LOWE'S | First Quarter | Fiscal 1974

LOWE'S | Second Quarter | Fiscal 1974

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LOWE'S Companies, Inc.

Fourth Quarter Report

Fiscal 1974

Featuring Fiscal 1974 Annual Report Financial Statements

General Information

Introduction

During fiscal 1974, we have used a new format for our first three quarterly reports. Our objective has been to continue to provide substantial analytical information on the company's operating results and business climate, but at reduced expense. We have achieved this via wrap-around envelopes which required no insertion costs, two-color printing instead of full color, and other cost-saving techniques.

This report is another change in Lowe's shareholder communications. It is our first Fourth Quarter Report. Heretofore we have not published one, and therefore have not discussed our fourth quarter in the same detail as we do the other three, even though the fourth quarter is the most important one to Lowe's, typically providing 32% of sales and 36% of net earnings. So the first function of this report is to provide substantive information on the fourth quarter.

Its second function is to include Lowe's Annual Report Financial Statements for fiscal 1974. For the past two years, you may recall, you have received this information in a separate twelve page report, mailed with your proxy material. By including this information in the Fourth Quarter Report, two publications become one, and two mailings become one.

Each year, in our Shareholder Survey, a small percentage of responding shareholders have advised that they are interested only in the Financial Statements in our Annual Report, and don't feel the need to read or to receive our Marketing Statistics section, or the Lowe's Sources and Resources section, etc. Therefore, this report can serve a third function — as a "compact" Annual Report for those of you who care to have only the financial information. Consequently, if you do not want to receive our regular comprehensive Annual Report, please so indicate on the Proxy Card, by checking the appropriate box under the signature line.

Lowe's Presidency: These five men, members of Lowe's Board of Directors, constitute the Office of the President. This group, which is now in its 17th year together, is shown here at Lowe's North Wilkesboro, North Carolina General Office. Pictured from left are: Petro Kulynych, Leonard Herring, Joe Reinhardt, Bob Strickland and John Walker.

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Annual Meeting

November 25, 1974
2:00 P.M.
Lowe's General Office
North Wilkesboro, N. C.

10-K Availability

If you would like to receive a copy of our 1974 10-K report which we file with the Securities and Exchange Commission, please check the appropriate box on the enclosed survey card.

Highlights Of The Year Ended July 31

	Change 1973-1974	1974	1973	1972
Total Dollars:				
Sales	+10.9%	$362,453,211	$326,846,108	$234,556,133
Pre-Tax Earnings	+15.3%	$ 29,286,992	$ 25,393,076	$ 18,142,568
Taxes on Earnings	+15.8%	$ 14,669,889	$ 12,665,144	$ 9,021,981
Net Earnings for Shareholders	+14.8%	$ 14,617,103	$ 12,727,932	$ 9,120,587
Cash Dividends Paid	+ 2.7%	$ 1,045,115	$ 1,017,268	$ 946,119
Earnings Retained and Reinvested	+15.9%	$ 13,571,988	$ 11,710,664	$ 8,174,468
Per Share:(1)				
Sales	+10.2%	$42.49	$38.57	$27.81
Earnings	+14.1%	$ 1.71	$ 1.50	$ 1.08
Dividends	+ 2.1%	$ .12	$ .12	$ .11
Earnings Retained and Reinvested	+15.1%	$ 1.59	$ 1.38	$ .97
Performance Measurements:(2)				
Asset Turnover		2.88	3.65	3.40
Return on Sales		× 4.03%	× 3.89%	× 3.89%
Return on Assets		= 11.63%	= 14.22%	= 13.20%
Leverage Factor		× 2.43	× 2.28	× 2.26
Return on Shareholders' Equity		= 28.23%	= 32.42%	= 29.81%
Five Year Earnings Per Share Growth Rate		25.47%	28.39%	26.01%

(1) To nearest whole cent. Change % computed from precise figures, page 13.
(2) See page 23 for explanatory notes.

LOWE'S Companies, Inc.

Lowe's 116 Store Locations

Alabama (8)
Birmingham
Dothan
Gadsden
Huntsville
Mobile
Montgomery
Muscle Shoals
Tuscaloosa

Delaware (2)
Dover
Wilmington

Florida (2)
Pensacola
Tallahassee

Georgia (12)
Albany
Athens
Augusta
College Park
Columbus
Doraville
Macon
Moultrie
Rome
Savannah
Smyrna
Valdosta

Indiana (2)
Clarksville
Indianapolis

Kentucky (4)
Elizabethtown
Frankfort
Lexington
Louisville

Louisiana (1)
Baton Rouge

Maryland (4)
Cumberland
Frederick
Hagerstown
Salisbury

Mississippi (4)
Gulfport
Hattiesburg
Meridian
Tupelo

North Carolina (33)
Asheboro
Asheville
Boone
Burlington
Charlotte (2)
Durham
Fayetteville
Gastonia
Goldsboro
Greensboro
Hendersonville
Hickory
High Point
Jacksonville
Kannapolis
Lumberton
Monroe
Morganton
Mount Airy
North Wilkesboro
Raleigh
Rockingham
Rocky Mount
Sanford
Shelby
Sparta
Washington
Waynesville
Whiteville
Wilmington
Wilson
Winston-Salem

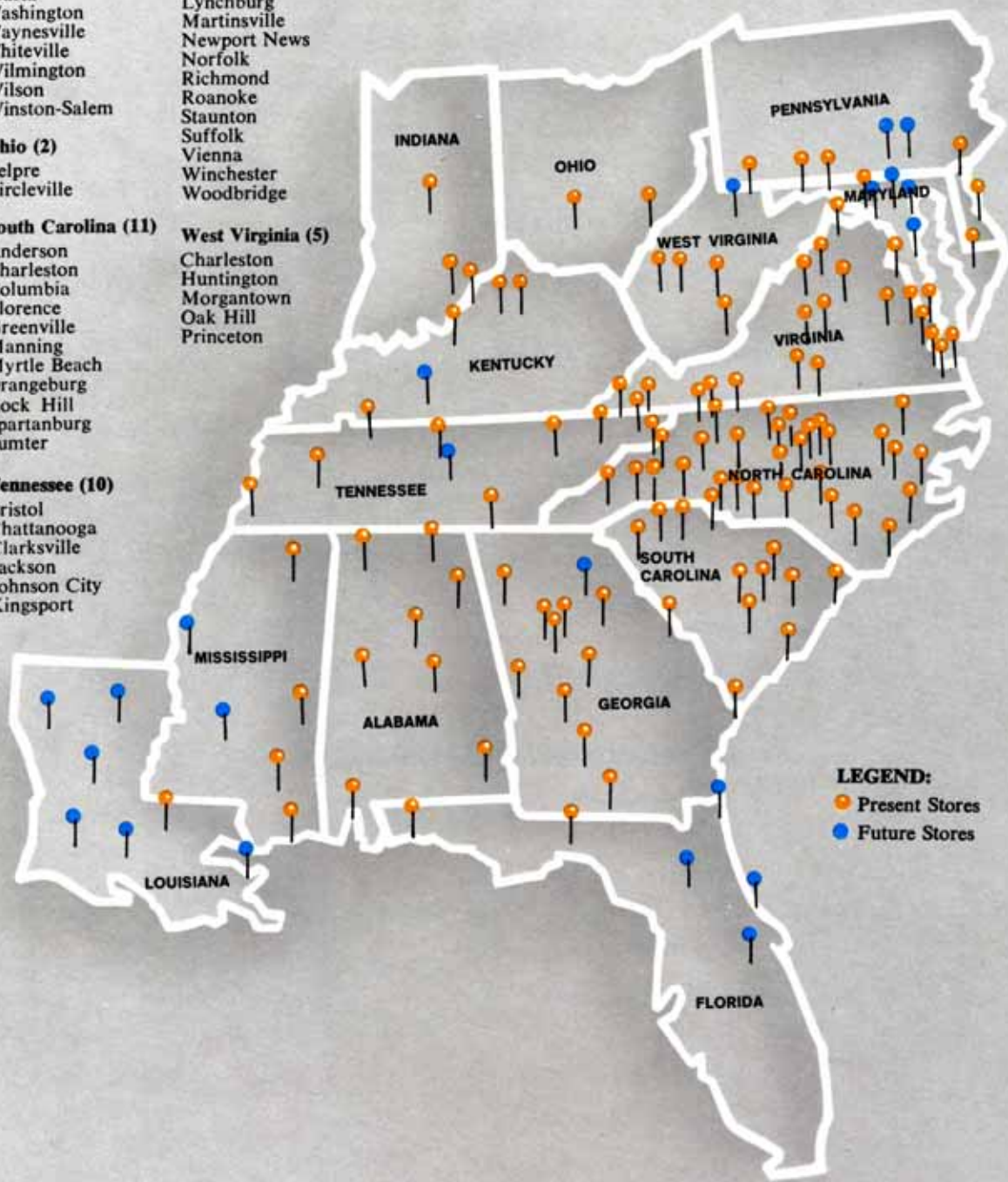
Ohio (2)
Belpre
Circleville

South Carolina (11)
Anderson
Charleston
Columbia
Florence
Greenville
Manning
Myrtle Beach
Orangeburg
Rock Hill
Spartanburg
Sumter

Tennessee (10)
Bristol
Chattanooga
Clarksville
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Morristown
Nashville

Virginia (16)
Charlottesville
Danville
Fredericksburg
Harrisonburg
Hopewell
Lynchburg
Martinsville
Newport News
Norfolk
Richmond
Roanoke
Staunton
Suffolk
Vienna
Winchester
Woodbridge

West Virginia (5)
Charleston
Huntington
Morgantown
Oak Hill
Princeton



To Our Shareholders

Business Results: Ohio State's successful football offense has been characterized as "three yards and a cloud of dust". One could characterize successful fiscal quarters as "three months and a cloud of money". In our fourth quarter, as shown below, getting sales yardage was tough, but we did edge ahead of last year's fourth quarter. Here the analogy gets strained, because there was nothing cloudy about the 14.7% gain in earnings, exceeding the $5,000,000 quarterly mark for the first time. The earnings gain stemmed from the gross margin and expense control programs we have mentioned in the last two quarterly reports. Another helpful factor was the one discussed in the comments on chart 12, page 9. In the fourth quarter, we incur just 25% of our fixed expenses, and this year we did 29% of total sales.

New Store Activity: During the fourth quarter, we maintained our new store opening schedule. Five were opened in new markets — Goldsboro, Sanford, and Rocky Mount, North Carolina; Memphis, Tennessee; and our first store in Louisiana, in Baton Rouge. Also, we replaced our eleven year old store in Wilmington, North Carolina with a new facility. During this fiscal year we have opened 21 "New Image" stores — 16 in new markets and five relocations — for our most significant annual store expansion program to date. All opening expenses have been charged to the current income statement below. While this impacts current earnings, it represents an investment in the basic foundation for continuing future growth — more stores, and more selling space.

Marketing and Financial Trends: Pages 6 through 9 provide additional detailed information, on a monthly and quarterly basis, of some of the basic factors affecting our business climate, the trends therein, and Lowe's performance.

Sales by Store: There were 100 Lowe's stores open for business on July 31, 1973. As shown below, their quarterly sales volume last year totaled $103,923,000, an average of $1,039,230 per store. These same 100 stores posted sales of $95,418,000 this fourth quarter, down 8% to an average of $954,180 per store. The small net sales increase this quarter was thus due entirely to the 16 new stores opened during the year. For the fiscal year, the 100 stores did $346,269,000, up 6% from a year ago, and have accounted for 55% of the total sales increase of $35,607,000, with 45% coming from the 16 new stores.

Dividend Action: On August 1, 1974, Lowe's 53rd consecutive quarterly cash dividend was paid to shareholders of record July 15, in the amount of 3¼¢ per share. With this 8% increase in the rate of cash dividend payout, the payment totaled $278,181, compared with $254,620 one year ago. Another significant dividend action was taken by the Board of Directors during this fourth quarter with the appointment of First National City Bank of New York as your representative for an optional Dividend Reinvestment Plan, wherein your cash dividends, and up to an additional $1,000 per month cash investment can be reinvested in Lowe's stock, with the company paying all service and transaction fees. About 8% of you have already signed up, so we feel it is a desirable option. If by chance, you have not received information about this service, just check the enclosed survey card and we'll send you the explanatory brochure.

Financial Comments: We invite your attention to the 1974 Annual Report Financial Statements on pages 10 through 20. Our balance sheet shows strength and liquidity. The current ratio exceeds 2 to 1 for the first time since 1964. The $4,000,000 short term debt of a year ago has been paid. Note 3 to the financials outlines the interest rates and maturity schedule of our long term debt, favorable factors in our judgment. Finally, the additions to retained earnings this year of $13,571,988 has augmented shareholders' equity by 26%.

The Year in Review and Outlook: As shown in pages 6 through 9, this has been a progressively difficult year. Housing has been crippled by tight money, and inflation is eroding everyone's real income. And we don't see any quick turnaround of these conditions. However, President Ford has labeled inflation as "public enemy number one". When Congress recesses for the campaign, they're going to find out that the economy is issue number one with the voters. A balanced budget fiscal policy would allow monetary policy to ease, and the resulting lower interest rates are necessary for our economic turnaround. Meanwhile, back at Lowe's, we're working everyday to optimize our results in this business climate, and to fulfill our stewardship to you.

Lowe's Office of the President

July 31, 1974 Quarterly Financial Report

(From Audited Earnings Statement, Page 13)

	Quarter Ended			*Year Ended*		
	Changes (1)	*July 31, 1974*	*July 31, 1973*	*Changes (1)*	*July 31, 1974*	*July 31, 1973*
Total Dollars:						
Sales	+ .6%	$104,500,972	$103,923,100	+10.9%	$362,453,211	$326,846,108
Pre-Tax Earnings	+15.1%	10,218,136	8,875,627	+15.3%	29,286,992	25,393,076
Taxes on Earnings	+15.6%	5,091,965	4,405,104	+15.8%	14,669,889	12,665,144
Net Earnings	+14.7%	5,126,171	4,470,523	+14.8%	14,617,103	12,727,932
Cash Dividends Paid	+ 9.3%	278,181	254,620	+ 2.7%	1,045,115	1,017,268
Earnings Retained	+15.0%	4,847,990	4,215,903	+15.9%	13,571,988	11,710,664
Per Share: (2)						
Sales	— .5%	$12.19	$12.25	+10.2%	$42.49	$38.57
Earnings	+13.1%	.60	.53	+14.1%	1.71	1.50
Dividends	+ 8.1%	.03	.03	+ 2.1%	.12	.12
Earnings Retained	+13.8%	.57	.50	+15.1%	1.59	1.38
Average Shares Outstanding	+ 1.0%	8,572,953	8,486,065	+ .7%	8,529,499	8,474,124

(1) To nearest tenth percent.
(2) To nearest whole cent. Change % computed from precise figures, page 13.

Marketing Statistics

Housing Starts, U.S.

1

THOUSANDS OF STARTS, SEASONALLY ADJUSTED ANNUAL RATES

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974	
Month	Rate	Change*	Rate	Change*	Rate	Change*	Rate	Change*
Aug.	1,401	+ 3%	2,219	+59%	2,424	+ 9%	2,030	−16%
Sept.	1,531	+ 2%	2,029	+33%	2,426	+20%	1,844	−24%
Oct.	1,589	+15%	2,038	+28%	2,446	+20%	1,674	−32%
Nov.	1,621	+32%	2,228	+37%	2,395	+ 7%	1,675	−30%
Dec.	1,943	+47%	2,396	+23%	2,281	− 5%	1,403	−38%
Jan.	1,810	+63%	2,439	+37%	2,472	+ 1%	1,464	−41%
Feb.	1,794	+36%	2,540	+42%	2,423	− 5%	1,922	−31%
Mar.	1,938	+42%	2,313	+19%	2,283	− 1%	1,499	−34%
Apr.	1,951	+59%	2,204	+13%	2,153	− 2%	1,630	−24%
May	2,046	+60%	2,318	+13%	2,330	+ 1%	1,471	−37%
June	2,008	+44%	2,315	+15%	2,152	− 7%	1,590	−26%
July	2,091	+39%	2,244	+ 7%	2,152	− 4%	1,331	−38%

*Change from same month previous year, to nearest whole percent.
P = preliminary estimates.
SOURCE: Department of Commerce, Economic Indicators

Loan Commitment Trends

2

MILLIONS OF DOLLARS, ROUNDED TOTALS

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974	
Month	Commitments	Change*	Commitments	Change*	Commitments	Change*	Commitments	Change*
Aug.	$ 391	+ 18%	$953	+144%	$1,262	+32%	$1,170	− 7%
Sept.	400	+ 30%	907	+127%	1,254	+38%	1,041	−17%
Oct.	420	+ 54%	868	+106%	1,284	+48%	946	−26%
Nov.	428	+ 65%	835	+ 95%	1,281	+53%	886	−31%
Dec.	421	+ 82%	794	+ 89%	1,160	+46%	833	−28%
Jan.	455	+ 94%	837	+ 84%	1,237	+48%	844	−32%
Feb.	530	+113%	942	+ 78%	1,318	+40%	933	−29%
Mar.	705	+165%	1,099	+ 56%	1,691	+54%	1,023	−40%
Apr.	834	+170%	1,173	+ 41%	1,617	+38%	1,096	−32%
May	932	+169%	1,289	+ 38%	1,708	+33%	1,048	−39%
June	1,025	+170%	1,303	+ 27%	1,582	+21%	976	−38%
July	1,022	+161%	1,304	+ 28%	1,396	+ 7%	906	−35%

*Change from same month previous year, to nearest whole percent.
P = preliminary estimates. States included: Alabama, Georgia, Maryland, North Carolina, South Carolina, Virginia, and the District of Columbia.
SOURCE: Fourth Federal Home Loan Bank District

Construction Spending, U.S.

3

RESIDENTIAL, BILLIONS OF DOLLARS, SEASONALLY ADJUSTED ANNUAL RATES

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974	
Month	Rate	Change*	Rate	Change*	Rate	Change*	Rate	Change*
Aug.	$30.9	+ 5%	$45.1	+50%	$54.8	+22%	$59.3	+ 8%
Sept.	31.9	+ 9%	45.9	+47%	55.7	+21%	58.0	+ 4%
Oct.	33.4	+14%	46.8	+42%	56.5	+21%	56.2	− 1%
Nov.	34.5	+20%	47.5	+39%	57.3	+21%	54.5	− 5%
Dec.	35.6	+23%	48.4	+38%	58.0	+20%	52.3	−10%
Jan.	36.3	+26%	49.6	+37%	59.3	+20%	49.8	−16%
Feb.	37.1	+29%	51.2	+38%	60.8	+19%	49.1	−19%
Mar.	38.4	+31%	52.7	+37%	60.3	+14%	49.2	−18%
Apr.	40.4	+36%	52.9	+31%	58.4	+10%	49.6	−15%
May	42.2	+45%	53.0	+26%	57.6	+ 9%	49.7	−14%
June	43.3	+56%	53.7	+24%	58.2	+ 8%	49.3	−15%
July	44.1	+63%	54.2	+23%	59.1	+ 9%	48.7p	−18%

*Change from same month previous year, to nearest whole percent.
P = preliminary estimates.
SOURCE: Department of Commerce, Economic Indicators

Significance, Chart I: The rate of housing starts has a major effect on our professional buyer business (PB in Chart 5 on the next page), since our product line centers on residential building materials. Shown here are monthly rates for private housing starts in the nation. Although private starts do not include certain governmental construction, they typically comprise 98% of all housing. These rates are "seasonally adjusted," which means that the actual number of housing starts for the month are expanded by formula into an estimated going rate of annual housing starts. Chart 1 depicts the heights and the tenacity of the recent boom in housing. A 2,000,000 annual starts rate had never been achieved in this country until May of 1971. That level was surpassed for 28 consecutive months. Chart 1 also shows clearly the plateau and decline of the last 20 months, as housing starts were crunched down by high interest rates and a net outflow of funds from savings and loans.

Until interest rates fall enough to reverse the disintermediation process, the natural demand for housing will continue to be artificially depressed much as it was in the two most recent tight credit periods, 1969-70 and 1966-67. However, the ongoing housing shortage in the nation is creating pent-up demand for our future sales.

Significance, Chart 2: Permanent mortgage funds availability is intertwined with housing starts. This chart is regional, and therefore more pertinent to Lowe's since 84 of Lowe's stores are located in this area. "Commitments" are the total month-end dollar amounts pledged for near-future permanent mortgage uses by federally-insured savings and loan associations in the Fourth Federal Home Loan Bank District excluding Florida.

Although there was a net outflow of savings funds from savings and loans in this area of $15 million during the July-September, 1973 period, there was a net gain of $474 million in the October-December quarter, a net gain of $798 million during the first calendar quarter of 1974, and a net gain of $243 million for the quarter ending in June of this year. This net gain in savings deposits or "savings capital" explains in part why the absolute level of new mortgage commitments has been relatively firm over the past year.

Significance, Chart 3: Residential construction spending is another key

indicator. These figures are national, also seasonally adjusted, and help quantify the housing start rates in Chart 1. These dollar totals show more strength and stability than housing start units during the last few months, and noticeably so when compared with the 1971 figures. Houses are getting larger, and more costly per square foot, as construction costs rise. In 1968, the national average cost of labor and material for all homes built was $15,500. By 1973, the price had risen to $23,000.

Significance, Chart 4: These national retail sales amounts are not seasonally adjusted, but estimated total monthly sales of lumber yards, building material dealers, paint, plumbing, heating and electrical stores, hardware stores, and appliance, TV, and radio stores. This grouping most closely corresponds to Lowe's total merchandise line competition, and these sales gains shown indicate the growing and also counter-cyclical strength of "home centers" and retail building material merchandisers.

Significance, Chart 5: This is Lowe's sales analysis by customer, and each Lowe's store serves two major customer groupings. PB represents professional buyers; builders, contractors, developers, carpenters, electricians, etc. RC represents our retail customers, primarily "householders" buying for personal use. Note the slowdown in PB purchases over the course of fiscal 1974, compared with those purchases one year ago; and compare these changes with the market climate change rates shown in Charts 1, 2, and 3. We feel this indicates improved market penetration. Lowe's sales to retail customers continue to demonstrate a strong growth pattern through all four quarters. For the fourth quarter alone, from 1971 through 1974, Lowe's PB sales have grown at an average annual compound growth rate of 19%, in spite of this year's decline. Our RC sales for the same period have grown at 26%.

Significance, Chart 6: This is a profile of product sales. Category A represents all sales of lumber and building materials and is the same as the categories of merchandise designated as 1 and 2 in our Annual Reports. Category B includes building hardware, home appliances, house and yard products, home entertainment, and mobile homes, Categories 3 through 7 as shown in our Annual Reports. The 1971 to 1974 fourth quarter compound growth rates are 20% for Category A, and 25% for B.

Retail Sales, U.S.

4

MILLIONS OF DOLLARS, ESTIMATED MONTHLY TOTALS

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974	
Month	Sales	Change*	Sales	Change*	Sales	Change*	Sales	Change*
Aug.	$1,929	+12%	$2,141	+11%	$2,559	+20%	$2,860	+12%
Sept.	1,947	+13%	2,117	+ 9%	2,478	+17%	2,615	+ 6%
Oct.	1,993	+14%	2,147	+ 8%	2,523	+18%	2,728	+ 8%
Nov.	1,822	+14%	2,114	+16%	2,382	+13%	2,611	+10%
Dec.	2,064	+14%	2,351	+14%	2,518	+ 7%	2,706	+ 7%
Jan.	1,458	+ 5%	1,763	+21%	2,053	+16%	2,107	+ 3%
Feb.	1,434	+ 6%	1,745	+22%	2,033	+17%	2,084	+ 3%
Mar.	1,685	+11%	1,982	+18%	2,356	+19%	2,423	+ 3%
Apr.	1,826	+ 8%	2,052	+12%	2,439	+19%	2,634	+ 8%
May	2,018	+11%	2,261	+12%	2,700	+19%	2,859	+ 6%
June	2,175	+12%	2,385	+10%	2,855	+20%	2,841	—
July	2,121	+ 8%	2,445	+15%	2,714	+11%	2,944p	+ 8%

*Change from same month previous year, to nearest whole percent. P=preliminary estimates.
SOURCE: Department of Commerce, Monthly Retail Trade

Lowe's Customer Sales Profile

5

THOUSANDS OF DOLLARS, ROUNDED TOTALS

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974		
Category	Sales	Change*	Sales	Change*	Sales	Change*	Sales	Change*	% of Total
1st Qtr.									
PB	$ 22,260	+21%	$ 32,780	+47%	$47,692	+46%	$54,344	+14%	59%
RC	16,780	+26%	20,771	+24%	26,825	+29%	37,153	+37%	41%
Totals	$ 39,040	+23%	$ 53,551	+37%	$74,517	+39%	$91,497	+23%	100%
2nd Qtr.									
PB	$ 22,410	+32%	$ 31,805	+42%	$40,720	+28%	$44,728	+10%	58%
RC	11,779	+15%	18,535	+57%	24,770	+34%	32,934	+33%	42%
Totals	$ 34,189	+26%	$ 50,340	+47%	$65,490	+30%	$77,662	+19%	100%
3rd Qtr.									
PB	$ 24,150	+44%	$ 36,350	+51%	$53,866	+48%	$53,771	—	61%
RC	14,330	+23%	19,603	+37%	29,050	+48%	35,021	+21%	39%
Totals	$ 38,480	+36%	$ 55,953	+45%	$82,916	+48%	$88,792	+ 7%	100%
4th Qtr.									
PB	$ 35,099	+47%	$ 45,280	+29%	$ 63,622	+41%	$ 58,979	− 7%	56%
RC	22,915	+32%	29,432	+28%	40,300	+37%	45,522	+13%	44%
Totals	$ 58,014	+41%	$ 74,712	+29%	$103,922	+39%	$104,501	+ 1%	100%

*Change from same quarter, previous year, to nearest whole percent.

Lowe's Product Sales Profile

6

THOUSANDS OF DOLLARS, ROUNDED TOTALS

	Fiscal 1971		Fiscal 1972		Fiscal 1973		Fiscal 1974		
Category	Sales	Change*	Sales	Change*	Sales	Change*	Sales	Change*	% of Total
1st Qtr.									
A	$ 26,665	+25%	$ 39,535	+48%	$56,289	+42%	$66,186	+18%	72%
B	12,375	+18%	14,016	+13%	18,228	+30%	25,311	+39%	28%
Totals	$ 39,040	+23%	$ 53,551	+37%	$74,517	+39%	$91,497	+23%	100%
2nd Qtr.									
A	$ 23,896	+36%	$ 35,970	+51%	$46,130	+28%	$53,160	+15%	68%
B	10,293	+ 8%	14,370	+40%	19,360	+35%	24,502	+27%	32%
Totals	$ 34,189	+26%	$ 50,340	+47%	$65,490	+30%	$77,662	+19%	100%
3rd Qtr.									
A	$ 27,480	+38%	$ 40,775	+48%	$61,916	+52%	$63,084	+ 2%	71%
B	11,000	+31%	15,178	+38%	21,000	+38%	25,708	+22%	29%
Totals	$ 38,480	+36%	$ 55,953	+45%	$82,916	+48%	$88,792	+ 7%	100%
4th Qtr.									
A	$ 40,839	+39%	$ 53,830	+32%	$ 73,510	+37%	$ 71,364	− 3%	68%
B	17,175	+46%	20,882	+22%	30,412	+46%	33,137	+ 9%	32%
Totals	$ 58,014	+41%	$ 74,712	+29%	$103,922	+39%	$104,501	+ 1%	100%

*Change from same quarter previous year, to nearest whole percent.

Financial Statistics

Quarterly Dividends & Additions to Retained Earnings

9

THOUSANDS OF DOLLARS, ROUNDED TOTALS

	Dividends				Additions to Retained Earnings							
Fiscal:	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	Change*	2nd Qtr.	Change*	3rd Qtr.	Change*	4th Qtr.	Change*
1974	$ 255	$ 255	$ 256	$ 278	$2,863	+21%	$2,465	+13%	$3,396	+15%	$4,848	+15%
1973	$ 254	$ 254	$ 254	$ 255	$2,383	+36%	$2,187	+37%	$2,944	+65%	$4,216	+38%
1972	$ 232	$ 237	$ 237	$ 240	$1,734	+38%	$1,593	+78%	$1,786	+59%	$3,061	+29%
1971	$ 210	$ 231	$ 231	$ 235	$1,252	+25%	$ 896	+26%	$1,122	+62%	$2,371	+47%
1970	$ 210	$ 210	$ 210	$ 214	$1,001	+ 5%	$ 713	+ 5%	$ 694	−15%	$1,618	+18%
1969	$ 189	$ 189	$ 189	$ 213	$ 955	+46%	$ 681	+60%	$ 815	+33%	$1,377	+20%

*Change from same month previous year, to nearest whole percent.

General: The information in Charts 7 through 12 provides additional data for analysis and judgment. Certainly the technique of comparing quarters against like quarters rather than just against yearly figures, will give superior insight into the various seasonal patterns, cross-currents, etc. that are more than ever present and important at Lowe's.

Comments, Charts 7 and 8: Our six year record of sales and earnings by quarter is shown in Charts 7 and 8. As noted on the next page in the comments on these recent fiscal years, fiscal 1970 is the year which most resembled fiscal 1974 in housing market climate. In contrast to fiscal 1970, the trend in the housing market continued to deteriorate in the fourth quarter of fiscal 1974, and to reduce the total sales opportunity for many of the products we sell. In spite of this, dollar sales and earnings both set records in the fourth quarter, and quarterly earnings passed the $5 million mark for the first time.

A higher margin on sales, as well as the traditional relationship of fixed costs to volume in our fourth quarter, resulted in earnings equal to 35% of the year's total with sales representing 29%. Compare these results with the five-year averages of the yearly totals presented in Chart 12.

Comments, Chart 9: Here's how the earnings are being utilized, and these figures make our policy obvious. As a growth company, the majority of earnings are plowed back into the company to meet the needs of expansion and growth. Simultaneously, however, we are increasing the dividend cash flow slowly, but steadily.

Comments, Chart 10: This chart is a recapitulation, on a per share basis, of Charts 7 and 8. We think this Chart illustrates another management policy — no dilution. We believe additions to retained earnings, plus additional borrowing for fixed assets, can continue to finance our expansion for a long time. We choose not to sell additional stock in Lowe's, but rather to concentrate on the leverage of increased sales per share to provide increased earnings per share for our stockholders.

Comments, Chart 11: Chart 11 is a recapitulation of the annual compound growth rates in sales, earnings, dividends, and additions to retained earnings for each of the four quarters from fiscal 1969 through fiscal 1974.

Comments, Chart 12: This Chart presents a 5-year historic relationship between quarterly sales and earnings and is of major significance when analyzing changes in sales and earnings in our quarterly reports. As shown here, Lowe's normal pattern has been for earnings' % of the total year to lag behind sales % of the total year in all quarters except the fourth. The single most important reason has been the relationship of fixed and variable costs to sales volume. We have done about 32% of our yearly volume in May, June, and July, our fourth quarter, with of course, just 25% of our fixed costs. 1974 was a somewhat atypical year due to the progressive weakening of the housing market and our changed margin performance during the last half.

Comments on Fiscal Years Shown:

1969: A great year in sales and earnings during a good marketing climate.

1970: Another troubled year in the building market due to housing funds shortages. We had to scramble to post gains, through increased emphasis on retailing.

1971: One of the classic years. A booming housing market and our continued retail sales increases posted all time highs.

1972: An outstanding year. All the ingredients were present for Lowe's to again achieve new highs.

1973: Another record-setting year, with these important milestones: 100 stores, $326 million in sales, and $1.50 earnings per share.

1974: In the first quarter — a time of scarce and expensive funds for housing, and a steep housing slowdown. Also in the first quarter, continuing good retail opportunities and results.

In the second quarter, a continuing housing slump, but with funds flow beginning a turnaround. The energy crisis sparked heavy retail demand for many of our products.

In the third quarter, housing continued at the slowest pace in the last four years, and signs arose that inflation was eroding the retail customer's confidence. The premium was on operating ability — to make money on the business we did.

In the fourth quarter, more of the same climate and the same strategy.

Quarterly Per Share Trends

10

	Sales				Earnings				Shares*			
Fiscal	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1974	$10.77	$9.12	$10.47	$12.19	$.367	$.319	$.428	$.598	8,496	8,517	8,532	8,573
1973	$8.81	$7.23	$9.78	$12.25	$.309	$.288	$.377	$.526	8,458	8,471	8,480	8,486
1972	$6.36	$5.95	$6.63	$8.84	$.234	$.217	$.240	$.391	8,421	8,425	8,441	8,453
1971	$4.64	$4.06	$4.58	$6.89	$.174	$.134	$.161	$.310	8,415	8,415	8,415	8,419
1970	$3.78	$3.22	$3.37	$4.90	$.144	$.110	$.107	$.218	8,415	8,415	8,415	8,415
1969	$3.46	$3.01	$3.37	$4.31	$.136	$.103	$.119	$.189	8,409	8,410	8,411	8,414

*In thousands, adjusted for November, 1969, 100% stock dividend; December, 1971, 50% stock dividend; and July, 1972, 33⅓% stock dividend. Variation in shares is due to employee stock option exercise.

Quarterly Compound Growth Rates

11

FISCAL 1969 THROUGH FISCAL 1974

Category	First Qtr.	Second Qtr.	Third Qtr.	Fourth Qtr.
Sales	26%	25%	26%	24%
Earnings	22%	26%	29%	26%
Dividends	6%	6%	6%	5%
Additions to Retained Earnings	25%	29%	33%	29%

*Average Annual Compound Growth Rates to Nearest Whole %.

Sales and Earnings Quarterly % of Yearly Total

12

AVERAGE, 1969 THROUGH 1973, ROUNDED FIGURES

Audit Committee

Introduction

Lowe's Board of Directors, at a regular quarterly meeting on May 24, 1974 authorized the establishment of an Audit Committee of the Board of Directors to consist of the three directors who are not members of the Executive Committee. A motion thereto was unanimously adopted. The primary responsibility of the Audit Committee is to review the functioning of Lowe's internal accounting and external auditing in order to insure all shareholders of the adequacy and effectiveness of these procedures.

Pictured from left: Chairman Gordon E. Cadwgan, William H. McElwee, and Robert G. Schwartz, meeting with J. A. Grisette.

Report of Audit Committee

The Audit Committee has met on several occasions with our Auditors, J. A. Grisette & Co. and the Company's chief Financial Officers to review and examine currently used methods and procedures in the following specific areas:

1. The scope of the internal and external auditing process.
2. The on-going long range financial planning and projections.
3. The effects of proposed changes in tax legislation.
4. The accounting and disclosure of lease obligations.

We have assured ourselves that the company's accounting and financial controls are working effectively, and that the audit procedures are thorough and precise.

Lowe's Audit Committee

October 7, 1974

Audited Financial Statements

Introduction

Our 1970 Shareholder survey, published in the 1971 Annual Report, revealed that the combination of the 16 year review and the Audited Financial Statements were cited as "Best Liked Portion of the Report" by 34% of responding shareholders. Since that time, we and our Auditors have attempted to improve our reporting techniques in these sections through a combination of more pages, more facts, more pertinent disclosure, more communicative graphics, and less technical terminology.

With 11 pages of Audit and Financial Information, compared with 5 pages in 1971, plus the 11 year review on pages 22 and 23, this report represents an augmented effort to achieve better communication of financial information, via the techniques listed above. Specific features repeated from last year are an important discussion of Balance Sheet Management and other Financial Policies; a 10 year review of Sources of Funds, Uses of Funds, and Changes in Components of Working Capital; a Summary of Significant Accounting Policies; and generally expanded Notes to the Financial Statements.

We particularly want to advise you that all pertinent information in our 10-K report to the Securities and Exchange Commission is included in these Financial Statements for 1974. Again, if you would like a copy of the 10-K, please check the appropriate box on the enclosed survey card.

Report of Certified Public Accountants

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

We have examined the consolidated balance sheet of Lowe's Companies, Inc. and subsidiaries as of July 31, 1974 and 1973, and the related consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements referred to above present fairly the consolidated financial position of Lowe's Companies, Inc. and subsidiaries as of July 31, 1974 and 1973, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

J. A. GRISETTE & CO.
Certified Public Accountants

Lenoir, North Carolina
September 17, 1974

Lowe's Financial Policies

Shown in Chart A is the sales growth trend at Lowe's, up an average 29.6% per year from 1970 through 1974. This growth rate, increasing in the last five years (see page 22) indicates the growth in the marketplace acceptance of Lowe's merchandise and services; and the harmonious interrelationship of marketing policies, operations techniques and financial management.

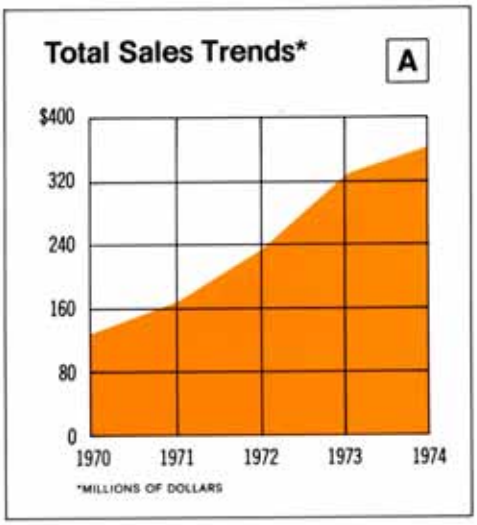
Chart B delineates net earnings as a percentage of sales during the last five years. The 4.03% in 1974 is our highest yet attained. This measures the efficiency of the sales organization and the consistency of the rates shown indicate a well-balanced effort which remains instrumental in Lowe's Return on Assets. (Pages 22 and 23).

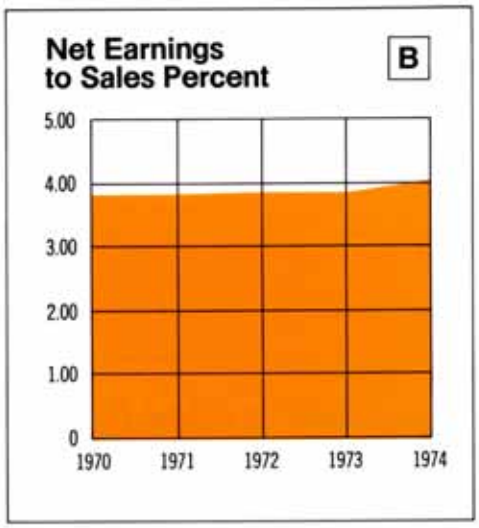
Management's policy of earnings application is portrayed in Chart C. We are systematically increasing the cash dividend payout to our shareholders while we are consistently retaining the major portion to provide working capital for Lowe's continuing growth. These policies, which facilitate growth without dilution of shareholder equity, have received consistent support in your responses to our shareholder surveys. Therefore no stock offerings are being contemplated.

Let us now consider Balance Sheet (pages 14 and 15) Policies and Management. Two major areas for financial policy, one for each half of the Balance Sheet, have guided Lowe's growth. First, for the Assets half, we concern ourselves with the structural balance of the various Asset components which contribute to our profits and growth. Charts D and E on page 14 portray the trends and proportions of each major component. Since Fixed Assets provide no direct return on investment, we maintain the major portion of our Assets in items that "turn" around sales, specifically Inventory and Accounts Receivable. From 1970 through 1974, Inventory and Receivables have been maintained in a close 65% to 70% range of total Assets. This heavy proportion in these two Assets, coupled with their high rates of turnover, has enabled us to maintain and increase, in most years, our rate of total Asset Turnover (pages 22 and 23) a major factor in our consistent Return on Shareholder Equity.

Inventory is the single most important Asset to a company like Lowe's. Our fundamental mission is the retail marketing of hard goods, not retail financing and not real estate investment. Inventory is where the profitability is, and it rightly maintains its major proportion of Assets. Lowe's Sales to Inventory Ratio — Total Sales divided by Average Inventory — was 6.4 times in 1974, down from 7.7 times in 1973, due in part to our cash-charge sales mix changes.

Accounts Receivable are in most years the next largest portion of total Assets and are an essential marketing service to our professional customers. Their average tenure on the ledgers varies seasonally between 40 and 55 days. Although we offer credit terms to our retail customers, these contracts are sold daily to finance companies on a non-recourse basis. These credit sales are therefore like cash sales to Lowe's — from the dual standpoints of risk and cash flow — and aren't carried in Receivables. Our Receivable Turnover rate in 1974 — Credit Sales divided by Average Receivables — was 5.7 times, down from 6.3 times in fiscal 1973. Fixed Assets have grown from 21% to 26% of total Assets from 1970 through 1974; while other Assets have simultaneously ranged between 10% and 7% of total Assets in the last five years.





Consolidated Statement of Current Earnings

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

Year Ended July 31, 1974 With Comparative Figures for 1973	1974	1973
Income:		
Net Sales	$362,453,211	$326,846,108
Costs and Expenses:		
Cost of Sales, Buying, Warehousing and Occupancy	$288,023,372	$266,758,393
Advertising, Selling, Administrative and General Expenses	33,371,208	26,680,888
Depreciation and Amortization (Note 2)	3,458,042	2,790,923
Contribution to Employees' Profit-Sharing Plan (Note 7)	3,649,317	2,695,178
Interest and Loan Expense	2,744,682	1,350,296
Provision for Bad Debts	1,919,598	1,177,354
Total Costs and Expenses	$333,166,219	$301,453,032
Pre-Tax Earnings	$ 29,286,992	$ 25,393,076
Provision for Income Taxes	14,669,889	12,665,144
Net Earnings	$ 14,617,103	$ 12,727,932
Average Shares Outstanding	8,529,499	8,474,124
Earnings per Common Share (Note 1)	$ 1.71	$ 1.50

Consolidated Statement of Retained Earnings

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

Year Ended July 31, 1974 With Comparative Figures for 1973	1974	1973
Balance at Beginning of Year	$ 45,623,496	$ 33,913,091
Additions:		
Net Earnings	$ 14,617,103	$ 12,727,932
Less Cash Dividends	1,045,115	1,017,268
Net Additions	$ 13,571,988	$ 11,710,664
Deductions:		
Stock Dividends (Note 5)		$ 259
Balance at End of Year	$ 59,195,484	$ 45,623,496

SEE NOTES TO FINANCIAL STATEMENTS ON PAGES 18, 19, AND 20.

Lowe's Financial Policies

The second major financial policy consideration in Lowe's Balance Sheet Management deals with the Liabilities and Shareholders' Equity half, where we are specifically concerned with the financing of total Assets. The most important components here are Shareholders' Equity, Accounts Payable, Long Term Debt, and Other Liabilities. Charts E and F show the proportions and trends of these major Balance Sheet elements, consecutively for the last five years.

Let's discuss Equity first. Since it was 45% of total Liabilities and Equity on July 31, 1974, it was obviously financing 45% of total Assets. Although the Equity growth rate is 28.2% annually compounded for the last four years, the concurrent 32.1% annual growth of total Assets has caused Equity's portion to drop from 50% to 45% of the total. However, Equity must continue to finance the largest percentage of total Assets, and the Retained Earnings policy which we discussed earlier will implement this. Still, Equity cannot finance the total Assets required to maximize Lowe's operations and opportunities. Besides shareholders' money, other people's money is needed and obtained, some on a short term basis and some on a long term basis. Leverage, as used here, is computed by dividing total Assets by Shareholder Equity. Trends in Lowe's Leverage Factor are shown in the small table at right, and in lines 19 and 37, pages 22 and 23.

Accounts Payable are historically the second largest portion of this half of the Balance Sheet and until this year have been maintained in consistent percentage. Although Payables are a function of Inventory purchases, the remarkably similar levels in recent years of credit extended to Lowe's, called Payables, and credit extended by Lowe's, called Receivables, provide insight into the company's consistent management of these sources and uses of short term credit.

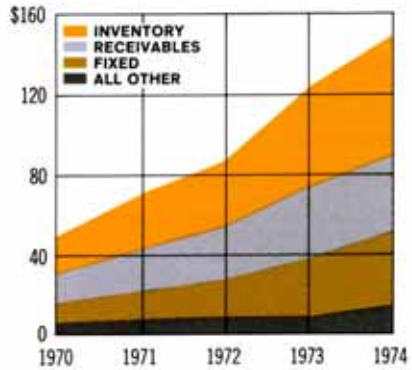
As Chart E shows, Long Term Debt has changed most in the last five years. This reflects a change in our store expansion policy. At the end of fiscal 1970, Lowe's owned half our 64 stores and leased the other half. However, finding appropriate rental facilities which could include modern, larger sales floors, warehouse storage areas, and parking space necessary to adequately serve our customers became first difficult, then impossible. Since then, Lowe's Investment Corporation, a wholly-owned subsidiary, has bought and owns virtually all the real estate and buildings for our new Lowe's stores. This has affected our debt policy. Since non-turning Fixed Assets are a long term investment, they are financed with Long Term Debt, hence the growth shown. Lowe's has a long-time relationship with a major insurance company under which we finance land acquisition and new store construction over a 15-year period. All of Lowe's Long Term Debt is acquired for internal-use real estate for the physical facilities of our stores. As a general rule, all office and store equipment is bought for cash, with the exception of certain peripheral data processing components, which have a relatively rapid obsolescence factor.

The ratio derived by dividing Equity by Long Term Debt is an oft-used evaluatory measure for capital structure, and trends therein are shown in the small table at right above, and on line 36, pages 22 and 23.

Other Liabilities are various current obligations, including accrued income taxes, and were financing 11% of our Assets on July 31, 1974.

In summary, Balance Sheet Management is one of the most important of Lowe's corporate strategies, and obviously essential to our balanced growth.

Assets: Trends & Composition* **D**



*MILLIONS OF DOLLARS

LEVERAGE FACTOR	1.99	2.26	2.28	2.43	2.24

Balance Sheet Trends **E**

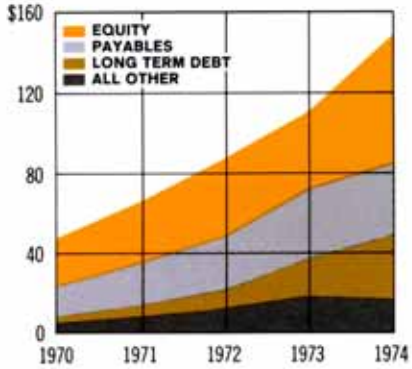
% of Total*

	1970	1971	1972	1973	1974
INVENTORY:	39%	40%	39%	40%	41%
RECEIVABLES:	30%	30%	31%	30%	24%
FIXED ASSETS:	21%	20%	22%	23%	26%
ALL OTHER:	10%	10%	8%	7%	9%
TOTALS:	100%	100%	100%	100%	100%
EQUITY:	50%	44%	44%	41%	45%
PAYABLES:	31%	32%	31%	29%	22%
DEBT:	7%	11%	11%	15%	22%
ALL OTHER:	12%	13%	14%	15%	11%
TOTALS:	100%	100%	100%	100%	100%

*TO NEAREST WHOLE %

EQUITY-DEBT RATIO	6.6 to 1	3.9 to 1	3.7 to 1	2.8 to 1	2.0 to 1

Equity and Liabilities Trends & Composition* **F**



*MILLIONS OF DOLLARS

Consolidated Balance Sheet

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

July 31, 1974 With Comparative Figures for July 31, 1973	1974	1973
ASSETS		
Current Assets:		
Cash	$ 12,986,368	$ 7,858,746
Accounts Receivable Less Allowance for Doubtful Accounts — 1974 — $2,007,200; 1973 — $1,901,168	36,849,859	37,603,195
Inventories at the Lower of Cost (First-In, First-Out) or Market	61,775,133	50,638,619
Prepaid Expenses and Other Current Assets	331,487	290,444
Total Current Assets	$111,942,847	$ 96,391,004
Property, Improvements and Equipment: (Notes 2 and 3)		
At Cost Less Accumulated Depreciation — 1974 — $12,017,619; 1973 — $9,422,442	38,551,555	29,237,863
Other Assets:		
Unamortized Loan Expense	79,300	24,142
Sundry Assets at Cost	60,278	60,808
Total Assets	$150,633,980	$125,713,817
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable — Trade	$ 32,640,087	$ 36,101,215
Notes Payable		4,000,000
Accrued Expenses	6,886,567	6,634,723
Provisions for Employees' Profit-Sharing	2,975,149	2,253,161
Current Maturities of Long-Term Debt	994,546	1,631,757
Provisions for Income Taxes (Note 4)	6,732,005	5,072,915
Total Current Liabilities	$ 50,228,354	$ 55,693,771
Long-Term Debt: (Note 3)		
Notes Payable	33,157,994	18,237,721
Total Liabilities	$ 83,386,348	$ 73,931,492
Shareholders' Equity: (Notes 3 and 5)		
Common Stock — $.50 Par Value, Authorized 20,000,000 Shares; Issued and Outstanding 1974 — 8,591,330 Shares; 1973 — 8,487,313 Shares	$ 4,295,665	$ 4,243,657
Capital in Excess of Par Value	3,756,483	1,915,172
Retained Earnings	59,195,484	45,623,496
Total Shareholders' Equity	$ 67,247,632	$ 51,782,325
Total Liabilities and Shareholders' Equity	$150,633,980	$125,713,817

SEE NOTES TO FINANCIAL STATEMENTS ON PAGES 18, 19, and 20.

Consolidated Statement of Changes in Financial Position

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

	Ten Year Totals		7-31-74		7-31-73		7-31-72	
AMOUNTS IN THOUSANDS: ( ) INDICATES A DECREASE	Amount	%	Amount	%	Amount	%	Amount	%
Source of Funds:								
Net Earnings	$ 63,690	48.0	$14,617	33.2	$12,728	48.2	$ 9,121	50.7
Depreciation and Amortization	14,817	11.2	3,458	7.8	2,791	10.6	2,295	12.7
Total Funds from Operations	$ 78,507	59.2	$18,075	41.0	$15,519	58.8	$11,416	63.4
Sale of Common Stock Under Option Plan	3,281	2.5	1,534	3.4	473	1.8	532	3.0
Disposals of Property and Equipment	1,656	1.3	295	.7	152	.6	302	1.7
Additions to Long-Term Debt	48,258	36.4	23,820	54.0	9,907	37.5	5,714	31.7
Tax Benefit from Optionee Stock Dispositions	703	.5	359	.9	344	1.3		
Other	164	.1					42	.2
Totals	$132,569	100.0	$44,083	100.0	$26,395	100.0	$18,006	100.0
Use of Funds:								
Dividends Paid	$ 8,091	6.1	$ 1,045	2.4	$ 1,017	3.9	$ 946	5.3
Reduction of Long-Term Debt	17,717	13.4	8,900	20.2	1,683	6.4	2,996	16.6
Additions to Property and Equipment	52,642	39.7	13,066	29.6	12,851	48.6	7,840	43.5
Retirement of Preferred Stock	45						45	.2
Other	259	.2	55	.1	40	.2		
Totals	$ 78,754	59.4	$23,066	52.3	$15,591	59.1	$11,827	65.6
Increase in Working Capital	$ 53,815	40.6	$21,017	47.7	$10,804	40.9	$ 6,179	34.4
Changes in Components of Working Capital:								
Current Assets:								
Cash	$ 9,610		$ 5,128		$ 57		$ 1,498	
Receivables	31,264		(753)		10,164		6,495	
Inventories	55,438		11,136		16,163		7,143	
Other Current Assets	277		41		(103)		62	
Totals	$ 96,589		$15,552		$26,281		$15,198	
Current Liabilities:								
Accounts Payable and Other Liabilities	$ 36,460		$(2,487)		$10,530		$ 8,033	
Notes Payable	724		(4,637)		4,959		194	
Provision for Income Taxes	5,590		1,659		(12)		792	
Totals	$ 42,774		$(5,465)		$15,477		$ 9,019	
Increase in Working Capital	$ 53,815		$21,017		$10,804		$ 6,179	

7-31-71		7-31-70		7-31-69		7-31-68		7-31-67		7-31-66		7-31-65	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
$ 6,548	50.5	$4,870	61.6	$4,608	80.4	$3,592	70.8	$2,770	56.8	$2,790	57.5	$2,046	76.5
1,626	12.5	1,221	15.4	951	16.6	827	16.3	794	16.2	549	11.3	305	11.4
$ 8,174	63.0	$6,091	77.0	$5,559	97.0	$4,419	87.1	$3,564	73.0	$3,339	68.8	$2,351	87.9
63	.5			13	.2	226	4.5	56	1.2	129	2.7	255	9.5
163	1.3	133	1.7	159	2.8	25	.5	265	5.4	138	2.8	24	.9
4,511	34.8	1,620	20.5			401	7.9	995	20.4	1,245	25.7	45	1.7
60	.4	61	.8					1					
$12,971	100.0	$7,905	100.0	$5,731	100.0	$5,071	100.0	$4,881	100.0	$4,851	100.0	$2,675	100.0
$ 907	7.0	$ 844	10.7	$ 780	13.6	$ 756	14.9	$ 661	13.5	$ 616	12.7	$ 519	19.4
531	4.1	498	6.3	1,242	21.7	493	9.7	596	12.2	494	10.2	284	10.6
5,487	42.3	3,825	48.4	2,482	43.3	1,668	32.9	1,730	35.4	1,913	39.4	1,780	66.5
				5	.1	108	2.1			36	.7	15	.6
$ 6,925	53.4	$5,167	65.4	$4,509	78.7	$3,025	59.6	$2,987	61.1	$3,059	63.0	$2,598	97.1
$ 6,046	46.6	$2,738	34.6	$1,222	21.3	$2,046	40.4	$1,894	38.9	$1,792	37.0	$ 77	2.9
$ 1,645		$ 18		$ 510		$ (685)		$1,789		$ (777)		$ 427	
6,057		328		2,679		2,205		365		2,145		1,579	
8,292		4,857		1,708		2,943		(1,399)		2,776		1,819	
38		242		(82)		(10)		12		66		11	
$16,032		$5,445		$4,815		$4,453		$ 767		$4,210		$3,836	
$ 8,522		$4,233		$1,961		$1,816		$(1,233)		$1,867		$3,218	
3		(979)		959		62		111		39		13	
1,461		(547)		673		529		(5)		512		528	
$ 9,986		$2,707		$3,593		$2,407		$(1,127)		$2,418		$3,759	
$ 6,046		$2,738		$1,222		$2,046		$ 1,894		$1,792		$ 77	

Notes to Financial Statements

Note 1 — Summary of Accounting Policies:

The accounting policies of Lowe's Companies, Inc. are in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

PRINCIPLES OF CONSOLIDATION — The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly owned. There are one hundred and eighteen subsidiary corporations: One hundred and fifteen store companies, a lumber company, an advertising agency and a real estate company. All material intercompany accounts and transactions have been eliminated. The practice of forming a new subsidiary for each new market area has been consistently followed.

INVENTORIES — Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out basis.

PROPERTY AND EQUIPMENT — Land, buildings and machinery and equipment are carried at cost. Major additions are capitalized and depreciated; maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. Upon disposal of fixed properties the cost and related accumulated depreciation are removed from the accounts. The gain or loss on an item traded is applied to the asset accounts, and that of items otherwise disposed of is reflected in income.

The provision for depreciation is based generally on accelerated rates for both financial reporting and income tax purposes.

INCOME TAXES — The provision for income taxes is based on elements of income and expenses as reported in the statement of earnings. The company and its subsidiaries follow the practice of filing separate federal income tax returns using multiple surtax exemptions as provided for under the applicable provisions of the Internal Revenue Code. U. S. investment tax credits are reflected in income from the "flow-through" method in the year in which the credit is realized.

EMPLOYEE RETIREMENT PLAN — A qualified noncontributory employee profit-sharing plan is available for all employees meeting minimum length of service requirements. The plan is a multi-employer plan and one trust serves the parent and the subsidiaries. It provides generally for contribution of fifteen per cent of annual compensation of participating employees and is funded currently.

STOCK OPTION PLANS — For a number of years qualified stock option plans have been in effect to enable management to offer stock options to key employees. The plans have been noncompensatory and have no effect on the earnings statement. The tax benefits flowing from the early disposition of stock by the optionees have been treated as an addition to capital in excess of par value.

START-UP EXPENSES — Expenses associated with the opening of new stores are charged to income as incurred and are so reflected in the consolidated statements.

ACCOUNTS RECEIVABLE — Substantially all of the trade receivables are on a thirty, sixty or ninety day basis. Service charges arising from certain classes of customer accounts are treated as a reduction of selling and administrative expense in the statement of earnings. Allowances for doubtful accounts are based on the experience encountered in the various locations. Installment receivables arising from consumer sales are sold without recourse to outside finance companies.

EARNINGS PER SHARE — Earnings per share of common stock are calculated on the weighted average shares of common stock outstanding during each year. Common stock equivalents have no material dilutive effect on earnings per share.

AUDIT COMMITTEE — The company has an audit committee consisting of outside members of the Board of Directors. The committee meets regularly to review with management and the independent auditors the company's accounting policies and internal and external audit plans and results.

Note 2 — Properties and Accumulated Depreciation:

The properties and accumulated depreciation are summarized below by major classes with estimated lives in years as follows: Buildings, 20 to 50; Equipment, 5 to 10; Transportation, 3 to 7; and Leasehold, useful life or term of lease.

	1974		1973	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 6,887,771	$	$ 5,665,996	$
Building	24,087,288	2,644,272	16,008,790	1,709,961
Equipment	5,495,009	2,650,085	4,444,034	2,171,008
Transportation	8,701,738	5,520,038	7,412,402	4,146,753
Leasehold	5,397,368	1,203,224	5,129,083	1,394,720
Totals	$50,569,174	$12,017,619	$38,660,305	$9,422,442

Note 3 — Long-Term Debt:

The long-term debt is summarized as follows:

	1974	1973
Life Insurance Company Loans:		
Unsecured Notes Maturing 1977 to 1989 — Interest Rates 5¾% and 8¼%	$15,210,000	$ 280,000
Secured Notes Maturing 1979 to 1989 — Interest Rates 5⅝% to 8¾%	16,600,303	8,940,948
Bank Loans:		
Unsecured Notes Maturing 1975 to 1976 — Interest Rates 7% and 8%		7,380,000
Secured Notes Maturing 1974 to 1989 — Interest Rates Prime Plus a Maximum of 2%	2,300,250	3,059,738
Other Loans:		
Unsecured Notes Maturing 1974 to 1981 — Interest Rates 4% and 6%	41,987	58,792
Secured 8% Note Maturing 1974		150,000
Total	$34,152,540	$19,869,478
Less Current Maturities	994,546	1,631,757
	$33,157,994	$18,237,721

The debt maturities for the next five years are; 1975 — $1,004,203; 1976 — $1,069,475; 1977 — $1,140,203; 1978 — $1,140,051; 1979 — $1,221,260.

The agreement covering the life insurance company loans places certain requirements as to the financial condition to be maintained, restricts other borrowing and limits the payment of dividends. After giving effect to the most restrictive provisions, $11,391,397 of the consolidated retained earnings are available for payment of dividends.

Deeds of trust covering retail stores, central office and warehouse properties having a net book value of $17,800,995 have been pledged as collateral for the secured life insurance company loans. Store properties having a net book value of $2,933,813 are pledged as collateral for the other secured loans.

Note 4 — Income Taxes:

Lowe's Companies, Inc. and its subsidiaries follow the practice of filing separate federal income tax returns using multiple surtax exemptions. This procedure has been approved by the Internal Revenue Service for the year ended July 31, 1971 and all prior years. Under the Tax Reform Act of 1969 a corporation and its subsidiaries will be limited to one $25,000 surtax exemption for all years beginning after December 31, 1974. The act provides for a phase out of the additional exemptions over a six-year period begininng January 1, 1970. With the present number of subsidiaries, the phase out provisions could increase the combined federal income taxes by approximately $65,000 for each of the next two fiscal years.

The undistributed earnings of the subsidiary companies amounted to approximately $52,200,000 at July 31, 1974. Income tax provisions have been made for distributions of approximately $5,500,000 to the parent company, which is management's estimate of the maximum distribution in the foreseeable future. Should distribution exceed the estimate, applicable income taxes will be provided currently.

Investment tax credits reflected in income amounted to $144,084 in 1974 and $172,225 in 1973.

The income tax liabilities have been reduced by the tax benefit resulting from the early disposition of stock by the optionees under the stock option plan. The 1974 and 1973 benefits of $359,069 and $344,016 respectively have been treated as additions to capital in excess of par value.

Note 5 — Shareholders' Capital Accounts:

The following is a summary of the changes in the shareholders' capital accounts:

	Common Stock	Capital in Excess of Par Value
Balance August 1, 1972	$4,227,353	$1,113,874
Exercise of Employee Stock Options	16,045	457,282
Tax Benefit from Early Disposition of Stock by Optionees		344,016
Issuance of Fractional Shares to Implement July 31, 1972 Stock Dividend	259	
Balance July 31, 1973	$4,243,657	$1,915,172
Exercise of Employee Stock Options	52,008	1,482,242
Tax Benefit from Early Disposition of Stock by Optionees		359,069
Balance July 31, 1974	$4,295,665	$3,756,483

Note 6 — Employees' Stock Option Plan:

There is in effect the 1968 Qualified Employee Stock Option Plan approved by the shareholders on November 12, 1968. The plan provides for the reservation of 400,000 shares of the unissued common stock of the company to be issued to employees pursuant to options to be granted under the plan. Options are granted for a period of five years at 100% of the fair market value of the stock on the date the option is granted and may be exercised for 25% of the total number of shares granted during the second year from the date of the grant and for 25% of such total within each of the following three years. If all or a portion of an option is not exercised in the years it becomes exercisable it may be carried over and exercised

at any time during the remainder of the option period.

On September 2, 1969, options were granted for 314,176 shares at $14.75 per share or a total of $4,634,096 which was the fair market value of the stock on that date.

On May 18, 1973, additional options for 122,000 shares were granted at $51.50 per share or a total of $6,283,000. Shares forfeited from the initial grant on September 2, 1969 were included in the grant on May 18, 1973, in addition to options not previously granted. No options may be granted under the plan after September 30, 1973.

The transactions that have taken place under the plan are shown below:

	5-18-73 Grant	9-2-69 Grant
Option Price per Share	$ 51.50	$ 14.75
Options Exercisable at July 31, 1974		100,647
Options Exercised Prior to July 31, 1973		72,456
Options Exercised Year Ended July 31, 1974		104,017
Shares Forfeited	7,940	37,056
Options Outstanding July 31, 1974	114,060	100,647

The market value of the shares acquired under the options during the year varied from $33 to $59. All figures have been adjusted to give effect to stock dividends since the date the plan was adopted.

Note 7 — Employees' Profit-Sharing Plan Provisions:

Provisions for payments to the employee profit-sharing plan amounted to $3,649,317 for 1974 and $2,695,178 for 1973. The trust created by the plan holds approximately 25% of the outstanding shares and is the company's largest shareholder.

Note 8 — Long-Term Leases:

At July 31, 1974 there were sixty-four real estate leases with an initial or remaining term of more than one year. These leases cover forty-four store locations and related facilities, four of which are not yet in operation, and four office and auxiliary locations. Of the forty-four store locations under lease eighteen represent land leases on which the company has erected substantially all of the improvements; the remaining twenty-six stores lease both land and lessor improvements. Generally the leases will expire during the next twenty years. In the normal course of business, however, the majority of the leases will be renewed at expiration by company option, or replaced by other properties. Purchase options available for leased properties at six of the store locations would amount to $696,880 if exercised under the current provisions of the leases. Seventy-nine store locations, three of which are not yet in operation are owned by Lowe's real estate subsidiary.

Certain of the existing leases are deemed to be financing leases as defined by the Securities and Exchange Commission regulations. The estimated present value of these leases not capitalized was approximately $4,641,000 at July 31, 1974 and $3,364,000 at July 31, 1973. The impact on earnings if all financing leases had been capitalized was less than one percent for 1974 and 1973.

Rental expenses charged to income are as follows:

	1974	1973
Land and Buildings	$ 709,138	$605,048
Equipment	387,246	292,397
Totals	$1,096,384	$897,445

The minimum annual rentals under the existing long-term leases and their respective expiration dates are summarized below:

		Real Estate			
Fiscal Periods:	Equipment	Number of Leases Expiring	Non-Capitalized Financing Leases	Other	Total
1975	$139,464	8	$ 437,259	$ 268,595	$ 845,318
1976	130,036	6	416,357	247,812	794,205
1977	26,328	9	368,871	224,800	619,999
1978		8	318,288	164,900	483,188
1979		5	294,870	144,039	438,909
1980-1984		20	1,133,672	418,412	1,552,084
1985-1989		1	1,031,855	164,750	1,196,605
1990-1994		2	948,664	146,625	1,095,289
1995-2003		5	63,812	252,633	316,445
Totals	$295,828	64	$5,013,648	$2,032,566	$7,342,042

Note 9 — Commitments:

At July 31, 1974 the company had capital spending commitments of approximately $3,600,000 for the construction of new store facilities.

Corporate Information

Board of Directors

PETRO KULYNYCH
Board of Directors, Executive Committee
Office of the President, Executive Vice President
Secretary, Investment Committee, Lowe's Profit Sharing Trust
28 Years with Lowe's
BOARD OF VISITORS, WAKE FOREST UNIVERSITY
TRUSTEE, SULLINS COLLEGE
DIRECTOR, NORTHWESTERN SECURITY LIFE
WHO'S WHO IN FINANCE AND INDUSTRY

LEONARD G. HERRING
Chairman, Executive Committee, Board of Directors
Office of the President, Senior Vice President
Trustee, Lowe's Profit Sharing Trust
19 Years with Lowe's
DIRECTOR, NORTHWESTERN FINANCIAL CORPORATION
WHO'S WHO IN AMERICA

JOE V. REINHARDT
Board of Directors, Executive Committee
Office of the President, Senior Vice President
Secretary, Lowe's Profit Sharing Trust
18 Years with Lowe's
DIRECTOR, NATIONAL YOUTH PROGRAM
DIRECTOR, WILKES YMCA
DIRECTOR, BARIUM SPRINGS ORPHANAGE
DIRECTOR, WILKES AIRPORT COMMISSION

ROBERT L. STRICKLAND
Board of Directors, Executive Committee
Office of the President, Senior Vice President
Chairman, Operations Committee, Lowe's Profit Sharing Trust
17 Years with Lowe's
FORMER STATE REPRESENTATIVE, NORTH CAROLINA
MEMBER, NEWCOMEN SOCIETY
VICE PRESIDENT, DIRECTOR, NATIONAL HOME IMPROVEMENT COUNCIL
WHO'S WHO IN AMERICA

JOHN A. WALKER
Board of Directors, Executive Committee
Office of the President, Executive Vice President
Chairman, Investment Committee, Lowe's Profit Sharing Trust
16 Years with Lowe's
TRUSTEE, NORTHWESTERN FINANCIAL INVESTORS
MEMBER, PLYWOOD ADVISORY COUNCIL, CHICAGO BOARD OF TRADE
DIRECTOR, BRAD RAGAN, INC.
WHO'S WHO IN AMERICA

WILLIAM H. McELWEE
Board of Directors, Audit Committee
General Counsel, Senior Vice President
25 Years with Lowe's
PARTNER, MC ELWEE, HALL AND MC ELWEE
PAST PRESIDENT, NORTH CAROLINA BAR
MEMBER, N.C. BOARD OF LAW EXAMINERS
FELLOW, AMERICAN COLLEGE OF TRIAL LAWYERS

GORDON E. CADWGAN
Board of Directors, Audit Committee
13 Years with Lowe's
VICE PRESIDENT, G. H. WALKER, LAIRD INC.
FELLOW, BROWN UNIVERSITY
DIRECTOR, LEACH & GARNER CO.
PARTNER, TEXAS LAND AND CATTLE CO.

ROBERT G. SCHWARTZ
Board of Directors, Audit Committee
1 Year with Lowe's
VICE PRESIDENT, METROPOLITAN LIFE INSURANCE CO.
DIRECTOR, POTLATCH CORP.
DIRECTOR, FLOYD S. PIKE ELECTRICAL CONTRACTOR, INC.

General Information

Vice Presidents — Regions

Dwight E. Pardue
Albert E. Plemmons
Amon L. Swanger
J. Ross Burgess, Jr.
J. Max Garrett, Jr.

Vice President — Purchasing

Robert E. Black, Jr.

Vice President — Management Development

A. Robert Gresham

Vice Presidents — Sales

E. L. Dugger, Sr.
M. Benfield Phillips

Vice Presidents — Marketing

Michael D. Brown
Walter L. McColl
Edward F. Greene

Treasurer

Rex L. Shumate

Controller

Richard Elledge

Credit Manager

Arnold N. Lakey

Headquarters:
Lowe's General Office, Highway 268 East,
Box 1111, North Wilkesboro, N.C. 28656, (919) 667-3111.

Common Stock:
Lowe's common stock price is quoted on
NASDAQ computers, and published daily in
National Over-The-Counter Market quotations.

Dividend Reinvestment Services:
First National City Bank
Box 350
Jericho, N.Y. 11753

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

Transfer Agents:
Morgan Guaranty Trust Co.
23 Wall Street
New York, N.Y. 10015

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

Registrars:
The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, N.Y. 10051

The Northwestern Bank
Box 311
North Wilkesboro, N.C. 28674

General Counsel:
McElwee, Hall & McElwee
Box 1054
North Wilkesboro, N.C. 28659

Certified Public Accountants:
J. A. Grisette & Co.
Box 759
Lenoir, N.C. 28645

11 Year Review of Performance

	Year Ended July 31	10 Year Compound Growth Rates 1964-1974	5 Year Compound Growth Rates 1969-1974	1974	1973	1972
	Stores and People					
1	Number of Stores	15.3%	14.9%	116	100	86
2	Number of Employees	18.9%	19.9%	3,598	3,296	2,630
3	Customers Served (Thousands)	16.6%	18.4%	5,321	4,717	3,820
4	Average Customer Purchase			$ 68.12	$ 69.29	$ 61.40
	Comparative Income Statement (Thousands)					
5	Total Sales	22.2%	24.9%	$362,453	$326,846	$234,556
6	Pre-Tax Earnings	25.2%	25.2%	$ 29,287	$ 25,393	$ 18,143
7	Taxes on Income	25.5%	24.5%	$ 14,670	$ 12,665	$ 9,022
8	Net Earnings	25.0%	26.0%	$ 14,617	$ 12,728	$ 9,121
9	Cash Dividends Paid	8.6%	6.0%	$ 1,045	$ 1,017	$ 946
10	Earnings Retained and Reinvested	28.5%	28.8%	$ 13,572	$ 11,711	$ 8,174
	Dollars Per Share (Nearest Cent) (1)					
11	Sales	21.3%	24.6%	$ 42.49	$ 38.57	$ 27.81
12	Earnings (2)	23.9%	25.5%	$ 1.71	$ 1.50	$ 1.08
13	Cash Dividends	7.2%	5.9%	$ .12	$ .12	$ .11
14	Earnings Retained and Reinvested	27.5%	28.2%	$ 1.59	$ 1.38	$ .97
15	Shareholders' Equity	23.2%	25.9%	$ 7.83	$ 6.10	$ 4.64
	Performance Measurements*					
16	Asset Turnover (Sales per Asset Dollar)			$ 2.88	$ 3.65	$ 3.40
17	Return on Sales (Earnings as % of Sales)			× 4.03%	× 3.89%	× 3.89%
18	Return on Assets			=11.63%	=14.22%	=13.20%
19	Leverage Factor (Asset Dollars per Equity Dollar)			× 2.43	× 2.28	× 2.26
20	Return on Shareholders' Equity			=28.23%	=32.42%	=29.81%
	Comparative Balance Sheet (Thousands)					
21	Current Asset Totals	22.0%	27.3%	$111,943	$ 96,391	$ 70,110
22	Cash	14.4%	22.9%	$ 12,986	$ 7,859	$ 7,802
23	Accounts Receivable (Net of Reserve)	20.8%	20.4%	$ 36,850	$ 37,603	$ 27,440
24	Inventories (Lower of Cost or Market)	25.6%	34.2%	$ 61,775	$ 50,639	$ 34,475
25	Other Current Assets			$ 331	$ 290	$ 393
26	Fixed Assets	32.1%	37.2%	$ 38,552	$ 29,238	$ 19,330
27	Other Assets			$ 140	$ 85	$ 45
28	Total Assets	23.8%	29.4%	$150,634	$125,714	$ 89,485
29	Current Liabilities Totals	21.0%	22.1%	$ 50,228	$ 55,694	$ 40,217
30	Accounts Payable	20.3%	24.3%	$ 32,640	$ 36,101	$ 27,684
31	Income Tax Provisions	19.4%	14.8%	$ 6,732	$ 5,073	$ 5,086
32	Other Current Liabilities	25.0%	21.3%	$ 10,856	$ 14,520	$ 7,447
33	Long-Term Debt	28.9%	72.2%	$ 33,158	$ 18,238	$ 10,014
34	Total Liabilities	23.5%	32.1%	$ 83,386	$ 73,932	$ 50,231
35	Shareholders' Equity	24.2%	26.4%	$ 67,248	$ 51,782	$ 39,254
36	Ratio: Equity ÷ Long Term Debt			2.03	2.84	3.92
37	Year End Leverage Factor: Assets ÷ Equity			2.24	2.43	2.28
	Shareholders and Shares					
38	Shareholders of Record, Year End			3,698	3,704	3,038
39	Shares Outstanding, Year End (Thousands) (1) (3)			8,591	8,487	8,455
40	Stock Price Range During Year (1)			$59.50-31.75	$72.00-49.00	$66.50-30.00

Performance Measurements*

Line 20, Return on Shareholder Equity, may be derived by dividing Net Earnings by Shareholder Equity. But this approach provides no understanding of why and how this return was attained. It is better to "take it from the top" and think through each major variable, to facilitate understanding of their interrelationships.

Asset Turnover is affected by sales volume, by the cash-credit marketing mix and by the composition and performance of left-side balance sheet factors. The amounts of assets allocated to inventory, accounts receivable, and fixed assets, and the turnover rates of inventory and receivables, all affect Asset Turnover. For every $1.00 in Assets at the beginning of fiscal 1974, Lowe's achieved $2.88 in sales.

Explanatory Notes

(1) As adjusted to reflect a 100% stock dividend in May, 1966, a 2 for 1 stock split in November, 1969, a 50% stock dividend in December, 1971, and a 33⅓% stock dividend as of July 31, 1972.

(2) After deducting $2,250 dividends per year on preferred stock outstanding, for 1961 through 1972.

(3) Variation in the outstanding shares is the result of employee stock option transactions. No additional shares have been sold, or issued for acquisitions.

1971	1970	5 Year Compound Growth Rates 1964-1969	Base Year 1969	1968	1967	1966	1965	Base Year 1964	
75	64	15.7%	58	53	44	39	35	28	1
2,071	1,670	17.9%	1,450	1,223	1,017	891	762	636	2
3,194	2,729	15.0%	2,290	2,034	1,755	1,636	1,284	1,141	3
$ 53.13	$ 47.09		$ 51.98	$ 47.70	$ 43.14	47.10	$ 44.44	$ 42.66	4
$169,723	$128,491	19.6%	$119,053	$ 97,031	$ 75,695	$ 77,043	$ 57,044	$ 48,680	5
$ 13,027	$ 9,938	25.3%	$ 9,514	$ 7,202	$ 5,151	$ 5,286	$ 3,942	$ 3,086	6
$ 6,479	$ 5,068	26.4%	$ 4,906	$ 3,609	$ 2,381	$ 2,496	$ 1,896	$ 1,518	7
$ 6,548	$ 4,870	24.1%	$ 4,608	$ 3,593	$ 2,770	$ 2,790	$ 2,046	$ 1,568	8
$ 907	$ 844	11.1%	$ 780	$ 756	$ 661	$ 616	$ 519	$ 460	9
$ 5,641	$ 4,026	28.1%	$ 3,828	$ 2,837	$ 2,109	$ 2,174	$ 1,527	$ 1,108	10
$ 20.16	$ 15.27	18.2%	$ 14.15	$ 11.65	$ 9.20	$ 9.44	$ 7.10	$ 6.14	11
$ .78	$ .58	22.4%	$ .55	$ .43	$ .34	$ .34	$ .25	$ .20	12
$ .11	$ .10	8.4%	$ .09	$ .09	$ .08	$ .08	$ .06	$ .06	13
$ .67	$ .48	26.9%	$ .46	$ .34	$ .26	$ .26	$ .19	$ .14	14
$ 3.64	$ 2.96	20.7%	$ 2.48	$ 2.03	$ 1.69	$ 1.43	$ 1.17	$ .97	15
$ 3.43	$ 3.09		$ 3.37	$ 3.24	$ 2.65	$ 3.34	$ 3.20	$ 3.11	16
× 3.86%	× 3.79%		× 3.87%	× 3.70%	× 3.66%	× 3.62%	× 3.59%	× 3.22%	17
=13.25%	=11.72%		=13.03%	=11.98%	= 9.70%	=12.09%	=11.49%	=10.03%	18
× 1.99	× 1.99		× 2.08	× 2.15	× 2.42	× 2.43	× 2.31	× 2.47	19
=26.31%	=23.34%		=27.07%	=25.76%	=23.49%	=29.40%	=26.55%	=24.78%	20
$ 54,911	$ 38,878	16.8%	$ 33,433	$ 28,617	$ 24,164	$ 23,396	$ 19,187	$ 15,350	21
$ 6,304	$ 4,658	6.6%	$ 4,640	$ 4,129	$ 4,814	$ 3,024	$ 3,801	$ 3,374	22
$ 20,944	$ 14,887	21.1%	$ 14,559	$ 11,880	$ 9,675	$ 9,310	$ 7,165	$ 5,586	23
$ 27,332	$ 19,040	17.5%	$ 14,183	$ 12,475	$ 9,532	$ 10,931	$ 8,156	$ 6,337	24
$ 331	$ 293		$ 51	$ 133	$ 143	$ 131	$ 65	$ 53	25
$ 14,087	$ 10,390	27.2%	$ 7,918	$ 6,546	$ 5,729	$ 5,058	$ 3,832	$ 2,381	26
$ 88	$ 148		$ 209	$ 205	$ 99	$ 105	$ 77	$ 73	27
$ 69,086	$ 49,416	18.5%	$ 41,560	$ 35,368	$ 29,992	$ 28,559	$ 23,096	$ 17,804	28
$ 31,198	$ 21,212	19.9%	$ 18,505	$ 14,911	$ 12,503	$ 13,630	$ 11,213	$ 7,454	29
$ 21,999	$ 15,178	16.4%	$ 10,997	$ 9,703	$ 8,425	$ 9,496	$ 7,913	$ 5,149	30
$ 4,293	$ 2,833	24.2%	$ 3,380	$ 2,706	$ 2,177	$ 2,182	$ 1,671	$ 1,142	31
$ 4,906	$ 3,201	28.8%	$ 4,128	$ 2,502	$ 1,901	$ 1,952	$ 1,629	$ 1,163	32
$ 7,296	$ 3,315	−3.5%	$ 2,192	$ 3,434	$ 3,527	$ 3,127	$ 2,377	$ 2,615	33
$ 38,494	$ 24,527	15.4%	$ 20,697	$ 18,346	$ 16,033	$ 16,765	$ 13,606	$ 10,097	34
$ 30,592	$ 24,889	22.0%	$ 20,863	$ 17,022	$ 13,959	$ 11,794	$ 9,490	$ 7,707	35
4.19	7.51		9.52	4.95	3.95	3.77	3.99	2.95	36
2.26	1.99		1.99	2.08	2.15	2.42	2.43	2.31	37
2,463	2,117		1,916	1,976	2,154	1,985	1,871	1,967	38
8,419	8,415		8,415	8,406	8,250	8,211	8,122	7,946	39
$34.50-14.50	$18.00-9.50		$18.00-11.50	$12.00-6.00	$6.00-3.00	$5.00-3.50	$4.00-2.50	$3.00-1.50	40

Return on Sales is the measurement of the efficiency of the sales organization. It is affected by sales volume, customer and product mix, and income statement factors — margin rates, fixed and variable expenses, and tax rates. 1974's 4.03% was our highest return on sales to date. This multiplied by Asset Turnover, gives Return on Assets of 11.63%. This is the same as dividing Net Earnings by Beginning Assets.

Leverage gets us into right-side balance sheet factors, and measures equity dollars versus total asset dollars. For every $1.00 of shareholders' equity at the beginning of 1974, Lowe's had $1.43 in other liabilities, thus financing $2.43 in assets. This $2.43 leverage factor times the 11.63% Return on Assets gives Return on Beginning Shareholder Equity of 28.23%. Totals vary due to rounding.

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P.O. Box 1111
North Wilkesboro
North Carolina 28656

Attention: Robert L. Strickland

LOWE'S 1974 Investor Relations Survey

Dear Shareholder:

We appreciate the feedback we have received from so many of you in seven prior annual surveys. And we hope you'll take a moment or two again this year to help us get to know you better, and your thoughts about Lowe's.

1. First, how do you like the idea of a fourth quarter report as a separate publication?

_____

_____

_____

_____

2. Are you ☐ male or ☐ female?

3. In which age group would you be listed?
   - ☐ Under 25 years
   - ☐ 25 to 34 years
   - ☐ 35 to 44 years
   - ☐ 45 to 54 years
   - ☐ 55 to 64 years
   - ☐ 65 years and over

4. When did you first become interested in Lowe's from an investment standpoint?
   Within the past:
   - ☐ Year
   - ☐ One to two years
   - ☐ Two to five years
   - ☐ Over five years
   - ☐ Over ten years

5. As a Lowe's shareholder, do you feel you receive sufficient information from us?
   ☐ Yes ☐ No ☐ Not entirely (please explain)

_____

_____

6. As a Lowe's shareholder, what is your primary investment objective by investing in Lowe's?
   - ☐ Capital appreciation
   - ☐ Dividend income
   - ☐ A little of both
   - ☐ No opinion

7. Does your broker maintain custody of your Lowe's stock certificates (a practice called "street name")
   ☐ Yes ☐ No (If yes, please give your name and address for our records.)

8. Would you like to receive a copy of our 10-K report?
   ☐ Yes ☐ No

9. Would you like another copy of our Dividend Reinvestment Service brochure?
   ☐ Yes ☐ No

10. Any other comments? _____

_____

_____

Thank you again for your time and assistance.

Name_____

Address_____

City_____

State_____ Zip_____