

*The Men
Who Establish
New Highs
for LOWE'S*

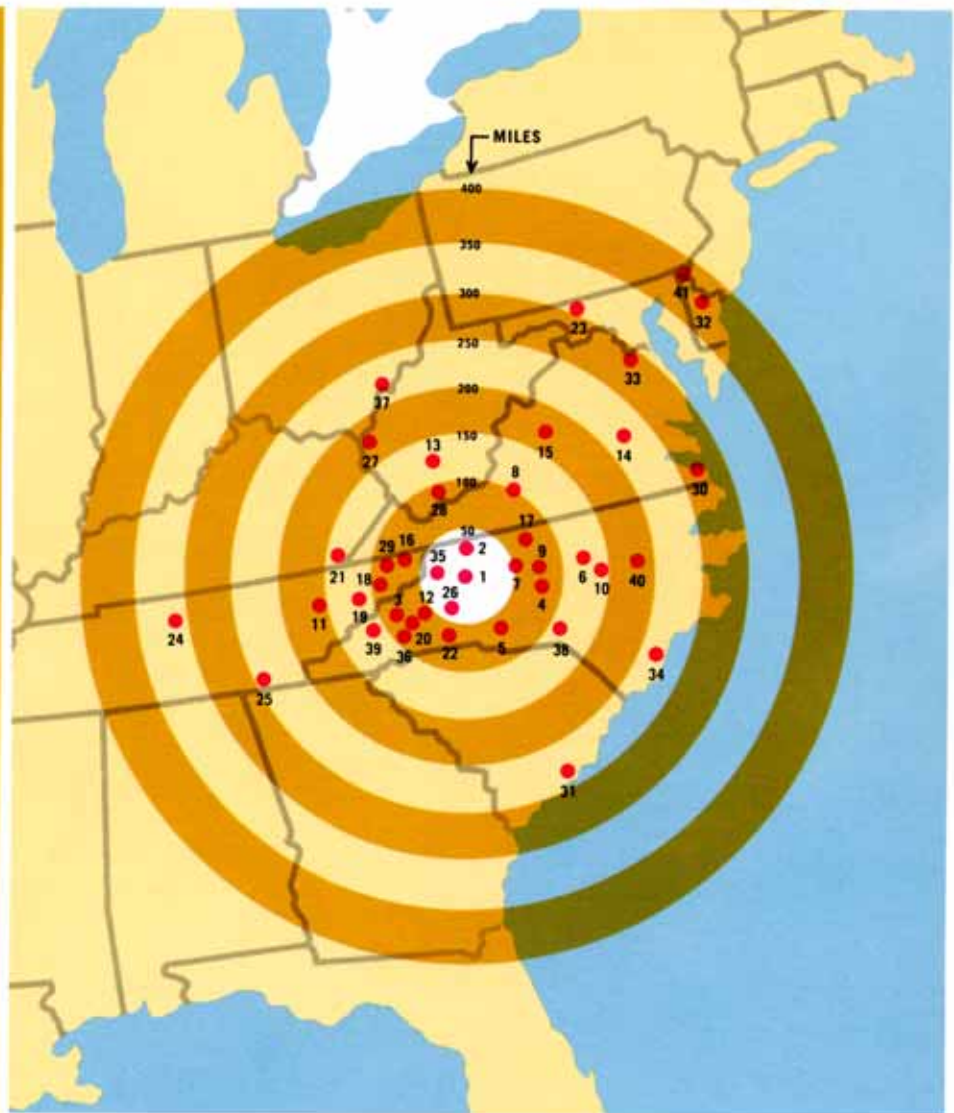
41 VALUE PACKED STORES IN A NINE STATE MARKETING AREA

LOWE'S

THE GROWTH OF OUR STORES

STORE NO.	LOCATION	DATE OPENED
1 /	North Wilkesboro, N.C.	1946
2 /	Sparta, N.C.	1949
3 /	Asheville, N.C.	1952
4 /	Asheboro, N.C.	1954
5 /	Charlotte, N.C.	1955
6 /	Durham, N.C.	1956
7 /	Winston-Salem, N.C.	1957
8 /	Roanoke, Va.	1957
9 /	Greensboro, N.C.	1957
10 /	Raleigh, N.C.	1958
11 /	Knoxville, Tenn.	1958
12 /	Marion, N.C.*	1958
13 /	Oak Hill, W. Va.	1959
14 /	Richmond, Va.	1956
15 /	Staunton, Va.	1959
16 /	Bristol, Tenn.	1959
17 /	Mayodan, N.C.*	1959
18 /	Greeneville, Tenn.*	1959
19 /	Newport, Tenn.*	1960
20 /	Brevard, N.C.*	1961
21 /	Middlesboro, Ky.*	1961
22 /	Shelby, N.C.	1962
23 /	Hagerstown, Md.	1962
24 /	Nashville, Tenn.	1962
25 /	Chattanooga, Tenn.	1962
26 /	Hickory, N.C.	1962
27 /	Huntington, W. Va.	1962
28 /	Princeton, W. Va.	1963
29 /	Kingsport, Tenn.	1963
30 /	Norfolk, Va.	1963
31 /	Charleston, S.C.	1963
32 /	Dover, Dela.	1964
33 /	Vienna, Va.	1964
34 /	Wilmington, N.C.	1964
35 /	Boone, N.C.	1965
36 /	Hendersonville, N.C.	1965
37 /	Belpre, Ohio	1965
38 /	Rockingham, N.C.	1965
39 /	Waynesville, N.C.	1965
40 /	Wilson, N.C.	1965
41 /	Wilmington, Dela.	1965

* Associate Stores
Also LUMBERYARD & PLANING
MILL, North Wilkesboro, North
Carolina



LOWE'S COMPANIES INC. – A BRIEF DESCRIPTION

Low prices, quality merchandise, and a "satisfaction guaranteed or money back" policy pull hundreds of thousands of money-spending customers into Lowe's 41 retail stores in nine Eastern states from Delaware to South Carolina.

Starting as a one-store cash and carry building material and hardware operation in 1946, Lowe's now has expanded to include 10 categories: lumber, building materials, plumbing, heating, major appliances and television, hardware, electrical, paint, miscellaneous consumer goods, and special order items. A mass merchandiser whose sales are now 30% cash and 70% charge, Lowe's offers a wide variety of charge plans from revolving accounts to 120-day construction completion ac-

counts. Lowe's stores are located in accessible shopping areas, convenient to railroad sidings for fast distribution. A fully automated, 60,000 sq. ft. central warehouse provides efficient inventory back-up control. The company's capitalization includes 450 shares of 5% preferred stock held by 3 stockholders, and 1,015,358 shares of common stock held by 1871 stockholders.

In 1965, total sales reached \$57,043,741, a new record high for one year. Lowe's has had a sales increase in every year of its history. Responsible for Lowe's continuing growth are its personnel, numbering 762. In management, sales, and all other key positions, these are the people who will lead Lowe's into new profit areas in the future.

LOWE'S COMPANIES, INC.

General Offices; Box 1111, North Wilkesboro, North Carolina

HIGHLIGHTS OF THE YEAR	1965	1964	% of Increase
Net Sales	\$57,043,741	\$48,680,295	17.2
Net Earnings After Taxes	2,046,268	1,567,769	30.5
Per Common Share	2.01	1.58	27.2
Cash Dividends Paid	518,648	459,880	
Per Common Share	51½	46¼	11.4
New Working Capital	7,973,696	7,896,470	1.0
Total Assets	23,095,800	17,804,577	29.7
Shareholders' Equity	9,490,301	7,707,448	23.1
Common Shares Outstanding	1,015,208	993,250	
Shareholders of Record	1,871	1,967	
Employees	762	636	19.8
Customers Served	1,283,729	1,141,168	12.5

ABOUT THE COVER

A new high of \$57,043,741 in sales was reached this fiscal year, and every dollar of it was written by a Lowe's salesman. This annual report is dedicated to the 204 men and women who makeup Lowe's retail sales force. Representative of this group is Mr. Vernon Greene of Lowe's Richmond, Va. store, who is pictured on pages 4 through 6. Scenes of his average day typify the vigorous spirit and solid experience found throughout our sales team . . . the men who establish new highs for Lowe's.

TRANSFER AGENTS:

Wachovia Bank & Trust Co., Raleigh, N. C.
Morgan Guaranty Trust Company of New York, 140
Broadway, New York, New York

REGISTRAR:

The Northwestern Bank, North Wilkesboro, N. C.

GENERAL COUNSEL:

McElwee & Hall, North Wilkesboro, N. C.

AUDITORS:

Grisette and Beach, CPA's, Lenoir, N. C.

ANNUAL MEETING:

Second Monday in November, General Office, North Wilkesboro, N. C.

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EDWIN C. DUNCAN, SR.



PETRO KULYNYCH



JOHN A. WALKER



WILLIAM H. McELWEE



LEONARD G. HERRING



JOE V. REINHARDT



ROBERT L. STRICKLAND



GORDON E. CADWGAN

EDWIN DUNCAN, SR.

President, Chairman of the Board of Lowe's Companies, Inc., since 1961. He also serves as President of The Northwestern Bank, North Wilkesboro, N.C. Mr. Duncan's other positions include: President of the Allegheny Development Corp.; Chairman, Finance Committee, Allegheny Memorial Hospital; and Member of the Board of Directors, Holly Farms Industries, Inc. He has served two terms as North Carolina state senator, from 1953-1955 and from 1961-1963, and was a member of the North Carolina Banking Commission from 1954-1962.

PETRO KULYNYCH

Executive Vice President. Chairman, Executive Committee. Director

JOHN A. WALKER

Vice President, Sales. Member, Executive Committee. Director

WILLIAM H. McELWEE

Vice President. General Counsel. Director

LEONARD G. HERRING

Secretary-Treasurer. Member, Executive Committee. Director

JOE V. REINHARDT

Director of Operations. Member, Executive Committee. Director

ROBERT L. STRICKLAND

Director of Marketing. Member, Executive Committee. Director

GORDON E. CADWGAN

Director, Partner, G. H. Walker & Company, Boston, Mass.

TO OUR STOCKHOLDERS

Continued growth and progress sum up Lowe's Companies, Inc. activities during the fiscal year ending July 31, 1965.

SALES: For the year reached the all time high of \$57,043,741, an increase of 17.2 per cent over prior years. Contributing to this record volume were many growth elements—eight new stores opened during the year, increased sales penetration by the older stores, and a continued high level of business activity in Lowe's market areas. Weather that encouraged housing starts contributed to some degree.

EARNINGS: The net earnings were \$2,046,268 after taxes. It required sixteen years for the company to reach the million dollar earnings level. It has taken only three years to reach two million dollars and two dollars per share net earnings.

EARNINGS OBJECTIVES: Management's earnings objectives are to exceed three per cent on sales and twenty per cent on stockholders equity after taxes. As shown in the ten-year review on pages 14 and 15, the 3.59 per cent return on sales is the highest yet attained; the 23.8 per cent return on equity is the highest since 1959, and the trends are favorable.

DIVIDENDS: During this fiscal year, cash dividends of \$518,648 were paid. On May 17, 1965, the Board of Directors voted to raise the quarterly cash dividend from 12½ cents to 14 cents per share, a 12 per cent increase. This is an increase from 50 cents to 56 cents per share on an annual basis and marks the third time in the past three years that dividends have been increased. Management's policy is to further liberalize dividends at a rate consistent with sound financial growth and return on investment opportunity.

FINANCIAL COMMENTS: We invite your attention to the continued strength and liquidity of the financial statement of Lowe's. Expansion of sales and profits has not been at the expense of these factors. In the past five years sales have advanced 86 per cent, net profits 185 per cent, and net worth 160 percent after the payment of \$1,894,000 in cash dividends. You may note on the balance

sheet the decrease of Long Term Debt, and the small increase in Working Capital. This is due to expansion and the timing of purchase of real estate for new store operations. The Company is negotiating with Metropolitan Life Insurance Company for a term loan on this real estate which will place this cash back into Working Capital during fiscal year 1966.

GROWTH: Eight new Lowe's stores were opened this fiscal year—in Boone, Hendersonville, Rockingham, Waynesville, Wilmington and Wilson, North Carolina; Belpre, Ohio; and Wilmington, Delaware. Continuing our store modernization and improvement policy, our stores in Hickory, North Carolina, and Vienna, Virginia, were moved into new modern facilities, and the Summerville, South Carolina, operation was consolidated into the Charleston, South Carolina, store. Sales floors, display areas, lumber concentration areas, loading docks, and warehouse space have been expanded this year to keep pace with the growth of the dynamic market we serve. The expansion of Lowe's makes a contribution of the well-being of the Company in many ways. Besides the growth in stockholder equity, which shows on the balance sheet, it strengthens our competitive position in the market place, it facilitates the acquisition of better merchandise, and it provides our personnel with increased opportunities for promotion and personal career growth. Lastly, it imbues the company with a vital sense of enthusiasm and adventure which is lacking in much of retailing today. Therefore, our expansion program will continue, with additional Lowe's stores in new and larger markets.

We take this opportunity to express our sincere appreciation to Lowe's employees, and to our customers, our suppliers and friends for their achievements in 1965. With their continued support and the loyalty and support of our fine family of stockholders, we expect 1966 to be another banner year.



EDWIN DUNCAN

Chairman of the Board and President

THE MEN WHO ESTABLISH



Beginning a typical day, salesman Vernon Greene, and Store Manager Dwight Pardue, welcome the day's first customers to Lowe's Richmond, Va. store.



Another Lowe's customer buys a roll of plastic pipe in the outdoor storage and lumber concentration area.



Greene shows a garden tractor to one of the many families who make Lowe's their buying headquarters for lawn and household appliances.

To expand sales from \$6 million to \$57 million in a 12 year period requires hard work. Although Lowe's success is based primarily on solid teamwork between all departments, the men who actually achieved these results are the salesmen. Lowe's sales force is an energetic young group, numbering 204 out of a total of 762 employees, and they produce the dynamic energy necessary to keep sales soaring.

Vernon Greene, of the Richmond, Virginia store, is representative of this sales force, and has been with Lowe's since 1959. He is a dedicated hard-working salesman who likes his business and his company. Over the years he has developed a list of regular customers who rely on him for his integrity and product knowledge. As a versatile, full line salesman, he is qualified to sell pumps, TV sets, or make a quotation on a complete house bill of materials.

Constant sales incentives, meetings, and contests lead and direct Vernon's natural enthusiasm for sales. His objective is to increase the \$44 average sale and handle more customers per day, thus achieving his daily and weekly sales budget. Vernon earns in excess of \$10,000 a year and this compensation is based strictly on commissions and incentives.



Vernon goes over blueprints carefully to review specifications while figuring an important order.

NEW HIGHS FOR LOWE'S



Customers receive courtesy, time, and specification information needed to make wise buying decisions from Lowe's varied line of merchandise.

Eighty-five per cent of the present Lowe's store management has been developed from within the company, and successful, profit-making salesmen look forward to a rewarding career through the internal promotion policy of the company. New salesmen start in the warehouse then graduate to the sales floor as a junior salesmen with in-store sales training meetings weekly. Soon the salesman is working for Lowe's regular sales incentive compensation plan.

The average Lowe's salesman must sell in excess of \$300,000 a year to make his budget. Many salesmen's personal sales exceed \$500,000 due to their professional ability and accounts they have developed. In a growing dynamic business such as Lowe's, new and future leaders must be trained in our business philosophy and policies over a period of years. Lowe's employees and salesmen are attracted by our profit-sharing plan and trust, which now owns forty-eight per cent of Lowe's stock, with many salesmen and employees owning additional stock personally.

Lowe's salesmen work inside our stores which are designed to help them speed products efficiently from the manufacturer to the buyer at the lowest expense ratio of any major retailer in the industry. Lowe's stores are categorized—A, B, and C; with the C stores producing a minimum of \$1 million in sales annually and the A stores producing in excess of \$2.5 million.



There's no use pretending we like complaints . . . however, Lowe's policy is to satisfy our customers, and our salesmen have the responsibility and the authority to carry out this policy.



Scores of machines help the salesmen perform his job accurately and quickly. Each salesman has his personal sales desk, calculator, drawer, telephone, and IBM punched product cards for automated ticket billing.

Salesmen's clients are varied. Here he discusses a job with a contractor's purchasing agent.





The last customer of the day waits for the final tally on merchandise he has just purchased from Lowe's.

The typical store layout has 40,000 square feet of warehouse; 6,000 square feet of retail display, ample customer parking, truck docks and railroad siding; and covers from three to four acres. Contained here are some 3,500 items of name brand, top quality merchandise; 75% of which is in building supplies (lumber, roofing, paint, plywood, doors, windows, plumbing, etc.). Consumer goods—toasters, appliances, television sets, hair dryers, riding mowers, etc.—comprise the other 25%. Special lumber requirements are filled by Lowe's own yard for each store.

Keeping up with this wealth of merchandise to serve and satisfy customers is just one of the many jobs tackled daily by Lowe's salesmen. They do it well, and they keep on setting new records.

John A. Walker, Vice President—Sales, recently summed up the confidence and continuing expectations Lowe's has for its sales people: "Lowe's is a successful business and is a vital part of a magnificent growing industry. Lowe's is financially and philosophically sound, and our salesmen recognize they are part of an industry and a company with a future; and they look forward to a career and an outstanding personal future in retailing."

After hours training meeting with the sales force finds Vernon leading a session on the current sales incentive program.



CUSTOMERS ARE SAYING...



Lowe's contractor customers are commercial and residential builders like Mr. William W. Durrett of Durrett Construction Corporation, Richmond, Virginia. Mr. Durrett has this to say about Lowe's: "Lowe's is one of the few building supply houses where I can order everything I need to complete a job. I like dealing with your men, and with one supply house. It cuts down on errors, speeds delivery and gives me a better profit picture."



"When I order from Lowe's, I know what I'll get," says Mr. Gerald C. Wilton, a builder who has been doing business with Lowe's for 6 years. "I can depend on your people for an accurate shipment of the best materials available anywhere, at prices I can't beat."

SALES TRAINING WITH A FLAIR



"Professors" Walker, Herring, McElwee and Gresham award 200 diplomas to the graduates of Lowe's college of sales knowledge. Pictured at right is the Lowe's sales force in February, 1965.

The construction industry is America's largest business. Modern building material merchandising requires professionally trained salesmen. Lowe's salesmen are the key to reduced costs to their building contractor customers, through their product knowledge and their ability to provide Lowe's products and services expeditiously, and from the viewpoint of the customers' needs.

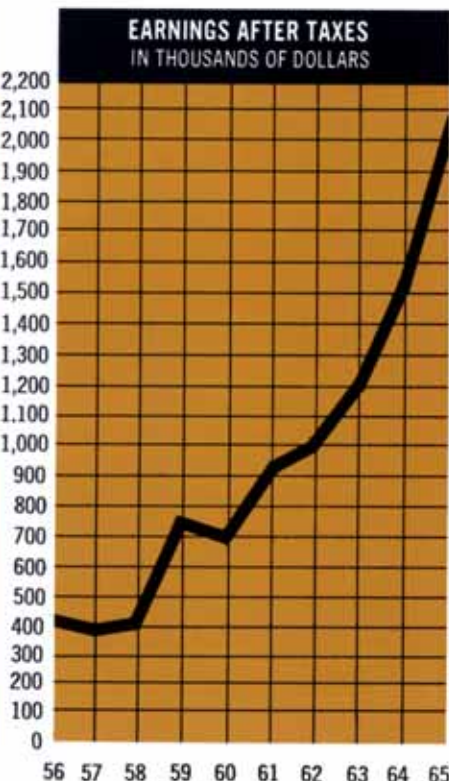
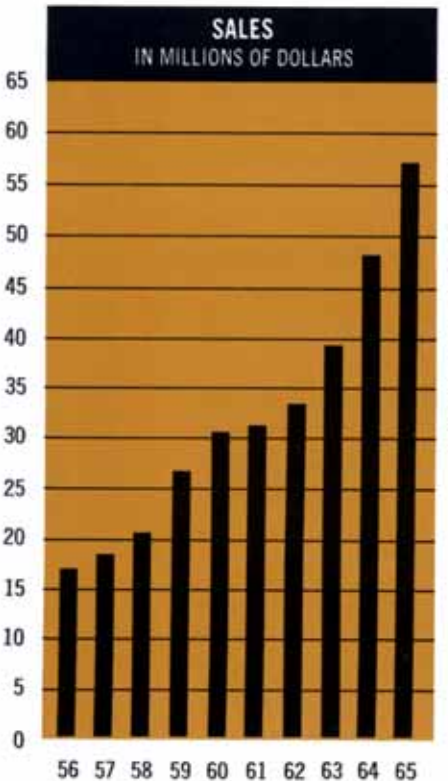
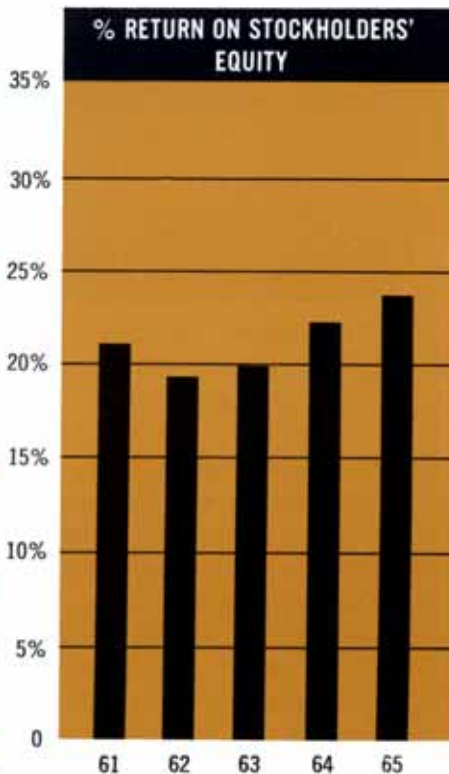
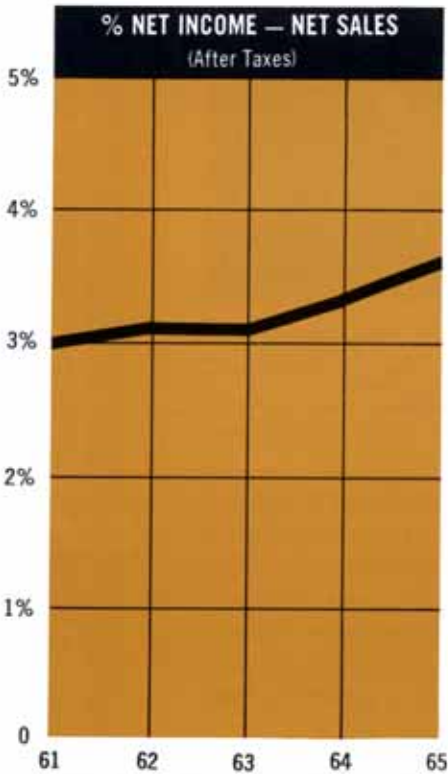
Buying a home is the largest single purchase most families make in their lifetime. It must reflect their individual personality and taste. Whether the home is purchased from a tract builder after its completion, or whether the home buyer participates in the planning before and during construction, good salesmanship requires the ability to coordinate materials with design, style, and function, and within the allotted budget. This is salesmanship with a flair.

Sales training at Lowe's is continuous and takes many forms. Manufacturers' representatives conduct regular store sales training meetings and briefing sessions to keep Lowe's salesmen abreast of new product development. Most Lowe's salesmen take blueprint reading and cost estimating to improve their professional knowledge. Many attend night school for further study.

Lowe's first annual sales college was inaugurated in February of this year, and consisted of three weeks of classes, study, written material, final examinations, even diplomas. This represented a new high in professional sales training for the men who make new highs for Lowe's.



PERFORMANCE GRAPHS



CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended July 31,

	1965	1964
<i>Earnings:</i>		
Net Sales	\$57,043,741	\$48,680,295
Other Income	37,630	64,081
Totals	<u>\$57,081,371</u>	<u>\$48,744,376</u>
<i>Cost and Expenses:</i>		
Cost of Merchandise Sold, Including Buying, Operating, Selling and Administrative Expenses Other Than Itemized Herein	\$51,979,354	\$44,719,356
Rents	274,509	253,100
Depreciation and Amortization	304,701	197,102
Contribution to Employees' Profit Sharing Plan	414,981	340,075
Interest and Loan Expense	165,919	149,213
Total Cost and Expenses	<u>\$53,139,464</u>	<u>\$45,658,846</u>
Earnings Before Income Taxes	\$ 3,941,907	\$ 3,085,530
Provision for Income Taxes	1,895,639	1,517,761
Net Earnings	<u>\$ 2,046,268</u>	<u>\$ 1,567,769</u>
<i>Retained Earnings:</i>		
Balance at Beginning of Year	\$ 6,730,566	\$ 5,410,506
Net Earnings	2,046,268	1,567,769
Life Insurance Proceeds		212,171
Totals	<u>\$ 8,776,834</u>	<u>\$ 7,190,446</u>
Less: Dividends Paid	518,648	459,880
Balance at End of Year	<u>\$ 8,258,186</u>	<u>\$ 6,730,566</u>

Explanatory notes on page 12 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS July 31

Current Assets:

	1965	1964
Cash	\$ 3,801,418	\$ 3,374,168
Accounts Receivable – Less Reserve for Doubtful Accounts (1965) – \$348,828; 1964 – \$348,322)	7,164,877	5,586,293
Inventories at the Lower of Cost or Market	8,155,561	6,336,653
Prepaid Expense	64,693	53,279
Total Current Assets	\$19,186,549	\$15,350,393

Property, Improvements and Equipment:

At Cost Less Accumulated Depreciation (1965 – \$963,278; 1964 – \$700,952)	3,832,066	2,381,046
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Other Assets and Deferred Charges:

Unamortized Loan Expense	26,200	29,257
Other Assets at Cost	50,985	43,881

Total Assets	<u>\$23,095,800</u>	<u>\$17,804,577</u>
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Explanatory notes on page 12 are an integral part of the financial statements.



LIABILITIES AND SHAREHOLDERS EQUITY July 31

Current Liabilities:

	1965	1964
Accounts Payable and Accrued Expenses	\$ 8,927,742	\$ 5,771,729
Long-Term Debt Due Within One Year	282,174	269,410
Provisions for Employees' Profit Sharing Plan	332,188	270,394
Provisions for Income Taxes	1,670,749	1,142,390
Total Current Liabilities	<u>\$11,212,853</u>	<u>\$ 7,453,923</u>

Long Term Debt:

Notes Payable and Debenture Bonds	2,376,672	2,615,497
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Deferred Credits:

Unamortized Premium on Debenture Bonds	15,974	27,709
Total Liabilities	<u>\$13,605,499</u>	<u>\$10,097,129</u>

Shareholders' Equity:

5% Preferred Stock of \$100. Par Value, Authorized 500 Shares; Issued and Outstanding 450 Shares	\$ 45,000	\$ 45,000
Common Stock of \$1. Par Value, Authorized 1,200,000 Shares; Issued and Outstanding — (1964 — 1,000,000 Shares; 1965 — 1,015,208 Shares)	1,015,208	1,000,000
Capital Surplus	171,907	
Retained Earnings	8,258,186	6,730,566
Total	<u>\$ 9,490,301</u>	<u>\$ 7,775,566</u>
Less Common Stock Held in the Treasury at Cost (1964 — 6,750 Shares)		68,118
Total Shareholders' Equity	<u>\$ 9,490,301</u>	<u>\$ 7,707,448</u>
Total Liabilities and Shareholders' Equity	<u>\$23,095,800</u>	<u>\$17,804,577</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 — Principles of Consolidation:

The consolidated financial statements include the accounts of all subsidiaries, all of which are wholly-owned. Nine operating subsidiaries were organized during the current year.

Note 2 — Long Term Debt:

The Company's long-term debt is summarized as follows:

(a) Three loans from a life insurance company — an unsecured 6% note maturing in 1972 in the amount of \$870,000 payable in the annual installments of \$150,000; an unsecured 5½% note for \$700,000 payable in annual installments of \$70,000 beginning June 1, 1968, and maturing in 1978, and a 5½% note secured by Deeds of Trust on certain real estate in the amount of \$580,051 payable in quarterly installments of \$15,180 including interest, with the final payment due July 1, 1979. Among other conditions these loan agreements place certain requirements on net current assets to be maintained, limit borrowing and place certain restrictions on payment of cash dividends. At July 31, 1965, the Company has complied with the restrictive clauses of the agreements.

(b) 4½ debenture bonds in the aggregate amount of \$124,075 maturing annually to 1967 at the rate of \$34,773 with a final payment in 1968 of \$19,756.

(c) Various notes in the aggregate amount of \$384,720 incurred in the purchase of and secured by real estate. All these notes mature in monthly or semi-annual installments with the final payments due in 1978.

Note 3 — Commitments and Contingent Liabilities:

Lowe's Companies, Inc. and its subsidiaries have twenty rental leases expiring more than three years after July 31, 1965, with aggregate minimum annual rentals of approximately \$213,251. None of these leases extend beyond 1975 except by option of the Company.

The Company and subsidiaries have sundry claims and litigations pending against them. In the opinion of counsel and management these items will not result in consequences materially adverse to the Company.

The tax returns of the Company and its subsidiaries are currently being examined by agents of the Internal Revenue Service. Proposed adjustments have been made by the agents. The Company has agreed to certain of these adjustments and provision for this additional tax has been

made. It is the opinion of the company officers and counsel that the unsettled items will not materially affect the financial position of the Company.

Note 4 — Employees' Stock Option Plan:

Under the stock option plan approved by the stockholders in July, 1961, 65,000 shares of the Company's common stock were reserved for the granting of options at 95% of market value at the date of grant.

The following table sets forth the number of shares for which options were outstanding to officers and key employees at July 31, 1965:

	Granted 10-9-61	Granted 5-20-63	Total
Beginning Exercisable Date	1-1-63	5-20-64	
Option Price Per Share	\$ 11.64	\$ 11.00	
Persons Involved in			
Original Grantings	21	10	31
Number of Shares Granted	59,250	5,257	64,507
Shares Forfeited by Termination of Employment of Optionee	600		600
Exercised Year Ending 7-31-64	5,300		5,300
Exercised Year Ending 7-31-65	21,400	558	21,958
Outstanding Options 7-31-65	31,950	4,699	36,649

The options are exercisable at the rate of 20% per year beginning at the exercisable dates shown above. Of the original 65,000 shares, options for 493 shares have not been granted, and the time for granting has expired. The 600 shares forfeited may be granted at any time prior to December 1965.

Note 5 — Employees' Profit Sharing Plan:

There is in effect a qualified non-contributory employee profit sharing plan established in June, 1957. The Company and subsidiaries generally contribute to the plan the maximum amount allowed under the Internal Revenue Code, that is, 15% of the aggregate annual compensation paid to participating employees. The trust created by the plan is the Company's largest stockholder.

Note 6 — Capital Surplus:

This represents the proceeds in excess of par or cost from the shares issued to the employees in their acquisition of stock under the stock option plan.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

<i>Year Ended</i>	7-31-65	7-31-64
SOURCE OF FUNDS		
Net Earnings for the Year	\$2,046,268	\$1,567,769
Depreciation and Amortization of Fixed Properties	304,701	197,102
Total Funds from Operations	\$2,350,969	\$1,764,871
Proceeds from Sale of Stock Under Employees' Stock Options	255,234	61,692
Increase in Long Term Debt – Net		476,620
Life Insurance Proceeds		263,272
Total Funds Available	<u>\$2,606,203</u>	<u>\$2,566,455</u>
FUNDS APPLIED		
Fixed Assets Acquired – Net	\$1,755,721	\$1,047,379
Dividends Paid	518,648	459,880
Reduction of Long Term Debt – Net	238,825	
Other Funds Applied	15,783	15,393
Total	<u>\$2,528,977</u>	<u>\$1,522,652</u>
Balance Added to Working Capital	<u>\$ 77,226</u>	<u>\$1,043,803</u>

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Lowe's Companies, Inc.

We have examined the consolidated balance sheet of Lowe's Companies, Inc., and subsidiary companies at July 31, 1965, and the related statements of consolidated earnings and retained earnings for the year then ended. Our examination was 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 accompanying balance sheet and statement of earnings and retained earnings present fairly the consolidated financial position of Lowe's Companies, Inc., and subsidiary companies at July 31, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRISSETTE & BEACH
Certified Public Accountants

Lenoir, North Carolina
September 15, 1965

HISTORICAL REVIEW

YEAR ENDING JULY 31	1965	1964	1963
Net Sales	\$57,043,741	\$48,680,295	\$39,011,836
Earnings before Taxes	\$ 3,941,907	\$ 3,085,530	\$ 2,438,292
Taxes on Income	\$ 1,895,639	\$ 1,517,761	\$ 1,232,889
Net Earnings	\$ 2,046,268	\$ 1,567,769	\$ 1,205,403
Earnings per Common Share (1)	\$ 2.01	\$ 1.58	\$ 1.22
Earnings as Per Cent of Sales	3.59%	3.22%	3.09%
Earnings on Stockholders' Equity (2)	23.80%	22.34%	20.11%
Cash Dividends Declared	\$ 518,648	\$ 459,880	\$ 411,229
Cash Dividends per Common Share	51½¢	46¼¢	41¼¢
Shares Outstanding	1,015,208	993,250	987,950
Stockholder Equity	\$ 9,490,301	\$ 7,707,448	\$ 6,325,695
Stockholder Equity per Common Share	\$ 9.30	\$ 7.72	\$ 6.36
Cash	\$ 3,801,418	\$ 3,374,168	\$ 2,734,572
Accounts Receivable (Net of Reserve)	\$ 7,164,877	\$ 5,586,293	\$ 4,967,831
Inventories (Lower of Cost or Market)	\$ 8,155,561	\$ 6,336,653	\$ 6,213,839
Depreciation and Amortization	\$ 304,701	\$ 197,102	\$ 150,950
Net Fixed Assets	\$ 3,832,066	\$ 2,381,046	\$ 1,530,769
Net Working Capital	\$ 7,973,696	\$ 7,896,470	\$ 6,852,667
Total Assets	\$23,095,800	\$17,804,577	\$15,629,698
Long Term Debt	\$ 2,376,672	\$ 2,615,497	\$ 2,138,877
Number of Employees	762	636	555
Customers Served	1,283,729	1,141,168	882,593
Shareholders of Record (3)	1,871	1,967	2,034
Number of Stores (Company Owned)	35	28	22

(1) After deducting \$2,250 dividends per year on preferred stock. For the years 1956 through 1961 the earnings

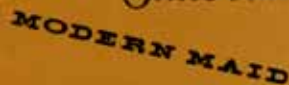
(2) Average of beginning and ending balance of stockholders' equity.

(3) Public offering of stock 10-10-61.

TEN YEAR COMPARISON

1962	1961	1960	1959	1958	1957	1956
\$32,716,336	\$31,127,776	\$30,679,449	\$27,005,459	\$20,443,908	\$18,232,770	\$17,389,620
\$ 2,054,177	\$ 1,890,426	\$ 1,359,248	\$ 1,515,781	\$ 832,878	\$ 810,696	\$ 831,442
\$ 1,033,606	\$ 956,000	\$ 641,037	\$ 759,702	\$ 428,593	\$ 418,262	\$ 424,403
\$ 1,020,565	\$ 934,426	\$ 718,211	\$ 756,079	\$ 404,285	\$ 392,434	\$ 407,039
\$ 1.02	\$.93	\$.72	\$.75	\$.40	\$.39	\$.40
3.12%	3.00%	2.34%	2.80%	1.98%	2.15%	2.34%
19.07%	21.51%	21.84%	29.67%	20.77%	25.78%	36.59%
\$ 402,250	\$ 102,250					
40¢	10¢					
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
\$5,661,332	\$ 5,043,017	\$ 3,646,393	\$ 2,931,431	\$ 2,164,762	\$ 1,729,082	\$ 1,315,834
\$ 5.62	\$ 5.00	\$ 3.60	\$ 2.89	\$ 2.12	\$ 1.68	\$ 1.27
\$ 1,955,691	\$ 1,299,603	\$ 441,833	\$ 365,145	\$ 583,004	\$ 467,982	\$ 523,569
\$ 3,768,654	\$ 3,107,550	\$ 2,858,041	\$ 2,112,343	\$ 1,323,913	\$ 679,911	\$ 583,911
\$ 5,867,733	\$ 4,800,834	\$ 4,755,421	\$ 3,163,800	\$ 2,655,214	\$ 2,071,648	\$ 2,304,203
\$ 124,570	\$ 133,219	\$ 136,712	\$ 105,560	\$ 72,945	\$ 40,963	\$ 26,384
\$ 1,261,329	\$ 1,228,542	\$ 1,252,919	\$ 1,280,932	\$ 629,874	\$ 549,788	\$ 158,670
\$ 6,036,730	\$ 4,383,599	\$ 3,197,540	\$ 2,606,613	\$ 2,104,914	\$ 1,465,317	\$ 1,332,662
\$13,096,562	\$11,834,941	\$ 9,382,368	\$ 7,047,730	\$ 5,266,787	\$ 3,798,733	\$ 3,593,265
\$ 1,679,864	\$ 1,791,652	\$ 862,076	\$ 985,895	\$ 589,063	\$ 292,167	\$ 176,200
491	399	360	334	273	215	197
703,350	650,506	581,084	N/A	N/A	N/A	N/A
2,047						
18	15	15	13	9	6	6

are based on 1,000,000 shares, the outstanding shares at 10-10-61.



Among Lowe's assets not shown on the balance sheet are the manufacturers of the merchandise we sell. Reproduced on this page are trademarks of some of the well known products which we are proud to be able to offer our customers. Our business relationship with many of them dates back to the beginning of Lowe's in 1946. To some of them, we represent their largest single retail account. We appreciate their confidence and support as expressed here, and will try to continue to earn it.

August 20, 1965

Dear Mr. Duncan:

For nearly 20 years, Hotpoint and Lowes Companies, Inc., have maintained a close working relationship — one that I think has been mutually beneficial to both concerns.

I want to take this opportunity to let you know that the Hotpoint people who work most closely with your stores have a very high regard for the retail salesmen in your organization. They feel that their knowledge of the business, their enthusiasm and their dedication are a real asset not only to Lowes Companies, Inc., but also to Hotpoint.

With every best wish for continued success, I remain,



Very truly yours,
W. D. Dance
Vice President-General
Electric Company
General Manager-
Hotpoint Division

July 27, 1965

Dear Mr. Duncan:

All too frequently it seems that many of us are quick to criticize situations . . . but find it difficult to spare those few minutes to commend a job well done. I would like to reverse this trend somewhat by saying "well done" to Lowe's.

The cooperation of your sales organization and their spirit, knowledge and eagerness to learn more about our products in order to do a better selling job is heartening. All of us at National Gypsum are impressed by the "back-up" to your sales force provided through your modern promotional merchandising techniques.

Quite simply, Mr. Duncan, we are both appreciative and proud to have the GOLD BOND product line promoted by such truly "professional merchandisers."



Sincerely,
Jay P. Nicely
Vice President-Sales
National Gypsum Company

August 24, 1965

Dear Mr. Duncan:

Congratulations on a record-breaking fiscal year in 1964 for Lowe's Companies, Inc. We in Alcoa have proudly watched your company's growth, and we are sure that your progressive management and aggressive merchandising will reflect continued corporate success. We have enjoyed our relationship as a supplier of Alcoa aluminum roofing to Lowe's, and we take great pleasure in our long and mutually beneficial association with you.

We are glad to have had the opportunity of participating in your sales schools, which we feel contribute greatly to your success as one of our outstanding outlets for Alcoa aluminum roofing products.

We in Alcoa offer our fullest cooperation in your merchandising programs for aluminum roofing products, and I personally wish you continued success.



Very truly yours,
L. P. Favorite
Vice President
Aluminum Company of
America

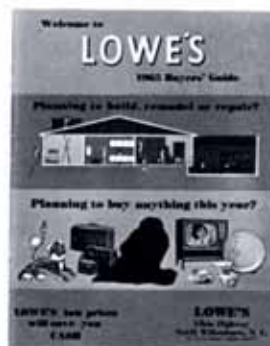
LOWE'S

Pictured here is a new merchandising tool introduced this year—Lowe's credit cards. For the first time at Lowe's a homeowner can finance material to remodel his home, as well as appliances and other consumer goods.



LOWE'S BUYERS GUIDE

Lowe's annual catalog which includes all 3,500 items of merchandise in stock at our stores, was enlarged this year to 64 pages. During the year, over 2 million catalogs are distributed, as a supplement to Lowe's principal advertising medium—daily newspapers in major marketing areas.



LOWE'S MAIL ORDER CATALOG

A 500 page catalog containing over 20,000 products is being made available to Lowe's customers at catalog sales desks in our stores. Everything from furs to vitamins to diamond rings may be purchased at Lowe's Low Prices.



MARKETING AND ADVERTISING

POST

THE SATURDAY EVENING POST

Some of our best customers are bird dogs.

Some of our best customers are bird dogs. The dogs in this photograph are standing on their hind legs, looking at the products in the store. This is a humorous way of saying that the store's products are so appealing that even dogs are interested. The store is filled with various items, including what looks like canned goods and other household products.

LOWE'S

MAGAZINE ADVERTISEMENTS

A new institutional advertising campaign has been introduced this year. Mass circulation magazines such as LIFE, and the SATURDAY EVENING POST are helping to tell "the story of Lowe's."

POST

THE SATURDAY EVENING POST

Economy run.

LOWE'S

ADVERTISED IN

LIFE

If you can afford any mower, you can afford a quality rider from Lowe's!

Cut your grass easier and faster with one of these beauties from Lowe's. Here are rugged riding mowers to fit any size budget or lawn—every one value-selected for easy operation, safety, and lasting service. Full year warranty, safety, can't beat Lowe's low prices, and you can buy any of these mowers for only \$2.77 per week at all Lowe's stores. Treat yourself to new ease, speed and fun in mowing your lawn.

'79 GENOA 22-156

By Fells Products Co.

A tremendous value and dependable performance. Cuts 22" wide. 3 hp, 4 cycle engine. Foot clutch control. Forward, neutral, reverse. Contoured comfort seat. Easy steering. Strong 8" wheels. Wide tires for traction, stability.

'149 CONTINENTAL SC 400

New champion in this popular price range. Cuts 24" wide with quick/adjustable mowing heights. 4 hp Briggs engine. Easy-spin recoil starter. 3 speed. Padded seat. Front bumper. 12" pneumatic rear tires. 20" front tires. Separate controls, disc, gear blade.

'179 HUFFY 4404

A top seller with superb engineering. Cuts 24" swath at adjustable heights. Power train is a transmission. Auto-type deck has controls for engine, clutch, brakes and blade. Steering wheel has positive control. Separate stopping.

'289 ESKA MARK 26

This workhorse performs with power costing up to \$400. You get a strong 6 hp engine with 20" cutting blade. Five forward speeds plus reverse. 8 cutting heights. Folding seat. Fastest cutting. Oil spring front end. 26" turning radius. Many tractor accessories available.

FREE CATALOG of 3568 Values

If there's no Lowe's store in your area, get, send for our catalog of over 3500 products for the home, materials, building hardware, housewares, etc. Write: Lowe's, Box 11121, North Wilkesboro, N. C.

LOWE'S STORES

LOWE'S

**LOWE'S COMPANIES, INC.
NORTH WILKESBORO, NORTH CAROLINA**

