

LOWE'S
Companies, Inc.

Fourth Quarter Report 1976



Financial Highlights

LOWE'S COMPANIES, INC. AND SUBSIDIARIES

(Year Ended Figures from July 31, 1976 and July 31, 1975 Audited Financial Statements. Quarterly Figures Unaudited.)

		Quarter Ended			Year Ended	
		July 31:			July 31:	
	Change ⁽¹⁾	1976	1975	Change ⁽¹⁾	1976	1975
Total Dollars:						
Sales	+ 30%	\$ 142,152,335	\$ 109,549,460	+ 36%	\$ 465,051,984	\$ 340,881,588
Pre-Tax Earnings	+ 37%	\$ 11,810,612	\$ 8,630,066	+ 65%	\$ 34,295,256	\$ 20,810,834
Taxes on Earnings	+ 39%	\$ 5,791,334	\$ 4,173,713	+ 65%	\$ 16,983,840	\$ 10,318,505
Net Earnings	+ 35%	\$ 6,019,278	\$ 4,456,353	+ 65%	\$ 17,311,416	\$ 10,492,329
Cash Dividends Paid	+ 11%	\$ 338,582	\$ 303,854	+ 9%	\$ 1,271,851	\$ 1,171,196
Earnings Retained	+ 37%	\$ 5,680,696	\$ 4,152,499	+ 72%	\$ 16,039,565	\$ 9,321,133
Per Share: ⁽²⁾						
Sales	+ 30%	\$ 10.92	\$ 8.41	+ 36%	\$ 35.71	\$ 26.20
Net Earnings	+ 35%	\$.46	\$.34	+ 65%	\$ 1.33	\$.81
Cash Dividends Paid	+ 11%	\$.03	\$.02	+ 9%	\$.10	\$.09
Earnings Retained	+ 37%	\$.44	\$.32	+ 72%	\$ 1.23	\$.72
Average Shares Outstanding		13,022,126	13,022,126		13,022,126	13,012,962

⁽¹⁾To nearest whole percent. ⁽²⁾Per share results adjusted to reflect 50% stock dividend, June, 1976. Change % computed from precise figures above, rounded to nearest whole cent.

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President's Letter to Shareholders

Introduction: Innovation in the presentation of shareholder information continues to be an objective of our financial publications. In the last few years, we have been bolstering our quarterly reporting. Indeed in fiscal 1974 and 1975 we "serialized" our Annual Reports into four Quarterly Reports and the 10-K Report to the Securities and Exchange Commission. These quarterlies for fiscal 1976 represent our latest efforts for qualitative additions and refinements in presenting to you "90 days in the life of Lowe's."

Business Results: We stated in the Fourth Quarter Report for fiscal 1975, "We believe 1976 will be a good year for Lowe's." As shown in the Financial Highlights on the page at left, this belief was well-founded. Fiscal 1976 has been a superlative year, our best yet in sales, earnings, dividends, and additions to retained earnings. Also, it has been a year of restructuring Lowe's, to serve better our customers and our markets and to take full advantage of our evolving business opportunities.

This fourth quarter was a busy one. The sales volume of \$142,152,335 was greater than the full year of fiscal 1970. As has been true all year, our sales to professional buyers led with a 42% increase. Retail volume grew by 15%, but posted a company-record \$54,932,000 in total. Charts 7 and 8 on page 12 discuss these trends more completely. Finally, it is pleasant to note that these Fourth Quarter earnings also surpassed earnings for the full year of fiscal 1970.

Cumulative Totals: In this instance, the twelve month period is our 1976 fiscal year, and our sales volume totaled \$465,051,984 (a new record), representing an increase of 36% over fiscal 1975 sales. Total earnings after taxes for fiscal 1976 also set a record at \$17,311,416, or \$1.33 per share adjusted for the 50% stock dividend, paid in June, 1976. Both net earnings and earnings per share increased 65%.

Dividend Action: On July 31, 1976, Lowe's 61st consecutive quarterly cash dividend was paid to shareholders of record July 15, 1976, in the amount of 2.6c per share. This dividend payment also reflects the 50% stock dividend in June, and represents an 11% increase over the fiscal 1975 adjusted fourth quarter payment of 2.3c per share.

On September 1st, Lowe's Board of Directors declared Lowe's 62nd consecutive quarterly cash dividend in the amount of 4c per share to be paid October 29, 1976, to shareholders of record October 15. The new quarterly rate is 54% higher than the July, 1976 dividend, and 71% greater than the 2.3c paid in October, 1975. Effective with this increase, the new indicated annual dividend rate is 16c per share.

The Cover Story: Silhouetted against the glow from the furnace—the crucible wherein it was created by John Nygren—is an original piece of art glass called by the artist simply, "A Stoppered Bottle." Our Quarterly Reports for fiscal 1976 have featured artwork by talented up-and-coming North Carolina artists. We use the word "Artwork" on purpose because many people are neither aware of the work required to create fine art nor the art required to create fine work. Conceptually, Lowe's is an art form. Indeed successful companies have to be. Therefore, the three preceding quarterly reports have also featured various aspects of the Artwork of Lowe's—Merchandising, our Homestead Program, and Lumber Distribution. In this report, we're featuring one of our fine suppliers, whom we consider as an integral part of Lowe's—Joseph Bancroft and his Croft Metals Company. John Nygren takes glass and makes it into things of beauty. Joe Bancroft takes glass and makes it into things of utility. So we're proud to present John Nygren and his work in this report as part of America's artistic future. And also, in the other pages, part of America's economic future.

New Store Activity: New Lowe's stores were opened in six new markets in the final quarter of fiscal 1976, bringing our total of Lowe's stores to 150 in sixteen states. The six stores are all located in the heart of Lowe's land, in: New Bern and Statesville, North Carolina; Laurens and Easley, South Carolina; and Maryville and Gallatin, Tennessee. New Bern is a brand new Lowe's standard store, an example of our new cost-saving prototype. Two other new standard stores were opened this quarter, replacing older Lowe's facilities, in Norfolk, Virginia and Myrtle Beach, South Carolina. The five other new stores opened are take-overs of existing facilities, in areas where Lowe's name and reputation are already well-known. We have scheduled 25 new store additions for fiscal 1977, and we anticipate opening two of these in the upcoming first quarter.

Financial Information: This has been increased to four full pages, 2 through 5, and now includes expanded statements of Current and Retained Earnings, an expanded Quarterly Balance Sheet, the Quarterly Statement of Changes in Financial Position, our Management Analysis of the Summary of Operations, newly required in reports to the S.E.C., and six tables with additional information.

Outlook: We expect 1977 to be another record setting year, with new highs for Lowe's.

Lowe's Office of The President

Consolidated Statement of Current and Retained Earnings

LOWE'S COMPANIES, INC. AND SUBSIDIARIES
(Unaudited)

Quarter Ended July 31, 1976 With Comparative Figures for 1975

	1976	1975
CURRENT EARNINGS		
Net Sales	\$ 142,152,335	\$ 109,549,460
Cost of Sales, Buying, Warehousing and Occupancy	113,258,990	87,122,601
Gross Profit	\$ 28,893,345	\$ 22,426,859

Other Expenses:

Advertising, Selling, Administrative and General Expenses	\$ 12,754,568	\$ 10,497,850
Depreciation	1,355,249	1,104,797
Profit-Sharing Contribution	1,465,615	1,122,498
Provision for Bad Debts	692,950	439,055
Interest and Loan Expense	814,351	632,593
Total Other Expenses	\$ 17,082,733	\$ 13,796,793
Pre-Tax Earnings	\$ 11,810,612	\$ 8,630,066
Estimated Provision for Income Taxes	\$ 5,791,334	\$ 4,173,713
Net Earnings	\$ 6,019,278	\$ 4,456,353

Earnings Per Share	\$.462	\$.342
Dividends Per Share	\$.026	\$.023
Average Shares Outstanding	13,022,126	13,022,126

RETAINED EARNINGS

Balance at Beginning of Quarter	\$ 78,875,486	\$ 64,364,118
Additions:		
Net Earnings	\$ 6,019,278	\$ 4,456,353
Less Cash Dividends	338,582	303,854
Net Additions	\$ 5,680,696	\$ 4,152,499
Deductions:		
50% Stock Dividend	\$ 2,170,354	
Balance at End of Quarter	\$ 82,385,828	\$ 68,516,617

Management Analysis of the Summary of Operations

Quarterly % Change in Operating Results

A

July 31, 1976 Compared to July 31, 1975

	% Change ⁽¹⁾
Net Sales	+ 29.8%
Cost of Sales ⁽²⁾	+ 30.0%
Gross Profit	+ 28.8%
Other Expenses:	
S, G, & A, Adv.	+ 21.5%
Depreciation	+ 22.7%
Profit-Sharing	+ 30.6%
Bad Debt Provision	+ 57.8%
Interest Expense	+ 28.7%
Total	+ 23.8%
Pre-Tax Income	+ 36.9%
Income Taxes	+ 38.8%
Net Earnings	+ 35.1%
Earnings Per Share	+ 35.1%

(1) Percent change to nearest tenth, computed from dollar amounts shown on page 2.

(2) Cost of Sales, Buying, Warehousing, and Occupancy as on page 2.

Sales By Store & Variance Analysis

B

	Quarter Ended	
	July 31, 1976	July 31, 1975
Number of Stores	150	130
Sales:		
130 Stores	\$133,884,121	\$109,549,460
Average/Store	\$ 1,029,878	\$ 842,688
20 New Stores	\$ 8,268,214	—
Average/Store	\$ 413,411	—
Total Sales	\$142,152,335	\$109,549,460
Variance Analysis:		
Percent Change in Number of Stores	+15.4%	
Percent Change in "Old" Store Sales	+22.2%	
Incremental Sales from New Stores	+ 7.6%	
Percent Change in Total Sales	+29.8%	

Percentage Analysis of Operating Results ⁽¹⁾

C

	Quarter Ended	
	July 31, 1976	July 31, 1975
Net Sales	100.00%	100.00%
Cost of Sales ⁽²⁾	79.67%	79.53%
Gross Profit	20.33%	20.47%
Other Expenses:		
S, G, & A, Adv.	8.97%	9.58%
Depreciation	.95%	1.01%
Profit-Sharing	1.03%	1.02%
Bad Debt Provision	.49%	.40%
Interest Expense	.57%	.58%
Total	12.02%	12.59%
Pre-Tax Income	8.31%	7.88%
Income Tax Rate	49.04%	48.36%
Net Earnings	4.23%	4.07%

(1) Percent of total sales and taxes as a percent of pre-tax income computed to the nearest hundredth from dollar amounts shown on page 2. Totals may not add due to rounding.

(2) Cost of Sales, Buying, Warehousing, and Occupancy as on page 2.

Introduction: We are pleased to present on the facing page, the Consolidated Statement of Current and Retained Earnings for Lowe's fiscal 1976 fourth quarter ending July 31, 1976, with comparative data for the prior year.

Analysis: Net Sales increased 29.8% in the three month period ended July 31, 1976, to \$142,152,335, and set a new record for sales volume in any single quarter at Lowe's. Part of the percentage gain resulted from sales generated by Lowe's stores opened during the past twelve months. A total of 20 stores open less than a year added 7.6% in incremental volume, with sales of \$8,268,214. The balance of increased sales came from stores open a year or more. As Table B shows, there were 130 Lowe's stores open for business on July 31, 1975, and their quarterly volume last year totaled \$109,549,460, for an average of \$842,688 per store. These same 130 stores achieved sales of \$133,884,121 this quarter, an increase of 22.2% to an average of \$1,029,878 per store. The 22.2% same-store sales gain mainly reflected the impact on sales of higher unit volume and also, but to a lesser degree, higher prices and some new products. For an in-depth discussion of these marketing factors, we invite your attention to Charts 7 and 8, and the accompanying comments on page 12.

Gross Profit dollars increased 28.8% in the fourth quarter of fiscal 1976, and the Gross Profit margin eased slightly to 20.33% of sales from 20.47% in the previous fourth quarter. (See Table C.) Sales to retail customers yield a higher gross margin than do sales to builders, and the gross margin on sales to retail customers was higher year-to-year in the fourth quarter of fiscal 1976. However, this favorable influence on the overall gross margin was more than offset by two factors: 1) The mix of business shifted in favor of PB sales in the fourth quarter of fiscal 1976 relative to the prior-year comparable period (see Chart 7 on page 12); and 2) The gross margin was modestly lower year-to-year on sales to builders in the current quarter. The main reason for the lower gross margin on builder sales is that a declining market in lumber prices, which occurred during the fourth quarter of fiscal 1976, presented the opportunity for a special aggressive pricing program in commodity products, through which our stores were able to increase volume and market share.

"Other Expenses" declined as a percent of sales again this quarter to 12.02% from 12.59% the previous year. This was the lowest quarterly expense ratio this fiscal year for two reasons. First, Lowe's typically generates about 32% of total sales volume in the fourth quarter while incurring just 25% of fixed costs. Besides this normal sales leverage, however, the increase in expense dollars was reduced from the rate of gain in preceding quarters through careful expense control. Advertising, Selling, Administrative and General Expenses increased 21.5%, in part due to the additional expense incurred by the 20 new stores opened during the past twelve months, but primarily due to the increased salary dollars which vary with the level of sales. Depreciation increased 22.7%, reflecting fixed asset additions in buildings and service equipment. The Profit-Sharing Contribution which is based on salary expense increased 30.6%, more than the gain in S, G & A, because of the retroactive payment provision of the Profit-Sharing Plan for past years' contribution not paid, once a store has reached a required level of earnings. The Provision for Bad Debts, in dollars, was in line with preceding quarters this year, and with accelerating pro sales and resulting higher receivables this quarter. However, the 57.8% increase year-to-year in this item of expense reflects an unusually low provision in the fourth quarter of fiscal 1975. Finally, net Interest and Loan Expense increased 28.7%, due to higher interest on short-term borrowings and less interest income year-to-year during this fourth quarter.

After deducting expenses from Gross Profit, Pre-tax Income increased 36.9%. The lower expense ratio year-to-year more than offset the modest decline in gross margin and, therefore, the pre-tax margin expanded to 8.31% (of sales) in this year's final quarter from 7.88% a year ago. After Income Taxes at a slightly higher rate in the current fourth quarter, Net Earnings and Earnings Per Share increased 35.1%.

Consolidated Balance Sheet and Statement of Changes in Financial Position

LOWE'S COMPANIES, INC. AND SUBSIDIARIES
(From July 31, 1976 and July 31, 1975 Audited Financial Statements.)

BALANCE SHEET

July 31, 1976 With Comparative Figures for 1975	1976	1975
Assets		
Current Assets:		
Accounts Receivable	\$ 52,321,613	\$ 38,532,814
Inventory	77,962,738	58,223,067
Cash and Other	16,150,599	12,028,064
Total Current Assets	\$ 146,434,950	\$108,783,945
Net Fixed Assets	50,433,835	45,126,798
Other Assets	872,029	452,073
Total Assets	\$197,740,814	\$154,362,816
Liabilities and Net Worth		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 1,431,929	\$ 1,157,655
Accounts Payable	42,941,833	29,727,516
Other	22,331,712	12,078,245
Total Current Liabilities	\$ 66,705,474	\$ 42,963,416
Long-Term Debt	36,664,267	33,156,353
Shareholders' Equity	94,371,073	78,243,047
Total Liabilities and Net Worth	\$197,740,814	\$154,362,816

STATEMENT OF CHANGES IN FINANCIAL POSITION

Twelve Months Ended July 31, 1976 with Comparative Figures for 1975	1976	1975
Sources of Funds:		
Funds Provided by Operations ⁽¹⁾	\$ 22,287,629	\$ 14,669,685
Other Sources	3,596,375	1,674,282
Total	\$ 25,884,004	\$ 16,343,967
Disposition of Funds:		
Net Fixed Assets Acquired	\$ 10,283,250	\$ 10,752,599
Other Dispositions	1,691,807	1,485,332
Total	\$ 11,975,057	\$ 12,237,931
Increase (Decrease) in Working Capital	\$ 13,908,947	\$ 4,106,036
Changes in Components of Working Capital:		
Current Assets:		
Accounts Receivable	\$ 13,788,799	\$ 1,682,955
Inventory	19,739,671	(3,552,066)
Other	4,122,535	(1,289,791)
Total	\$ 37,651,005	\$ (3,158,902)
Current Liabilities		
Current Maturities of Long-Term Debt	\$ 274,274	\$ 163,109
Accounts Payable	13,214,317	(2,912,571)
Other	10,253,467	(4,515,476)
Total	\$ 23,742,058	\$ (7,264,938)
Increase (Decrease) in Working Capital	\$ 13,908,947	\$ 4,106,036

⁽¹⁾Funds Provided by Operations Includes Net Income plus Depreciation.

Management Analysis of the Summary of Operations

Condensed Quarterly Balance Sheet

(Rounded Totals)

D

	July 31, 1976	July 31, 1975
Assets:		
Inventory	\$ 78,000,000	\$ 58,200,000
Receivables	52,300,000	38,500,000
Fixed Assets	50,400,000	45,100,000
All Other	17,000,000	12,600,000
Total	\$197,700,000	\$154,400,000
Net Worth and Liabilities:		
Equity	\$ 94,400,000	\$ 78,200,000
Payables	42,900,000	29,700,000
Debt	38,100,000	34,300,000
All Other	22,300,000	12,200,000
Total	\$197,700,000	\$154,400,000

Introduction: In fiscal 1975, we began publishing condensed comparative balance sheets in our quarterlies. In the first quarter of fiscal 1976, we began presenting a more complete Balance Sheet and an interim Statement of Changes in Financial Position. The latter is sometimes referred to as the funds flow statement since it examines the "sources" and "uses" of funds and the changes in Working Capital (Current Assets minus Current Liabilities) during a given interim period, in this case, since July 31, 1975 and July 31, 1974. Although the Balance Sheet on page 4 contains the "real" numbers, it is easier to understand the changes in this statement if we focus on the major components. Therefore we are also presenting in Tables D, E, and F, the quarterly Balance Sheet in simplified form as it appeared in the last year's quarterlies.

Analysis: Investment in Total Assets has increased 28.0% over a year ago. Reflecting the normal seasonality in Lowe's business and an overlay of new store openings, Total Assets at the end of each of our four quarters of fiscal 1976 have been as follows: \$164,200,000; \$165,800,000; \$192,600,000; and the \$197,700,000 shown in Table D. Of significance from an analytical standpoint, the increase in Total Asset dollars and the variation in their major components reinforce Lowe's capability for balance sheet management. As basic policy, it is desirable for us to maintain the major portion of our Assets in items that "turn" around sales, specifically Inventory and Receivables. A heavy proportion in these two Assets coupled with their high rates of turnover, has enabled us to maximize our Total Asset Turnover, a key variable in maintaining an above-average rate of Return on Shareholders' Equity over the long term. As shown in Table E, the increased Asset investment in this fourth quarter occurred primarily in Inventory and Receivables. Total Inventory increased 34.0%, and average Inventory per store increased 16.1% from July 31, 1975. However, Inventory is at a low point, down \$10,900,000 from April 30, 1976, reflecting higher turnover this quarter. April through July typically provides 40% of our annual sales volume, and this was true in fiscal 1976. Receivables were also higher on July 31, 1976, +35.8% in total and averaging \$348,811 per store, +17.7% from the year-ago level of \$296,406. As in the preceding quarters this fiscal year, the gain reflected the increased demand for credit commensurate with higher sales to professional buyers. However, with improved builder liquidity, our Receivables are turning faster this year.

Again this quarter Fixed Assets grew, with the \$5,300,000 increase from July 31, 1975 primarily invested in land, buildings, and equipment for the new stores opened during the past twelve months. We have modified our expansion policy somewhat to include take-over of existing facilities at attractive rentals, in addition to building standard Lowe's stores. However, 91 of the 150 stores at the end of this quarter were completely "on the balance sheet" presented here, and 20 more were partially capitalized since they were built by us on leased land. The \$4,400,000 gain in All Other Assets compared to one year ago mainly reflected an increase in Cash.

Equity was increased by \$16,200,000 during the last twelve months—21%—with \$5,800,000 being added in this fourth quarter. Giving effect to the 50% stock dividend in June, 1976, equity per share also increased 21% and now stands at \$7.25 compared to \$6.01 a year ago. Note in Table F that Equity was financing 48% of Total Assets on July 31, 1976, and this was more than adequate to finance our Inventory investment. Payables increased 44.4% and were financing a higher percentage of Total Assets and Inventory than one year ago. Total Debt, both long and short-term, was up \$3,800,000 from one year ago, but was financing only 19% of Total Assets, the lowest percentage in over eight quarters. Although some \$4,800,000 in long-term mortgage debt was added during this quarter, Total Debt declined from April 30, 1976, reflecting the absence of any short-term Notes Payable at year-end. "All Other" is the sum of various current liabilities, and the \$10,100,000 increase in this total is mainly due to a higher accrual for income taxes, profit-sharing and salary-related payments.

Quarterly Balance Sheet Changes

July 31, 1976 Compared to July 31, 1975

E

	% Change ⁽¹⁾
Assets:	
Inventory	+ 34.0%
Receivables	+ 35.8%
Fixed Assets	+ 11.8%
All Other	+ 34.9%
Total	+ 28.0%
Net Worth and Liabilities:	
Equity	+ 20.7%
Payables	+ 44.4%
Debt	+ 11.1%
All Other	+ 82.8%
Total	+ 28.0%

(1) Percent change to nearest tenth, computed from dollar amounts in Table D.

Quarterly Balance Sheet Trends

% of Total

F

	July 31, 1976	July 31, 1975
Assets:		
Inventory	39%	38%
Receivables	26%	25%
Fixed Assets	26%	29%
All Other	9%	8%
Total	100%	100%
Net Worth and Liabilities:		
Equity	48%	51%
Payables	22%	19%
Debt	19%	22%
All Other	11%	8%
Total	100%	100%



The Artwork of John Nygren

So you thought art glass was a lost art.

John Nygren is reviving it . . . and a growing army of collectors and admirers is discovering Nygren. From discarded soft drink bottles, he creates delicate, colorful, stunningly intricate pieces of art glass, sparking new interest in an art form that was underappreciated for decades. At the same time, he's creating new standards in the art of glassblowing.

"Glassblowing and the admiration of art glass have never been dead – there have only been some slow periods," says Nygren. "Right now, there's a general revival of interest in the crafts in general, including glassblowing. And I'm right in the middle of it."

Put simply, art glass is glass that is primarily decorative. It has been produced since ancient times. In the U.S., art glass achieved its pinnacle during the Art Nouveau period, primarily due to the work of the famous Louis Comfort Tiffany, whose first enormous acclaim for art glass creation was in 1893, at the Columbian Exposition in Chicago.

Today, collectors are rediscovering art glass, both as a viable art form and as an investment. Numerous long-time collectors of art glass of an earlier era have found contemporary art glass so good that they are turning to it. More and more often, the artist they turn to is John Nygren.

His works are in a growing number of private and public collections, including the prestigious Smithsonian Institution. And he can be forgiven if he at times sounds immodest about his work . . . it's not arrogance, but pride in craftsmanship that leads the 35-year-old Nygren to proclaim "I'm one of the best at what I do."

He continues, "The stiffest test is the test of time. So when I'm working on a piece, I'm consciously thinking 'How will this compare to the Ming dynasty?' That may sound pompous, but I believe that if something is worth my time, it's worth doing right. I remember a line from a movie I once saw: 'There's the best and there's all the rest.' That's exactly how I feel about my work. I detest lack of craftsmanship. Between 30 and 50 per cent of the pieces I start with end up destroyed; for one reason or another, I become dissatisfied with them." (He expects to produce less than 300 pieces this year.)

About six feet tall, Nygren is reed-thin, with a brushy beard riding below intense blue eyes. His conversation and his lifestyle are deeply rooted in his farming heritage. He grew up on a farm in Nebraska, often knowing real physical hunger. He gained a Master of Fine Arts degree from Cranbrook Academy of Arts in Michigan, then became a ceramics teacher at the University of North Carolina at Wilmington. He taught there for two years, then moved to a small farm near Walnut Cove, N.C. He's still there, and has named his new home "The New Branch," a literal translation of the Swedish, Nygren. It has a 150 year old farmhouse, outbuildings and Nygren's studio shed, the material for which, we're happy to advise, he bought retail at Lowe's of Winston-Salem.

This year, he quit a part-time teaching job ("there's doers and teachers; I'm a doer," he says) and is now a full-time glassblower. He works in his studio in the morning, farms in the afternoon, then returns to the studio in the evening.

His glass comes from Pepsi Cola bottles he obtains at a nearby bottling plant. He is constantly experimenting with new techniques, new colors, and new styles. His pieces are colorful, with the forms of nature incorporated in the glass: trees, flowers, insects, etc. – using a combination of glassblowing and lampworking techniques. A selection is shown on the back cover, but we must say that the art of printing reproduction does not completely portray the beauty and the talent in the art of John Nygren.

He signs each one of his pieces, and inscribes the date. "I sign it," he says, "because I think it's a work of art, and I'm proud of it."

His emerging reputation and increasing financial independence are both taken in stride. "When we first moved to Walnut Cove," he says, "we (meaning himself, his wife Share, and their one daughter) decided that I was going to blow glass and that we'd never have any money. But now that I'm gaining recognition and am able to support myself, I find that a nice bonus. People ask me what I'd do if I were really wealthy. I'd probably do exactly what I'm doing now."

"I'm very fortunate," he acknowledges. "I do what I want and make a little money at it. I'm really lucky that there are glass collectors out there who know good glass and who enjoy owning it."

And he's somewhat bemused by the general public's reaction to glassblowing. "People come to the studio and the first thing they want is to see me blow some glass. They think of glassblowing as one of the performing arts. It's actually one of the visual arts."

Anyone who has seen the art of John Nygren won't dispute that.

If you are interested in the art glass of John Nygren, you may contact his primary agent: Contemporary Art Glass Group, 816 Madison Avenue, New York, N.Y. 10021; phone 212-879-4655.



The Artwork of Lowe's

Joseph C. Bancroft first set foot on American soil on Thanksgiving Day in the year 1920. It was his 18th birthday. In his pocket he had \$1.47, and in a small paper bag he carried all his worldly possessions. Today, he is a multimillionaire.

As founder and Chairman of the Board of Croft Metals, Inc., a McComb, Mississippi-based corporation which claims the distinction of being the world's largest manufacturer of aluminum storm doors and windows, Joe Bancroft rules an industrial empire. It is estimated that this year Croft will do almost \$100 million in volume, producing over five hundred different series and types of aluminum building products.

The road leading from the immigrant youth to the inspiring industrialist is marked by detours through Vaudeville (where Bancroft played the Palace Theatre under the name John Anderson in "Songsteps and Smiles"), by star billing in three silent movies (the names no longer remembered), and by nights spent sleeping on park benches and eating whenever and wherever food could be found. But he had an iron determination and a creative and inventive mind, and this led eventually to starting a metal window manufacturing company in Jamestown, New York.

In 1947 Joe Bancroft became acquainted with the fledgling Lowe's organization, at that time just a small hardware store in North Wilkesboro, N.C., when Lowe's placed an initial order for steel windows. Today, Lowe's still counts on Joe Bancroft and Croft as a major supplier, purchasing around \$12,000,000 yearly in aluminum building products.

As an innovative industrialist, aggressive marketing man and remarkable individual, Joe Bancroft has become a legend in his own lifetime. And, in saluting him, we are saluting all the suppliers, large and small, who have helped and continue to help make Lowe's Companies one of the country's most responsive retailers. And, in a larger sense, we are saluting the drive and determination that has made America an Art form.

As partners in a competitive, rewarding business, Croft Metals and Lowe's have come a long way. As Joe Bancroft says "Lowe's and Croft, we practically grew up together."

Bancroft is an "on the job" executive. Looking younger than his 75 years, he still possesses a razor sharp mind and wit. On a typical weekday, he takes a morning plunge in his private swimming pool, then puts in 12 hours at the office—usually five hours on Saturday. His business is his life and, as such, he has applied himself day and night to its progress and continued growth. Today, Croft has seven manufacturing plants and employs over 4,000 people. Bancroft is very quick to state that "we don't borrow money and we don't owe banks."

This year Croft will manufacture and ship over one million storm windows and another million storm doors, in addition to the other aluminum building products produced by Croft.

Last year Bancroft received an honorary doctorate in Business Administration from Southern University—quite an accomplishment for a man who never attended school a day in his life. His father was a London woodcarver, and Joe served as his apprentice in his early years in England, beginning work at the tender age of six. Joe Bancroft, like so many young men in European countries at that time, had a dream to come to America, the land of golden opportunity. And so he did. He went to work for Henry Hope and Sons, a British manufacturer of custom design steel windows, in their New York office. He associated himself with the Truscan Division of Republic Steel, and there he designed a new, commercially-priced standard steel casement window. In a few years thereafter, he formed Croft Metal Product Inc., and started a new concept in mass production, which is now an industry standard. He recalls in those early days of steel windows, each window was custom made—every one different. They were shipped without glass. A customer would order one or two, the factory would make the framework and ship it, and a glazier would put in the glass panes when the window was installed. Joe Bancroft changed all that with factory glazing. He designed the first steel and aluminum casement windows, and he invented the awning window his company was the first in the nation to convert from steel to aluminum. And from all of this, a new industry sprang into being. In his lifetime he has filed more than 400 patents pertaining to aluminum windows, doors and allied building products. Continued expansion is very much in his future plans.

He has not forgotten his heritage. Several years ago, he set up within his company the Croft Metals Educational Trust, through which his employees may make low interest loans to enable them to send their sons and daughters to college. He has recently established the Joseph C. Bancroft Charitable and Educational Foundation, through which it is his purpose to enable young Europeans to come to America, to have the opportunity to educate themselves, to work, study, and live in the Southland of America.

Joe Bancroft is justly proud of his accomplishments. He feels that he, and those like himself who left their native countries to come to America with a dream and a one-way ticket, have contributed much to America's growth and present status in the world. Lowe's is proud of Joe Bancroft, his contributions, and our continuing business association.

Quarterly Market Research Report

National Marketing Statistics

Savings and Loan Commitment Trends, U.S.

BILLIONS OF DOLLARS, ROUNDED TOTALS

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976		Change ²
	N.S.C. ¹	Commitments	N.S.C. ¹	Commitments	N.S.C. ¹	Commitments	
Aug.	\$-1.16	\$12.25	\$-1.15	\$ 9.86	\$+1.47	\$12.67	+29%
Sept.	+1.84	10.80	+1.43	9.13	+3.70	12.59	+38%
Oct.	+ .95	9.91	+ .44	8.13	+2.26	11.75	+45%
Nov.	+1.28	9.72	+1.23	7.72	+2.25	11.37	+47%
Dec.	+2.95	9.53	+3.39	7.45	+4.33	10.68	+43%
Jan.	+2.18	9.79	+3.29	7.89	+5.38	11.11	+41%
Feb.	+1.83	10.74	+3.30	8.79	+3.95	12.88	+47%
Mar.	+4.17	12.02	+6.49	10.05	+7.07	14.45	+44%
Apr.	- .21	12.93	+2.86	11.65	+2.80	15.51	+33%
May	+ .54	12.49	+3.90	12.56	+3.05	16.62	+32%
June	+2.69	11.74	+6.23	12.36	+5.04	16.64	+35%
July	- .48	10.85	+3.06	12.61	+3.52	16.34	+30%

¹Net Savings Change, equal to gross savings receipts less withdrawals

²Change in commitments from same month previous year, to nearest whole percent

P—preliminary estimates

SOURCE: Federal Home Loan Bank Board Journal

1

Significance, Chart 1: Permanent mortgage funds availability is intertwined with the level of housing activity, and housing is what Lowe's is all about since our product line centers on residential building materials. This new chart is national in scope and it focuses on the single most significant source of home mortgage financing—our nation's Savings and Loan associations. Included here is the monthly Net Savings Change, (gross savings receipts less withdrawals), which provides primary direction for trends in loan commitments. "Commitments" are the total month-end dollar amounts pledged by Savings and Loans for near-future permanent residential mortgage uses.

The pace of net inflows slowed during the April-June period, with new savings received (not shown) dropping most dramatically in June, in response to a temporary increase in short-term interest rates in May. However, the July level of new savings received (the second highest month on record) reversed this trend. And, despite the somewhat erratic pattern of funds flow, commitments continued to increase to historically high levels during this period.

Housing Permits and Starts, U.S.

THOUSANDS OF UNITS, SEASONALLY ADJUSTED ANNUAL RATES

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976			
	Permits	Starts	Permits	Starts	Permits	Change ²	Starts	Change ²
Aug.	1,809	2,051	917	1,145	998	+ 9%	1,264	+10%
Sept.	1,704	1,874	840	1,180	1,092	+30%	1,304	+11%
Oct.	1,411	1,677	824	1,100	1,111	+35%	1,431	+30%
Nov.	1,402	1,724	783	1,028	1,127	+44%	1,381	+34%
Dec.	1,288	1,526	869	940	1,091	+26%	1,283	+36%
Jan.	1,331	1,453	718	1,005	1,147	+60%	1,236	+23%
Feb.	1,360	1,784	729	953	1,165	+60%	1,547	+62%
Mar.	1,440	1,553	721	986	1,188	+65%	1,417	+44%
Apr.	1,254	1,571	843	982	1,082	+28%	1,367	+39%
May	1,138	1,415	903	1,085	1,158	+28%	1,430	+32%
June	1,086	1,526	938	1,080	1,150	+23%	1,527	+41%
July	1,002	1,290	1,016	1,207	1,215	+20%	1,391	+13%

²Change from same month previous year, to nearest whole percent

P—preliminary estimates

SOURCE: Department of Commerce, Economic Indicators

2

Significance, Chart 2: The level of new housing activity has a major direct effect on our professional buyer business (PB in Chart 7 on page 12). We present here the two most commonly used indicators of current and future home-building activity: national, monthly, seasonally-adjusted annual rates for housing permits and starts. We include housing permits because in most areas of the country, authorization to build a house is required before building may commence. Although not all permits result in a house being started, (and not all starts are preceded by a permit), permits account for 85% of all new residential construction in the U. S. While a permit issued tells us that a house is likely to be started in the near future, a "start" represents a house actually "in-the-ground" and, therefore, housing starts are the best available gauge of current housing activity. Moreover, the housing start totals cover many rural areas of the country where permits are not required.

Housing starts activity seems to have reached a plateau in these last few months, with single-family starts maintaining a solid level of 1.1 million units at a seasonally-adjusted annualized rate, and multi-family starts still wobbling. But permits forged ahead in July, suggesting further gradual improvement in new housing starts in the coming months.

Retail Sales, U.S.

MILLIONS OF DOLLARS, ESTIMATED MONTHLY TOTALS

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	Sales ¹	% of Total ²	Sales ¹	% of Total ²	Sales ¹	Change ³	% of Total ²
Aug.	\$2,860	8.3%	\$2,908	7.4%	\$2,896	—	6.9%
Sept.	2,615	7.9%	2,721	7.5%	2,933	+ 8%	7.4%
Oct.	2,728	7.9%	2,808	7.2%	3,038	+ 8%	7.2%
Nov.	2,611	7.2%	2,540	6.5%	2,837	+12%	6.7%
Dec.	2,706	6.2%	2,615	5.7%	3,115	+19%	6.0%
Jan.	2,107	6.7%	2,108	6.1%	2,403	+14%	6.3%
Feb.	2,084	6.9%	1,993	6.1%	2,427	+22%	6.7%
Mar.	2,423	6.9%	2,236	6.0%	2,865	+28%	7.0%
Apr.	2,634	7.3%	2,499	6.7%	3,065	+23%	7.1%
May	2,859	7.5%	2,878	6.8%	3,183	+11%	7.3%
June	2,841	7.7%	2,909	7.3%	3,417	+17%	7.8%
July	2,957	8.0%	2,952	7.3%	3,411p	+16%	7.6%

¹Sales are estimated monthly unadjusted sales of lumber yards, building material dealers, paint, plumbing, heating and electrical stores, hardware, appliance, TV and radio stores.

²Above sales as a percent of total unadjusted retail sales, excluding automotive sales.

³Change from same month previous year, to nearest whole percent

P—preliminary estimates

SOURCE: Department of Commerce, Monthly Retail Trade

3

Significance, Chart 3: This retail sales grouping most closely corresponds to Lowe's total merchandise line competition. The amounts shown are estimated monthly national totals expressed both in dollars and as a percent of total retail sales, excluding the automotive group. Although the rates of gain moderated somewhat in these products, particularly in brown and white goods, sales increases were still above-average during May-July.

Regional Marketing Statistics

Significance, Chart 4: This chart is regional, and therefore more pertinent to Lowe's since 102 of Lowe's stores are located in this 6-state area which includes Alabama, Georgia, Maryland, the District of Columbia, North Carolina, South Carolina, and Virginia. The Net Savings Change and Commitments are comparable to the national figures shown in Chart 1 on page 10, but Chart 4 provides data on the activity of federally-insured Savings and Loan associations in the Fourth Federal Home Loan Bank District, excluding Florida since we currently have only four stores in that state.

Savings inflows and loan commitment trends for the 6-state area have paralleled the national pattern, and this was true in May, June, and July.

Significance, Chart 5: In contrast to Chart 2 which shows national, seasonally adjusted, annualized permit rates, new Chart 5 presents actual unadjusted permits issued in 12 states, and compares these figures with total U.S. actual, unadjusted permits. The 12 states—Delaware, Maryland, the District of Columbia, Georgia, Virginia, West Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Mississippi, Louisiana, and Alabama—span an area which contains 137 Lowe's stores, 91% of the current total. We should note that some of these states have minimal permit-issuing requirements, so the totals may understate actual housing activity. But, we think this new chart will provide a very meaningful correlation with our professional buyer sales. In fact, for an interesting market share study, contrast Lowe's quarterly professional buyer sales, in Chart 7 on page 12, with the comparable three-month permit totals. Although our "pro" sales are likely to have benefitted from inflation and new store openings, the increases in market share are significant.

Regional permit gains have moderated these last few months and the actual permits issued in the 12-state area still represent a smaller portion of total U.S. permits than they did two years ago. For the twelve month period which corresponds to Lowe's 1976 fiscal year, 12-state area permits accounted for 17.2% of the 1,120,000 total U.S. actual permits issued. This was the same percentage as in the previous August-July year, when U.S. permits totaled 843,000, and it is still below the 19.2% share of 1,318,000 total U.S. permits achieved in our fiscal 1974 year.

Significance, Chart 6: The Department of Commerce region designated "the South" includes all but three of the 16 states in our marketing area (Pennsylvania, Ohio, and Indiana), and in addition includes Arkansas, Oklahoma, and Texas. Chart 6 presents estimated monthly retail sales of building materials, hardware, and farm equipment dealers in dollars and as a percent of total regional retail sales less automotive dealer sales. Note that Lowe's total sales growth exceeded the regional increase in the May-July period.

Savings and Loan Commitment Trends, 6-State Area

4

MILLIONS OF DOLLARS, ROUNDED TOTALS

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	N.S.C.*	Commitments	N.S.C.*	Commitments	N.S.C.*	Commitments	Change**
Aug.	\$-150.9	\$1,170	\$-100.7	\$ 844	\$+137.4	\$1,202	+42%
Sept.	+160.5	1,041	+128.6	780	+335.6	1,176	+51%
Oct.	+ 63.5	946	+ 45.0	686	+198.4	1,074	+57%
Nov.	+128.5	886	+131.1	668	+226.1	1,028	+54%
Dec.	+ 8.7	833	+336.8	636	+430.4	927	+46%
Jan.	+195.6	844	+334.4	697	+527.9	1,007	+44%
Feb.	+206.6	933	+347.3	784	+410.6	1,218	+55%
Mar.	+394.5	1,023	+652.2	902	+667.7	1,363	+51%
Apr.	- 67.9	1,096	+240.7	1,035	+256.7	1,507	+46%
May	+ 60.2	1,048	+362.0	1,177	+298.5	1,654	+41%
June	+251.0	976	+593.0	1,166	+471.0	1,675	+44%
July	- 53.8	906	+293.4	1,200	+295.4	1,634	+36%

*Net Savings Change, equal to gross savings receipts less withdrawals.

**Change in commitments 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.

Housing Permits, 12-State Area

5

TOTAL PRIVATE, UNADJUSTED, ACTUAL NUMBER OF UNITS

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	Permits	% of Total*	Permits	% of Total*	Permits	Change**	% of Total*
Aug.	29,768	18.7%	13,670	17.1%	14,420	+ 5%	17.2%
Sept.	27,771	22.8%	11,623	17.8%	15,751	+36%	17.7%
Oct.	24,654	20.6%	11,585	16.6%	14,989	+29%	16.0%
Nov.	21,467	20.6%	8,335	15.4%	12,656	+52%	17.6%
Dec.	15,959	18.0%	9,450	16.0%	12,254	+30%	17.2%
Jan.	16,808	19.6%	9,127	21.3%	11,814	+29%	17.6%
Feb.	17,210	20.1%	8,994	20.1%	15,187	+69%	20.9%
Mar.	21,827	18.5%	10,093	16.9%	19,742	+96%	18.1%
Apr.	22,198	17.3%	15,677	17.8%	18,365	+17%	15.9%
May	19,204	16.8%	14,465	16.1%	18,770	+30%	16.9%
June	15,888	15.9%	17,137	18.5%	20,148	+18%	16.6%
July	18,693	20.0%	14,985	15.5%	18,689	+25%	16.6%

*12 state permit total as a percent of U. S. total private, unadjusted actual permits.

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

States included: Delaware, Maryland, the District of Columbia, Virginia, West Virginia, Kentucky, Tennessee, Mississippi, Louisiana, and Alabama.

SOURCE: Department of Commerce, Construction Reports.

Retail Sales, Southern Region

6

MILLIONS OF DOLLARS, ESTIMATED MONTHLY TOTALS

Month	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	Sales*	% of Total**	Sales*	% of Total**	Sales*	Change***	% of Total**
Aug.	\$ 883	8.6%	\$948	8.1%	\$ 926	- 2%	7.5%
Sept.	821	8.6%	911	8.6%	972	+ 7%	8.4%
Oct.	897	8.9%	961	8.6%	994	+ 3%	8.1%
Nov.	798	7.6%	799	7.0%	847	+ 6%	6.9%
Dec.	780	6.1%	752	5.5%	833	+11%	5.4%
Jan.	679	7.3%	721	7.0%	751	+ 4%	6.5%
Feb.	746	8.2%	715	7.2%	845	+18%	7.6%
Mar.	876	8.3%	793	7.0%	997	+26%	8.0%
Apr.	973	9.0%	916	8.1%	1,043	+14%	8.1%
May	1,004	8.9%	990	8.0%	1,012	+ 2%	8.0%
June	987	9.0%	977	8.3%	1,089	+11%	8.5%
July	967	8.8%	952	8.0%	1,040	+ 9%	7.8%

*Sales of building materials, hardware, and farm equipment dealers.

**The above sales as a percent of total retail sales excluding the automotive group, for the South only.

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

P—preliminary estimates.

SOURCE: Department of Commerce, Monthly Retail Trade.

Quarterly Market Research Report

Lowe's Marketing Statistics

Comments, Chart 7: This is Lowe's analysis by customer, and each Lowe's store serves two major customer groups, PB represents professional buyers – builders, contractors, developers, carpenters, electricians, and others who purchase Lowe's products in the course of their business. Professional buyers have unique needs, and we have designated a major section of our sales force as professional sales specialists to serve them. We offer credit terms to our PB customers, and special services such as our Homestead homes program and delivery to the job site. We know our efforts are worthwhile when we compare our PB sales in the quarters shown in Chart 7 with the market climate data in the charts on pages 10 and 11. In part our "better than trend" performance is due to new stores, but we believe these results also reflect continued market share gains in sales to professional buyers.

RC represents our retail customers, primarily "householders" buying for personal use, and this is largely a cash business. Growth in RC sales requires a different marketing emphasis. To serve our retail customers, we have a separate sales force specially trained in product information and do-it-yourself techniques. We have built our stores in accessible "retail" locations with ample parking facilities, and we have incorporated more of a "home center" look into our displays and floor plans. And, we tell our retail customers about our merchandise and "Lowe's Low Prices" through an extensive advertising program.

In the fourth quarter of fiscal 1976, PB sales increased 42% to \$87,220,000 and set an all-time record in quarterly "pro" volume at Lowe's. As has been true throughout fiscal 1976, builder business paced the gain in overall volume during this final quarter, with PB sales spurred by demand for new housing and by our special low-price program in commodity products. The declining trend in the price of lumber, a commodity price leader, presented an opportunity for our sales and marketing team to increase market share in sales to builders. RC sales increased 15% year-to-year, and this \$54,932,000 total set a record in retail customer purchases for any quarter in Lowe's history. Consumers continue to be cautious and value conscious in spending for big ticket durables. However, retail sales of appliances and other key durables picked up sharply toward the end of the quarter. The strategy is still advertising Lowe's Low Prices, and the results: Customer traffic beat all previous records in the fourth quarter.

Comments, Chart 8: The really unique thing about a Lowe's store is that the same merchandise product line is sold to both customer groups. Chart 8 is a profile of Lowe's product sales. Category A represents all sales of lumber and building materials and is the same as the first two categories in our 10-K business breakdown. Category B includes building hardware, home appliances, house and yard products, home entertainment, and mobile homes, the remaining product categories in the 10-K Report.

Category A products increased 35% in the fourth quarter of fiscal 1976 to \$103,795,000. As in the preceding quarters this fiscal year, lumber purchases led the year-to-year gain in Category A sales with builder business predominant. Lumber sales were about 45% higher than one year ago, with unit increases representing about two-thirds of the gain, and increased prices the balance. (Compared to the third quarter of fiscal 1976, however, lumber prices declined 8%-10% on average, with western species decreasing more.) Building materials represent the largest portion of Category A, and these products also showed strength in sales. Except for about 18% higher plywood prices, unit gains accounted for most of the increase in building materials sales. The rate of inflation in most of these commodities abated in this final quarter.

Category B product sales increased 17% in the fourth quarter. Again this quarter, appliance and home entertainment product sales increased year-to-year but not as much as Category B overall. All other products in this group showed good sales gains led by increases in seasonally strong house and yard products, and also in building hardware, and electrical product sales. Modest price increases (5% or less) are included in sales results of some of these product groups, but overall category B sales gains reflected unit sales increases.

Several new products have been added in the past year, notably automotive accessories and some pre-packaged building hardware lines. However, the dollar volume derived has been relatively insignificant since these are primarily small, low-priced items.

Compare the mix of business in product sales with that for customers in the fourth quarter. Since 73% of total sales were Category A product purchases but only 61% of total sales were purchased by PB customers, we know that RC customers were buying Category A products. This means that Do-It-Yourselfers were active in home improvement projects during this period.

Lowe's Customer Sales Profile

THOUSANDS OF DOLLARS, ROUNDED TOTALS

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Category	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	Sales	% of Total	Sales	% of Total	Sales	Change*	% of Total
1st Qtr.							
PB	\$ 54,344	59%	\$ 48,264	54%	\$ 61,427	+27%	58%
RC	37,153	41%	40,368	46%	45,354	+12%	42%
Totals	\$ 91,497	100%	\$ 88,632	100%	\$106,781	+20%	100%
2nd Qtr.							
PB	\$ 44,728	58%	\$ 33,817	52%	\$ 54,449	+61%	58%
RC	32,934	42%	30,601	48%	39,192	+28%	42%
Totals	\$ 77,662	100%	\$ 64,418	100%	\$ 93,641	+45%	100%
3rd Qtr.							
PB	\$ 53,771	61%	\$ 44,178	56%	\$ 76,797	+74%	63%
RC	35,021	39%	34,105	44%	45,681	+34%	37%
Totals	\$ 88,792	100%	\$ 78,283	100%	\$122,478	+56%	100%
4th Qtr.							
PB	\$ 58,979	56%	\$ 61,625	56%	\$ 87,220	+42%	61%
RC	45,522	44%	47,924	44%	54,932	+15%	39%
Totals	\$104,501	100%	\$109,549	100%	\$142,152	+30%	100%

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

Lowe's Product Sales Profile

THOUSANDS OF DOLLARS, ROUNDED TOTALS

8

Category	Fiscal 1974		Fiscal 1975		Fiscal 1976		
	Sales	% of Total	Sales	% of Total	Sales	Change*	% of Total
1st Qtr.							
A	\$ 66,186	72%	\$ 63,315	71%	\$ 78,504	+24%	74%
B	25,311	28%	25,317	29%	28,277	+12%	26%
Totals	\$ 91,497	100%	\$ 88,632	100%	\$106,781	+20%	100%
2nd Qtr.							
A	\$ 53,160	68%	\$ 43,142	67%	\$ 64,881	+50%	69%
B	24,502	32%	21,276	33%	28,760	+35%	31%
Totals	\$ 77,662	100%	\$ 64,418	100%	\$ 93,641	+45%	100%
3rd Qtr.							
A	\$ 63,084	71%	\$ 55,601	71%	\$ 89,557	+61%	73%
B	25,708	29%	22,682	29%	32,921	+45%	37%
Totals	\$ 88,792	100%	\$ 78,283	100%	\$122,478	+56%	100%
4th Qtr.							
A	\$ 71,364	68%	\$ 76,716	70%	\$103,795	+35%	73%
B	33,137	32%	32,833	30%	38,357	+17%	37%
Totals	\$104,501	100%	\$109,549	100%	\$142,152	+30%	100%

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

Quarterly Review of Performance

Lowe's Financial Statistics

Quarterly Sales Trends

MILLIONS OF DOLLARS, ROUNDED TOTALS

■ First Qtr. ■ Third Qtr.
■ Second Qtr. ■ Fourth Qtr.

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*Quarterly Compound Growth Rates, fiscal 1971 through 1976, rounded totals.
() Percent Change from same quarter previous year, to nearest whole percent.

Quarterly Dividend Trends

THOUSANDS OF DOLLARS, ROUNDED TOTALS
With Per Share Figures ()**

■ First Qtr. ■ Third Qtr.
■ Second Qtr. ■ Fourth Qtr.

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*Quarterly Compound Growth Rates, fiscal 1971 through 1976, rounded totals.
**Per Share Dividends Adjusted To Reflect 50% Stock Dividend, June, 1976.

Quarterly Earnings Trends

AFTER TAX EARNINGS IN MILLIONS, ROUNDED TOTALS

■ First Qtr. ■ Third Qtr.
■ Second Qtr. ■ Fourth Qtr.

10



*Quarterly Compound Growth Rates, fiscal 1971 through 1976, rounded totals.
() Percent change from same quarter previous year, to nearest whole percent.

Quarterly Additions to Retained Earnings Trends

MILLIONS OF DOLLARS, ROUNDED TOTALS

■ First Qtr. ■ Third Qtr.
■ Second Qtr. ■ Fourth Qtr.

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*Quarterly Compound Growth Rates, fiscal 1971 through 1976, rounded totals.
() Percent change from same quarter previous year, to nearest whole percent.

Sales and Earnings Quarterly % of Yearly Total

AVERAGE, 1971 THROUGH 1975, ROUNDED FIGURES



Quarterly Per Share Trends

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Fiscal:	Earnings*				Shares**			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1976	\$.266	\$.213	\$.387	\$.462	13,022	13,022	13,022	13,022
1975	.231	.101	.133	.342	12,986	13,022	13,022	13,022
1974	.245	.213	.285	.399	12,744	12,776	12,798	12,860
1973	.206	.192	.251	.351	12,687	12,707	12,720	12,729
1972	.156	.145	.160	.261	12,632	12,638	12,662	12,680
1971	.116	.089	.107	.207	12,623	12,623	12,623	12,629

*Per Share earnings adjusted for June, 1976, 50% stock dividend.

**In thousands, adjusted for November, 1969, 100% stock dividend; December, 1971, 50% stock dividend; July, 1972, 33-1/3% stock dividend; and June, 1976, 50% stock dividend.
Variation in shares is due to employee stock option exercise.

11 Year Review of Performance

Year Ended July 31		10 Year Compound Growth Rates 1966-1976	5 Year Compound Growth Rates 1971-1976	1976	1975	1974
Stores and People						
1	Number of Stores	14.4%	14.9%	150	130	116
2	Number of Employees	17.3%	16.1%	4,378	3,574	3,598
3	Customers Served (Thousands)	15.7%	17.1%	7,033	5,702	5,321
4	Average Customer Purchase			\$ 66.12	\$ 59.78	\$ 68.12
Comparative Income Statement (Thousands)						
5	Total Sales	19.7%	22.3%	\$ 465,052	\$ 340,882	\$ 362,453
6	Pre-Tax Earnings	20.6%	21.4%	\$ 34,295	\$ 20,811	\$ 29,287
7	Taxes on Income	21.1%	21.3%	\$ 16,984	\$ 10,319	\$ 14,670
8	Net Earnings	20.0%	21.5%	\$ 17,311	\$ 10,492	\$ 14,617
9	Cash Dividends Paid	7.5%	7.0%	\$ 1,272	\$ 1,171	\$ 1,045
10	Earnings Retained and Reinvested	22.1%	23.2%	\$ 16,039	\$ 9,321	\$ 13,572
Dollars Per Share (Nearest Cent) (1)						
11	Sales	19.0%	21.6%	\$ 35.71	\$ 26.19	\$ 28.33
12	Earnings (2)	19.2%	20.7%	\$ 1.33	\$.81	\$ 1.14
13	Cash Dividends	7.2%	7.4%	\$.10	\$.09	\$.08
14	Earnings Retained and Reinvested	21.9%	22.3%	\$ 1.23	\$.71	\$ 1.06
15	Shareholders' Equity	22.5%	24.4%	\$ 7.25	\$ 6.01	\$ 5.22
Performance Measurements*						
16	Asset Turnover (Sales per Asset Dollar)			\$ 3.01	\$ 2.26	\$ 2.88
17	Return on Sales (Earnings as % of Sales)			x 3.72%	x 3.08%	x 4.03%
18	Return on Assets			= 11.22%	= 6.96%	= 11.63%
19	Leverage Factor (Asset Dollars per Equity Dollar)			x 1.97	x 2.24	x 2.43
20	Return on Shareholders' Equity			= 22.13%	= 15.60%	= 28.23%
Comparative Balance Sheet (Thousands)						
21	Current Asset Totals	20.1%	21.7%	\$ 146,448	\$ 108,784	\$ 111,943
22	Cash	17.8%	9.9%	\$ 15,620	\$ 11,574	\$ 12,986
23	Accounts Receivable (Net of Reserve)	18.8%	20.1%	\$ 52,322	\$ 38,533	\$ 36,850
24	Inventories (Lower of Cost or Market)	21.7%	23.3%	\$ 77,963	\$ 58,223	\$ 61,775
25	Other Current Assets			\$ 544	\$ 454	\$ 331
26	Fixed Assets	25.9%	29.1%	\$ 50,434	\$ 45,127	\$ 38,552
27	Other Assets			\$ 859	\$ 452	\$ 140
28	Total Assets	21.3%	23.4%	\$ 197,741	\$ 154,363	\$ 150,634
29	Current Liabilities Totals	17.2%	16.4%	\$ 66,705	\$ 42,964	\$ 50,228
30	Accounts Payable	16.3%	14.3%	\$ 42,942	\$ 29,727	\$ 32,640
31	Income Tax Provisions	13.9%	13.4%	\$ 8,050	\$ 3,126	\$ 6,732
32	Other Current Liabilities	23.2%	26.2%	\$ 15,714	\$ 10,110	\$ 10,856
33	Long-Term Debt	27.9%	38.1%	\$ 36,664	\$ 33,156	\$ 33,158
34	Total Liabilities	19.9%	21.8%	\$ 103,370	\$ 76,120	\$ 83,386
35	Shareholders' Equity	23.1%	25.3%	\$ 94,371	\$ 78,243	\$ 67,248
36	Ratio: Equity ÷ Long Term Debt			2.57	2.36	2.03
37	Year End Leverage Factor: Assets ÷ Equity			2.10	1.97	2.24
Shareholders and Shares						
38	Shareholders of Record, Year End			3,846	3,755	3,698
39	Shares Outstanding, Year End (Thousands) (1) (3)			13,022	13,022	12,887
40	Stock Price Range During Year (1)			\$33.67-21.83	\$30.33-12.67	\$39.67-21.67
	First Quarter			\$27.50-21.83	\$22.83-12.67	\$39.67-34.67
	Second Quarter			\$33.67-25.67	\$20.83-14.83	\$35.34-24.00
	Third Quarter			\$33.00-28.33	\$30.33-18.67	\$34.67-28.67
	Fourth Quarter			\$29.75-25.50	\$30.33-25.50	\$32.67-21.17

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 1976, Lowe's achieved \$3.01 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, a 33 1/3% stock dividend as of July 31, 1972, and a 50% stock dividend in June, 1976.
- (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.

1973	1972	5 Year Compound Growth Rates 1966-1971	Base Year 1971	1970	1969	1968	1967	Base Year 1966	
100	86	14.0%	75	64	58	53	44	39	1
3,296	2,630	18.4%	2,071	1,670	1,450	1,223	1,017	891	2
4,717	3,820	14.3%	3,194	2,729	2,290	2,034	1,755	1,636	3
\$ 69.29	\$ 61.40		\$ 53.13	\$ 47.09	\$ 51.98	\$ 47.70	\$ 43.14	\$ 47.10	4
\$ 326,846	\$ 234,556	17.1%	\$ 169,723	\$ 128,491	\$ 119,053	\$ 97,031	\$ 75,695	\$ 77,043	5
\$ 25,393	\$ 18,143	19.8%	\$ 13,027	\$ 9,938	\$ 9,514	\$ 7,202	\$ 5,151	\$ 5,286	6
\$ 12,665	\$ 9,022	21.0%	\$ 6,479	\$ 5,068	\$ 4,906	\$ 3,609	\$ 2,381	\$ 2,496	7
\$ 12,728	\$ 9,121	18.6%	\$ 6,548	\$ 4,870	\$ 4,608	\$ 3,593	\$ 2,770	\$ 2,790	8
\$ 1,017	\$ 946	8.0%	\$ 907	\$ 844	\$ 780	\$ 756	\$ 661	\$ 616	9
\$ 11,711	\$ 8,174	21.0%	\$ 5,641	\$ 4,026	\$ 3,828	\$ 2,837	\$ 2,109	\$ 2,174	10
\$ 25.71	\$ 18.54	16.4%	\$ 13.44	\$ 10.18	\$ 9.43	\$ 7.77	\$ 6.13	\$ 6.29	11
\$ 1.00	\$.72	17.7%	\$.52	\$.39	\$.37	\$.29	\$.23	\$.23	12
\$.08	\$.07	7.0%	\$.07	\$.07	\$.06	\$.06	\$.05	\$.05	13
\$.92	\$.65	21.5%	\$.45	\$.32	\$.31	\$.23	\$.17	\$.17	14
\$ 4.07	\$ 3.09	20.7%	\$ 2.43	\$ 1.97	\$ 1.65	\$ 1.35	\$ 1.13	\$.95	15
\$ 3.65	\$ 3.40		\$ 3.43	\$ 3.09	\$ 3.37	\$ 3.24	\$ 2.65	\$ 3.34	16
x 3.89%	x 3.89%		x 3.86%	x 3.79%	x 3.87%	x 3.70%	x 3.66%	x 3.62%	17
=14.22%	=13.20%		=13.25%	=11.72%	=13.03%	=11.98%	= 9.70%	=12.09%	18
x 2.28	x 2.26		x 1.99	x 1.99	x 2.08	x 2.15	x 2.42	x 2.43	19
=32.42%	=29.81%		=26.31%	=23.34%	=27.07%	=25.76%	=23.49%	=29.40%	20
\$ 96,391	\$ 70,110	18.6%	\$ 54,911	\$ 38,878	\$ 33,433	\$ 28,617	\$ 24,164	\$ 23,396	21
\$ 7,859	\$ 7,802	15.8%	\$ 6,304	\$ 4,658	\$ 4,640	\$ 4,129	\$ 4,814	\$ 3,024	22
\$ 37,603	\$ 27,440	17.6%	\$ 20,944	\$ 14,887	\$ 14,559	\$ 11,880	\$ 9,675	\$ 9,310	23
\$ 50,639	\$ 34,475	20.1%	\$ 27,332	\$ 19,040	\$ 14,183	\$ 12,475	\$ 9,532	\$ 10,931	24
\$ 290	\$ 393		\$ 331	\$ 293	\$ 51	\$ 133	\$ 143	\$ 131	25
\$ 29,238	\$ 19,330	22.7%	\$ 14,087	\$ 10,390	\$ 7,918	\$ 6,546	\$ 5,729	\$ 5,058	26
\$ 85	\$ 45		\$ 88	\$ 148	\$ 209	\$ 205	\$ 99	\$ 105	27
\$ 125,714	\$ 89,485	19.3%	\$ 69,086	\$ 49,416	\$ 41,560	\$ 35,368	\$ 29,992	\$ 28,559	28
\$ 55,694	\$ 40,217	18.0%	\$ 31,198	\$ 21,212	\$ 18,505	\$ 14,911	\$ 12,503	\$ 13,630	29
\$ 36,101	\$ 27,684	18.3%	\$ 21,999	\$ 15,178	\$ 10,997	\$ 9,703	\$ 8,425	\$ 9,496	30
\$ 5,073	\$ 5,086	14.5%	\$ 4,293	\$ 2,833	\$ 3,380	\$ 2,706	\$ 2,177	\$ 2,182	31
\$ 14,520	\$ 7,447	20.2%	\$ 4,906	\$ 3,201	\$ 4,128	\$ 2,502	\$ 1,901	\$ 1,952	32
\$ 18,238	\$ 10,014	18.5%	\$ 7,296	\$ 3,315	\$ 2,192	\$ 3,434	\$ 3,527	\$ 3,127	33
\$ 73,932	\$ 50,231	18.1%	\$ 38,494	\$ 24,527	\$ 20,697	\$ 18,346	\$ 16,033	\$ 16,765	34
\$ 51,782	\$ 39,254	21.0%	\$ 30,592	\$ 24,889	\$ 20,863	\$ 17,022	\$ 13,959	\$ 11,794	35
2.84	3.92		4.19	7.51	9.52	4.95	3.95	3.77	36
2.43	2.28		2.26	1.99	1.99	2.08	2.15	2.42	37
3,704	3,038		2,463	2,117	1,916	1,976	2,154	1,985	38
12,731	12,683		12,629	12,623	12,623	12,609	12,375	12,317	39
\$48.00-32.67	\$44.34-20.00		\$23.00-9.67	\$12.00-6.33	\$12.00-7.67	\$8.00-4.00	\$4.00-2.00	\$3.33-2.33	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. Fiscal 1976's return on sales was 3.72%. This multiplied by Asset Turnover, gives Return on Assets of 11.22%. 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 1976, Lowe's had \$.97 in other liabilities, thus financing \$1.97 in assets. This \$1.97 leverage factor times the 11.22% Return on Assets gives Return on Beginning Shareholder Equity of 22.13%. Totals vary due to rounding.

Lowe's 150 Store Locations

Alabama
Birmingham
Dothan
Gadsden
Huntsville
Mobile
Montgomery
Muscle Shoals
Tuscaloosa

Delaware
Dover
Wilmington

Florida
Gainesville
Orlando
Pensacola
Tallahassee

Georgia
Albany
Athens
Augusta
College Park
Columbus
Doraville
Macon
Moultrie
Rome
Savannah
Smyrna
Thomson
Valdosta

Indiana
Clarksville
Indianapolis
Westfield

Kentucky
Elizabethtown
Frankfort
Lexington
Louisville

Louisiana
Alexandria
Baton Rouge
Lafayette
Shreveport
West Monroe

Maryland
Cumberland
Frederick
Hagerstown
Salisbury

Mississippi
Greenville
Gulfport
Hattiesburg
Jackson
Meridian
Tupelo

North Carolina
Asheboro
Asheville
Boone
Burlington
Charlotte (2)
Durham

Fayetteville
Forest City
Gastonia
Goldsboro
Greensboro
Hendersonville
Hickory
High Point
Jacksonville
Kannapolis
Lincolnton
Lumberton
Monroe
Morgantown
Mount Airy
New Bern
North Wilkesboro
Raleigh
Reidsville
Rockingham
Rocky Mount
Sanford
Shelby
Sparta
Statesville
Washington
Waynesville
Whiteville
Wilmington
Wilson
Winston-Salem (2)
Zebulon

Ohio
Belpre
Circleville
Springfield

Pennsylvania
Hanover
Lancaster
York

South Carolina
Aiken
Anderson
Charleston
Columbia
Easley
Florence
Gaffney
Greenville
Laurens
Manning
Myrtle Beach
Orangeburg
Rock Hill
Spartanburg
Sumter

Tennessee
Chattanooga
Clarksville
Dyersburg
Gallatin
Jackson
Johnson City
Kingsport
Knoxville
Maryville
Memphis
Morristown
Nashville

Virginia
Bristol
Charlottesville
Coeburn
Danville
Dublin
Fredericksburg
Harrisonburg
Hopewell
Leesburg
Lynchburg
Manassas

Marion
Martinsville
Newport News
Norfolk
Richmond
Roanoke
Staunton
Suffolk
Vienna
Winchester
Woodbridge

West Virginia
Charleston
Fairmont
Huntington
Morgantown
Oak Hill
Princeton



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
29 Years with Lowe's

TRUSTEE, WAKE FOREST UNIVERSITY
DIRECTOR, MEMBER OF EXECUTIVE COMMITTEE, NORTHWESTERN SECURITY LIFE
DIRECTOR, NORTH WILKESBORO SAVINGS & LOAN ASSOCIATION
WHO'S WHO IN AMERICA

LEONARD G. HERRING*

Chairman, Executive Committee, Board of Directors
Office of the President, Executive Vice President
Trustee, Lowe's Profit Sharing Trust
20 Years with Lowe's

TRUSTEE, PROFIT SHARING RESEARCH FOUNDATION
DIRECTOR, NORTHWESTERN FINANCIAL CORPORATION
WHO'S WHO IN AMERICA

ROBERT L. STRICKLAND*

Board of Directors, Executive Committee
Office of the President, Executive Vice President
Chairman, Operations Committee, Lowe's Profit Sharing Trust
18 Years with Lowe's

DIRECTOR, N.C. SCHOOL OF THE ARTS FOUNDATION
MEMBER, NEWCOMEN SOCIETY
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
17 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
26 Years with Lowe's

PARTNER, McELWEE, HALL AND McELWEE
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
14 Years with Lowe's

VICE PRESIDENT, WHITE, WELD & CO. INC.
FELLOW, BROWN UNIVERSITY
DIRECTOR, LEACH & GARNER CO.
PARTNER, TEXAS LAND AND CATTLE CO.

ROBERT G. SCHWARTZ

Board of Directors, Audit Committee
2 Years with Lowe's

SENIOR VICE PRESIDENT, METROPOLITAN LIFE INSURANCE CO.
DIRECTOR, POTLATCH CORP.

*Officer of the Company

General Information

DWIGHT E. PARDUE

Senior Vice President-Stores
20 Years with Lowe's

EDWARD F. GREENE

Senior Vice President-Management Development
21 Years with Lowe's

J. MAX GARRETT, JR.

Senior Vice President-Operations
18 Years with Lowe's

MICHAEL D. BROWN

Senior Vice President-Marketing
18 Years with Lowe's

REX L. SHUMATE*

Treasurer

RICHARD ELLEDGE*

Controller

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 Reinvesting Agent:

Citibank, N.A.
Box 5765 Grand Central Sta.
New York, N.Y. 10017

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. 10051

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 85
Winston-Salem, N.C. 27102

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

Please Address All Shareholder Inquiries to:

Investor Relations

c/o Lowe's General Office, Highway 268 East
Box 1111, North Wilkesboro, N.C. 28656



Art Glass Originals – by John Nygren