $23,303 | 23.1% |

*Based on HIRI's estimate of $116.1 billion for 1993 home improvment market
Source: *Building Supply Home Center's* Annual Giants Issue

and replenish quickly.

"With up-to-the-minute information coming from Lowe's, we can develop quick responses which give us a competitive advantage. Information coming right off the point of sale helps us eliminate lost time in ordering and shipping. This in turn increases productivity and helps us deliver the value that is essential to the growth of our business."



**Investment adviser Bill Mayo-Smith: "After the early success of Lowe's first few big stores, I knew they were going to pull off a major transformation."**

In 1961, the year Lowe's went public, Bill Mayo-Smith was an investment adviser working with the firm of G.H. Walker. Also associated with the firm was Gordon Cadwgan, who became one of Lowe's founding directors, and it was to G.H. Walker that Cadwgan brought the underwriting of Lowe's initial public offering. Bill Mayo-Smith became one of Lowe's first big investors, buying stock in the young growth company at a considerable discount in 1962 following a market setback. He has been a Lowe's shareholder ever since.

"My usual practice is to buy stock in new companies and hold it until the character of the company undergoes a significant change," Mayo-Smith says. He is still active, working these days with the firm of Ingalls and Snyder just a couple of blocks from the New York Stock Exchange.

"Factoring in all the times Lowe's stock has split in the past 32 years, the price I paid for those first shares comes out at 11 cents per share," he says, grinning. "At today's market price, that stock has seen approximately 20% appreciation compounded annually for 32 years.

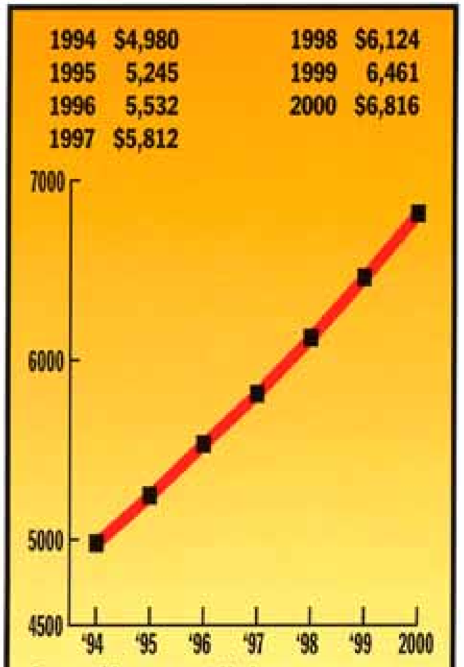
**George Lorch of Armstrong: "With up-to-the-minute information coming from Lowe's, we can develop quick responses."**

"During the whole of that time, I have remained very close to Lowe's people. I've seen them here, I've visited North Wilkesboro, I've been in dozens of Lowe's stores. I've even worked on some of Lowe's annual reports! The company has gone through some lean periods, but I decided to stick with it because I felt that the odds favored Lowe's ability to reposition itself with a large store format that would attract retail customers.

"Lowe's really invented the Do-It-Yourself retailing industry," Mayo-Smith continues. "They were the first to bring mass merchandising techniques to DIY.

"In the late Seventies, when very large stores first

### Estimated Disposable Personal Income – 2000
Dollars In Billions




Source: Management Horizons

### Disposable Personal Income And Savings Rate
Dollars In Billions

| | DPI | Savings As A % Of DPI |
|---|---|---|
| 1993p | $4,706.0 | 4.0% |
| 1992 | 4,500.2 | 5.3 |
| 1991 | 4,230.5 | 4.8 |
| 1990 | 4,050.5 | 4.2 |
| 1989 | 3,787.2 | 4.0 |
| 1988 | 3,548.2 | 4.4 |
| 1987 | 3,289.5 | 4.3 |
| 1986 | 3,131.5 | 6.0 |
| 1985 | 2,943.0 | 6.4 |
| 1984 | 2,759.5 | 8.0 |
| 1983 | 2,493.7 | 6.8 |
| 1982 | $2,319.6 | 8.6% |

Source: Department of Commerce, Bureau of Economic Analysis, Economic Indicators
p=preliminary

appeared, Lowe's was understandably reluctant to embrace the concept because their strength had always been in small towns, and they weren't sure that those small towns could support huge stores. But starting about six years ago, they began to upgrade their existing stores and their new store expansion to a large format. After the early success of the first few big Lowe's stores, I knew that they were going to be able to pull off a major transformation. I added to my stock positions, and the stock has since done extremely well.

"The risk factor is now a thing of the past," Mayo-Smith asserts. "Lowe's and Home Depot are the two leaders in DIY retailing, and they will continue as leaders through the coming years. Both companies have significant growth potential in front of them, in terms of industry growth and even more in terms of market share. Look at the food industry or the retail drug industry: the top chains have a lock on as much as 60% of the total market. After that point, their gains in market share flatten out because the surviving independents are sharp enough to offer real competition. But early on, at the stage where DIY retailing is now, good chains can grow very rapidly by taking business away from less efficient operators.

"I believe that Lowe's will continue to achieve success in an above-average growth mode for the next several years," Bill Mayo-Smith concludes. "I expect an increasing percentage of Lowe's revenues to come from retail sales.

"I've held Lowe's stock for a long time, and I have no intention of selling because I believe it has a long way to go before hitting serious resistance to further growth."

**GE's Dick Stonesifer: "Lowe's is cutting a wide swathe in the field of total service."**

In every generation, behaviors are driven by attitudes that reflect the impact of that generation's life experience. That's a generalization that could be applied to just about any aspect of a society; it's relevant here in terms of consumer behavior that is changing and defining Lowe's marketplace in the Nineties.

According to Watts Wacker, an energetic young futurist with the firm of Yankelovich Partners, the way that Americans feel about their homes and the products that go into them is currently being influenced by a grab bag of societal factors. These include a crisis of confidence in institutions, the time constraints of the two-income family lifestyle, the flood of useful but sometimes scary technology, and the growing belief that America's high-rolling good times may be gone for good.

**Watts Wacker of Yankelovich Partners: "Success, like satisfaction, has become centered on the home."**

As the World War II generation passes the torch of consumption to the Baby Boomers, says Wacker, we are experiencing a paradigm shift in which concepts retain their importance while their definitions change.

"Look at our definition of 'success,'" he says. "It used to mean a killer job that paid more money than your overloaded schedule would let you enjoy.

"Now success, like satisfaction, has become centered on the home. I don't mean the home as bunker; I mean the home as familial command center, a celebration place where we look to replace lost rituals in our search for meaningful structure."

Wacker believes that America's crisis of confidence implicates not only the obvious formal institutions such as government and corporate America, but also informal institutions such as spring cleaning, prom night, and Halloween trick-or-treating.

"Things change," he says simply. "If your marketing strategy is based on outmoded behaviors, you're dooming yourself to anachronism.

"For instance, consider the disappearance of the 'spring cleaning' tradition. For our mothers, it was a ritual, but neither women nor men have time for it now. Generally speaking, we don't maintain things anymore; we replace them. Retailers have to be aware of these changes and strategize accordingly."

Retailing is currently the focus of tremendous consumer dissatisfaction, Wacker says. "It's part of our cultural schizophrenia: we want great deals, but we don't want to victimize somebody else." Furthermore, we don't want to be victimized ourselves by manufacturers and retailers who sometimes seem to regard us as pigeons ripe for plucking. According to Wacker, the Baby Boom generation doesn't believe advertising — or at least, not in the same old tired formats.

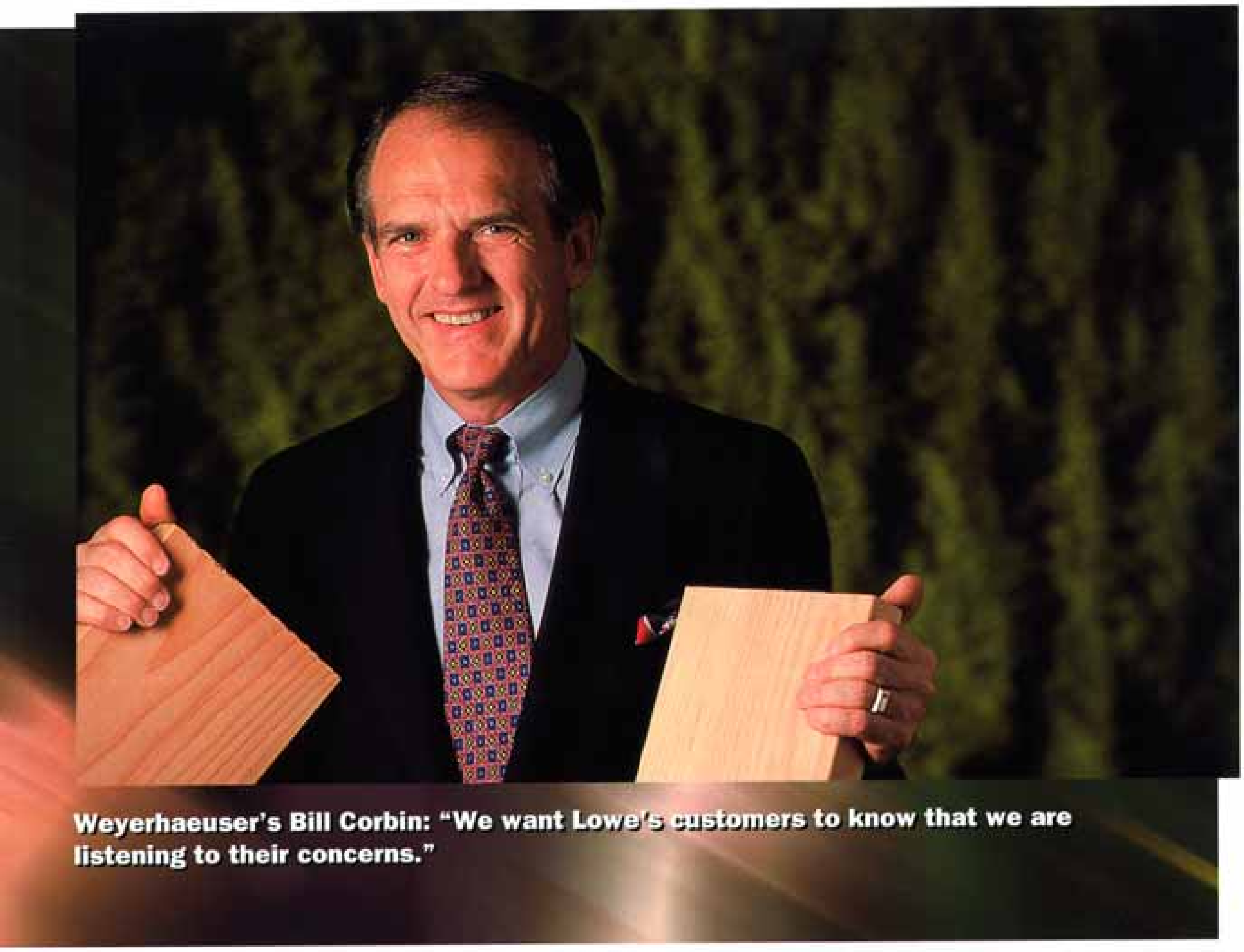
"The technology of mass media makes consumer manipulation easy," he says, "and advertising does it faster than anything else."

On the other hand, he says, technology also facilitates the sort of "lean manufacturing" that Armstrong's George Lorch refers to when he talks about quick responses and shorter production runs.

"Manufacturing is now a service business," agrees Wacker, "in which technology makes for personalized distribution."

As for standard retailing formats, Wacker says that the American public finds them sorely lacking. "Stores are pushing people away," he says. "Only say that they will go to a store if they have had a good experience there before.

What makes a good shopping experience for these demanding consumers? Wacker agrees with Walter Loeb (and with Lowe's) that efficient self-service is a top priority.



**Weyerhaeuser's Bill Corbin: "We want Lowe's customers to know that we are listening to their concerns."**

one out of five consumers thinks that shopping malls are safe; 62% of shoppers say that they have abandoned items in a store's checkout aisle."

Most stores, he says, pay lip service to the familiar mantra of "quality, selection, style, and service" as criteria influencing consumer shopping habits. When asked, however, people are most likely to

According to the Yankelovich Monitor, shopping convenience ranked even higher than selection (which came in second) as an important factor in a shopping experience. "Pleasant atmosphere" ranked third in importance.

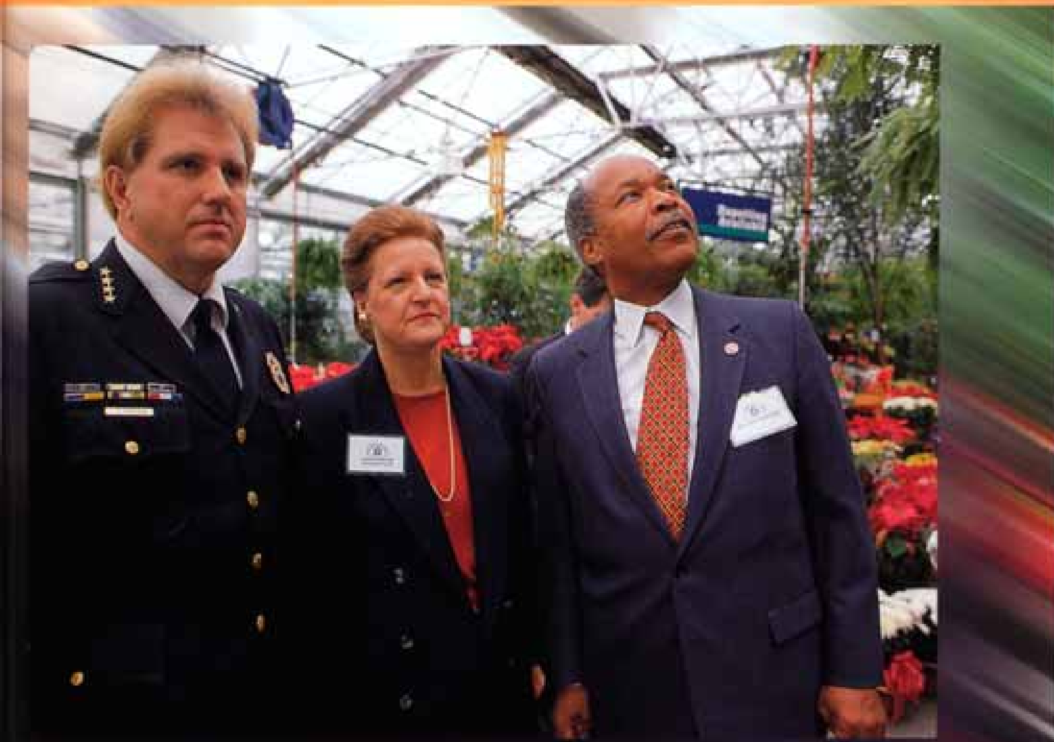
"People will invest time in your store," says Wacker, "if the outcome is reduced stress, or if the experience provides enough entertainment value to compensate for the lost time."

American consumers today also have social and environmental concerns that retailers and manufacturers do well to heed. Weyerhaeuser's Bill Corbin says that his company has a very important message for the consumer: "We are environmentally conscientious, and our values are the same as your own."

Says Corbin, "Lowe's is helping us inform the public about our environmentally friendly engineered wood products, which are made with I-beams that use less wood and save trees, while also being structurally stronger.

"We want Lowe's customers to know that we are listening to their concerns; that we are profoundly interested in conservation; that we do recycle and are working on waste reduction; and that we try very hard to manufacture with minimal environmental impact."

Dick Stonesifer of GE pledges that "Through our partnership with Lowe's, we will be unfailingly responsive to our customers' desires. We will continue to invest in products that save water and energy



**After the inaugural meeting of Lowe's Home Safety Council, charter members toured a Lowe's store in Greensboro, NC.**
**(L to R) Dennis Ray Martin, Diane Imhulse, Dr. Louis Sullivan**

while also performing quickly, quietly, and without polluting."

Watts Wacker knows that consumers say they truly want all those things; they also want not to have to pay any more for products that measure up to those standards. What else would you expect from a society that wants savings in the future without sacrificing anything today; that demands better health care for everyone, but doesn't think anyone should pay more for it; and that hasn't learned yet that it can't have expanded government services and also pay lower taxes?

"We want structure and change," he says, "but not a limiting amount of structure, and not a scary amount of change. It's a delicate balance, and not easy to find."

Perhaps because Lowe's grew up in small-town America, we have always wanted to be part of the communities where we operate, above and beyond the call of business. On local and regional levels we have always donated funds and materials to deserving individuals and organizations, and we are proud to be thought of as a good neighbor.

Since 1957, we have administered our corporate philanthropy through Lowe's Charitable and Educational Foundation under the leadership of Pete Kulynych, one of Lowe's founding directors. In 1981 we co-founded the Home Improvement Research Institute to fulfill a more overtly business-related function as an objective and authoritative voice for our industry.

In 1993 we embarked on a new philanthropic venture — one which has the potential to save lives and money by addressing concerns very near the hearts of our home center and building products partners. The new foundation is Lowe's Home Safety Council, and its mission is to enhance the quality of American homelife by helping families improve the comfort and security of their homes through good health and safety practices.

Each year, American homes are the scene of nearly 20,000 accidental deaths and more than six million disabling injuries. According to the National Safety Council (with whom Lowe's Home Safety Council is affiliated), these preventable accidents cost the taxpayer roughly $85 billion, or near half of every dollar of property tax paid in the United States.

The function of the Home Safety Council will be to gather resources and channel them into a variety of charitable and educational projects. Each of Lowe's stores will serve an

**Housing Affordability**

| | Effective Total Mortgage Rate % | Monthly Mortgage Payment As A % Of Household Income | Median-Priced Existing Single-Family Home |
|---|---|---|---|
| 1993p | 7.24 | 19.0 | 106,100 |
| 1992 | 8.13 | 20.0 | 103,700 |
| 1991 | 9.31 | 22.1 | 100,300 |
| 1990 | 10.04 | 22.8 | 95,500 |
| 1989 | 10.12 | 23.1 | 93,100 |
| 1988 | 9.29 | 22.0 | 89,300 |
| 1987 | 9.30 | 21.9 | 85,600 |
| 1986 | 10.26 | 23.0 | 80,300 |
| 1985 | 11.71 | 26.2 | 75,500 |
| 1984 | 12.48 | 28.2 | 72,400 |
| 1983 | 12.82 | 29.9 | 70,300 |

Source: Management Horizons, Home Sales, National Association Of Realtors
p=preliminary

# Super Stores, Super Year

additional function as a home safety center, where consumers will find the information and products they need to make their homes into safe havens.

The council intends to establish a two-way flow of energy and communication which will be generated at the local level by Lowe's store managers and district managers, and at the national level by an executive director and a highly visible board.

All of Lowe's Partners-In-Interest, and especially our manufacturing partners, are invited to join this major home safety initiative. Their participation will reflect a shared concern for the welfare of the public who use their products, and will be a natural extension of their involvement in American homelife.

Charter members of Lowe's Home Safety Council include the Honorable Lamar Alexander, the Honorable Jack Kemp, and the Honorable Louis Sullivan.

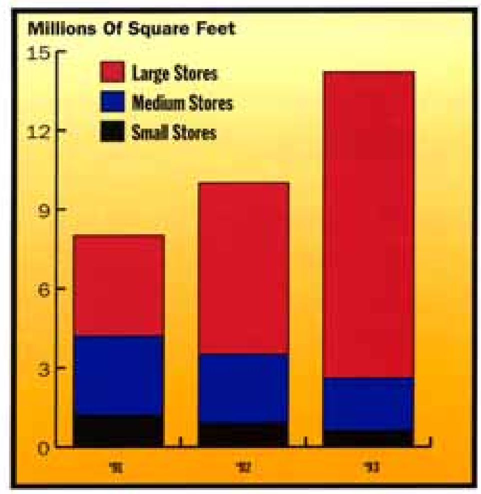
Manufacturing charter members are Armstrong Corporation, BRK Electronics/First Alert, Clairson International, Nibco, Inc., Oatey Company, Osram Sylvania, Inc., R.D. Werner Co., Regent Lighting Corporation, and United Industries.

The Home Safety Council is affiliated with a group of highly respected national organizations. These are the American Association of Retired Persons (AARP); the American Federation of Police; the Consumer Federation of America; the National Association of Chiefs of Police; the National Association of Pediatric Nurse Associates and Practitioners (NAPNAP); the National Association for Search and Rescue; the National Child Safety Council; the National Fire Protection Association; and the National Safety Council.

Walter Loeb thinks that the establishment of Lowe's Home Safety Council "puts Lowe's on the leading edge of a very timely issue." Once again, Lowe's takes the initiative in a cause that will benefit all our partners-in-interest.

## Total Sales Floor Sq. Footage

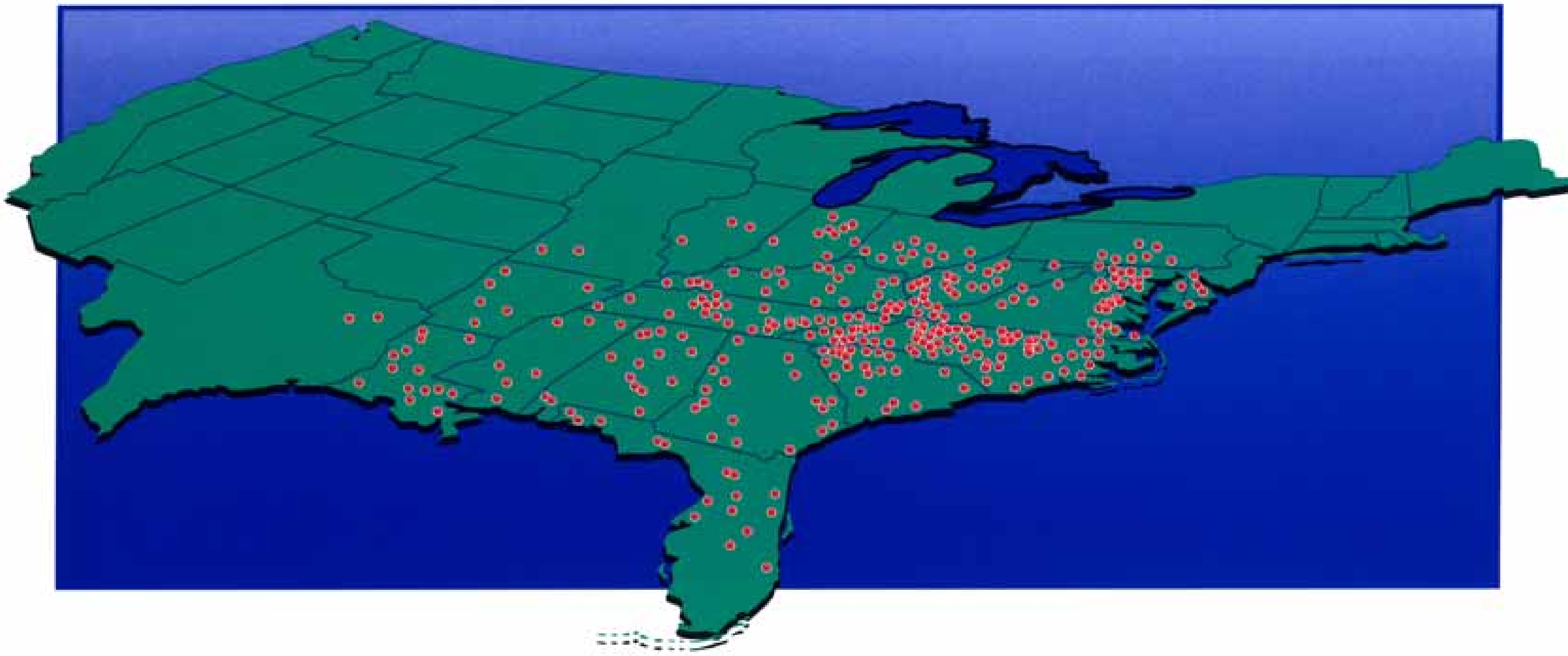

## Square Footage By Store Size




## Merchandise Sales Trends

Dollars In Millions

| Category | Total Sales 5-Year CGR | Change From 1992 | 1993 Total Sales | 1993 % | 1992 Total Sales | 1992 % | 1991 Total Sales | 1991 % | Base Year 1988 Total Sales | 1988 % |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Structural Lumber | +10% | +20% | $ 745 | 16 | $ 622 | 16 | $ 484 | 16 | $ 470 | 19 |
| 2. Building Commodities & Millwork | + 6 | + 8 | 979 | 21 | 909 | 24 | 762 | 25 | 720 | 29 |
| 3. Home Decorating & Illumination | +21 | +23 | 807 | 18 | 656 | 17 | 496 | 16 | 307 | 12 |
| 4. Kitchen, Bathroom & Laundry | +16 | +28 | 498 | 11 | 388 | 10 | 311 | 10 | 233 | 9 |
| 5. Heating, Cooling & Water Systems | +16 | +27 | 267 | 6 | 211 | 6 | 183 | 6 | 129 | 5 |
| 6. Home Entertainment | +13 | +18 | 218 | 5 | 184 | 5 | 147 | 5 | 119 | 5 |
| 7. Yard, Patio & Garden | +17 | +13 | 493 | 11 | 435 | 11 | 329 | 11 | 223 | 9 |
| 8. Tools | +24 | +30 | 259 | 6 | 200 | 5 | 150 | 5 | 88 | 3 |
| 9. Special Order Sales | + 4 | +13 | 272 | 6 | 241 | 6 | 194 | 6 | 228 | 9 |
| Totals | +13% | +18% | $4,538 | 100 | $3,846 | 100 | $3,056 | 100 | $2,517 | 100 |



# Lowe's Store Locations

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

### Arkansas 6
El Dorado
Fayetteville
Fort Smith
Hot Springs
Jonesboro
Pine Bluff

### Delaware 3
Christiana
Dover
Sussex County

### Florida 16
Fort Pierce
Fort Walton
Beach
Gainesville
Gainesville (SW)
Inverness
Kissimmee
Lake County
Lakeland
Lake Wales
Maitland
(Contractor Yard)
Ocala
Orange City
Panama City
Pensacola (North)
Tallahassee
Tallahassee (NE)

### Georgia 18
Albany
Athens
Augusta
Augusta (West)
Brunswick
Carrollton
Columbus (North)
Fort Oglethorpe
Gainesville
LaGrange
Macon
Rome
Savannah
Savannah (South)
Thomasville
Thomson
Valdosta
Warner Robins

### Illinois 3
Decatur
Marion
Springfield

### Indiana 9
Anderson
Clarksville
Indianapolis
Indianapolis (East)
Indianapolis (West)
Kokomo
Muncie
Richmond
Terre Haute

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

### Louisiana 14
Alexandria
Baker
Bossier City
Hammond
Houma
Lafayette (Carencro)
Lafayette
(Acadiana Square)
Lake Charles
Leesville
Natchitoches
New Iberia
Shreveport
Thibodaux
West Monroe

### Maryland 11
Bowie
Charles County
Cumberland
Easton
Frederick
Frederick
(Contractor Yard)
Gaithersburg
Hagerstown
Saint Mary's County
Salisbury
Westminster

### Mississippi 7
Columbus
Gautier
Gulfport
Hattiesburg
Jackson
Meridian
Tupelo

### Missouri 2
Joplin
Springfield

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

### Ohio 10
Cincinnati
(Contractor Yard)
Circleville
Findlay
Heath
Lancaster
Marion
Ontario
Springfield
Wheelersburg
Wooster

### Pennsylvania 7
Altoona
Chambersburg
Hanover
(Hanover Crossings)
Harrisburg
Mechanicsburg
State College
York

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

### Tennessee 26
Athens
Bartlett
(Contractor Yard)
Chattanooga
Chattanooga (North)
Chattanooga
(Contractor Yard)
Clarksville
Cleveland
Columbia
Cookeville
Crossville
Gallatin
Greeneville
Hermitage
Jackson
Johnson City
Kingsport
Knoxville (North)
Knoxville (South)
Knoxville (West)
Madison
Maryville
Morristown
Murfreesboro
Nashville
Nashville
(Contractor Yard)
Tullahoma

### Texas 2
Longview
Tyler

### Virginia 34
Bluefield
Bristol
Chancellor
Charlottesville
(Contractor Yard)
Charlottesville
(Rio-Hill)
Chesapeake
Chester
(Breckenridge)
Chester
(Contractor Yard)
Christiansburg
Churchland
Claypool Hill
Danville
Denbigh
Dublin
Fredericksburg
Galax
Harrisonburg
Lynchburg
Manassas
Marion
Martinsville
Newport News
(Contractor Yard)
Richmond
Richmond (West)
Richmond
(Victorian Square)
Roanoke
Roanoke
(Contractor Yard)
South Boston
Staunton
Suffolk
Winchester
Wise County
Woodbridge
(Contractor Yard)
Woodbridge
(Smoketown Station)

### West Virginia 17
Barboursville
Beckley
Belle
Chapmanville
Charleston
Charleston (South)
Clarksburg
Cross Lanes
Fairmont
Huntington
Martinsburg
Matewan
Morgantown
Parkersburg
Princeton
Summersville
Teays Valley

## Management's Responsibility for Financial Reporting

### Financial Statements

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

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

### Internal Control System

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

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

The Company assessed its internal control system as of January 31, 1994 in relation to criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, the Company believes that, as of January 31, 1994, its system of internal control over financial reporting met those criteria.

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

Leonard G. Herring
President and Chief Executive Officer

## Audit Committee Chairman's Letter

The Audit Committee of the Board of Directors is composed of the following five independent directors: William A. Andres, John M. Belk, Petro Kulynych, Robert G. Schwartz, and Gordon E. Cadwgan, Chairman. The committee held four meetings during Fiscal 1993.

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

Gordon Cadwgan
Chairman, Audit Committee

## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 31, 1994, 1993 and 1992, and the related consolidated statements of current and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Lowe's Companies, Inc. and subsidiaries at January 31, 1994, 1993 and 1992, and the results of their operations and their cash flows for the fiscal years then ended in conformity with generally accepted accounting principles.

Deloitte & Touche
Charlotte, North Carolina
March 9, 1994

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

## Introduction

This discussion summarizes the significant factors affecting Lowe's consolidated operating results, financial condition and liquidity/cash flows during the three-year period ended January 31, 1994 (i.e., Fiscal 1993, 1992 and 1991). This discussion should be read in conjunction with the Letter to Shareholders, financial statements and financial statement footnotes included in this annual report.

Lowe's embarked upon a large store prototype expansion program beginning in 1989 and furthered this commitment by recording a one-time restructuring charge in Fiscal 1991 of $71.3 million pre-tax to cover expected costs and expenses incident to this expansion program and transformation. This transformation from small stores into large home improvement destination centers coupled with "dominant inventory assortments" will continue to enhance our growth as the large store commitment continues. We ended 1993 with 311 stores and 14.2 million square feet of selling space. This compares to 303 stores and 10.0 million square feet and 306 stores and 8.0 million square feet for the two prior fiscal years' end, respectively. Store performance perspective in terms of units, sales and operating profits is depicted in Tables 1-3.

Expansion plans for 1994 envision about 50 new stores with 50% in new markets and 50% in relocations for approximately 4.4 million square feet of additional retail space. Approximately one half of the 1994 projects will be leased and one half will be owned.

Distribution capabilities are a central component of Lowe's operating strategy. At year-end, we operated two distribution facilities along with four smaller "satellite" support facilities. In addition, a new "high tech" distribution facility of approximately 650,000 square feet is expected to be operational by mid-1994 to support our expansion program in new markets, sales floor square footage increases and expanded product offerings. Plans are underway for a fourth distribution center.

Effective February 1, 1994, a new subsidiary was established (The Contractor Yard, Inc.) to own and operate Lowe's contractor yards currently in 18 locations. Additional contractor yards are expected as we continue our restructuring. This move is intended to represent a more focused marketing effort to building contractors in these locations.

## Operations

***Record sales*** of $4.54 billion were achieved during 1993, an 18% increase over 1992 sales of $3.85 billion. Sales for 1992 were 26% higher than 1991. These increases are attributable to customer receptiveness of the expansion program discussed above. Positive sales results are continuing into the first quarter of 1994.

Retail sales increased 21% to $3.25 billion, an increase of $.56 billion over 1992. This category also increased 28% in 1992 from 1991 sales of $2.11 billion.

Contractor sales increased 11% to $1.29 billion, an increase of $.13 billion over 1992. This category accounted for a 22% increase in 1992 from 1991 sales of $.95 billion.

***Gross margin*** improved to 23.8% from 23.4% in 1992. An Everyday Competitive Pricing strategy was implemented during 1992 which caused a reduction in margin from 1991's margin of 24.1%. This strategy has proved very successful as it creates higher sales volumes and margin dollars, resulting in a positive leveraged sales impact over expenses.

***LIFO*** charges reduced margins by 34, 25 and 20 basis points for 1993, 1992 and 1991, respectively. Had inventory costs been stated on a FIFO basis, year-end inventory totals would have been $64.5, $49.0 and $39.5 million higher for these years.

***Selling General and Administrative (SG&A) expenses*** for 1993 were $717.0 million or 15.8% of sales. This tracks favorably with each of the two previous years of 16.7% and 18.0% to sales, respectively. Sales leverage on overall expenses plus cost containment in key areas such as advertising are major contributors to this favorable trend.

***Store opening costs*** exemplifying Lowe's commitment to its expansion program saw costs at $29.3 million for 1993. These costs were $11.0 and $3.9 million for 1992 and 1991, respectively. These costs currently average about $550 thousand per store. Projected costs for 1994 will average about $600 thousand per project.

***Depreciation***, reflecting continuing fixed asset expansion, increased 15% to $80.5 million. A 20% increase for 1992 was in line with this program which was computed from a prior year base of $58.3 million. Depreciation for these years has maintained a percentage to sales of approximately 1.8%. About one half of new stores for 1993 are operating leases, whereas previously a higher percentage of stores was owned.

***Employee retirement plans*** expenses for 1993 were $37.9 million or .8% to sales. This cost compares favorably with .9% and 1.0% for each of the two previous years. A lower eligibility rate, because of more new hires relating to expansion, accounts for the lower percentage costs to sales. See Note 9 to the financial statements for further disclosure.

***Interest costs*** were $18.3 million (.4% to sales) and a 17% increase above 1992. Interest costs were $16.9 million for 1991. Near historic lows in borrowing rates have been favorable for each of these years. See Notes 5 and 6 to the financial statements for particulars on short-term and long-term indebtedness and discussion below on liquidity and capital resources.

***Cash dividends*** paid to common shareholders were $23.6, $21.2 and $20.0 million in 1993, 1992, and 1991, respectively. Lowe's has paid cash dividends each quarter since becoming a public company in 1961. At January 31, 1994 there were 7,470 shareholders of record. Refer to Stock Performance Chart on page 31 for further particulars on dividends and stock performance.

## Balance Sheet Management

***Effective inventory turnover*** is critical to efficient product management. (Lowe's calculates "turn" by using cost of sales as the numerator and divides by the average of beginning inventory plus the subsequent four quarters' ending inventories.) In 1993, Lowe's inventory turned 4.7 times, up from 4.6 turns in 1992 and 4.4 turns in 1991. This improvement represents a savings in inventory financing costs and is noteworthy during this time of expansion of store size and inventory assortments.

***Accounts receivable*** remained flat with 1992 at $53.3 million. In that year, an undivided fractional interest in a designated pool of receivables was sold, with this program continuing into 1993. Accounts receivable totaled $115.7 million for 1991. For more details, see Note 2 to the financial statements.

***Property, less accumulated depreciation*** increased 30% to $1.02 billion for 1993, with 1992 increasing 28% from 1991. Primarily all of the increase represents a commitment to the superstore format. Large store investments also include increased purchases of point-of-sale equipment, fixtures and displays.

***Other assets*** primarily consist of land and buildings relating to closed and relocated stores which are available for sale or lease. These properties are carried at their net realizable value. At January 31, 1994, this value was approximately $44 million; up $4 million from the previous year. Fourteen properties were under contract to be sold at year-end, carrying value of approximately $10 million.

***Accounts payable,*** the major source of short-term inventory financing, represented 55% of year-end inventory compared to 56% for 1992 and 51% for 1991.

***Long-term debt,*** excluding current maturities, at January 31, 1994 was $592.3 million, up 89% from the 1992 balance. The 1991 balance was $113.6 million. During 1993, $287.5 million 3% Convertible Subordinated Notes were issued at a discount, raising $250 million. Medium-term notes were issued in both 1993 and 1992 after early retirement of our long-term debt carrying double-digit interest rates. In 1992, most short-term debt was eliminated with this trend carrying over into 1993. Further details on long-term financing can be found in Note 6 to the financial statements.

***The special one-time restructuring charge*** is addressed at the beginning of this MD&A, and more specifically in Note 14 to the financial statements. This restructuring accrual associated with relocating and closing stores was $16.0, $10.8 and $2.1 million for 1993, 1992 and 1991, respectively. Also, $3.0 and $5.9 million were used to reduce vacated stores to their net realizable value in 1993 and 1992, respectively. The remaining restructuring accrual at January 31, 1994 was $33.5 million.

***Shareholders' equity*** continues to finance the biggest portion of assets. Total shareholders' equity increased by $140.4 million in 1993 and financed 39.7% of assets at January 31, 1994. This compares to 45.6% for 1992 and 46.4% for 1991.

## Financial Management

### Liquidity and Capital Resources

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

***Working capital*** at January 31, 1994, was $402.7 million as compared to $245.9 million at January 31, 1993, and $181.1 million at January 31, 1992.

**During 1993, Lowe's issued** the following debt:

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

**During 1992, Lowe's issued** the following debt:

- $218 million medium-term notes issued in the last three quarters.

**During 1993, Lowe's reduced** long-term debt as follows:

- $6.3 million of scheduled miscellaneous repayments.

**During 1992, Lowe's reduced** long-term debt as follows:

- Redeemed $27.8 million, 11.5% unsecured notes, and
- $8.4 million of scheduled miscellaneous repayments.

**During 1991, Lowe's reduced** long-term debt as follows:

- Redeemed $30 million, 12.75% unsecured notes, and
- $10.7 million of scheduled miscellaneous repayments.

***Major uses of cash*** continue to be investments in new store facilities. In 1993, capital investment was $374 million (cash outlays of $337 million plus capital leases of $29 million and like kind exchanges of $8 million) which did not include operating leases of $166 million. Lowe's 1994 capital budget is targeted between $575 and $600 million, inclusive of approximately $220 million of market value of properties to be occupied under operating leases. Over 80% of this planned commitment is for store expansion.

***Present expansion plans*** are to finance 1994's program through funds from operations, operating leases, issuance of about $30 million of common stock to the Employee Stock Ownership Plan and from external financing.

***External financing*** in 1994 may involve a "takedown" under Lowe's Shelf Registration. On January 10, 1994 (approved effective February 8, 1994), the Company filed with the Securities and Exchange Commission a shelf registration statement covering $500 million of "unallocated" debt or equity securities. The shelf registration enables the Company to issue common stock, preferred stock, senior unsecured debt securities, or subordinated unsecured debt securities from time to time.

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

***The ratio*** of long-term debt to equity plus long-term debt was 40.4%, 30.0% and 14.0% with fixed charge coverage at 6.5, 5.7 and 1.2 for 1993, 1992 and 1991, respectively.

## Other

***General inflation*** has not had a significant impact on Lowe's during the past three years. With the exception of certain building commodity products, deflation has been experienced in most product groupings. Lumber products have experienced inflation rates considerably higher than that of other building commodities due to a combination of price volatility, increased demand and diminished supply. Inflation rates experienced in the lumber product grouping were 12.0%, 9.7% and 4.7% for 1993, 1992 and 1991, respectively.

***Environmental exposures*** are a common concern to most businesses. Lowe's is subject to various environmental protection laws and regulations and is operating within such laws or is taking action aimed at assuring compliance with such laws and regulations. Lowe's has been identified as a Potentially Responsible Party (PRP) at two Environmental Protection Agency designated clean-up sites. Any cost to Lowe's is not expected to have a material impact on the consolidated financial statements.

## Store Performance Perspective

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

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

| | | 1993 | | 1992 | | 1991 | | 1990 | |
|---|---|---|---|---|---|---|---|---|---|
| | | % of Total | Units | % of Total | Units | % of Total | Units | % of Total | Units |
| Small | (1) | 25% | 77 | 32% | 99 | 40% | 122 | 45% | 137 |
| Medium | (2) | 31 | 94 | 37 | 113 | 41 | 127 | 42 | 130 |
| Large | (3) | 44 | 134 | 31 | 93 | 19 | 58 | 13 | 40 |
| **Total** | | **100%** | **305** | **100%** | **305** | **100%** | **307** | **100%** | **307** |

**Table 1 Comments:** The small stores average less than 9,000 square feet of sales floor, and are being replaced by superstores. The medium stores stem from our 1984-1988 expansion, and average about 24,000 square feet. A few small and medium stores have been converted into focused contractor yards. These 18 yards are included in our small store totals. The large stores average about 72,000 square feet, with our current prototypes being 85,000 to 115,000, plus large garden centers.

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

| | | 1993 | | 1992 | | 1991 | | 1990 |
|---|---|---|---|---|---|---|---|---|
| | | % of Total | % Change | % of Total | % Change | % of Total | % Change | % of Total |
| Small | (1) | 18% | (10)% | 23% | (4)% | 31% | (9)% | 36% |
| Medium | (2) | 28 | (11) | 37 | 2 | 45 | 3 | 48 |
| Large | (3) | 54 | 62% | 40 | 108% | 24 | 63% | 16 |
| **Total** | | **100%** | | **100%** | | **100%** | | **100%** |

**Table 2 Comments:** The results shown in Table 2 need to be read in conjunction with the changing store numbers in Table 1 because these are aggregate totals, not comparable store results. The small store sales decrease of 10% is attributable to their reduction in number, because the sales per store average increased 19%. The average mid-sizer achieved a 7% sales increase. The average large store's sales growth of 11%, combined with their numerical increase, provided 54% of total sales, up from 16% in 1990.

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

| | | 1993 | | 1992 | | 1991 | | 1990 |
|---|---|---|---|---|---|---|---|---|
| | | % of Total | % Change | % of Total | % Change | % of Total | % Change | % of Total |
| Small | (1) | 15% | 12% | 20% | 13% | 25% | (35)% | 36% |
| Medium | (2) | 30 | 12 | 39 | 10 | 51 | (9) | 50 |
| Large | (3) | 55 | 96% | 41 | 151% | 24 | 52% | 14 |
| **Total** | | **100%** | | **100%** | | **100%** | | **100%** |

**Table 3 Comments:** Here is the report card on profitability and growth. Again, these are not comparable store results but group totals. The 77 small stores, on average, improved their profit contribution over the average of last year's 99 stores by 44% in spite of a 22% reduction in number. These units are low-cost operations, including some "cash cows" and our focused contractor yards, and are obviously able to do well in this business climate.

The mid-sizers are stores of the mid-80's. Their average sales per store was 26% higher than that of the small stores, and they too, on average increased their profit over last year.

The large stores are designed for our customers of the 90's and their results are gratifying. With average sales per store 72% higher than the average small store, and their average operating profits 106% greater than the average of the small stores, the large stores contributed 55% of the year's operating profits while contributing 54% of sales.

Operating profits are determined with consistency period-to-period, and without any subsidization of stores or groups. Therefore, the performance shown in Table 3 is a hard proxy for the relative pre-tax profit contribution of these store groups.

| | | 1993 Total Sq. Ft. (000,000) | 1992 Total Sq. Ft. (000,000) | 1991 Total Sq. Ft. (000,000) |
|---|---|---|---|---|
| (1) Pre 1984 Stores; Contractor Yards: | Avg. 8,810 Sq. Ft | .6 | .9 | 1.2 |
| (2) '84-'88 Stores: | Avg. 23,980 Sq. Ft. | 2.0 | 2.6 | 3.0 |
| (3) Post '88 Expansion Stores: | Avg. 72,110 Sq. Ft. | 11.6 | 6.5 | 3.8 |

# Consolidated Statements of Current and Retained Earnings

| Lowe's Companies, Inc. and Subsidiary Companies<br>Dollars in Thousands, Except Per Share Data<br>Fiscal Years End on January 31 of Following Year | Fiscal 1993 | % Sales | Fiscal 1992 | % Sales | Fiscal 1991 | % Sales |
|---|---|---|---|---|---|---|
| **Current Earnings** | | | | | | |
| **Net Sales** | $4,538,001 | 100.0% | $3,846,418 | 100.0% | $3,056,247 | 100.0% |
| Cost of Sales | 3,456,717 | 76.2 | 2,945,753 | 76.6 | 2,320,989 | 75.9 |
| **Gross Margin** | **1,081,284** | **23.8** | **900,665** | **23.4** | **735,258** | **24.1** |
| Expenses: | | | | | | |
| Selling, General and Administrative | 717,028 | 15.8 | 642,799 | 16.7 | 549,454 | 18.0 |
| Store Opening Costs | 29,251 | .6 | 10,983 | .3 | 3,868 | .1 |
| Depreciation | 80,530 | 1.8 | 69,820 | 1.8 | 58,298 | 1.9 |
| Employee Retirement Plans (Note 9) | 37,873 | .8 | 35,572 | .9 | 30,461 | 1.0 |
| Interest (Note 15) | 18,278 | .4 | 15,599 | .4 | 16,938 | .6 |
| Store Restructuring (Note 14) | — | — | — | — | 71,288 | 2.3 |
| **Total Expenses** | **882,960** | **19.4** | **774,773** | **20.1** | **730,307** | **23.9** |
| Pre-Tax Earnings | 198,324 | 4.4 | 125,892 | 3.3 | 4,951 | .2 |
| Income Tax Provision (Note 8) | 66,538 | 1.5 | 41,172 | 1.1 | (1,536) | — |
| **Net Earnings** | **$ 131,786** | **2.9%** | **$ 84,720** | **2.2%** | **$ 6,487** | **.2%** |
| Shares Outstanding – Weighted Average | 147,398 | | 146,152 | | 146,051 | |
| **Earnings Per Share** | **$ .89** | | **$ .58** | | **$ .04** | |

| **Retained Earnings** (Notes 6 and 10) | Amount | Per Share | Amount | Per Share | Amount | Per Share |
|---|---|---|---|---|---|---|
| **Balance at Beginning of Year** | **$ 489,033** | | **$ 425,526** | | **$ 440,575** | |
| Net Earnings | 131,786 | $.89 | 84,720 | $.58 | 6,487 | $.04 |
| Cash Dividends (Notes 6 and 10) | (23,571) | ($.16) | (21,153) | ($.14) | (20,020) | ($.14) |
| Retirement of Common Stock (Note 10) | — | | — | | (1,373) | |
| Stock Split | (484) | | (60) | | (143) | |
| **Balance at End of Year** | **$ 596,764** | | **$ 489,033** | | **$ 425,526** | |

See accompanying notes to consolidated financial statements.

# Consolidated Balance Sheets

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

| | Fiscal 1993 | % Total | Fiscal 1992 | % Total | Fiscal 1991 | % Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current Assets:** | | | | | | |
| Cash and Cash Equivalents | $ 73,253 | 3.3% | $ 48,949 | 3.0% | $ 26,088 | 1.8% |
| Short-Term Investments | 35,215 | 1.6 | 5,900 | .4 | 4,726 | .3 |
| Accounts Receivable – Net (Note 2) | 53,301 | 2.4 | 53,288 | 3.3 | 115,739 | 8.0 |
| Merchandise Inventory (Note 3) | 853,707 | 38.8 | 594,195 | 36.9 | 602,795 | 41.8 |
| Deferred Income Taxes (Note 8) | 12,300 | .6 | 8,512 | .5 | 6,455 | .5 |
| Other Current Assets (Note 12) | 56,131 | 2.5 | 34,710 | 2.2 | 14,275 | 1.0 |
| **Total Current Assets** | **1,083,907** | **49.2** | **745,554** | **46.3** | **770,078** | **53.4** |
| Property, Less Accumulated Depreciation (Notes 4 and 6) | 1,020,234 | 46.3 | 787,197 | 48.9 | 612,955 | 42.5 |
| Long-Term Investments (Note 7) | 40,408 | 1.8 | 23,270 | 1.4 | 11,350 | .8 |
| Other Assets | 57,099 | 2.7 | 52,856 | 3.4 | 46,845 | 3.3 |
| **Total Assets** | **$2,201,648** | **100.0%** | **$1,608,877** | **100.0%** | **$1,441,228** | **100.0%** |
| **Liabilities and Shareholders' Equity** | | | | | | |
| **Current Liabilities:** | | | | | | |
| Short-Term Notes Payable (Note 5) | $ 2,281 | .1% | $ 3,193 | .2% | $ 143,833 | 10.0% |
| Current Maturities of Long-Term Debt (Note 6) | 49,547 | 2.3 | 21,721 | 1.4 | 17,700 | 1.2 |
| Accounts Payable | 467,278 | 21.2 | 330,584 | 20.5 | 307,814 | 21.4 |
| Employee Retirement Plans (Note 9) | 34,422 | 1.6 | 32,038 | 2.0 | 27,865 | 1.9 |
| Accrued Salaries and Wages | 45,883 | 2.1 | 39,472 | 2.5 | 30,339 | 2.1 |
| Other Current Liabilities | 81,765 | 3.6 | 72,626 | 4.5 | 61,400 | 4.3 |
| **Total Current Liabilities** | **681,176** | **30.9** | **499,634** | **31.1** | **588,951** | **40.9** |
| Long-Term Debt, Excluding Current Maturities (Note 6) | 592,333 | 26.9 | 313,562 | 19.5 | 113,650 | 7.9 |
| Deferred Income Taxes (Note 8) | 26,165 | 1.2 | 16,517 | 1.0 | 6,229 | .4 |
| Accrued Store Restructuring Costs (Note 14) | 28,305 | 1.3 | 45,944 | 2.8 | 63,844 | 4.4 |
| **Total Liabilities** | **1,327,979** | **60.3** | **875,657** | **54.4** | **772,674** | **53.6** |
| Commitments, Contingencies and Litigation (Notes 12 and 13) | — | — | — | — | — | — |
| **Shareholders' Equity** (Notes 6, 10, and 11) | | | | | | |
| Common Stock – $.50 Par Value; Fiscal / Issued and Outstanding: 1993 147,886,770; 1992 145,945,916; 1991 145,760,524 | 73,943 | 3.4 | 72,973 | 4.5 | 72,880 | 5.1 |
| Capital in Excess of Par | 202,962 | 9.2 | 171,214 | 10.6 | 170,148 | 11.8 |
| Retained Earnings | 596,764 | 27.1 | 489,033 | 30.5 | 425,526 | 29.5 |
| **Total Shareholders' Equity** | **873,669** | **39.7** | **733,220** | **45.6** | **668,554** | **46.4** |
| **Total Liabilities and Shareholders' Equity** | **$2,201,648** | **100.0%** | **$1,608,877** | **100.0%** | **$1,441,228** | **100.0%** |

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Lowe's Companies, Inc. and Subsidiary Companies
Dollars in Thousands

| Fiscal Years End on January 31 of Following Year | Fiscal 1993 | Fiscal 1992 | Fiscal 1991 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net Earnings | $131,786 | $ 84,720 | $ 6,487 |
| Adjustments to Reconcile Net Earnings to Net Cash Provided By Operating Activities: | | | |
| Depreciation | 80,530 | 69,820 | 58,298 |
| Amortization of Original Issue Discount | 1,615 | — | — |
| Store Restructuring Accrual | — | — | 69,219 |
| Increase (Decrease) in Deferred Income Taxes | 5,860 | 8,231 | (25,258) |
| Loss on Disposition/Writedown of Fixed and Other Assets | 8,969 | 1,929 | 1,073 |
| Decrease (Increase) in Operating Assets: | | | |
| Accounts Receivable – Net | (13) | 62,451 | (19,385) |
| Merchandise Inventory | (259,512) | 8,600 | (141,991) |
| Other Operating Assets | (21,385) | (20,352) | (5,098) |
| Increase (Decrease) in Operating Liabilities: | | | |
| Accounts Payable | 136,694 | 22,770 | 120,954 |
| Employee Retirement Plans | 32,937 | 4,173 | 7,790 |
| Accrued Store Restructuring | (8,905) | (10,765) | — |
| Other Operating Liabilities | 17,123 | 19,173 | 21,366 |
| **Net Cash Provided by Operating Activities** | **125,699** | **250,750** | **93,455** |
| **Cash Flows from Investing Activities:** | | | |
| Decrease (Increase) in Investment Assets: | | | |
| Short-Term Investments | (29,315) | (1,174) | 30,384 |
| Purchases of Long-Term Investments | (41,714) | (12,500) | (11,350) |
| Proceeds from Sale/Maturity of Long-Term Investments | 24,576 | 580 | — |
| Other Long-Term Assets | 1,645 | (2,213) | (70) |
| Fixed Assets Acquired | (336,888) | (243,262) | (133,846) |
| Proceeds from the Sale of Fixed and Other Long-Term Assets | 27,641 | 9,642 | 3,914 |
| **Net Cash Used in Investing Activities** | **(354,055)** | **(248,927)** | **(110,968)** |
| **Cash Flows from Financing Activities:** | | | |
| **Sources:** | | | |
| Long-Term Debt Borrowings | 281,915 | 217,969 | — |
| Net Increase (Decrease) in Short-Term Borrowings | (912) | (140,640) | 89,919 |
| Stock Options Exercised | 1,504 | 1,019 | 1,223 |
| **Total Financing Sources** | **282,507** | **78,348** | **91,142** |
| **Uses:** | | | |
| Repayment of Long-Term Debt | (6,276) | (36,157) | (40,686) |
| Cash Dividend Payments | (23,571) | (21,153) | (20,020) |
| Common Stock Purchased for Retirement | — | — | (1,869) |
| **Total Financing Uses** | **(29,847)** | **(57,310)** | **(62,575)** |
| **Net Cash Provided by Financing Activities** | **252,660** | **21,038** | **28,567** |
| Net Increase in Cash and Cash Equivalents | 24,304 | 22,861 | 11,054 |
| Cash and Cash Equivalents, Beginning of Year | 48,949 | 26,088 | 15,034 |
| **Cash and Cash Equivalents, End of Year** | **$ 73,253** | **$ 48,949** | **$ 26,088** |

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Lowe's Companies, Inc. and Subsidiary Companies
Fiscal Years Ended January 31, 1994, 1993 and 1992

## Note 1, Summary of Significant Accounting Policies:

The Company is one of America's largest retailers serving the do-it-yourself home improvement, home decor, and home construction markets. Below are those accounting policies considered to be significant.

***Subsidiaries and Principles of Consolidation*** – The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated.

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

***Investments*** – The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to three years. Investments that are readily convertible to cash within three months of purchase are classified as cash equivalents. Investments with a maturity of between three months and one year are classified as short-term investments and are stated at amortized cost. Investments with maturities greater than one year are classified as long-term and are stated at the lower of amortized cost or market value. Investments consist primarily of tax exempt notes and bonds, auction rate tax exempt securities, and municipal preferred tax exempt stock.

Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which stipulates that debt securities not classified as held-to-maturity securities and all equity securities will be carried at fair value. Unrealized gains and losses on such securities will be included in earnings if the securities are classified as trading securities and will be excluded from earnings and reported as a separate component of shareholders' equity until realized if classified as available-for-sale. Debt securities classified as held-to-maturity securities will be carried at amortized cost. Management does not believe that adoption of SFAS No. 115 will have a material effect on the Company's financial statements. Future financial statement effects of applying this new standard will depend on classification and market values of the securities.

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

***Merchandise Inventory*** – Inventory is stated at the lower of cost or market. In an effort to more closely match inventory costs and related sales, cost is determined using the last-in, first-out (LIFO) method. Included in inventory cost are administrative, warehousing and other costs directly associated with buying, distributing and maintaining inventory in a condition for resale.

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

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

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

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

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

***Store Opening Costs*** – Costs of opening new retail stores are charged to operations as incurred.

***Employee Retirement Plans*** – Since 1957 the Company has maintained benefit plans for its employees as described in Note 9. The plans are funded annually.

***Earnings Per Share*** – Earnings per share are calculated on the weighted average shares of common stock and dilutive common stock equivalents outstanding each year. Earnings per share have been retroactively adjusted to reflect the two-for-one stock split described in Note 10. The Company's 3% Convertible Subordinated Notes due July 22, 2003, are potentially dilutive securities for purposes of calculating earnings per share; however, their effect is not material and fully diluted earnings per share is not presented.

## Note 2, Accounts Receivable:

During 1992, the Company entered into an agreement to sell, with limited recourse, an undivided fractional interest in a designated pool of receivables. As collections reduce previously sold interests in receivables, an interest in new receivables may be sold under the agreement. At January 31, 1994 and 1993, the interest in receivables sold totaled $121.9 and $107.3 million, respectively. At January 31, 1994 and 1993, the Company had received $90 and $80 million, respectively, in cash and a receivable for $31.9 and $27.3 million, respectively. The $31.9 and $27.3 million receivable are included in Accounts Receivable - Net in the balance sheet.

The Company maintains an allowance for doubtful accounts because it has retained substantially the same risk of credit loss as if the receivables had not been sold. The allowance for doubtful accounts was $4.7, $4.7, and $4.1 million at January 31, 1994, 1993, and 1992, respectively.

## Note 3, Merchandise Inventory:

If the FIFO method had been used, inventories would have been $64.5, $49.0 and $39.5 million higher at January 31, 1994, 1993 and 1992, respectively.

## Note 4, Property and Accumulated Depreciation:

Net property includes $59.0, $33.7 and $13.9 million in assets from capital leases for Fiscal 1993, 1992 and 1991, respectively.

Property is summarized below by major class:

| | January 31, | | |
|---|---|---|---|
| | 1994 | 1993 | 1992 |
| (Dollars in Thousands) | | | |
| **Cost:** | | | |
| Land | $ 224,551 | $ 188,562 | $ 116,382 |
| Buildings | 478,373 | 421,620 | 400,877 |
| Store and Office Equipment | 500,811 | 371,002 | 302,708 |
| Leasehold Improvements | 113,287 | 86,756 | 49,823 |
| **Total Cost** | **1,317,022** | **1,067,940** | **869,790** |
| Accumulated Depreciation and Amortization | (296,788) | (280,743) | (256,835) |
| **Net Property** (Note 12) | **$1,020,234** | **$ 787,197** | **$ 612,955** |

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

The Company has agreements with a group of banks at January 31, 1994, which provide for short-term unsecured borrowings of up to $140 million with interest at the lower of prime or bank transaction rate. The agreements expire on May 1, 1994. In addition the agreements have a commitment fee of .125% annually. The Company expects to renew these agreements at similar terms. These agreements may also be used to support the issuance of commercial paper. The agreements may be withdrawn if there is a material change in the financial condition of the Company. At January 31, 1994, there were no amounts outstanding under these agreements.

Several banks have extended lines of credit aggregating $140 million for the purpose of issuing documentary letters of credit and standby letters of credit. These lines do not have termination dates but are reviewed periodically. Commitment fees of .125% per annum are paid on the amounts used. At January 31, 1994, unused lines of credit totaled $101.9 million.

In addition $200 million is available for the purpose of short-term borrowings on a bid basis from various banks. These lines are uncommitted and are reviewed periodically by both the banks and the Company. At January 31, 1994, there were no amounts outstanding under these lines.

The following relates to aggregate short-term borrowings from banks and commercial paper transactions in Fiscal 1993, 1992 and 1991:

| Category of Aggregate Short-Term Borrowings | Balance at End of Year | Weighted Average Interest Rate | Maximum Amount Outstanding at Any Month End | Average Amount Outstanding During the Year (a) | Weighted Average Interest Rate During the Year (b) |
|---|---|---|---|---|---|
| (Dollars in Thousands) | | | | | |
| **Fiscal 1993** | | | | | |
| Commercial Paper | — | — | $ 65,000 | $15,408 | 3.3% |
| Bank Borrowings | — | — | 49,000 | 21,468 | 3.3 |
| **Fiscal 1992** | | | | | |
| Commercial Paper | — | — | 150,000 | 97,892 | 3.9 |
| Bank Borrowings | — | — | 127,900 | 66,946 | 4.0 |
| **Fiscal 1991** | | | | | |
| Commercial Paper | $97,000 | 4.3% | 97,000 | 54,097 | 5.4 |
| Bank Borrowings | $43,500 | 4.1% | $118,200 | $42,792 | 5.5% |

(a) Average of daily ending balances.
(b) Total interest expense on short-term borrowings for the year divided by average amount outstanding during the year.

## Note 6, Long-Term Debt:

| Debt Category | Interest Rates | Fiscal Year of Final Maturity | January 31, 1994 | 1993 | 1992 |
|---|---|---|---|---|---|
| (Dollars in Thousands) | | | | | |
| **Secured Debt[1]:** | | | | | |
| Insurance Company Notes | 6.75% to 9.00% | 1998 | $ 534 | $ 1,323 | $ 2,721 |
| Bank Notes | 7.00%* | 1994 | 17 | 50 | 83 |
| Industrial Revenue Bonds | 4.20%* | 1997 | 833 | 1,133 | 1,721 |
| Other Notes | 8.00% to 10.00% | 2005 | 663 | 770 | 892 |
| **Unsecured Debt:** | | | | | |
| Insurance Company Notes | 8.25% | 1992 | | | 600 |
| Industrial Revenue Bonds | 4.55% to 6.50%* | 2020 | 10,230 | 11,703 | 13,086 |
| Industrial Revenue Bonds[2] | 2.25%* | 2005 | 9,600 | 10,300 | 11,000 |
| Unsecured Notes | 11.50% | 1992 | | | 27,813 |
| Medium-Term Notes | 6.50% to 8.20% | 2022 | 249,966 | 217,959 | |
| Convertible Subordinated Notes[3] | 3.00% | 2003 | 251,524 | | |
| Bank Notes[4] | 2.63% to 2.76%* | 1996 | 57,955 | 57,955 | 57,955 |
| **Capital Leases** (Note 12) | **5.99% to 12.00%** | **2033** | **60,558** | **34,090** | **15,479** |
| **Total Long-Term Debt** | | | **641,880** | **335,283** | **131,350** |
| **Less Current Maturities** | | | **49,547** | **21,721** | **17,700** |
| **Long-Term Debt, Excluding Current Maturities** | | | **$592,333** | **$313,562** | **$113,650** |

* Interest rate varies as a percentage of prime rate or other interest index.
Interest rates shown are as of January 31, 1994, or year of maturity if earlier.
Prime rate was 6.0% at January 31, 1994.

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

At January 31, 1994, the Company had outstanding 25 interest rate swap agreements with financial institutions, having a total notional principal amount of $250 million. Under the agreements with notional amounts of $10 million each, the Company will receive interest payments at an average fixed rate of 5.71% and will pay interest on the same notional amounts at a floating rate based on an interest rate index, currently estimated at 3.38%. These swaps are scheduled to terminate in Fiscal 1995. The Company is exposed to credit loss in the event of nonperformance by the banks and financial institutions. However, management does not anticipate such nonperformance.

Debt maturities, exclusive of capital leases (see Note 12), for the next five fiscal years are as follows (in millions): 1994, $47.8; 1995, $13.6; 1996, $4.6; 1997, $13.6 ; 1998, $1.8.

**Notes:**

1. Real properties pledged as collateral for secured debt had net book values (in millions) at January 31, 1994, as follows: insurance company notes – $6.1; bank notes – $.5; industrial revenue bonds $1.9; and other notes $3.8.
2. The Company issued notes to secure $11.7 million floating rate monthly demand industrial revenue bonds in Fiscal 1985. The interest rates are tied to an interest index based on comparable securities traded at par and other pertinent financial market rates. With certain restrictions, the bonds can be converted to a fixed interest rate based on a fixed interest index at the Company's option.
3. On July 22, 1993, the Company sold $287.5 million aggregate principal of its 3% Convertible Subordinated Notes due July 22, 2003. The notes are convertible into Lowe's Common Stock at the conversion rate of 38.32 shares of common stock per each $1,000 principal amount. The notes were issued at an original price of $880.27 per $1,000 principal amount, which represented an original issue discount of 11.973% payable at maturity. Annual interest on the notes at 3% and accretion of the original issue discount represents an annual yield to maturity of 4.5%. The notes are callable (subject to certain adjustments) at any time on or after July 22, 1996.
4. The unsecured bank notes were obtained for the purpose of acquiring the Company's common stock to fund the ESOP. These notes require that certain financial conditions be maintained, restrict other borrowings, and limit the payment of dividends to $40 million during any one year.

## Note 7, Disclosures about Fair Values of Financial Instruments:

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

| | January 31, 1994 | | January 31, 1993 | |
|---|---|---|---|---|
| (Dollars in Thousands) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Assets:** | | | | |
| Cash, Cash Equivalents and Short-Term Investments | $108,468 | $108,493 | $ 54,849 | $ 54,849 |
| Net Receivables | 53,301 | 53,301 | 53,288 | 53,288 |
| Long-Term Investments | 40,408 | 40,801 | 23,270 | 23,664 |
| **Liabilities:** | | | | |
| Accounts Payable | 467,278 | 467,278 | 330,584 | 330,584 |
| Short-Term Debt | 2,281 | 2,281 | 3,193 | 3,193 |
| Long-Term Debt | $641,880 | 772,466 | $ 335,283 | 340,578 |
| **Off-Balance Sheet Financial Instruments - Unrealized Gains:** | | | | |
| Interest Rate Swaps Agreements | — | $ 4,421 | — | $ 2,434 |

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

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

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

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

## Note 8, Income Taxes:

| Fiscal Years End on January 31 of Following Year | Fiscal 1993 Amount | % | Fiscal 1992 Amount | % | Fiscal 1991 Amount | % |
|---|---|---|---|---|---|---|
| (Dollars in Thousands) | | | Statutory Rate Reconciliation | | | |
| **Pre-Tax Earnings** | **$198,324** | **100.0%** | **$125,892** | **100.0%** | **$ 4,951** | **100.0%** |
| Federal Income Tax at Statutory Rate | 69,413 | 35.0 | 42,803 | 34.0 | 1,683 | 34.0 |
| State Income Taxes – Net of Federal Tax Benefit | 2,340 | 1.2 | 1,443 | 1.1 | 131 | 2.6 |
| Other | (5,215) | (2.6) | (3,074) | (2.4) | (3,350) | (67.6) |
| **Total Income Tax Provision** | **$ 66,538** | **33.6%** | **$ 41,172** | **32.7%** | **$ (1,536)** | **(31.0)%** |
| | | | Components of Income Tax Provision | | | |
| Current | | | | | | |
| Federal | $ 58,088 | 87.3% | $ 31,289 | 76.0% | $ 23,524 | (1,531.5)% |
| State | 2,590 | 3.9 | 1,651 | 4.0 | 198 | (12.9) |
| **Total Current** | **60,678** | **91.2** | **32,940** | **80.0** | **23,722** | **(1,544.4)** |
| Deferred | | | | | | |
| Federal | 4,850 | 7.3 | 7,697 | 18.7 | (25,258) | 1,644.4 |
| State | 1,010 | 1.5 | 535 | 1.3 | — | — |
| **Total Deferred** | 5,860 | 8.8 | 8,232 | 20.0 | (25,258) | 1,644.4 |
| **Total Income Tax Provision** | **$ 66,538** | **100.0%** | **$ 41,172** | **100.0%** | **$ (1,536)** | **100.0%** |

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

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

| | January 31, 1994 Assets | Liabilities | Total | January 31, 1993 Assets | Liabilities | Total |
|---|---|---|---|---|---|---|
| Accrued Store Restructuring Costs | $22,381 | — | $ 22,381 | $19,152 | — | $ 19,152 |
| Excess Tax Over Book Depreciation | — | $(46,787) | (46,787) | — | $(34,930) | (34,930) |
| Excess Book Over Tax Property Taxes | 4,944 | (1,038) | 3,906 | 3,445 | (1,921) | 1,524 |
| Other, Net | 18,355 | (7,994) | 10,361 | 16,479 | (6,924) | 9,555 |
| Less Valuation Allowance | (3,726) | — | (3,726) | (3,306) | — | (3,306) |
| Total | $41,954 | $(55,819) | $(13,865) | $35,770 | $(43,775) | $ (8,005) |

The valuation allowance increased $420,000 and $559,000 during the years ended January 31, 1994 and 1993, respectively.

## Note 9, Employee Retirement Plans:

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is determined annually by the Board of Directors. The ESOP covers all employees after completion of one year of employment and 1000 hours of service during that year. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. The Board authorized contributions totaling 13% of eligible compensation for each of the Fiscal Years 1993, 1992 and 1991. Contributions may be made in cash or shares of Lowe's Companies, Inc. common stock and are generally made in the following fiscal year.

On January 29, 1993, the Board of Directors authorized the funding of the Fiscal 1992 ESOP contribution primarily with a new issue of the Company's common stock. During Fiscal 1993, the Company issued 1,696,034 shares with a cost of $30.6 million, or a weighted average cost per share of $18.02. The remaining Fiscal 1992 contribution was funded with $1.0 million in cash. On January 31, 1994, the Board of Directors authorized the funding of the Fiscal 1993 ESOP contribution primarily with the issuance of new shares of the Company's common stock. As of January 31, 1994, the Employee Stock Ownership Trust held approximately 21.6% of the outstanding common stock of the Company and was its largest shareholder.

Shares allocated to ESOP participants accounts are voted by the Trustee according to the participants' voting instructions. Unallocated shares and shares for which no voting instructions are received are voted by the Trustee as directed by a management committee. At January 31, 1994, there were no unallocated shares.

The Board of Directors determines contributions to the Company's Employee Savings and Investment Plan (ESIP) each year based upon a matching formula applied to employee contributions. All employees are eligible to participate in the ESIP on the first day of the month following completion of one year of employment. Company contributions to this plan for Fiscal 1993, 1992 and 1991 were $3.9, $3.4 and $2.9 million, respectively. The Company's common stock is an investment option for participants in the ESIP. As of January 31, 1994, the ESIP held approximately .7% of the outstanding common stock of the Company. Shares held in the ESIP are voted by the trustee as directed by an administrative committee of the ESIP.

The Company does not believe that it has any material liability for postemployment or postretirement benefits.

## Note 10, Shareholders' Equity:

On March 7, 1994, the Board of Directors announced a two-for-one stock split distributed March 31, 1994 to shareholders of record on March 16, 1994. Accordingly, in the financial statements, an amount equal to the par value of the additional shares issued has been transferred from Retained Earnings to Common Stock retroactive to January 31, 1991. Shares and per share amounts in the financial statements and footnotes have been adjusted to give retroactive effect to the split.

In conjunction with the stock split, the Board of Directors increased the authorized number of shares to 240 million effective March 16, 1994. Authorized shares of common stock were 120 million at January 31, 1994, 1993 and 1992.

| (In Thousands) | Shares | (In Thousands) | | | Shareholders' Equity |
|---|---|---|---|---|---|
| | Outstanding | Common Stock | Capital in Excess of Par Value | Retained Earnings | Total Equity |
| **Balance January 31, 1991** | **145,840** | **$72,920** | **$169,177** | **$440,575** | **$682,672** |
| Net Earnings | | | | 6,487 | 6,487 |
| Tax Effect of Incentive Stock Options Exercised (Note 11) | | | 61 | | 61 |
| Cash Dividends | | | | (20,020) | (20,020) |
| Stock Options Exercised (Note 11) | 232 | 116 | 1,269 | (87) | 1,298 |
| Stock Received for Exercise of Stock Options | (12) | (6) | (13) | (56) | (75) |
| Shares Purchased and Retired | (300) | (150) | (346) | (1,373) | (1,869) |
| **Balance January 31, 1992** | **145,760** | **72,880** | **170,148** | **425,526** | **668,554** |
| Net Earnings | | | | 84,720 | 84,720 |
| Tax Effect of Incentive Stock Options Exercised (Note 11) | | | 80 | | 80 |
| Cash Dividends | | | | (21,153) | (21,153) |
| Stock Options Exercised (Note 11) | 186 | 93 | 986 | (60) | 1,019 |
| **Balance January 31, 1993** | **145,946** | **72,973** | **171,214** | **489,033** | **733,220** |
| Net Earnings | | | | 131,786 | 131,786 |
| Tax Effect of Incentive Stock Options Exercised (Note 11) | | | 172 | | 172 |
| Cash Dividends | | | | (23,571) | (23,571) |
| Stock Options Exercised (Note 11) | 245 | 122 | 1,442 | (60) | 1,504 |
| Stock Issued to ESOP (Note 9) | 1,696 | 848 | 30,134 | (424) | 30,558 |
| **Balance January 31, 1994** | **147,887** | **$73,943** | **$202,962** | **$596,764** | **$873,669** |

On January 10, 1994, the Company filed with the Securities and Exchange Commission a shelf registration statement covering $500 million of "unallocated" debt or equity securities. The shelf registration enables the Company to issue common stock, preferred stock, senior unsecured debt securities or subordinated unsecured debt securities from time to time. The shelf registration was approved by the Securities and Exchange Commission effective February 8, 1994.

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

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

## Note 11, Stock Options:

The Company has a stock option plan under which incentive and non-qualified stock options may be granted to key employees. Four million common shares were reserved for option purposes. Options granted are exercisable from the date of grant through expiration dates which range from 1994 through 1997. At January 31, 1994, there were 1,423,640 shares available for options that could be granted.

Option information is summarized as follows:

| Key Employee Stock Option Plan | Shares | Option Price Per Share |
|---|---|---|
| | (In Thousands) | |
| **Outstanding January 31, 1991** | **764** | **$4.063, $5.344, $6.375** |
| Canceled or Expired | (6) | $5.344 |
| Exercised | (228) | $4.063, $5.344, $6.375 |
| **Outstanding January 31, 1992** | **530** | **$4.063, $6.375** |
| Granted | 30 | $10.188 |
| Canceled or Expired | (3) | $4.063, $6.375 |
| Exercised | (186) | $4.063, $6.375 |
| **Outstanding January 31, 1993** | **371** | **$4.063, $6.375, $10.188** |
| Exercised | (217) | $4.063, $6.375 |
| **Outstanding January 31, 1994** | **154** | **$6.375, $10.188** |

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

During Fiscal 1989, shareholders approved a Non-Employee Directors' Stock Option Plan. This Plan provided that adjustable non-qualified options representing 4,000 shares of Lowe's common stock would be granted to each outside Director following the Annual Meeting in 1989, 1990, 1991, 1992 and 1993. Two hundred thousand shares of common stock were reserved to fulfill the requirements of this Plan. Options representing 28,000 shares were granted under this Plan in each of Fiscal 1989, Fiscal 1990, Fiscal 1991, Fiscal 1992 and Fiscal 1993, of which options representing 32,000 shares have been exercised. The option price per share was $6.375 for Fiscal 1989, $10.906 for Fiscal 1990, $8.625 for Fiscal 1991, $10.969 for Fiscal 1992 and $18.875 for Fiscal 1993. The non-qualified options granted to Directors include the same tax deposit feature described above with respect to the Key Employee Stock Option Plan.

At January 31, 1994, options for 154,220 shares were exercisable under the Key Employee Stock Option Plan and options for 108,000 shares were exercisable under the Non-Employee Directors' Stock Option Plan.

Incentive stock option shares which are sold by the optionee within two years of grant or one year of exercise result in a tax deduction for the Company equivalent to the taxable gain recognized by the optionee. For financial reporting purposes, the tax effect of this deduction is accounted for as a credit to capital in excess of par value rather than as a reduction of income tax expense. Such optionee sales resulted in a tax benefit to the Company of approximately $172 thousand, $80 thousand and $61 thousand during Fiscal Years 1993, 1992 and 1991, respectively.

## Note 12, Leases:

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

| | Operating Leases | | Capital Leases | | |
|---|---|---|---|---|---|
| **Fiscal Year** | **Real Estate** | **Equipment** | **Real Estate** | **Equipment** | **Total** |
| (Dollars in Thousands) | | | | | |
| 1994 | $ 39,624 | $1,217 | $ 6,312 | $ 565 | $ 47,718 |
| 1995 | 49,072 | 482 | 6,202 | 355 | 56,111 |
| 1996 | 48,208 | 136 | 6,226 | 123 | 54,693 |
| 1997 | 47,323 | 10 | 6,246 | 4 | 53,583 |
| 1998 | 44,368 | 10 | 5,845 | — | 50,223 |
| Later Years | 638,694 | 9 | 101,115 | — | 739,818 |
| **Total Minimum Lease Payments** | **$867,289*** | **$1,864** | **$131,946** | **$1,047** | **$1,002,146** |
| Total Minimum Capital Lease Payments | | | $132,993 | | |
| Less Amount Representing Interest | | | 72,435 | | |
| Present Value of Minimum Lease Payments | | | 60,558 | | |
| Less Current Maturities | | | 1,790 | | |
| **Present Value of Minimum Lease Payments, Less Current Maturities** | | | **$ 58,768** | | |

*Total minimum payments have not been reduced by minimum sublease rentals of $1.8 million to be received in the future under noncancelable subleases.

Rental expenses under operating leases for real estate and equipment were $27.2 million, $20.4 million and $15.1 million in

Fiscal 1993, 1992 and 1991, respectively.

The Company leases certain store facilities under agreements with original terms generally of twenty years. Agreements generally provide for contingent rental based on sales performance in excess of specified minimums. To date, contingent rentals have been very nominal. The leases typically contain provisions for four renewal options of five years each. Certain equipment is also leased by the Company under agreements ranging from two to five years. These agreements typically contain renewal options providing for a renegotiation of the lease, at the Company's option, based on the fair market value at that time.

The Company entered into a lease agreement in January 1993 for ten store properties with a total cost of approximately $70.6 million. The lease terms will be finalized as the stores open. The rental amounts will be based on the cost of the property plus the borrowing cost of the lessor. The agreement also called for the Company to advance part of the acquisition cost of the properties to be reimbursed by the lessor. At January 31, 1994, the Company had a receivable from the lessor of $44.0 million classified on the balance sheet under Other Current Assets. The minimum lease payments under this agreement will be dependent on the final cost and financing of the lessor and are not included in the table above. The Company expects these leases will be classified as operating leases.

The Company entered into a lease agreement in August 1990 for nine store properties. The initial terms of these leases are five years with renewal terms for up to an additional thirty-five years. The rental amounts are based on the cost of the property plus the borrowing cost of the lessor. Under the agreement, the Company advanced part of the acquisition cost of the properties and at January 31, 1993 had a receivable from the lessor of $17.4 million classified on the balance sheet under Other Current Assets.

## Note 13, Commitments, Contingencies and Litigation:

The Company had purchase commitments at January 31, 1994, of approximately $24.4 million for land, buildings and construction of facilities, and $16.6 million for equipment.

See Note 12 concerning commitments related to lease agreements.

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

## Note 14, Store Restructuring:

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

## Note 15, Other Information:

Net interest expense is comprised of the following:

| Years Ended January 31, | 1994 | 1993 | 1992 |
|---|---|---|---|
| (Dollars in Thousands) | | | |
| Long-Term Debt | $25,146 | $12,634 | $14,467 |
| Short-Term Debt | 1,217 | 6,529 | 5,317 |
| Amortization of Loan Costs | 272 | 274 | 125 |
| Cost of Early Debt Retirement | — | — | 1,149 |
| Short-Term Interest Income | (4,765) | (1,989) | (3,006) |
| Interest Capitalized | (3,592) | (1,849) | (1,114) |
| **Net Interest Expense** | **$18,278** | **$15,599** | **$16,938** |

Supplemental disclosures of cash flow information:

| Years Ended January 31, | 1994 | 1993 | 1992 |
|---|---|---|---|
| Cash Paid for Interest (Net of Amount Capitalized) | $25,677 | $17,857 | $22,162 |
| Cash Paid for Income Taxes | $58,761 | $40,042 | $21,028 |

Non-cash investing and financing activities:

| | | | |
|---|---|---|---|
| Fixed Assets Acquired Under Capital Leases | $29,343 | $24,566 | $2,595 |
| Common Stock Issued to ESOP (Note 9) | 30,558 | — | — |
| Common Stock Received for Exercise of Stock Options | — | — | 75 |
| Notes Received in Exchange for Property | $ 886 | $ 1,536 | $2,478 |

Supplemental disclosure of operating expenses:

Advertising expenses were $59.3, $65.0 and $61.8 million for Fiscal 1993, 1992 and 1991, respectively.

# Selected Financial Data

Lowe's Companies, Inc. and Subsidiary Companies
(Dollars in Thousands, Except Per Share Data)

| Fiscal Years End on January 31 of Following Year (unaudited) | 1993 | 1992 | 1991 | 1990 | 1989 |
|---|---|---|---|---|---|
| **Selected Income Statement Data:** | | | | | |
| Net Sales | $4,538,001 | $3,846,418 | $3,056,247 | $2,833,108 | $2,650,547 |
| Net Earnings | 131,786 | 84,720 | 6,487 | 71,087 | 74,912 |
| Earnings Per Common Share: | | | | | |
| Net Earnings | $ .89 | $ .58 | $ .04 | $ .48 | $ .50 |
| **Selected Balance Sheet Data:** | | | | | |
| Total Assets | $2,201,648 | $1,608,877 | $1,441,228 | $1,203,052 | $1,147,394 |
| Long-term Debt, Including Current Maturities | $ 641,880 | $ 335,283 | $ 131,350 | $ 169,441 | $ 178,554 |

**Selected Quarterly Data (Unaudited)***

| Three Months Ended | January 31 | October 31 | July 31 | April 30 |
|---|---|---|---|---|
| **Fiscal 1993** | | | | |
| Net Sales | $1,145,828 | $1,158,370 | $1,241,691 | $992,112 |
| Gross Margin | 279,017 | 275,620 | 292,480 | 234,167 |
| Net Earnings | 25,733 | 31,645 | 44,960 | 29,448 |
| Earnings Per Share | $ .17 | $ .21 | $ .31 | $ .20 |
| **Fiscal 1992** | | | | |
| Net Sales | $ 910,298 | $ 991,192 | $1,061,645 | $883,283 |
| Gross Margin | 209,337 | 231,372 | 246,741 | 213,215 |
| Net Earnings | 12,323 | 18,900 | 29,718 | 23,779 |
| Earnings Per Share | $ .08 | $ .13 | $ .20 | $ .16 |
| **Fiscal 1991** | | | | |
| Net Sales | $ 709,613 | $ 790,274 | $ 863,009 | $693,351 |
| Gross Margin | 170,539 | 188,485 | 208,816 | 167,418 |
| Net Earnings (Loss) | (43,265) | 12,992 | 25,284 | 11,476 |
| Earnings (Loss) Per Share | $ (.30) | $ .09 | $ .17 | $ .08 |

***LIFO Adjustment:**

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

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

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

**Store Restructuring Charge:**

During the fourth quarter of Fiscal 1991, the Company recorded a $71.3 million pre-tax charge to earnings related to the planned conversion from a chain of small stores to a chain of large stores (See Note 14 to the Consolidated Financial Statements).

# Stock Performance

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

| | Fiscal 1993 | | | Fiscal 1992 | | | Fiscal 1991 | | |
|---|---|---|---|---|---|---|---|---|---|
| | High | Low | Dividend | High | Low | Dividend | High | Low | Dividend |
| 1st Quarter | $17 11/16 | $13 5/16 | $.04 | $10 7/8 | $8 21/32 | $.035 | $ 8 23/32 | $6 1/4 | $.0325 |
| 2nd Quarter | 20 | 15 | .04 | 11 13/16 | 9 1/16 | .035 | 9 9/32 | 7 5/32 | .035 |
| 3rd Quarter | 24 11/16 | 18 3/8 | .04 | 12 5/16 | 8 | .035 | 8 3/4 | 5 3/4 | .035 |
| 4th Quarter | $31 | $23 3/16 | $.04 | $14 6/16 | $9 1/4 | $ .04 | $10 11/32 | $6 13/32 | $ .035 |

Source: *The Wall Street Journal*

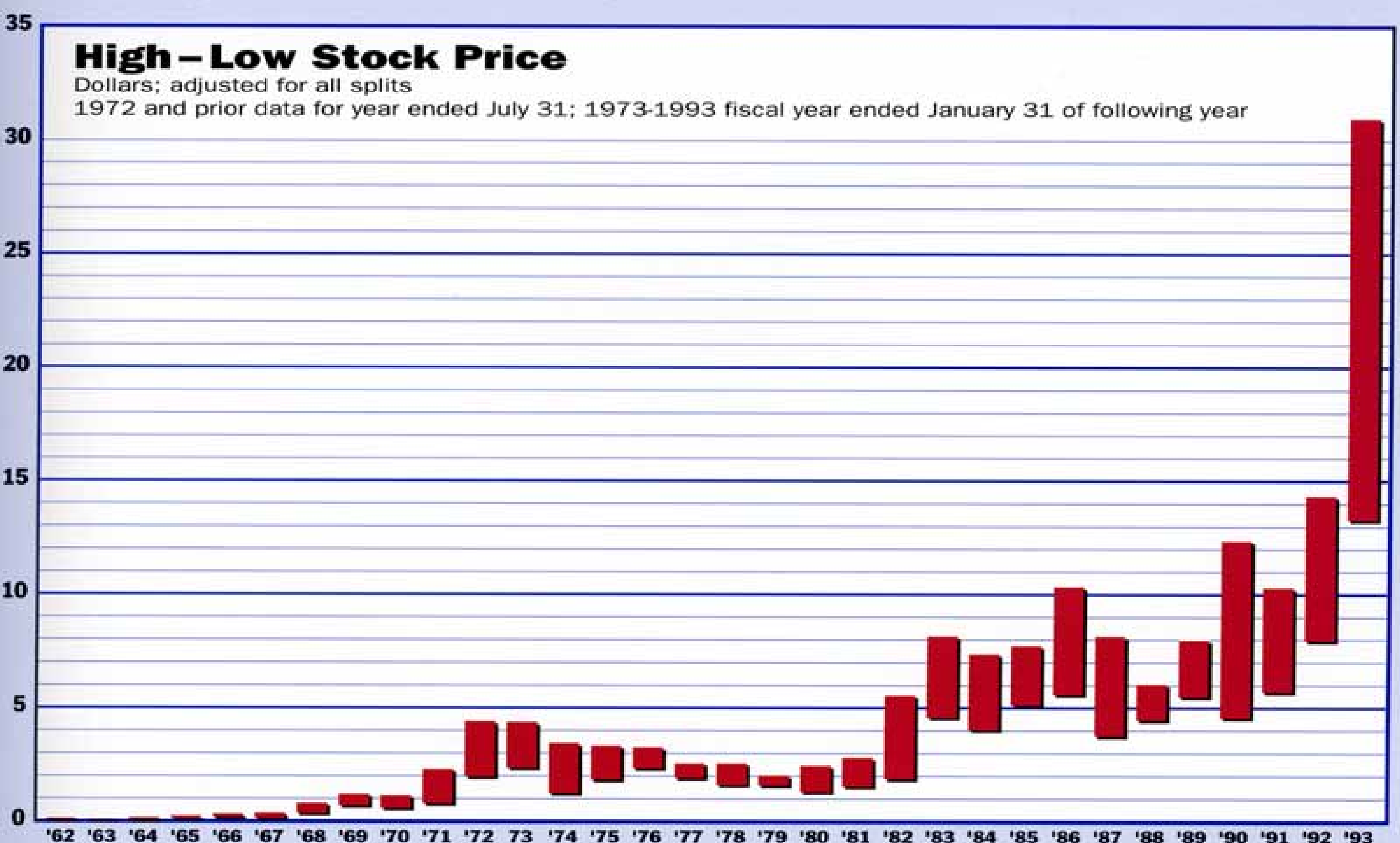
*As restated for a 2-for-1 stock split to shareholders of record March 16, 1994.

## Monthly Stock Price and Trading Volume*

| | Fiscal 1993 | | | Fiscal 1992 | | |
|---|---|---|---|---|---|---|
| | High | Low | Shares Traded | High | Low | Shares Traded |
| February | $15 | $13 5/16 | 15,040,060 | $10 7/8 | $ 9 13/32 | 15,578,800 |
| March | 17 11/16 | 14 1/4 | 19,442,400 | 10 3/8 | 9 13/32 | 12,308,400 |
| April | 17 | 14 | 12,004,000 | 9 15/16 | 8 21/32 | 7,911,200 |
| May | 19 1/2 | 15 | 11,899,800 | 11 1/4 | 9 14/32 | 12,866,800 |
| June | 19 11/16 | 17 3/4 | 9,100,600 | 11 11/16 | 9 1/8 | 14,860,000 |
| July | 20 | 18 9/16 | 7,047,600 | 11 13/16 | 9 1/16 | 14,055,400 |
| August | 20 7/16 | 18 3/8 | 13,045,200 | 12 5/16 | 8 | 25,232,200 |
| September | 23 | 18 15/16 | 13,094,600 | 9 6/16 | 8 1/16 | 16,024,200 |
| October | 24 11/16 | 21 15/16 | 10,252,200 | 9 7/8 | 8 3/4 | 9,636,800 |
| November | 26 7/8 | 23 3/16 | 9,585,200 | 11 5/16 | 9 1/4 | 10,940,200 |
| December | 29 15/16 | 25 13/16 | 11,803,000 | 12 11/16 | 10 11/16 | 14,180,400 |
| January | $31 | $26 9/16 | 15,892,600 | $14 6/16 | $12 1/16 | 11,931,600 |

Source: *The Wall Street Journal*

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




Source: *The Wall Street Journal*

# Quarterly Review of Performance

## Earnings Statement

Dollars in Thousands, Except Per Share Data

| | Fiscal 1993 | | | | Fiscal 1992 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarter Ended | 1/31/94 | 10/31/93 | 7/31/93 | 4/30/93 | 1/31/93 | 10/31/92 | 7/31/92 | 4/30/92 |
| **Net Sales** | **$1,145,828** | **$1,158,370** | **$1,241,691** | **$992,112** | **$910,298** | **$991,192** | **$1,061,645** | **$883,283** |
| FIFO Gross Margin | 284,253 | 278,682 | 296,197 | 237,676 | 215,126 | 231,619 | 248,677 | 214,757 |
| LIFO Charge | (5,236) | (3,062) | (3,717) | (3,509) | (5,789) | (247) | (1,936) | (1,542) |
| **LIFO Gross Margin** | **279,017** | **275,620** | **292,480** | **234,167** | **209,337** | **231,372** | **246,741** | **213,215** |
| Expenses: | | | | | | | | |
| S,G & A | 191,437 | 185,178 | 183,751 | 156,662 | 157,628 | 168,574 | 168,729 | 147,868 |
| Store Opening Costs | 12,585 | 7,217 | 6,520 | 2,929 | 2,934 | 3,220 | 2,557 | 2,272 |
| Depreciation | 22,136 | 20,223 | 19,484 | 18,687 | 18,956 | 17,720 | 16,913 | 16,231 |
| Employee Retirement Plans | 7,781 | 10,657 | 10,629 | 8,806 | 7,623 | 9,602 | 9,864 | 8,483 |
| Interest | 6,074 | 4,834 | 3,545 | 3,825 | 3,682 | 4,048 | 4,222 | 3,647 |
| **Total Expenses** | **240,013** | **228,109** | **223,929** | **190,909** | **190,823** | **203,164** | **202,285** | **178,501** |
| Pre-Tax Earnings | 39,004 | 47,511 | 68,551 | 43,258 | 18,514 | 28,208 | 44,456 | 34,714 |
| Income Tax Provision | 13,271 | 15,866 | 23,591 | 13,810 | 6,191 | 9,308 | 14,738 | 10,935 |
| **Net Earnings** | **25,733** | **31,645** | **44,960** | **29,448** | **12,323** | **18,900** | **29,718** | **23,779** |
| **Earnings Per Share** | **$ .17** | **$ .21** | **$ .31** | **$ .20** | **$ .08** | **$ .13** | **$ .20** | **$ .16** |

## Earnings Statement Changes

Changes from Same Quarter Previous Year, to Nearest Tenth Percent

| | Fiscal 1993 | | | | Fiscal 1992 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarter Ended | 1/31/94 | 10/31/93 | 7/31/93 | 4/30/93 | 1/31/93 | 10/31/92 | 7/31/92 | 4/30/92 |
| **Net Sales** | **25.9%** | **16.9%** | **17.0%** | **12.3%** | **28.3%** | **25.4%** | **23.0%** | **27.4%** |
| FIFO Gross Margin | 32.1 | 20.3 | 19.1 | 10.7 | 22.5 | 23.3 | 18.9 | 27.3 |
| LIFO Charge | (9.6) | 1139.7 | 92.0 | 127.6 | 14.3 | 140.9 | 558.5 | 25.8 |
| **LIFO Gross Margin** | **33.3** | **19.1** | **18.5** | **9.8** | **22.8** | **22.8** | **18.2** | **27.4** |
| Expenses: | | | | | | | | |
| S,G & A | 21.4 | 9.8 | 8.9 | 5.9 | 16.1 | 18.7 | 15.6 | 17.7 |
| Store Opening Costs | 328.9 | 124.1 | 155.0 | 28.9 | 51.9 | 233.3 | 665.6 | 256.7 |
| Depreciation | 16.8 | 14.1 | 15.2 | 15.1 | 21.5 | 22.5 | 18.6 | 16.2 |
| Employee Retirement Plans | 2.1 | 11.0 | 7.8 | 3.8 | (.6) | 23.1 | 21.1 | 23.8 |
| Interest | 65.0 | 19.4 | (16.0) | 4.9 | (29.9) | .7 | 11.1 | (5.6) |
| **Total Expenses** | **25.8** | **12.3** | **10.7** | **7.0** | **(19.6)** | **20.0** | **17.2** | **18.2** |
| Pre-Tax Earnings | 110.7 | 68.4 | 54.2 | 24.6 | 127.7 | 47.2 | 22.6 | 111.3 |
| Income Tax Provision | 114.4 | 70.5 | 60.1 | 26.3 | 126.2 | 50.7 | 34.1 | 120.7 |
| **Net Earnings** | **108.8%** | **67.4%** | **51.3%** | **23.8%** | **128.5%** | **45.5%** | **17.5%** | **107.2%** |

## Earnings Statement Percentages

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

| | Fiscal 1993 | | | | Fiscal 1992 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarter Ended | 1/31/94 | 10/31/93 | 7/31/93 | 4/30/93 | 1/31/93 | 10/31/92 | 7/31/92 | 4/30/92 |
| **Net Sales** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |
| FIFO Gross Margin | 24.81 | 24.05 | 23.85 | 23.95 | 23.64 | 23.36 | 23.42 | 24.31 |
| LIFO Charge | (.46) | (.26) | (.30) | (.35) | (.64) | (.02) | (.18) | (.17) |
| **LIFO Gross Margin** | **24.35** | **23.79** | **23.55** | **23.60** | **23.00** | **23.34** | **23.24** | **24.14** |
| Expenses: | | | | | | | | |
| S,G & A | 16.71 | 15.98 | 14.78 | 15.78 | 17.33 | 17.00 | 15.89 | 16.74 |
| Store Opening Costs | 1.10 | .62 | .53 | .30 | .32 | .32 | .24 | .26 |
| Depreciation | 1.93 | 1.75 | 1.57 | 1.88 | 2.08 | 1.79 | 1.59 | 1.84 |
| Employee Retirement Plans | .68 | .92 | .86 | .89 | .84 | .97 | .93 | .96 |
| Interest | .53 | .42 | .29 | .39 | .40 | .41 | .40 | .41 |
| **Total Expenses** | **20.95** | **19.69** | **18.03** | **19.24** | **20.97** | **20.49** | **19.05** | **20.21** |
| Pre-Tax Earnings | 3.40 | 4.10 | 5.52 | 4.36 | 2.03 | 2.85 | 4.19 | 3.93 |
| Income Tax Provision | 34.02 | 33.39 | 34.41 | 31.92 | 33.44 | 33.00 | 33.15 | 31.50 |
| **Net Earnings** | **2.25%** | **2.73%** | **3.62%** | **2.97%** | **1.35%** | **1.91%** | **2.80%** | **2.69%** |

## Customer Sales Profile

Dollars in Millions, Rounded Totals

| | Change | Fiscal 1993 Sales | Fiscal 1993 % Total | Fiscal 1992 Sales | Fiscal 1992 % Total |
|---|---|---|---|---|---|
| **1st Quarter** | | | | | |
| HC [1] | +13% | $ 540.6 | 54% | $ 478.5 | 54% |
| CD [2] | +12 | 147.3 | 15 | 131.8 | 15 |
| BC [3] | +11 | 304.2 | 31 | 273.0 | 31 |
| **Totals** | **+12** | **992.1** | **100** | **883.3** | **100** |
| **2nd Quarter** | | | | | |
| HC | +23 | 715.6 | 58 | 581.6 | 55 |
| CD | +22 | 198.1 | 16 | 162.8 | 15 |
| BC | + 3 | 328.0 | 26 | 317.2 | 30 |
| **Totals** | **+17** | **1,241.7** | **100** | **1,061.6** | **100** |
| **3rd Quarter** | | | | | |
| HC | +20 | 671.5 | 58 | 557.7 | 56 |
| CD | +17 | 141.5 | 12 | 121.2 | 12 |
| BC | +11 | 345.4 | 30 | 312.3 | 32 |
| **Totals** | **+17** | **1,158.4** | **100** | **991.2** | **100** |
| **4th Quarter** | | | | | |
| HC | +29 | 666.1 | 58 | 514.4 | 57 |
| CD | +22 | 170.2 | 15 | 139.2 | 15 |
| BC | +21 | 309.5 | 27 | 256.7 | 28 |
| **Totals** | **+26%** | **$1,145.8** | **100%** | **$ 910.3** | **100%** |

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

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

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

## 1987-1993 Sales and Earnings*

Percent of Total Year — A Six-Year Average


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

## Store Sales Profile

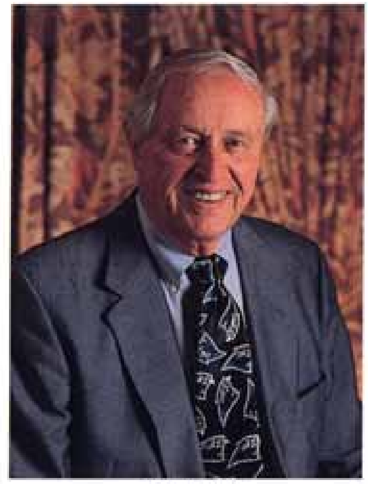
Dollars in Millions, Rounded Totals

| | Change | Fiscal 1993 Sales | Fiscal 1993 % of Total | Fiscal 1992 Sales | Fiscal 1992 % of Total |
|---|---|---|---|---|---|
| **1st Quarter** | | | | | |
| **Comparable Stores** [1] | + 7% | $ 824.7 | 83% | $ 773.8 | 88% |
| New Projects [2] | + 78 | 166.5 | 17 | 93.3 | 10 |
| Closed Stores | | .9 | | 16.2 | 2 |
| **Total Sales** | **+ 12** | **992.1** | **100** | **883.3** | **100** |
| **2nd Quarter** | | | | | |
| **Comparable Stores** | + 11 | 1,039.0 | 84 | 939.4 | 89 |
| New Projects | +101 | 200.0 | 16 | 99.5 | 9 |
| Closed Stores | | 2.7 | | 22.7 | 2 |
| **Total Sales** | **+ 17** | **1,241.7** | **100** | **1,061.6** | **100** |
| **3rd Quarter** | | | | | |
| **Comparable Stores** | + 9 | 953.4 | 82 | 875.5 | 88 |
| New Projects | +123 | 203.4 | 18 | 91.2 | 9 |
| Closed Stores | | 1.6 | | 24.5 | 3 |
| **Total Sales** | **+ 17** | **1,158.4** | **100** | **991.2** | **100** |
| **4th Quarter** | | | | | |
| **Comparable Stores** | + 12 | 881.6 | 77 | 785.4 | 86 |
| New Projects | +162 | 262.1 | 23 | 99.9 | 11 |
| Closed Stores | | 2.1 | | 25.0 | 3 |
| **Total Sales** | **+ 26%** | **$1,145.8** | **100%** | **$ 910.3** | **100%** |

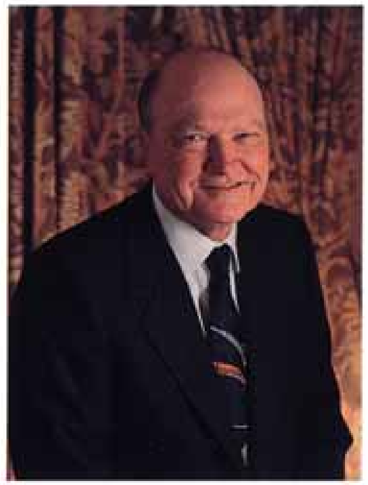
[1] Comparable stores: stores open more than 1 year with comparable square footage.

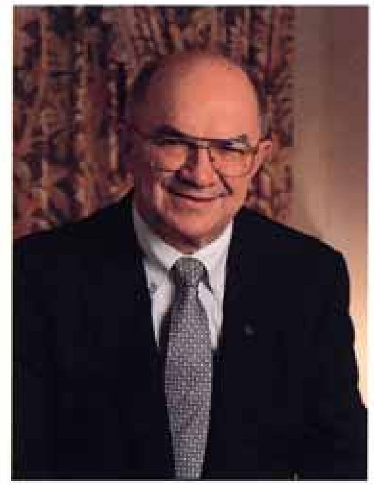
[2] New projects: New stores open less than 1 year and stores that have been relocated within the past 12 months.


William A. Andres


John M. Belk


Gordon E. Cadwgan


Leonard G. Herring


Petro Kulynych

# Lowe's Board of Directors

### William A. Andres

Director since 1986, age 67. Chairman of Committee of Outside Directors, Member of Audit Committee and Compensation/Employee Stock Option Committee of the Company. Previously Chairman of the Board (1976-1983), Chairman of Executive Committee (1983-1985) of Dayton Hudson Corporation (Retail Chain), Minneapolis, Minn. (Mr. Andres retired in September, 1985.) Other directorships: Jostens, Inc., Minneapolis, Minn., since 1985; Scott Paper Company, Philadelphia, Penn., since 1983; Multifoods, Inc., Minneapolis, Minn., since 1978; Hannaford Bros., Scarborough, Me., since 1986.

### John M. Belk

Director since 1986, age 74. Member of Audit Committee, Compensation/Employee Stock Option Committee and Committee of Outside Directors of the Company. Chairman of the Board, Belk Stores Services, Inc. (Retail Department Stores), Charlotte, N.C., since 1980. Other directorships: Coca-Cola Bottling Company Consolidated, Charlotte, N.C., since 1972; Chaparral Steel, Midlothian, Tex., since 1987.

### Gordon E. Cadwgan

Director since 1961, age 80. Chairman of Audit Committee, Member of Compensation/Employee Stock Option Committee, Executive Committee and Committee of Outside Directors of the Company. Trustee and Financial Consultant, affiliated with Tucker Anthony, Inc., Boston, Mass., since 1979. Other directorships: Third Century Fund, Inc., Providence, R.I., since 1981.

### Leonard G. Herring

Director since 1956, age 66. President and Chief Executive Officer since 1978, Chairman of Non-Employee Directors' Stock Option Committee, Member of Executive Committee and Government/Legal Affairs Committee of the Company. Other directorships: First Union Corporation, Charlotte, N.C., since 1986.

### Petro Kulynych

Director since 1952, age 72. Member of Audit Committee, Executive Committee and Government/Legal Affairs Committee of the Company, having previously served as Managing Director (1978-1983). (Mr. Kulynych retired in December, 1983.) Other directorships: Local Board, Wachovia Bank of North Carolina, N.A., North Wilkesboro, N.C., since 1988; Carolina Motor Club, Inc.

Russell B. Long

Robert G. Schwartz

Jack C. Shewmaker

Robert L. Strickland

**Russell B. Long**

Director since 1987, age 75. Chairman of Government/Legal Affairs Committee, Member of Compensation/Employee Stock Option Committee and Committee of Outside Directors of the Company. Partner, Long Law Firm (Attorneys-at-Law), Washington, D.C., since 1988. Other directorships: Catalyst Vidalia Corp., Vidalia, La., since 1989; The New York Stock Exchange, Inc., New York, N.Y., since 1987. Other: United States Senator 1948-1987; Member, Senate Finance Committee 1952-1987 (Chairman 1965-1981).

**Robert G. Schwartz**

Director since 1973, age 66. Chairman of Compensation/Employee Stock Option Committee, Member of Audit Committee and Committee of Outside Directors of the Company. Director of Metropolitan Life Insurance Company, New York, N.Y., since 1980, having previously served as Chairman of the Board (1983-1993), President and Chief Executive Officer (1989-1993) of that company. (Mr. Schwartz retired in March, 1993.) Other directorships: Potlatch Corporation, San Francisco, Calif., since 1973; Comsat Corporation, Washington, D.C., since 1986; Mobil Corporation, New York, N.Y., since 1987; The Reader's Digest Association, Inc., Pleasantville, N.Y., since 1989; Consolidated Edison Company of New York, New York, N.Y., since 1989; CS First Boston, Inc., New York, N.Y., since 1989; Lone Star Industries, Inc., Stanford, Conn., since 1994.

**Jack C. Shewmaker**

Director since 1985, age 56. Member of Compensation/Employee Stock Option Committee, Executive Committee and Committee of Outside Directors of the Company. Director of Wal-Mart Stores, Inc. (Discount Retail Chain), Bentonville, Ark., since 1977, having previously served as Vice Chairman of the Board (1984-1988), President and Chief Operating Officer (1978-1984) of that company. (Mr. Shewmaker retired in February, 1988.) Other directorships: Vons Companies, Inc., El Monte, Calif., since 1988.

**Robert L. Strickland**

Director since 1961, age 63. Chairman of the Board since 1978, Chairman of Executive Committee, Member of Government/Legal Affairs Committee and Non-Employee Directors' Stock Option Committee of the Company. Other directorships: Summit Communications, Atlanta, Ga., since 1987; T. Rowe Price Associates, Inc., Baltimore, Md., since 1991.

## Board of Directors Nominee

**Carol Farmer**
Age 49. President of Carol Farmer Associates, Inc.
(Trend Forecasting and Consulting)
Boca Raton, Fla., since 1985

## Lowe's Leadership

**Executive Management**

J. Gregory Dodge – Senior Vice President – Real Estate/Engineering & Construction
Leonard G. Herring – President and Chief Executive Officer
William L. Irons – Senior Vice President – Management Information Services
R. Michael Rouleau – Executive Vice President – Store Operations
Robert L. Strickland – Chairman of the Board
Robert L. Tillman – Executive Vice President – Merchandising
Harry B. Underwood II – Senior Vice President & Treasurer (CFO)

**Other Corporate Officers**

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

**Departmental Vice Presidents**

Frank A. Beam – Regional
Gregory M. Bridgeford – General Merchandise Manager
Nick Canter – Regional
John L. Eikenberry – Internal Audit
A. Robert Gresham, III – Contractor Sales Promotion
R. Vaughn Hayes – Marketing Services
A. Lee Herring, II – Logistics
Duane E. Hiemenz – Regional
Perry G. Jennings – Human Resources
Robert G. Oberosler – Loss Prevention & Safety
W. Cliff Oxford – Corporate Relations
Dale C. Pond – Senior Vice President/Marketing
John V. Raley – Regional
David E. Shelton – Store Operations
Larry D. Stone – General Merchandise Manager
Charles E. Taylor – Contractor Yard Operations
Gregory J. Wessling – General Merchandise Manager
William L. White – Regional

# Index




***Credits***

Primary: All Lowe's People
Theme and Content: Robert L. Strickland, W Cliff Oxford
Investor Research: Clarissa Felts
Design & Illustration: Henry Church
Freedom Graphics, Winston-Salem, NC
Photography: Will and Deni McIntyre,
McIntyre Photography, Inc., Winston-Salem, NC
Feature Writer: Deni McIntyre
Jack Kemp Photograph, page 8: Ross Forman
Printing: Matt Phelan, Billy Glover
Annual Reports, Inc., Atlanta, GA
Typography: AdType,Inc., Winston-Salem, NC
Contributing to the Report:
Pat Anderson, Richard Elledge, Todd Elledge, Cynthia Haynes, Noland Mewborn, Linda McNeil, David Oliver, Leslie Shell, Tom Smith, Harry Underwood, Karen Worley, Faye Wyatt

# 33-Year Review

| Fiscal Years End January 31, of Following Calendar Year Except Fiscal Years Prior to 1978 Which Ended July 31. | LIFO accounting<br>10-Year CGR | Fiscal 1993 | Fiscal 1992 | Fiscal 1991 | Fiscal 1990 | Fiscal 1989 |
|---|---|---|---|---|---|---|
| **Stores and People** | | | | | | |
| 1 Number of Stores | 2.7% | 311 | 303 | 306 | 309 | 306 |
| 2 Square Footage | 18.8 | 14,174,889 | 9,975,537 | 8,016,136 | 7,061,925 | 6,219,018 |
| 3 Number of Employees | 12.7 | 28,843 | 21,269 | 18,368 | 15,556 | 15,271 |
| 4 Customers Served (Thousands) | 17.3% | 92,932 | 80,461 | 64,284 | 54,142 | 47,246 |
| 5 Average Customer Purchase | | $48.83 | $47.80 | $47.54 | $52.33 | $56.10 |
| **Comparative Income Statement (Thousands)** | | | | | | |
| **6 Total Sales** | **12.2%** | **$4,538,001** | **$3,846,418** | **$3,056,247** | **$2,833,108** | **$2,650,547** |
| 7 Depreciation | 20.9 | 80,530 | 69,820 | 58,298 | 51,431 | 46,134 |
| 8 LIFO Credit (Charge) | NM | (15,524) | (9,514) | (5,979) | 688 | (3,549) |
| 9 Store Restructuring | — | — | — | 71,288 | — | — |
| 10 Operating Income[1] | 10.4 | 297,132 | 211,311 | 80,187 | 169,101 | 174,158 |
| 11 Pre-Tax Earnings[2] | 7.4 | 198,324 | 125,892 | 4,951 | 100,251 | 108,796 |
| 12 Taxes on Income | 3.7 | 66,538 | 41,172 | (1,536) | 29,164 | 33,884 |
| 13 Extraordinary Item Net of Tax | — | — | — | — | — | — |
| 14 Cumulative Effect on Prior Years of a Change in Accounting Principle | — | — | — | — | — | — |
| **15 Net Earnings** | **10.0** | **131,786** | **84,720** | **6,487** | **71,087** | **74,912** |
| 16 Cash Dividends Paid | 7.3 | 23,571 | 21,153 | 20,020 | 19,334 | 18,228 |
| 17 Earnings Retained | 10.7% | $ 107,731 | $ 63,507 | $ (13,533) | $ 51,753 | $ 56,684 |
| **Dollars Per Share (Weighted Average Number of Shares)** | | | | | | |
| 18 Sales | 12.0% | $30.79 | $26.32 | $20.93 | $19.03 | $17.78 |
| **19 Earnings** | **9.8** | **.89** | **.58** | **.04** | **.48** | **.50** |
| **20 Cash Dividends** | **7.2** | **.16** | **.14** | **.14** | **.13** | **.12** |
| 21 Earnings Retained | 10.5 | .73 | .43 | NM | .35 | .38 |
| 22 Shareholders' Equity | 11.4% | $ 5.93 | $ 5.02 | $ 4.58 | $ 4.59 | $ 4.33 |
| **Strategic Profit Model[3]** | | | | | | |
| 23 Asset Turnover (Sales Per Asset Dollar) | | $ 2.82 | $ 2.67 | $ 2.54 | $ 2.47 | $ 2.44 |
| 24 Return on Sales (Net Earnings as Percent of Sales) | | × 2.90% | × 2.20% | × .21% | × 2.51% | × 2.83% |
| 25 Return on Assets | | = 8.19% | = 5.88% | = .54% | = 6.20% | = 6.90% |
| 26 Leverage Factor (Asset Dollars Per Equity Dollar) | | × 2.19 | × 2.16 | × 1.76 | × 1.78 | × 1.85 |
| 27 Return on Shareholders' Equity | | =17.97% | =12.67% | = .95% | =11.01% | =12.77% |
| **Comparative Balance Sheet (Thousands)** | | | | | | |
| 28 Total Current Assets | 11.1% | $1,083,907 | $ 745,554 | $ 770,078 | $ 616,461 | 595,946 |
| 29 Cash and Short-Term Investments | 3.9 | 108,468 | 54,849 | 30,814 | 50,144 | 55,566 |
| 30 Accounts Receivable — Net | (5.6) | 53,301 | 53,288 | 115,739 | 96,354 | 121,897 |
| 31 Inventories (Lower of Cost or Market) | 15.3 | 853,707 | 594,195 | 602,795 | 460,804 | 407,677 |
| 32 Other Current Assets | 31.7 | 56,131 | 34,710 | 14,275 | 9,159 | 9,610 |
| 33 Fixed Assets | 21.9 | 1,020,234 | 787,197 | 612,955 | 541,464 | 507,811 |
| 34 Other Assets | 52.7 | 57,099 | 52,856 | 46,845 | 45,127 | 43,637 |
| **35 Total Assets** | **15.5** | **2,201,648** | **1,608,877** | **1,441,228** | **1,203,052** | **1,147,394** |
| 36 Total Current Liabilities | 15.0 | 681,176 | 499,634 | 588,951 | 337,676 | 307,890 |
| 37 Accounts Payable | 15.5 | 467,278 | 330,584 | 307,814 | 186,860 | 210,197 |
| 38 Other Current Liabilities | 3.4 | 81,765 | 72,626 | 61,400 | 44,578 | 42,685 |
| 39 Long-Term Debt (Excluding Current Portion) | 27.6 | 592,333 | 313,562 | 113,650 | 159,204 | 167,896 |
| **40 Total Liabilities** | **19.3** | **1,327,979** | **875,657** | **772,674** | **520,380** | **501,836** |
| **41 Shareholders' Equity** | **11.6%** | **$ 873,669** | **$ 733,220** | **$ 668,554** | **$ 682,672** | **$ 645,558** |
| 42 Equity/Long-Term Debt (Excluding Current) | | 1.47 | 2.34 | 5.88 | 4.29 | 3.84 |
| 43 Year-End Leverage Factor: Assets/Equity | | 2.52 | 2.19 | 2.16 | 1.76 | 1.78 |
| **Shareholders, Shares and Book Value** | | | | | | |
| 44 Shareholders of Record, Year-End | | 7,470 | 7,257 | 6,216 | 6,261 | 6,361 |
| 45 Shares Outstanding, Year-End (Thousands)[4] | | 147,886 | 145,946 | 145,760 | 145,838 | 149,020 |
| 46 Weighted Average Shares, Year-End (Thousands) | | 147,398 | 146,152 | 146,052 | 148,856 | 149,112 |
| 47 Book Value | | $ 5.91 | $ 5.02 | $ 4.59 | $ 4.68 | $ 4.33 |
| **Stock Price During Year[5]** | | | | | | |
| 48 High (Adjusted for Stock Splits) | | $31.00 | $14.38 | $10.35 | $12.41 | $ 8.03 |
| 49 Low (Adjusted for Stock Splits) | | $13.32 | $ 8.00 | $ 5.75 | $ 4.60 | $ 5.53 |
| 50 Closing Price December 31 | | $29.75 | $12.07 | $ 8.53 | $ 6.13 | $ 7.38 |
| **Price Earnings Ratio** | | | | | | |
| 51 High | | 35 | 25 | — | 26 | 16 |
| 52 Low | | 15 | 14 | — | 10 | 11 |

| | Fiscal 1988 | Fiscal 1987 | Fiscal 1986 | Fiscal 1985 | Fiscal 1984 | Base Year Fiscal 1983 | Fiscal 1982 | Fiscal 1981 | Fiscal 1980 | Fiscal 1979 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 296 | 295 | 300 | 282 | 248 | 238 | 235 | 229 | 214 | 209 |
| 2 | 5,062,865 | 4,773,743 | 4,452,161 | 3,641,762 | 2,980,000 | 2,529,040 | 2,337,351 | 2,232,008 | 1,998,239 | 1,931,419 |
| 3 | 14,774 | 14,761 | 14,783 | 13,317 | 10,727 | 8,715 | 7,080 | 6,003 | 5,950 | 5,804 |
| 4 | 43,744 | 40,739 | 36,346 | 31,477 | 23,938 | 18,889 | 15,075 | 11,973 | 11,376 | 11,024 |
| 5 | $57.54 | $59.95 | $62.83 | $65.84 | $70.55 | $75.74 | $68.59 | $74.17 | $77.67 | $82.02 |
| 6 | **$2,516,879** | **$2,442,177** | **$2,283,480** | **$2,072,569** | **$1,688,738** | **$1,430,576** | **$1,034,032** | **$888,042** | **$883,614** | **$904,651** |
| 7 | 41,184 | 38,546 | 30,474 | 21,759 | 14,805 | 12,034 | 11,178 | 10,522 | 10,320 | 10,064 |
| 8 | (5,058) | (3,829) | 2,960 | 3,445 | 2,686 | (5,684) | (1,626) | (920) | (6,686) | (7,484) |
| 9 | — | — | — | — | — | — | — | — | — | — |
| 10 | 167,778 | 158,565 | 152,348 | 146,131 | 136,195 | 110,293 | 63,181 | 46,714 | 50,800 | 64,412 |
| 11 | 105,604 | 90,787 | 108,126 | 112,865 | 119,076 | 96,891 | 47,525 | 33,226 | 36,277 | 47,331 |
| 12 | 36,403 | 34,833 | 53,022 | 53,151 | 57,633 | 46,276 | 22,394 | 15,367 | 17,386 | 22,376 |
| 13 | — | — | (2,885) | — | — | — | — | — | — | — |
| 14 | — | 5,226 | — | — | — | — | — | — | — | — |
| 15 | **69,201** | **61,180** | **52,219** | **59,714** | **61,443** | **50,615** | **25,131** | **17,859** | **18,891** | **24,955** |
| 16 | 17,281 | 17,040 | 15,597 | 13,199 | 11,600 | 11,600 | 9,800 | 9,376 | 7,813 | 6,511 |
| 17 | $ 51,920 | $ 44,140 | $ 36,622 | $ 46,515 | $ 49,843 | $ 39,015 | $ 15,331 | $ 8,483 | $ 11,078 | $ 18,444 |
| 18 | $16.67 | $15.37 | $14.63 | $14.19 | $11.65 | $ 9.88 | $ 7.76 | $ 6.82 | $ 6.79 | $ 6.95 |
| 19 | **.46** | **.39** | **.33** | **.41** | **.42** | **.35** | **.19** | **.14** | **.15** | **.19** |
| 20 | **.11** | **.11** | **.10** | **.09** | **.08** | **.08** | **.07** | **.07** | **.06** | **.05** |
| 21 | .34 | .28 | .23 | .32 | .34 | .27 | .11 | .07 | .09 | .14 |
| 22 | $ 3.89 | $ 3.67 | $ 3.46 | $ 2.79 | $ 2.35 | $ 2.01 | $ 1.49 | $ 1.36 | $ 1.30 | $ 1.22 |
| 23 | $ 2.45 | $ 2.52 | $ 2.67 | $ 3.26 | $ 3.24 | $ 3.64 | $ 3.37 | $ 2.94 | $ 2.95 | $ 3.35 |
| 24 | × 2.75% | × 2.51% | × 2.29% | × 2.88% | × 3.64% | × 3.54% | × 2.43% | × 2.01% | × 2.14% | × 2.76% |
| 25 | = 6.74% | = 6.31% | = 6.10% | = 9.39% | =11.79% | =12.89% | = 8.19% | = 5.91% | = 6.31% | = 9.25% |
| 26 | × 1.76 | × 1.79 | × 2.10 | × 1.86 | × 1.79 | × 1.98 | × 1.73 | × 1.79 | × 1.90 | × 1.92 |
| 27 | =11.88% | =11.32% | =12.82% | =17.49% | =21.10% | =25.52% | =14.15% | =10.58% | =11.99% | =17.76% |
| 28 | $ 577,550 | $ 552,464 | $546,883 | $534,649 | $432,370 | $377,572 | $271,535 | $195,370 | $209,756 | $210,913 |
| 29 | 60,257 | 43,889 | 50,013 | 87,190 | 84,204 | 74,249 | 25,341 | 32,070 | 15,567 | 22,959 |
| 30 | 127,738 | 117,932 | 118,693 | 127,603 | 97,319 | 94,658 | 75,388 | 48,107 | 68,172 | 66,442 |
| 31 | 379,383 | 373,846 | 368,135 | 313,143 | 248,268 | 205,100 | 167,535 | 113,529 | 125,104 | 118,511 |
| 32 | 9,466 | 7,325 | 10,042 | 6,713 | 2,579 | 3,565 | 3,271 | 1,664 | 913 | 3,001 |
| 33 | 479,886 | 453,008 | 413,220 | 308,603 | 195,237 | 141,238 | 121,406 | 110,673 | 91,399 | 88,695 |
| 34 | 28,361 | 21,857 | 9,116 | 12,939 | 6,501 | 827 | 559 | 521 | 573 | 291 |
| 35 | **1,085,797** | **1,027,329** | **969,219** | **856,191** | **634,108** | **519,637** | **393,500** | **306,564** | **301,728** | **299,899** |
| 36 | 285,733 | 231,906 | 257,303 | 251,669 | 189,418 | 168,830 | 134,999 | 80,199 | 80,781 | 84,690 |
| 37 | 203,956 | 157,089 | 163,260 | 168,068 | 125,003 | 110,415 | 90,580 | 47,959 | 52,003 | 45,567 |
| 38 | 44,211 | 43,766 | 94,043 | 83,601 | 64,415 | 58,415 | 44,419 | 32,240 | 28,778 | 25,245 |
| 39 | 190,056 | 186,219 | 152,977 | 183,909 | 92,488 | 51,891 | 56,233 | 48,864 | 51,929 | 56,112 |
| 40 | **498,946** | **444,893** | **428,685** | **448,818** | **292,760** | **228,132** | **194,717** | **129,063** | **132,710** | **140,802** |
| 41 | **$ 586,851** | **$ 582,436** | **$540,534** | **$407,373** | **$341,348** | **$291,505** | **$198,783** | **$177,501** | **$169,018** | **$159,097** |
| 42 | 3.09 | 3.13 | 3.53 | 2.22 | 3.69 | 5.62 | 3.53 | 3.63 | 3.25 | 2.84 |
| 43 | 1.85 | 1.76 | 1.79 | 2.10 | 1.86 | 1.78 | 1.98 | 1.73 | 1.79 | 1.89 |
| 44 | 6,602 | 6,163 | 6,052 | 6,253 | 6,372 | 5,928 | 5,144 | 5,415 | 4,620 | 5,147 |
| 45 | 148,556 | 157,992 | 158,496 | 148,328 | 144,992 | 144,992 | 133,332 | 130,220 | 130,220 | 130,220 |
| 46 | 150,992 | 158,876 | 156,116 | 146,036 | 144,992 | 144,772 | 133,332 | 130,220 | 130,220 | 130,220 |
| 47 | $ 3.95 | $ 3.69 | $ 3.41 | $ 2.75 | $ 2.35 | $ 2.01 | $ 1.49 | $ 1.36 | $ 1.30 | $ 1.22 |
| 48 | $ 6.10 | $ 8.19 | $10.38 | $ 7.78 | $ 7.41 | $ 8.19 | $ 5.59 | $ 2.84 | $ 2.49 | $ 2.13 |
| 49 | $ 4.50 | $ 3.81 | $ 5.63 | $ 5.19 | $ 4.07 | $ 4.61 | $ 1.91 | $ 1.58 | $ 1.34 | $ 1.63 |
| 50 | $ 5.25 | $ 4.03 | $ 6.50 | $ 6.47 | $ 6.19 | $ 5.60 | $ 5.20 | $ 1.92 | $ 1.89 | $ 1.82 |
| 51 | 13 | 21 | 31 | 19 | 17 | 23 | 30 | 21 | 17 | 11 |
| 52 | 10 | 10 | 17 | 13 | 10 | 13 | 10 | 12 | 9 | 8 |

**Supplemental Information**
**FIFO accounting**

| Fiscal 1977 | Fiscal 1975 | Fiscal 1970 | Fiscal 1965 | Fiscal 1961 | |
|---|---|---|---|---|---|
| 175 | 130 | 64 | 35 | 15 | **1** |
| 1,570,000 | 1,209,000 | 379,653 | 199,537 | 71,680 | **2** |
| 5,274 | 3,574 | 1,670 | 762 | 399 | **3** |
| 8,224 | 5,702 | 2,729 | 1,284 | 651 | **4** |
| $72.27 | $59.78 | $47.09 | $44.44 | $47.85 | **5** |
| **$594,358** | **$340,882** | **$128,491** | **$57,044** | **$31,128** | **6** |
| 6,212 | 4,976 | 1,221 | 305 | 133 | **7** |
| — | — | — | — | — | **8** |
| — | — | — | — | — | **9** |
| 52,856 | 27,510 | 11,487 | 4,413 | 2,185 | **10** |
| 42,487 | 20,811 | 9,938 | 3,942 | 1,890 | **11** |
| 21,056 | 10,319 | 5,068 | 1,896 | 956 | **12** |
| — | — | — | — | — | **13** |
| | | | | | **14** |
| — | — | — | — | — | |
| 21,431 | 10,492 | 4,870 | 2,046 | 934 | **15** |
| 2,735 | 1,171 | 844 | 519 | 102 | **16** |
| $ 18,696 | $ 9,321 | $ 4,026 | $ 1,527 | $ 832 | **17** |
| $4.56 | $2.62 | $1.02 | $ .47 | $ .26 | **18** |
| **.16** | **.08** | **.04** | **.02** | **.01** | **19** |
| **.02** | **.01** | **.01** | — | — | **20** |
| .14 | .07 | .03 | .01 | .01 | **21** |
| $ .87 | $ .60 | $ .20 | $ .08 | $ .04 | **22** |
| $ 3.01 | $ 2.26 | $ 3.09 | $ 3.20 | $ 3.32 | **23** |
| × 3.61% | × 3.08% | × 3.79% | × 3.59% | × 3.00% | **24** |
| =10.84% | = 6.97% | =11.72% | =11.49% | = 9.96% | **25** |
| × 2.10 | × 2.24 | × 1.99 | × 2.31 | × 2.57 | **26** |
| =22.71% | =15.60% | =23.34% | =26.55% | =25.60% | **27** |
| $186,198 | $108,784 | $38,878 | $19,187 | $ 9,305 | **28** |
| 13,324 | 11,574 | 4,658 | 3,801 | 1,299 | **29** |
| 76,162 | 38,533 | 14,887 | 7,165 | 3,108 | **30** |
| 96,164 | 58,223 | 19,040 | 8,156 | 4,801 | **31** |
| 548 | 454 | 293 | 65 | 97 | **32** |
| 60,210 | 45,127 | 10,390 | 3,832 | 1,229 | **33** |
| 401 | 452 | 148 | 77 | 1,301 | **34** |
| **246,809** | **154,363** | **49,416** | **23,096** | **11,835** | **35** |
| 87,709 | 42,964 | 21,212 | 11,213 | 4,922 | **36** |
| 60,324 | 29,727 | 15,178 | 7,913 | 3,187 | **37** |
| 27,385 | 13,236 | 6,034 | 3,300 | 1,735 | **38** |
| 46,244 | 33,156 | 3,315 | 2,377 | 1,791 | **39** |
| **133,953** | **76,120** | **24,527** | **13,606** | **6,792** | **40** |
| **$112,857** | **$ 78,243** | **$24,889** | **$ 9,490** | **$ 5,043** | **41** |
| 2.44 | 2.36 | 7.51 | 3.99 | 2.81 | **42** |
| 2.19 | 1.97 | 1.99 | 2.43 | 2.35 | **43** |
| 4,588 | 3,755 | 2,117 | 1,871 | — | **44** |
| 130,220 | 130,220 | 126,232 | 121,832 | 120,000 | **45** |
| 130,220 | 130,220 | 126,232 | 121,832 | 120,000 | **46** |
| $ .87 | $ .60 | $ .20 | $ .08 | $ .04 | **47** |
| $ 3.28 | $ 3.10 | $ 1.16 | $ .26 | — | **48** |
| $ 2.18 | $ 1.33 | $ .62 | $ .16 | — | **49** |
| $ 3.00 | $ 1.85 | $ 1.03 | $ .18 | — | **50** |
| 20 | 39 | 31 | 15 | — | **51** |
| 13 | 17 | 16 | 9 | — | **52** |

**Stock splits and stock dividends since 1960**

- A 100% stock dividend, effective April 5, 1966, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective November 18, 1969.
- A 50% stock dividend, effective November 30, 1971, (which had the net effect of a 3-for-2 stock split).
- A 33⅓% stock dividend, effective July 25, 1972, (which had the net effect of a 4-for-3 stock split).
- A 50% stock dividend, effective June 2, 1976, (which had the net effect of a 3-for-2 stock split).
- A 3-for-2 stock split, effective November 2, 1981.
- A 5-for-3 stock split, effective April 29, 1983.
- A 100% stock dividend, effective June 29, 1992 (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective April 4, 1994.

**Explanatory notes**

[1] Pretax earnings plus depreciation plus interest.

[2] Before extraordinary item in 1986 and cumulative effect on prior years of a change in accounting principle in 1987.

[3] Asset Turnover – Total Sales divided by Beginning Assets
Return on Sales – Total Profit divided by Total Sales
Return on Assets – Total Profit divided by Beginning Assets
Leverage Factor – Beginning Assets divided by Beginning Equity
Return on Shareholders Equity – Total Profit divided by Beginning Equity

[4] Variation in the outstanding shares is a result of the following:
1963 — Treasury Stock purchase
February 2, 1982 — 778,018 common shares issued to ESOP.
February 8, 1983 — 2.917 million common shares sold in public issuance.
October 10, 1985 — 833,373 common shares issued to ESOP.
April 25, 1986 — 2.2 million common shares sold in public issuance.
May 15, 1986 — 300,000 common shares issued to ESOP.
1987 — Treasury Stock purchase
1988 — Treasury Stock purchase
1990 — Shares purchased and retired
1991 — Shares purchased and retired
— Ongoing employee option transactions.

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

# Investor Information

**Dividend Declaration Dates**
Usually the middle of April, July, October and January.

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

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

**Dividend Reinvesting Agent**
Wachovia Bank of North Carolina, N.A.
P.O. Box 3001
Winston-Salem, NC 27102
Information contact:
Larry E. Watkins
(910) 770-4075 or (800) 633-4236

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

**Lowe's Telephone**
(910) 651-4000

**Lowe's Fax**
(910) 651-4766

**Lowe's Telex**
510-922-5737

**Lowe's Mailing Address**
P.O. Box 1111
North Wilkesboro, NC 28656

**Lowe's Street Address**
State Highway 268 East (Elkin Highway)
North Wilkesboro, NC 28659

**Annual Meeting Date**
May 27, 1994 at 10:00 AM
Lowe's Corporate Offices
North Wilkesboro, NC 28659

**Stock Transfer Agent & Registrar**
Wachovia Bank of North Carolina, N.A.
P.O. Box 3001
Winston-Salem, NC 27102
Information contact:
Carla D. Ellison
(910) 770-5822 or (800) 633-4236

**Lowe's Common Stock**
Ticker Symbol: LOW
Listed:
New York Stock Exchange
20 Broad Street
New York, NY 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, CA 94104

London Stock Exchange
Old Broad Street
London, EC2N1HP England

**General Counsel**
William C. Warden, Jr.
Senior Vice President/General Counsel and Secretary
(910) 651-4497

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

**Shareholder Services**
Shareholders' and security analysts' inquiries should be directed to:
W. Cliff Oxford
Vice-President, Corporate Relations
(910) 651-4631
or Clarissa S. Felts
Manager, Investor Research
(910) 651-4254

## Lowe's Profile

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

Lowe's 311 stores serve customers in 20 states located mainly in the South Atlantic and South Central regions. In 1993 our average store did $14.9 million in sales. Our big stores averaged $18.9 million in sales.

At year-end, our retail sales space totaled approximately 14.2 million square feet. Our employees numbered 28,843.

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

LOWE'S
Companies, Inc.

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