

Lowe's 1998 Annual Report



Financial Highlights

In thousands, except per share data

	Change from 1997	Fiscal 1998	Fiscal 1997
Sales	21%	\$12,244,882	\$10,136,890
Net Earnings	35%	\$482,422	\$357,484
Earnings per Share:			
Basic	33%	\$1.37	\$1.03
Diluted	32%	\$1.36	\$1.03
Cash Dividends per Share	9%	\$.12	\$.11

Company Profile

Lowe's Companies, Inc. is one of the world's largest retailers currently serving the home improvement, home decor, and home construction markets from 484 stores in 27 states. At the beginning of 1999, our employees numbered more than 65,000 and our retail sales space totaled approximately 43.4 million square feet.

We have spent more than \$5 billion dollars in the past six years to build and improve our stores. We are also working to better meet the unique needs of our customers. As "Lowe'sland" continues to expand, our established distribution network enables the Company to efficiently deliver market specific products and services.

We also take pride in the communities we serve through extensive programs and volunteer involvement. Our activities share important home safety and fire prevention information with neighborhoods across the country as well as contribute to nonprofit organizations.

Lowe's has been a publicly held company since October 10, 1961. Our stock is listed on the New York Stock Exchange, the Pacific Stock Exchange and the London Stock Exchange with shares trading under the ticker symbol LOW.

Contents

Letter to Shareholders	1
Lowe's Knows	4
Board of Directors	12
Lowe's Executive Management	13
Disclosure Regarding Forward-Looking Statements	13
Auditors' Report	14
Management's Discussion and Analysis	15
Financial Statements	19
Investor Information	35
Financial History	36

About the Cover

The only true measure of success occurs when customers respond by choosing to make their purchases at Lowe's. During 1998, Lowe's experienced "success" by executing over 240 million customer transactions. Pictured here in Lowe's of Mooresville, NC are (l to r) Craig Stands, Annette Trull and Molly Ward.

To Our Shareholders

Better is Good –
But, Best is Better.

At Lowe's, we continually strive for excellence — in our stores, in our product offering and in our people.

In 1998 these efforts paid off handsomely for Lowe's and our shareholders. We topped \$12 billion in sales, an increase of 21% over last year, while serving more than four million customers weekly. We opened 76 new stores in 1998 for a year-end store count of 484 stores. We staked out new territory, opening our first stores in Connecticut and New Jersey, the 26th and 27th states where Lowe's puts customers first.

We also had a stock split in 1998, the tenth split in Lowe's 52-year history. When all was said and done, we ended the year with record earnings of \$482.4 million, up 35% from 1997.

In April of 1998, we announced our West Coast expansion plans. Soon thereafter, we opened an office in California to chart Lowe's course for success in the western U.S., where we'll open more than 100 stores over the next three to four years.

On April 2, 1999 Lowe's finalized its merger with Eagle Hardware & Garden, an integral part of our westward expansion. At the close of fiscal 1998, Eagle, based in Renton, Washington, operated 36 stores in ten western states (see page 11).

Eagle is one of the most respected names in home improvement retailing, with successful stores and more than 6,000 well-trained employees. Incorporating Eagle's employees and stores into the Lowe's family

strengthens and accelerates our entry into the western United States — especially in a number of key metropolitan markets.

The success that we experienced during 1998 reflects our commitment to customer service and the positive impact of three key initiatives that were

enhanced this past year. These programs focused on Installed Sales, Special Order Sales and the Commercial Business Customer.

Lowe's performs extensive research and demographic tracking about our customers and their needs. We're well aware of trends such as the aging baby-boomer population, the fast-paced families of today who are struggling to balance limited time with needed home improvements, and a nationwide housing stock that will need more and more maintenance and repairs as it ages.

Combine all these factors, and you have a significant portion of the population that

needs home improvement but often does not have the time — or the inclination — to undertake those projects. Lowe's research shows that 41% of our customers say it's important to them that we arrange experienced or professional help on some projects.

We realize we have an opportunity — almost an obligation — to better serve this large segment of customers. Therefore, in May of 1998, we rolled out a comprehensive Installed Sales program, through which we now install more than 20 major product categories — from flooring to countertops to garage doors.



Bob Tillman at Lowe's National Sales Meeting

Customer response has been overwhelming: in 1998 we sold more than four times the amount of installed products when compared to 1997.

About the same time, we overhauled our Special Order Sales (SOS) program. For years, we offered this service to customers who expressed interest in unique products they didn't see among the

40,000+ items on our shelves. Although we offered hundreds of thousands of specialty products, the process at times didn't work smoothly; ordering was cumbersome, delivery was slow. As a result, in 1997 only 23% of our customers had ever special-ordered products from Lowe's.

We invested the time and resources to redesign our SOS system, to make it faster, easier, friendlier and significantly more reliable. In June, we installed Special Order kiosks in all stores 85,000 square feet and larger – and saw dramatic results almost overnight. Customers enjoy easy access to what seems like an unlimited array of products — and possibilities — in Fashion Plumbing, Electrical & Lighting, Tools, Home Decor, Outdoor Living, and more. By the end of 1998, the number of customers who had special-ordered products increased by nearly 50% over 1997 and, for the year, our special order business was up 33% compared to an overall sales increase of 21%.

Lowe's third major initiative in 1998 centered around our integral Commercial Business Customer (CBC), those who earn their living from the products we sell: remodelers, property managers, painters, landscapers, electricians, plumbers and so forth.

Unlike many retail customers, CBC's shop as frequently as once or twice a week — some even more



Brandon Rogers, an employee of Lowe's Cary, NC store, will compete in the 1999 Special Olympics (see story on page 10). He was presented with a new racing bike at Lowe's National Sales Meeting. Pictured are (l - r) Greg Wessling, Mike Beeson (Brandon's coach), Brandon Rogers, Bob Tillman, Greg Rogers (Brandon's father) and Bill Pelon.

often. Their work is less cyclical, and more predictable, than that of retail customers and they tend to shop different hours — early weekday mornings or late afternoons — than do-it-yourself-ers. These attributes suit our stores perfectly and lead to better productivity per store. Last year, we refocused our energies on the Commercial Business

Customer, offering the brands and services they've told us they want. Contractor Pack savings are available for those buying in bulk, and the CBC can get knowledgeable, professional assistance from Lowe's Pros — home improvement professionals who now put their expertise and know-how to work for Lowe's customers. CBC's also value our "Ready to Go" fax and phone ordering, as well as delivery within 24 hours.

We marketed this particular program heavily, spreading the word through trade publications, early morning radio advertising, and special CBC breakfasts. The results have been positive: 1998 sales on our Lowe's Business Card were up 26%.

We're excited about the initial success of these three programs, but we believe the best is yet to come. In addition to successfully launching these initiatives in 1998, we're continuing to raise customer awareness of these services and products through ongoing marketing campaigns that will generate increasing sales for many years.

Increasing sales is a good thing.

But Lowe's intends to do more than "good." We plan to become the best at what we do — and to get there quickly.

Already we are breaking away from the pack, setting ourselves apart from the competition in a variety

of ways. For instance, we're developing solid partnerships with manufacturers to provide quality products at tremendous value — products that are available exclusively at Lowe's. Harbor Breeze™ ceiling fans and Top Choice™ Lumber were two of the first lines. The latest, Kobalt™ Tools, debuted in September 1998.

Kobalt™ Tools are professional-quality wrenches, ratchets, sockets and mobile storage chests manufactured in the U.S.A. by Snap-On®. Lowe's is excited to be the exclusive source for Kobalt™ Tools, which, our customers say, are an unbeatable value for the price.

Another Lowe's "exclusive" is a feature that's invisible to our customers, but benefits them every day. Lowe's cutting-edge distribution system provides efficient, direct product distribution to our stores, eliminating the problems and expense of overstocking while ensuring that customers get the products they want, when they want them. The investments we've made over the past several years in developing our distribution network provide a springboard as our national expansion continues.

But our most important asset — one that can't be duplicated, or matched, anywhere — is our workforce of more than 65,000 employees. Lowe's associates have earned their reputations as some of the friendliest and most helpful in the home improvement industry. They're the ones who embrace our programs and make them meaningful to customers. They're the ones that our customers have come to trust and rely upon. Simply put, they are the best, and they're helping make Lowe's the best.

At the senior management level, we've made some changes designed with the customer in mind. The newly created position of Executive Vice President of Merchandising and Marketing brings together two of the most fundamental components of our success. This integrated effort is driven by three principles — innovation, differentiation and communication — and is designed to globally formulate concepts and programs while allowing local execution to benefit the customer.

Additionally, we have realigned our merchandising

organization into three separate businesses — Building Materials, Hardlines and Home Decor. With this alignment, our service and our orientation becomes customer specific, not product specific. And finally, we have split the U.S. into two operating divisions to better manage the day-to-day operations in the field.

The landscape of the industry has changed significantly over the past decade but Lowe's has remained nimble and changed as well. Our average store size has increased five-fold in the past decade, adjusting to the needs of our customers. The Home Improvement Research Institute forecasts annual industry growth of 4-5% over the next several years. Couple that prediction with the ongoing consolidation taking place in our industry and you can understand why Lowe's future is filled with opportunity.

To capitalize on this opportunity, our expansion plans call for an additional 80 to 85 new stores in 1999, of which approximately 40% will be relocations of existing stores. The new markets we'll enter include Washington, D.C., Miami, FL and Los Angeles, CA - all of which are growing, dynamic areas. As we survey the areas of the country where Lowe's doesn't have a significant presence, we're positioning ourselves to realize the opportunity that lies ahead.

Today, we're significantly better at meeting our customers' needs and executing our business initiatives than we were a few short years ago. And although better is good, Lowe's knows best is better. We're proud of our accomplishments, but we're not sitting still. We plan to be the best. As we enter the 21st century, we remain focused on serving the customer and improving our business. Our shareholders expect it...and our customers demand it.

Best wishes,



Robert L. Tillman

Chairman and Chief Executive Officer
April 23, 1999 North Wilkesboro, NC

Lowe's Knows

The Pros



" I've been a plumber for 16 years. Customers always ask me, 'What do you recommend?' With my experience, I can explain what works best."

— Mike Walker, Plumbing Pro, Lowe's #658, Sussex County, Delaware

Retail customers and Commercial Business Customers alike have given Lowe's positive feedback for our "Lowe's Pros" program, through which we aggressively hire experienced professionals to offer their skills and know-how. Commercial Business Customers especially value the opportunity to talk directly with someone who knows their industry, who understands their needs and who can provide products for them quickly. Retail customers say it's added peace of mind and that they appreciate having a skilled professional at Lowe's who can explain their projects in detail.

The Lowe's Pros program was introduced in the third quarter of 1998 in the plumbing, electrical, paint and hardware departments. Because of their experience and years of know-how, Lowe's Pros can offer "big-picture" advice, recommending solutions that suit each individual project. They also provide unique insight into specific products and tools needed for each job.

Another benefit to both the customer and the Company is the mentoring that a Lowe's Pro adds to the department. An experienced electrician can share a wealth of knowledge with other sales associates that a training video alone cannot accomplish.

In product areas that complement Lowe's Pros specialties — such as Lawn and Garden and Outdoor Power Equipment — Lowe's offers employee training and certification programs through Lowe's University. Certification ensures that our employees are equipped with the knowledge they need to help each individual customer. It also gives Lowe's customers extra purchasing confidence, knowing that they're buying their home improvement products from experts they can trust.

Lowe's Knows

Customer Service

“ People have an idea of what they want in a kitchen but don't know all the options... that's where I come in.”

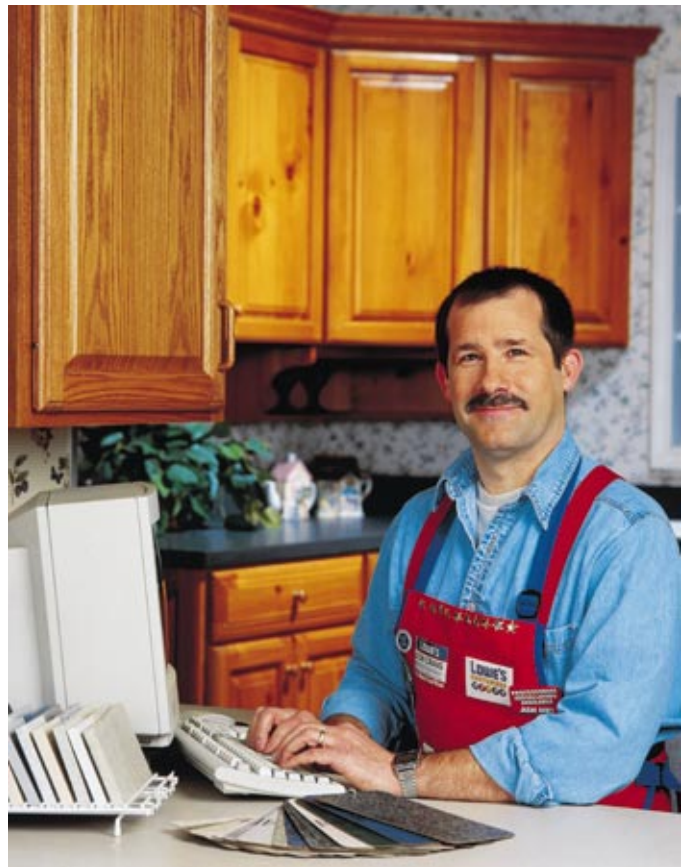
— Don Craig, Project Fashions Specialist, Cabinets, Lowe's #167, Peoria, Illinois

At Lowe's, our goal is to make each customer's home improvement project a pleasant and successful experience. For most people, that means we must keep the project cost-effective, as well as make it easy. We recognize that customers simply don't have the time to research all the details that go into a project.

Understanding the needs of our customers has resulted in a number of enhanced initiatives that are designed to deliver the results our customers want — quickly. Lowe's state-of-the-art distribution system guarantees that products are in stock in the quantities necessary to meet customer needs. Our improved Special Order Sales system is faster than ever. It allows customers to choose from hundreds of thousands of items, and have those items delivered within days.

Another growing trend among customers is a desire to have their purchases installed. Many are time-pressed or simply don't have the inclination to tackle a big project. In 1998, we responded by rolling out a comprehensive Installed Sales program to address their needs. We have a network of reliable, experienced professionals in each market to install Lowe's products for our customers — carpet, cabinets, plumbing fixtures and more — making their projects that much easier.

For our many “do-it-yourself-ers,” Lowe's offers frequent “How-to” clinics to help them broaden and enhance



their home improvement skills. Customers are invited to learn, for instance, how to install their own ceramic tile . . . laminate flooring . . . or lighting fixtures.

Best of all, Lowe's provides home improvement tools that are priceless: advice, suggestions and solutions. We work with our customers to bring their project ideas to life. By combining all of these efforts with our fast, friendly checkouts and our convenient hours and locations, Lowe's shows customers that we're always here to help.

Lowe's Knows

Customers' Needs



“ I recently helped a young couple decorate their nursery, and there’s a retired couple who still calls me with orders – *from Colorado.*”

— Stephanie White, Assistant Zone Manager, Home Decor, Lowe's #545, Marietta, Georgia

With our bright, clean stores and friendly employees, Lowe's is quickly becoming the home improvement warehouse of the American family. That doesn't come as much of a surprise, since we've been serving families for more than 50 years.

From our roots as a hometown hardware store in North Wilkesboro, North Carolina to a nationwide home improvements leader, Lowe's has steadfastly stood by its commitment to meeting customers' changing needs.

We understand that each customer is unique and their needs vary and change over the years. Our Special Order Sales program now offers time-saving solutions for today's busy families, while our Installation Services help empty-nesters — among others — who are excited about improving and changing their homes, but aren't willing or

able to tackle the product installation.

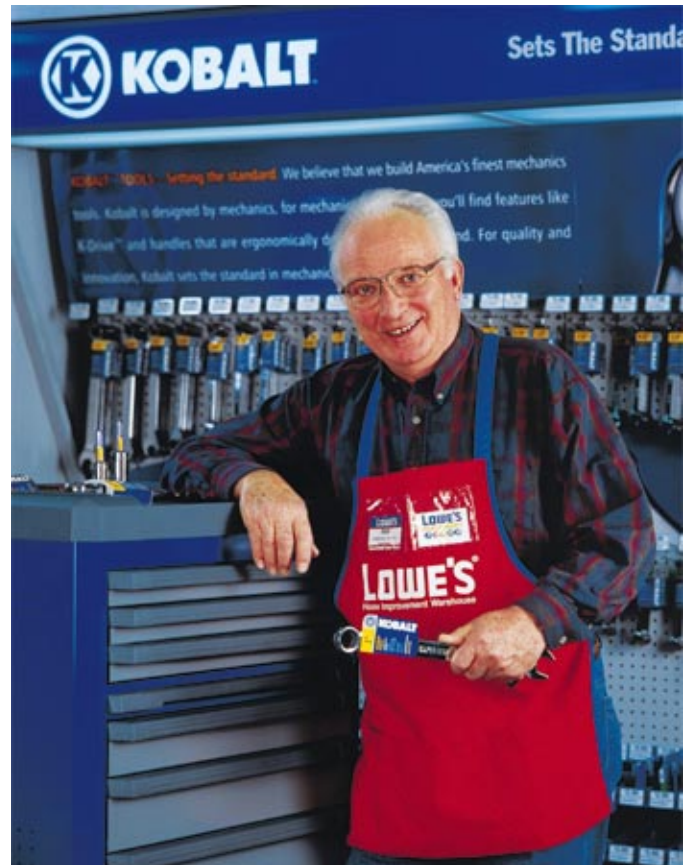
Lowe's is constantly changing to meet our customers needs, widening store aisles for shopping comfort and convenience, and placing items within easy reach. We've even merged onto the Information Superhighway with Lowe's Online (www.lowes.com), providing company news, home safety tips and "How-to" project assistance via the Internet. Already, we offer Lowe's exclusive Kobalt™ Tools and Harbor Breeze™ ceiling fans through dedicated websites (www.kobalttools.com and www.harborbreeze.com) as well as provide valuable product information to online shoppers. In 1999, Lowe's will begin offering online purchasing of thousands of items from our lowes.com website to ensure that we meet our customers' needs regardless of the method in which they choose to shop.

Lowe's Knows Marketing and Branding

Lowe's knows that our customers rely on us to provide superior value in the services and products we offer. Additionally, we recognize the need to provide "one-stop shopping" for our busy customers, supplying them with the right products and accurate assistance to efficiently complete a project.

The 1998 rollout of Kobalt™ Tools, our professional-quality line of mechanics hand tools, has been heartily embraced by our customers. The result of a successful partnership with Snap-On®, a leading U.S. hand tool manufacturer, Kobalt™ is yet another example of Lowe's commitment to build exclusive national brands throughout our product offerings. Top Choice™ lumber, Harbor Breeze™ fans, and StaGreen™ fertilizers are just a few of a growing number of exclusive brands that we now offer. Customers have learned the value associated with these brands and they return to Lowe's specifically in search of these items.

Our exclusive brands exhibit the highest quality and allow Lowe's to differentiate our product offerings from our competitors' — a trend that will continue. Customers know that for the best price, the best advice, and the best value for their home improvement projects, they need to shop at Lowe's.



“ The Kobalt™ tool brand is a valuable asset to Lowe's – as the tools are to our customers.”

— Bill Harris, Sales Associate, Tool World,
Lowe's #595, Mooresville, NC

Lowe's Knows

Logistics and Distribution

“ Keeping our stores in stock is priority #1.”

— Billy Reynolds, Shipping Operations Manager, Lowe's Regional Distribution Center, Statesville, NC

As the competitive landscape of our industry continues to change, Lowe's logistics advantage becomes even more powerful. Complementing our aggressive expansion, we have invested more than \$300 million over the past five years in our five state-of-the-art regional distribution centers (RDC's) covering over four million square feet. As “Lowe'sland” continues to expand, our distribution network becomes more efficient as we leverage the costs of these facilities.

The concept is simple: order large quantities and get deep discounts. The value that is created for the customer is two-fold. First, because Lowe's places larger orders and realizes discounts, we have a lower cost in the product — resulting in a lower cost to the customer. Second, the centrally located RDC's reduce the lead time needed for store ordering and shipping; rather than maintaining unnecessary stock, stores can use their valuable shelf space to carry a wider selection of products for our customers.

As our expansion continues, we'll be building additional RDC's to support our growing store base. In 1999, we'll open 80 to 85 new stores and continue to build upon Lowe's traditions of unbeatable value and superior customer service. We look forward to serving each customer as the most important customer of the day.



Lowe's Knows

Our Most Valuable Asset

“ I came to Lowe's because I saw a lot of opportunity. There's much more to Lowe's than just the check you're taking home.”

— Jackie Bumgarner, Legal Compliance Manager in Lowe's Human Resources Department



Lowe's understands that the most important part of any company is its employees. They're the ones who represent us everyday – whether to our customers or to our suppliers. So we're proud to offer benefits that show we care as much about them as they care about Lowe's.

After one year of service, every full-time employee is automatically enrolled in Lowe's Employee Stock Ownership Plan — one of the leading stock benefit plans in the country. Employees are also invited to share in Lowe's ownership by participating in our Employee Savings and Investment Plan (401(k)), putting part of their pay toward their future. Employees participating in Lowe's 401(k) are immediately rewarded with matching contributions.

We encourage employees to take stock in themselves as well, and offer numerous educational opportunities such as training and certification through Lowe's University. For those who wish to supplement their knowledge with formal education, Lowe's can provide financial assistance to colleges and universities.

Lowe's understands how valuable our employees are – and encourages them to strive for positions of greater responsibility within the Company. Management Training and Executive Development programs are important tools for strengthening our Company. It's not unusual for a sales associate to rise through the ranks to become a store manager, a regional vice president or even a member of Lowe's Executive Management. Job opportunities are posted in every store and shared monthly via our Company newsletter, Scanner, as well as being listed on our company-wide intranet website, WKLN.

We believe that investing in our employees enhances job satisfaction and leads to a more productive group of associates who — as shareholders of Lowe's — are motivated to better serve customers. As our employees put it: Why wouldn't you want the company you own to be successful?

Lowe's Knows

Community Relations

“ We’re proud Brandon represents his country as a Special Olympian, and that he represents Lowe’s as an employee.”

— Lynn Lyons, Store Manager, Lowe’s #426, Cary, North Carolina

Lowe’s is proud to be a good neighbor in the communities where we operate. That’s why we remain active in charitable and educational programs that benefit the families in those communities.

In 1998, we pledged \$1 million as a Gold-level sponsor of the 1999 Special Olympics World Games. Beyond our financial commitment, we have set aside time for our employees to volunteer at the Games, and have contributed building materials needed for events and staging areas.

Our “Lowe’s Heroes” initiative enjoyed a successful second year and is stronger than ever. Lowe’s stores and their “Heroes” (employees) decide where they want to make a difference in their communities — in areas such as fire safety, child safety, disaster preparedness, and so forth. They join with local nonprofit organizations to implement life-saving programs with Lowe’s corporate support. Meanwhile, Lowe’s Home Safety Council celebrated its fifth year of partnering with national safety-related organizations and manufacturers to improve home

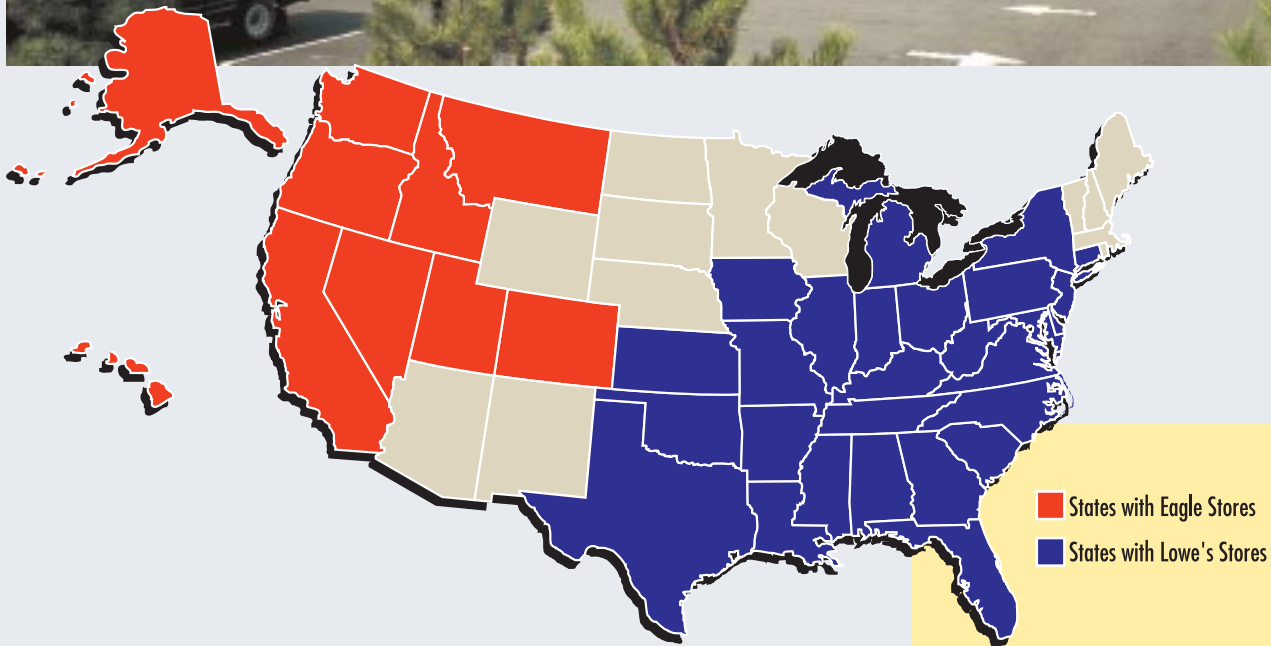


safety across “Lovesland,” offering free in-store demonstrations designed to educate families and help save lives. Lowe’s also takes home safety on the road with the Lowe’s Great Safety Adventure, a “field trip on wheels” that teaches basic life safety skills at schools, museums, child care centers and Lowe’s stores.

Lowe’s Charitable and Educational Foundation is yet another example of Lowe’s commitment to improving our “hometowns.” Through the years, Lowe’s Charitable and Educational Foundation has disbursed millions of dollars to thousands of deserving groups, organizations and institutions — wherever help is needed most.

Together with our neighbors, schools and nonprofit partners, we’re helping to make all of Lowe’s communities better places to live and work.

Eagle Hardware & Garden
in Bellevue, WA



Total Market Potential

Dollars in Billions

	Home Center Market				
	Building Contractor		Home Owner		Total
	New Housing	R & R*	DIY	HH Appliances [†]	
2003e	\$85.5	\$45.0	\$136.7	\$35.9	\$303.1
2002e	82.1	44.1	130.9	34.6	291.7
2001e	78.9	43.0	125.9	33.4	281.2
2000e	76.9	41.8	121.5	32.4	272.6
1999e	75.4	40.7	116.6	31.6	264.3
1998e	76.0	39.9	112.2	31.1	259.3
1997	68.8	37.5	103.8	29.7	239.8
1996	66.6	37.8	97.7	28.5	230.6
1995	61.2	37.3	91.5	27.2	217.2
1994	60.7	38.0	87.8	25.6	212.1
1993	51.9	35.6	79.5	24.0	191.0
1992	45.5	33.0	73.9	22.2	174.6
1991	38.9	31.6	68.4	21.6	160.5
1990	45.1	35.7	69.8	22.4	173.0
1985	40.3	25.4	53.1	19.8	138.6
1980	24.4	15.6	38.1	15.1	93.2

* R & R = Repair and Remodeling e = estimate

[†] Kitchen and Household Appliances

Source: Home Improvement Research Institute; PricewaterhouseCoopers LLP

Lowe's Stores

Alabama	19	Arkansas	8
Connecticut	3	Delaware	4
Florida	25	Georgia	22
Illinois	14	Indiana	19
Iowa	5	Kansas	2
Kentucky	20	Louisiana	12
Maryland	11	Michigan	9
Mississippi	7	Missouri	5
New Jersey	1	New York	8
North Carolina	69	Ohio	39
Oklahoma	9	Pennsylvania	25
South Carolina	28	Tennessee	32
Texas	41	Virginia	36
West Virginia	11		

Eagle Stores

Alaska	1	California	3
Colorado	4	Hawaii	2
Idaho	1	Montana	1
Nevada	1	Oregon	1
Utah	4	Washington	18

Lowe's Board of Directors



Left to right: (standing) Richard Lochridge, Paul Fulton, Leonard Herring, Robert Schwartz, Carol Farmer, Robert Tillman, Robert Strickland, James Halpin, William Andres, John Belk, (seated) Peter Browning, Claudine Malone, Leonard Berry

Robert L. Tillman

Chairman of the Board and Chief Executive Officer
Lowe's Companies, Inc. 3*

Leonard L. Berry, Ph.D.

Professor of Marketing and Director of the Center for Retailing Studies,
Texas A&M University, College Station, Tex. 1,4

Peter C. Browning

President and Chief Executive Officer, Sonoco Products Company,
Hartsville, S.C. 2,4

Carol A. Farmer

President, Carol Farmer Associates, Inc., Boca Raton, Fla. 2,4

Paul Fulton

Chairman and Chief Executive Officer, Bassett Furniture Industries,
Bassett, Va. 2,4

James F. Halpin

President and Chief Executive Officer, CompUSA Inc., Dallas, Tex. 2,3,4

Richard K. Lochridge

President and Chief Executive Officer, Lochridge & Company,
Boston, Mass. 1,4

Claudine B. Malone

President and Chief Executive Officer, Financial & Management
Consulting, Inc., McLean, Va. 1,4

Robert G. Schwartz

Former Chairman of the Board, President and Chief Executive Officer,
Metropolitan Life Insurance Company, New York, N.Y. 2*,4

Robert L. Strickland

Former Chairman of the Board, Lowe's Companies, Inc.,
North Wilkesboro, N.C. 1,3

Special thanks to those retiring from Lowe's Board of Directors on
May 28, 1999:

William A. Andres, former Chairman of the Board and Chief Executive
Officer, Dayton Hudson Corporation, Minneapolis, MN. 2,3,4*

John M. Belk, Chairman of the Board, Belk Stores Services, Inc.,
Charlotte, N.C. 1*,4

Leonard G. Herring, former President and Chief Executive Officer of
Lowe's Companies, Inc., North Wilkesboro, N.C. 1,3

Committee Membership

- | | |
|------------------------|---------------------------|
| 1. Audit Committee | 2. Compensation Committee |
| 3. Executive Committee | 4. Governance Committee |

* 1998 Committee Chairman

Lowe's Executive Management

Robert L. Tillman - Chairman of the Board and Chief Executive Officer

Gregory M. Bridgeford - Senior Vice President, Marketing

Charles W. Canter - Senior Vice President and General Merchandise Manager, Building Materials

Lee Herring - Senior Vice President, Logistics

William L. Irons - Senior Vice President, Management Information Services

Perry G. Jennings - Senior Vice President, Human Resources

Mark A. Kauffman - Senior Vice President and General Merchandise Manager, Hardlines

Michael K. Menser - Senior Vice President and General Merchandise Manager, Home Decor

Robert A. Niblock - Senior Vice President, Finance

William D. Pelon - Senior Vice President, Store Operations – Western Division

Dale C. Pond - Executive Vice President, Merchandising and Marketing

David E. Shelton - Senior Vice President, Real Estate/Engineering & Construction

Larry D. Stone - Executive Vice President and Chief Operating Officer

William C. Warden, Jr. - Executive Vice President, General Counsel, Secretary and Chief Administrative Officer

Gregory J. Wessling - Senior Vice President, Store Operations – Eastern Division

Thomas E. Whiddon - Executive Vice President and Chief Financial Officer

Disclosure Regarding Forward-Looking Statements

Our Annual Report talks about our future, particularly in the "Letter to Shareholders" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." While we believe our expectations are reasonable, we can't guarantee them and you should consider this when thinking about statements we make that aren't historical facts. Some of the things that could cause our actual results to differ substantially from our expectations are:

- *Our sales are dependent upon the general economic health of the country, variations in the number of new housing starts, the level of repairs, remodeling and additions to existing homes, commercial building activity, and the availability and cost of financing. An economic downturn can impact sales because much of our inventory is purchased for discretionary projects, which can be delayed.*
- Our expansion strategy may be impacted by environmental regulations, local zoning issues and delays, availability and development of land, and more stringent land use regulations than we have traditionally experienced.
- Many of our products are commodities whose prices fluctuate erratically within an economic cycle, a condition true of lumber and plywood.
- Our business is highly competitive, and as we expand to larger markets we may face new forms of competition which do not exist in some of the markets we have traditionally served.
- The ability to continue our everyday competitive pricing strategy and provide the products that customers want depends on our vendors providing a reliable supply of inventory at competitive prices.
- On a short-term basis, weather may impact sales of product groups like lawn and garden, lumber, and building materials.

**Independent Auditors' Report
To the Board of Directors and Shareholders
of Lowe's Companies, Inc.**

We have audited the accompanying consolidated balance sheets of Lowe's Companies, Inc. and subsidiaries as of January 29, 1999 and January 30, 1998, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three fiscal years in the period ended January 29, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Lowe's Companies, Inc. and subsidiaries at January 29, 1999 and January 30, 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP
Charlotte, North Carolina
February 19, 1999

Audit Committee Chairman's Letter

The Audit Committee of the Board of Directors is currently composed of the following six independent directors: John Belk, Chairman, Leonard Berry, Leonard Herring, Richard Lochridge, Claudine Malone and Robert Strickland. The Committee held four meetings during Fiscal 1998.

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

John M. Belk
Chairman, Audit Committee

Management's Responsibility for Financial Reporting

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

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

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

Robert L. Tillman
Chairman of the Board &
Chief Executive Officer

Thomas E. Whiddon
Executive Vice President &
Chief Financial Officer

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

This discussion summarizes the significant factors affecting the Company's consolidated operating results and liquidity and capital resources during the three-year period ended January 29, 1999 (i.e., fiscal 1998, 1997 and 1996). This discussion should be read in conjunction with the Letter to Shareholders, financial statements and financial statement footnotes included in this annual report.

OPERATIONS

Net earnings for 1998 increased 35% to \$482.4 million or 3.9% of sales compared to \$357.5 million or 3.5% of sales for 1997. Net earnings, calculated on a FIFO basis, would show an increase of 31% for 1998. Diluted earnings per share were \$1.36 for 1998 compared to \$1.03 for 1997 and \$.86 for 1996. Return on beginning assets was 9.2% for 1998 compared to 8.1% for 1997; and return on beginning shareholders' equity was 18.6% for 1998 compared to 16.1% for 1997.

The Company's sales were \$12.2 billion in 1998, a 21% increase over 1997 sales of \$10.1 billion. Sales for 1997 were 18% higher than 1996 levels. Comparable store sales increased 6% in 1998 and large store (stores exceeding 80,000 square feet) comparable sales increased 7% for the year. The increases in sales are attributable to the Company's ongoing store expansion and relocation program along with the growth in comparable store sales. Comparable store sales increases are driven by the Company's continued strategy of employing an expanded inventory assortment, everyday competitive prices, and an emphasis on customer service. The following table presents sales and store information:

	1998	1997	1996
Sales (in millions)	\$12,245	\$10,137	\$8,600
Sales Increases	21%	18%	22%
Comparable Store Sales Increases	6%	4%	7%
At end of year:			
Stores	484	446	402
Sales Floor Square Feet (in millions)	43.4	36.5	30.4
Average Store Size Square Feet (in thousands)	90	82	76

Gross margin in 1998 was 26.9% of sales compared to 26.5% in 1997. Both of these years showed improvement over the 25.9% rate achieved in 1996. Adherence to careful pricing disciplines in the execution of the Company's everyday competitive pricing strategy continued to provide margin improvements. Also, changes in product mix resulting from the expanded merchandise selection available in larger stores has contributed to the gross margin improvements. Additionally, in 1996, the Company reduced its exposure in lower margin consumer electronics and replaced these items with less seasonal, higher margin, products, which has increased gross margin. The Company recorded a LIFO credit of \$29.0 million in 1998, compared to a \$7.0 million credit in 1997 and a \$1.4 million charge in 1996, increasing gross margin by 17 basis points and 6 basis points in 1998 and 1997, respectively, and decreasing gross margin by 1 basis point in 1996.

Selling, General and Administrative expenses (SG&A) were \$2.1 billion or 17.3% of sales in 1998. SG&A in the two previous years were \$1.8 and \$1.5 billion or 17.3% and 17.0% of sales, respectively. The 30 basis point increase in 1997 resulted primarily from higher payroll levels at stores that were new or relocated and increased costs relating to relocating or closing stores.

Store opening costs were \$71.7 million for 1998 compared to \$70.0 and \$59.2 million in 1997 and 1996, respectively, and were expensed as incurred. As a percentage of sales, store opening costs were 0.6% for 1998 and 0.7% for both 1997 and 1996. These costs averaged approximately \$900 thousand per store in 1998.

Depreciation, reflecting continued fixed asset expansion, increased 13% to \$271.8 million in 1998, compared to increases of 22% and 32% for 1997 and 1996, respectively. Depreciation as a percentage of sales was 2.2% in 1998, a slight decrease from 2.4% in 1997 and 2.3% in 1996. Approximately 39% of new stores opened in the last three years have been leased, of which approximately 44%, 30% and 93% in 1998, 1997 and 1996 were under capital leases. Property, less accumulated depreciation, increased to \$3.64 billion at January 29, 1999 compared to \$3.01 billion at January 30, 1998. The increase in property resulted primarily from the Company's store expansion program, including land, building, store equipment, fixtures and displays, and investment in new distribution equipment.

Interest costs as a percent of sales were 0.6% for 1998, 1997 and 1996. Interest costs totaled \$75 million in 1998, \$66 million in 1997 and \$49 million in 1996. Interest costs relating to capital leases were \$39.1, \$38.3 and \$29.1 million for 1998, 1997 and 1996, respectively. See the discussion on liquidity and capital resources below.

The Company's effective income tax rates were 36.4%, 36.0% and 35.6% in 1998, 1997 and 1996, respectively. The higher rate in 1998 was primarily related to expansion into states with higher state income tax rates. The lower rate in 1996 was primarily due to the utilization of available state net operating losses.

LIQUIDITY AND CAPITAL RESOURCES

Primary sources of liquidity are cash flows from operating activities and the sale of debt securities. Net cash provided by operating activities was \$696.8 million for 1998. This compared to \$664.9 and \$543.0 million in 1997 and 1996, respectively. The increase in net cash provided by operating activities for 1998 is primarily related to increased earnings and various operating liabilities offset by an increase in inventory, net of accounts payable. The increase during 1997 resulted primarily from increased earnings and smaller increases in inventory, net of accounts payable, from year to year. Working capital at January 29, 1999 was \$820.3 million compared to \$660.3 million at January 30, 1998.

The primary component of net cash used in investing activities continues to be new store facilities in connection with the Company's expansion plan. Cash acquisitions of fixed assets were \$928 million for 1998. This compares to \$773 million and \$677 million for 1997 and 1996, respectively. Retail selling space as of January 29, 1999, totaling 43.4 million square feet, represents an 18.8% increase over the selling space as of January 30, 1998. The January 30, 1998 selling space total of 36.5 million square feet represents a 20.3% increase over the 1996 total of 30.4 million square feet. Financing and investing activities also include noncash transactions of capital leases for new store facilities and equipment, the result of which is to increase long-term debt and property. During 1998, 1997 and 1996, the Company acquired fixed assets (primarily new store facilities) under capital leases of \$47.3, \$32.7 and \$182.7 million, respectively.

Cash flows provided by financing activities were \$236.5, \$221.7 and \$11.9 million in 1998, 1997 and 1996, respectively. The major cash components of financing activities in 1998 included the issuance of \$300 million principal amount of 6.875% Debentures due February 15, 2028, \$50.8 million of cash dividend payments and \$15.5 million of scheduled debt repayments. In 1997, financing activities included the issuance of \$268 million aggregate principal of Medium Term Notes (MTN's) with final maturities ranging from September 1, 2007 to May 15, 2037, cash dividend payments of \$28.7 million and \$32.8 million of scheduled debt repayments. The interest rates on the MTN's range from 6.07% to 7.61% and approximately 37% of these MTN's may be put to the Company at the option of the holder on either the tenth or twentieth anniversary date of the issue. The major financing activities for 1996 included the non-cash conversion of \$284.7 million principal amount of 3% Convertible Subordinated Notes into common stock and \$34.7 million in cash dividend payments. The ratio of long-term debt to equity plus long-term debt was 29.0%, 28.7% and 25.7% as of year end 1998, 1997 and 1996, respectively. The increases in 1998 and 1997 were primarily due to the issuance of debt securities as previously described.

In February 1999, the Company issued \$400 million principal of 6.5% Debentures due March 15, 2029 in a private offering. In March 1999, the Company also issued 6,206,895 shares of common stock in a public offering. The net proceeds from the stock offering were approximately \$348.1 million. The shares were issued under a shelf registration statement filed with the Securities and Exchange Commission in December 1997.

At January 29, 1999, the Company had a \$300 million revolving credit facility with a syndicate of eleven banks, available lines of credit aggregating \$278 million for the purpose of issuing documentary letters of credit and standby letters of credit and \$80 million available, on an unsecured basis, for the purpose of short-term borrowings on a bid basis from various banks. At January 29, 1999, outstanding letters of credit aggregated \$80.1 million. The revolving credit facility has \$100 million expiring in November 1999, with the remaining \$200 million expiring in November 2001. In addition, the Company has a \$100 million revolving credit and security agreement from a financial institution with \$92.5 million outstanding at January 29, 1999.

The Company's 1999 capital budget is currently at \$1.6 billion, inclusive of approximately \$214 million of operating or capital leases. More than 80% of this planned commitment is for store expansion. Expansion plans for 1999 consist of approximately 80 to 85 stores (including the relocation of 30 to 35 older, smaller format stores). This planned expansion is expected to increase sales floor square footage by approximately 18%. Approximately 15% of the 1999 projects will be leased and 85% will be owned. Additionally, the Company has entered into an agreement with a lessor to build a one million square foot regional distribution center in Pennsylvania, which is expected to be operational in Spring 1999. In addition, a 195 thousand square foot specialty distribution center will be located at the same site. At January 29, 1999, the Company operated four regional distribution centers and nine smaller support facilities. The Company believes that funds from operations, funds from equity and debt issuances, leases and existing short-term credit agreements will be adequate to finance the 1999 expansion plan and other operating needs.

In November 1998, the Company entered into a merger agreement to acquire Eagle Hardware and Garden, Inc. (Eagle) in a stock-for-stock merger transaction, which was completed April 2, 1999. The transaction was valued at approximately \$1 billion, structured as a tax-free exchange of the Company's common stock for Eagle's common stock, and accounted for as a pooling of interests. Summary, combined company, pro forma financial information for 1998, 1997 and 1996 is included in Note 14 of the consolidated financial statements.

General inflation has not had a material impact on the Company during the past three years. As noted above, the LIFO credit was \$29.0 and \$7.0 million in 1998 and 1997, respectively. This compares to a charge of \$1.4 million in 1996. Overall inventory deflation was 1.69% and .99% for 1998 and 1997, respectively. There was overall inventory inflation of .15% for 1996.

MARKET RISK

The Company had no derivative financial instruments at January 29, 1999 or January 30, 1998.

The Company's major market risk exposure is the potential loss arising from changing interest rates and its impact on long-term investments and long-term debt. The Company's policy is to manage interest rate risks by maintaining a combination of fixed and variable rate financial instruments. At January 29, 1999, long-term investments consisted of \$28.7 million in municipal obligations, classified as available-for-sale securities. Although the fair value of these securities, like all fixed income securities, would fall if

interest rates increase, the Company has the ability to hold its fixed income investments until maturity and not experience an adverse impact on earnings or cash flows. The following table summarizes the Company's market risks associated with long-term debt. The table presents principal cash outflows and related interest rates by year of maturity. Fair values included below were determined using quoted market rates or interest rates that are currently available to the Company on debt with similar terms and remaining maturities.

Long-Term Debt Maturities by Fiscal Year (Dollars in Millions)

	1999	2000	2001	2002	2003	There- after	Total	Fair Value
Fixed Rate	\$98.7	\$49.7	\$31.8	\$60.7	\$19.4	\$1,125.1	\$1,385.4	\$1,522.0
Average interest rate	7.25%	7.15%	7.99%	7.98%	8.46%	7.57%		
Variable Rate	\$ 0.3	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.1	\$ 2.3	\$ 3.2	\$ 3.2
Average interest rate	5.13%	4.25%	4.25%	4.25%	4.25%	3.66%		

YEAR 2000

The Year 2000 problem arose because many existing computer programs and embedded computer chips use only the last two digits to refer to a year. If not addressed, computer programs that are date sensitive may not have the ability to properly recognize dates in year 2000 and beyond. The result could be a disruption of operations and the processing of transactions.

In 1997 and 1998, the Company completed an analysis of the impact and costs relating to the Year 2000 problem and developed an implementation plan to address information technology (IT), non-information technology (non-IT) and third party readiness issues.

In preparing IT systems for the Year 2000, the Company has utilized both internal and external resources. Contracted programming costs to convert the Company's IT systems during 1997, 1998 and 1999 are estimated to total approximately \$5 million and are being expensed as incurred, the majority of which had been incurred through January 29, 1999. In addition, approximately \$19 million of computer hardware is being purchased to replace non-compliant computer hardware. These purchases are expected to be completed by May 1999. The cost of new hardware is being capitalized and depreciated over useful lives ranging from 3 to 5 years. Cash flow from operations is the Company's source of funding all Year 2000 costs. The incremental cost to convert systems has been mitigated by substantial investments in new computer systems over the past six years. During this period, new computer systems have been developed or purchased including, but not limited to, these applications: Distribution, Electronic Data Interchange, Payroll and Human Resources, General Ledger, Accounts Payable, Forecasting and Replenishment, and Supply Services. All of these new systems are Year 2000 compliant. At January 29, 1999, the Company's conversion of internally developed legacy systems was completed with certification testing planned to be completed by the fall of 1999.

Regarding non-IT related risks, each functional area of the Company is responsible for identifying these issues. Within each business function, objectives are being prioritized and evaluated for risk of Year 2000 problems. Examples of potential non-IT risks of Year 2000 problems would be power outages and failures of communication systems, bar code readers and security devices. For most of the Company's stores, back-up generators are already in place, which would mitigate temporary power outages. By mid 1999, similar remediation and/or contingency plans will be developed by the respective business functions for non-IT Year 2000 risks impacting all high priority and critical business objectives.

In regards to third party readiness, the Company mailed Year 2000 questionnaires to all identified third parties (merchandise vendors and other entities with which the Company conducts business) in order to assess whether they are Year 2000 compliant or have adequately addressed their system conversion requirements. Of the approximate six thousand questionnaires mailed, 33% of the recipients have currently responded. Specific follow-up letters are being sent to those with unacceptable responses and a second mailing to non-respondents will be conducted in April 1999 followed by phone calls for those not responding within thirty days. The Company cannot predict how many of the responses received may prove later to be inaccurate or overly optimistic. To address this uncertainty, the Company is developing contingency plans to address unanticipated interruptions or down time in both the Company's and third parties' systems and services.

The Company is continuing to closely monitor adherence to the remainder of its Year 2000 implementation plan and is currently satisfied that it will be completed by Fall 1999. For the remainder of the project, the Company's efforts will be devoted to five primary areas:

- certification testing of IT systems to ensure Year 2000 compliance,
- contingency plan development for business areas as well as IT systems,
- continued follow-up to questionnaires sent to third parties,
- replacement of certain older model personal computers and point-of-sale equipment, and
- updating some of the purchased software packages with Year 2000 compliant upgrades.

If the Company encounters unforeseen complications or issues not previously addressed in the comprehensive plan, additional resources from internal and external sources will be committed to complete the project by the planned completion time of Fall 1999. Since the use of these additional resources is considered unlikely, no estimates as to their costs have been made at this time.

The Company believes that its compliance plan should mitigate any adverse effect on its business from the Year 2000 problem. However, if:

- the implementation of the plan is not completed on time,
- the Company has failed to identify and fix material non-complying equipment or software, or

- third parties are unable to fulfill significant commitments to the Company as a result of their failure to effectively address their Year 2000 problems,

the Company's ability to carry out its business could be adversely affected. For example, if the Company's IT and non-IT systems are unable to process transactions in the stores or on a regional or company-wide basis, the Company could be forced to process these transactions manually. The volume of business the Company could transact, and its sales and income, would be reduced until it was able to develop alternatives to defective systems or non-complying vendors. These reductions could occur at individual stores or in clusters of stores sharing defective systems or non-complying vendors. The effect of any failures on the Company's results of operations would depend, of course, upon the extent of any non-compliance and its impact on critical business systems and sources of supply, but could be significant.

NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) was issued in June 1998. SFAS 133 is effective for the Company in the year beginning January 29, 2000. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management is currently evaluating the impact of the adoption of SFAS 133 and its effect on the Company's financial statements.

STORE PERFORMANCE PERSPECTIVE

In 1992, Lowe's began reporting on the transformation from a chain of small, contractor-oriented stores to a family of modern home-improvement warehouses. The tables below group Lowe's stores into categories by store size and illustrate the progress that has been made in the transformation. In addition to our relocation program, our new territory expansion continues and offers a means of increasing market share by providing exceptional value to a new customer base.

Store group categories, presented in these two tables, are defined as follows:

1. Yards : Focused Contractor Yards
 2. Small : Average of 19,000 square feet
 3. Medium : Average of 57,000 square feet
 4. Large : Average of more than 100,000 square feet.
- All stores in excess of 80,000 square feet.

Further, Large store sales are reported on both a comparable (same store) basis and new (open less than a year) basis. A relocated store is removed from the comparable store computation until it has been open at least 12 months.

Table 1 Store Group Unit Totals, Annual Average

	1998		1997		1996	
	% of Total	Units	% of Total	Units	% of Total	Units
Yards	7%	31	7%	29	6%	25
Small	9	40	13	55	18	70
Medium	14	67	20	84	24	95
Large Comp	51	238	42	180	33	124
Large New	19	88	18	75	19	74
Total	100%	464	100%	423	100%	388

Table 1 Comments: As shown, Large stores have grown from 52% of total two years ago, to 70% today. Small stores and Yards are just 16% of total compared to 24% in 1996. These trends will continue.

Table 2 Sales & Operating Profits* by Store Group

	1998		1997		1996	
	Sales	O.P.*	Sales	O.P.*	Sales	O.P.*
Yards	4%	3%	4%	3%	4%	3%
Small	4	4	7	7	10	10
Medium	12	16	19	26	25	34
Large Comp	59	64	51	53	42	45
Large New	21	13	19	11	19	8
Total	100%	100%	100%	100%	100%	100%

*Operating Profits before corporate expense and intercompany charges, interest, LIFO and income taxes.

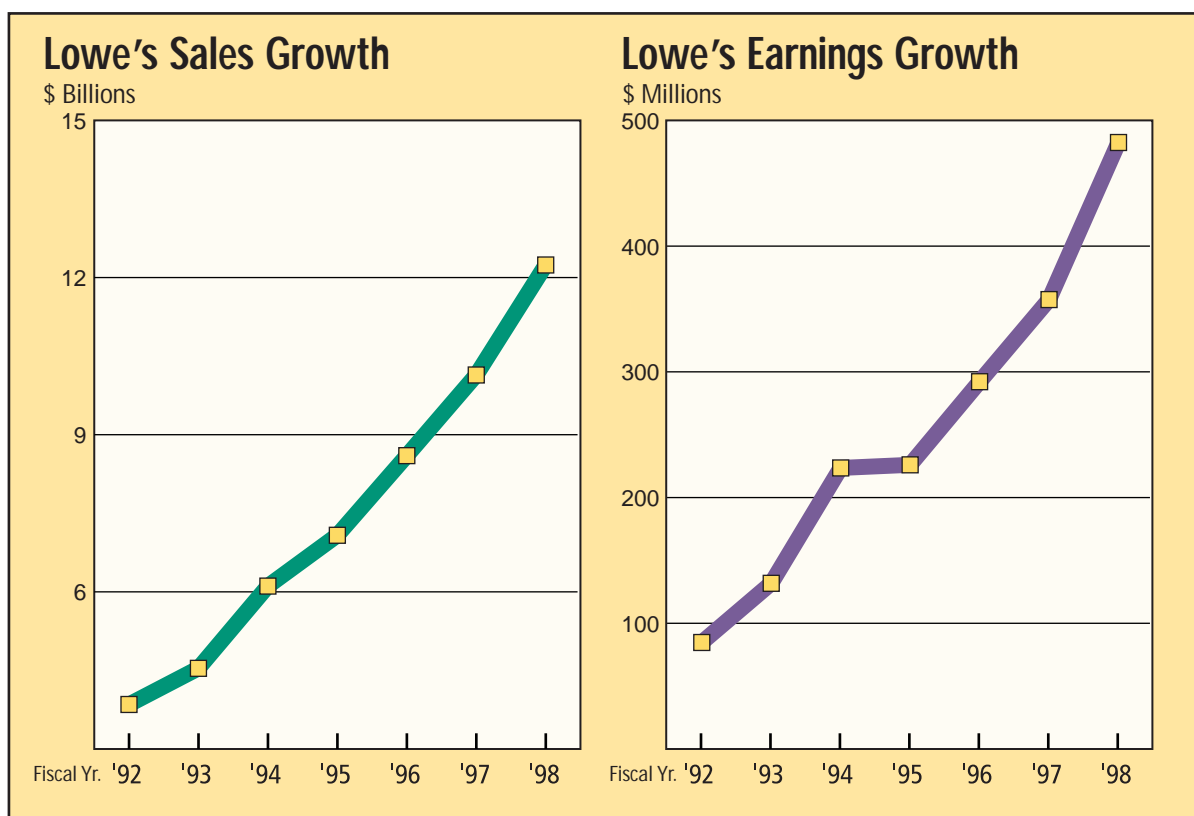
Table 2 Comments: Reflecting the changing mix of units shown in Table 1, Large stores contributed 80% of sales in 1998, up from 61% in 1996. The Large stores also contributed 77% of operating profits in 1998, up from 53% in 1996.

Consolidated Statements of Earnings

In Thousands, Except Per Share Data
Years Ended on

	January 29, 1999	% Sales	January 30, 1998	% Sales	January 31, 1997	% Sales
Net Sales	\$12,244,882	100.0%	\$10,136,890	100.0%	\$8,600,241	100.0%
Cost of Sales	8,950,156	73.1	7,447,117	73.5	6,376,482	74.1
Gross Margin	3,294,726	26.9	2,689,773	26.5	2,223,759	25.9
Expenses:						
Selling, General and Administrative	2,118,149	17.3	1,754,780	17.3	1,463,812	17.0
Store Opening Costs	71,651	0.6	69,999	0.7	59,159	0.7
Depreciation	271,769	2.2	240,880	2.4	198,115	2.3
Interest (Note 13)	74,735	0.6	65,567	0.6	49,067	0.6
Total Expenses	2,536,304	20.7	2,131,226	21.0	1,770,153	20.6
Pre-Tax Earnings	758,422	6.2	558,547	5.5	453,606	5.3
Income Tax Provision (Note 11)	276,000	2.3	201,063	2.0	161,456	1.9
Net Earnings	\$ 482,422	3.9%	\$ 357,484	3.5%	\$ 292,150	3.4%
Basic Earnings Per Share (Note 7)	\$ 1.37		\$ 1.03		\$.87	
Diluted Earnings Per Share (Note 7)	\$ 1.36		\$ 1.03		\$.86	
Cash Dividends Per Share	\$.12		\$.11		\$.10	

See accompanying notes to consolidated financial statements.





Consolidated Balance Sheets

In Thousands

	January 29, 1999	% Total	January 30, 1998	% Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 222,709	3.5%	\$ 195,146	3.7%
Short-Term Investments (Note 2)	20,343	0.3	16,155	0.3
Accounts Receivable – Net (Note 4)	143,928	2.3	118,408	2.3
Merchandise Inventory (Note 1)	2,104,845	33.2	1,714,592	32.8
Deferred Income Taxes (Note 11)	56,124	0.9	34,116	0.7
Other Current Assets	37,734	0.5	31,185	0.6
Total Current Assets	2,585,683	40.7	2,109,602	40.4
Property, Less Accumulated Depreciation (Notes 3 and 5)	3,636,917	57.3	3,005,199	57.6
Long-Term Investments (Note 2)	28,716	0.5	35,161	0.7
Other Assets (Note 1)	93,335	1.5	69,315	1.3
Total Assets	\$6,344,651	100.0%	\$5,219,277	100.0%
Liabilities and Shareholders' Equity				
Current Liabilities:				
Short-Term Borrowings (Note 4)	\$ 92,475	1.4%	\$ 98,104	1.9%
Current Maturities of Long-Term Debt (Note 5)	99,019	1.6	12,478	0.2
Accounts Payable	1,133,177	17.9	969,777	18.7
Employee Retirement Plans (Note 10)	80,104	1.3	64,669	1.2
Accrued Salaries and Wages	112,749	1.8	83,377	1.6
Other Current Liabilities	247,820	3.9	220,915	4.2
Total Current Liabilities	1,765,344	27.9	1,449,320	27.8
Long-Term Debt, Excluding Current Maturities (Notes 5, 6 and 9)	1,283,092	20.2	1,045,570	20.0
Deferred Income Taxes (Note 11)	160,263	2.5	123,778	2.4
Total Liabilities	3,208,699	50.6	2,618,668	50.2
Shareholders' Equity (Note 8):				
Preferred Stock – \$5 Par Value, none issued	—		—	
Common Stock – \$.50 Par Value;				
Issued and Outstanding				
January 29, 1999	352,643			
January 30, 1998	350,632			
	176,321	2.8	175,316	3.3
Capital in Excess of Par	983,217	15.5	892,666	17.1
Retained Earnings	2,006,384	31.6	1,565,133	30.0
Unearned Compensation – Restricted Stock Awards	(30,387)	(0.5)	(32,694)	(0.6)
Accumulated Other Comprehensive Income	417	—	188	—
Total Shareholders' Equity	3,135,952	49.4	2,600,609	49.8
Total Liabilities and Shareholders' Equity	\$6,344,651	100.0%	\$5,219,277	100.0%

See accompanying notes to consolidated financial statements.



Consolidated Statements of Shareholders' Equity

In Thousands

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Unearned Compensation Restricted Stock Awards	Accumulated Other Comprehensive Income	Total Equity
	Shares	Amount					
Balance January 31, 1996	321,836	\$160,918	\$516,369	\$ 988,447	\$ (8,076)	\$ (943)	\$1,656,715
Comprehensive Income:							
Net Earnings				292,150			
Other comprehensive income, net of income taxes (\$325) and reclassification adjustments: Unrealized Gain on Available-for-Sale Securities						602	
Total Comprehensive Income							292,752
Cash Dividends				(34,709)			(34,709)
Stock Issued to ESOP (Note 10)	2,430	1,214	42,676				43,890
Conversion of 3% Notes	21,794	10,896	245,902				256,798
Shares Issued to Directors	8	4	133				137
Unearned Compensation – Restricted Stock Awards (Note 8)	740	372	11,879		(10,358)		1,893
Balance January 31, 1997	346,808	173,404	816,959	1,245,888	(18,434)	(341)	2,217,476
Comprehensive Income:							
Net Earnings				357,484			
Other comprehensive income, net of income taxes (\$268) and reclassification adjustments: Unrealized Gain on Available-for-Sale Securities						529	
Total Comprehensive Income							358,013
Tax Effect of Non-qualified Stock Options Exercised			87				87
Cash Dividends				(38,239)			(38,239)
Stock Options Exercised (Note 8)	28	14	221				235
Stock Issued to ESOP (Note 10)	2,984	1,492	55,138				56,630
Shares Issued to Directors	8	4	153				157
Unearned Compensation – Restricted Stock Awards (Note 8)	804	402	20,108		(14,260)		6,250
Balance January 30, 1998	350,632	175,316	892,666	1,565,133	(32,694)	188	2,600,609
Comprehensive Income:							
Net Earnings				482,422			
Other comprehensive income, net of income taxes and reclassification adjustments: Unrealized Gain on Available-for-Sale Securities (Note 8)						229	
Total Comprehensive Income							482,651
Tax Effect of Non-qualified Stock Options Exercised			3,796				3,796
Cash Dividends				(41,171)			(41,171)
Stock Options Exercised (Note 8)	610	305	11,835				12,140
Stock Issued to ESOP (Note 10)	1,652	826	59,248				60,074
Shares Issued to Directors	12	6	469				475
Unearned Compensation – Restricted Stock Awards (Note 8)	(263)	(132)	15,203		2,307		17,378
Balance January 29, 1999	352,643	\$176,321	\$983,217	\$2,006,384	\$(30,387)	\$ 417	\$3,135,952

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows

In Thousands
Years Ended on

	January 29, 1999	January 30, 1998	January 31, 1997
Cash Flows from Operating Activities:			
Net Earnings	\$ 482,422	\$ 357,484	\$ 292,150
Adjustments to Reconcile Net Earnings to Net Cash Provided By Operating Activities:			
Depreciation	271,769	240,880	198,115
Amortization of Original Issue Discount	445	192	1,671
Increase in Deferred Income Taxes	14,337	7,637	17,043
Loss on Disposition/Writedown of Fixed and Other Assets	23,540	14,263	9,892
Changes in Operating Assets and Liabilities:			
Accounts Receivable – Net	(25,520)	(846)	(4,079)
Merchandise Inventory	(390,253)	(108,712)	(338,803)
Other Operating Assets	(6,313)	6,732	(4,788)
Accounts Payable	163,400	55,610	258,768
Employee Retirement Plans	75,508	60,527	59,736
Other Operating Liabilities	87,513	31,103	53,288
Net Cash Provided by Operating Activities	696,848	664,870	542,993
Cash Flows from Investing Activities:			
(Increase) Decrease in Investment Assets:			
Short-Term Investments	19,848	25,773	98,754
Purchases of Long-Term Investments	(19,866)	(15,384)	(27,259)
Proceeds from Sale/Maturity of Long-Term Investments	2,644	4,811	12,203
(Increase) Decrease in Other Long-Term Assets	(18,528)	(5,472)	3,456
Fixed Assets Acquired	(928,040)	(772,792)	(677,160)
Proceeds from the Sale of Fixed and Other Long-Term Assets	38,202	31,183	11,615
Net Cash Used in Investing Activities	(905,740)	(731,881)	(578,391)
Cash Flows from Financing Activities:			
Net Increase (Decrease) in Short-Term Borrowings	(5,629)	17,199	64,288
Long-Term Debt Borrowings	296,159	265,795	—
Repayment of Long-Term Debt	(15,458)	(32,781)	(17,662)
Proceeds from Stock Options Exercised	12,140	210	—
Cash Dividend Payments	(50,757)	(28,653)	(34,709)
Net Cash Provided by Financing Activities	236,455	221,770	11,917
Net Increase (Decrease) in Cash and Cash Equivalents	27,563	154,759	(23,481)
Cash and Cash Equivalents, Beginning of Year	195,146	40,387	63,868
Cash and Cash Equivalents, End of Year	\$ 222,709	\$ 195,146	\$ 40,387

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended January 29, 1999, January 30, 1998 and January 31, 1997

Note 1, Summary of Significant Accounting Policies:

The Company is one of the largest retailers serving the do-it-yourself home improvement, home decor, and home construction markets in the United States. The Company operated 484 stores in 27 states at January 29, 1999 predominantly located in the eastern half of the United States. Below are those accounting policies considered to be significant.

Stock Split – On May 29, 1998, the Board of Directors declared a two-for-one stock split on the Company's common stock. One additional share was issued on June 26, 1998 for each share held by shareholders of record on June 12, 1998. The accompanying consolidated financial statements, including per share data, have been adjusted to reflect the effect of the stock split.

Fiscal Year – Effective February 1, 1997, the Company adopted a 52 or 53 week fiscal year, changing the year end date from January 31 to the Friday nearest January 31. The fiscal years ended January 29, 1999 and January 30, 1998 each had 52 weeks. All references herein for the years 1998, 1997 and 1996 represent the fiscal years ended January 29, 1999, January 30, 1998 and January 31, 1997, respectively.

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

Use of Estimates – The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased.

Investments – The Company has a cash management program which provides for the investment of excess cash balances in financial instruments which have maturities of up to five years. Investments, exclusive of cash equivalents, with a maturity date of one year or less from the balance sheet date are classified as short-term investments. Investments with maturities greater than one year are classified as long-term. Investments consist primarily of tax-exempt notes and bonds, municipal preferred tax-exempt stock and repurchase agreements.

The Company has classified all investment securities as available-for-sale, and they are carried at fair market value. Unrealized gains and losses on such securities are included in accumulated other comprehensive income in shareholders' equity.

Derivatives – The Company does not use derivative financial instruments for trading purposes. Interest rate swap and cap agreements, which are occasionally used by the Company in the management of interest rate exposure, are accounted for on a settlement basis. Income and expense are recorded in the same category as that arising from the related liability. The Company had no such derivative financial instruments as of January 29, 1999 or January 30, 1998.

Accounts Receivable – The majority of the accounts receivable arise from sales to professional building contractors. The allowance for doubtful accounts is based on historical experience and a review of existing receivables. The allowance for doubtful accounts was \$2.0 and \$1.6 million at January 29, 1999 and January 30, 1998, respectively.

Sales generated through the Company's private label credit card are not reflected in receivables. Under an agreement with Monogram Credit Card Bank of Georgia (the Bank), a wholly owned subsidiary of General Electric Capital Corporation, consumer credit is extended directly to customers by the Bank and all credit program related services are performed directly by the Bank.

Merchandise Inventory – Inventory is stated at the lower of cost or market. In an effort to more closely match cost of sales and related sales, cost is determined using the last-in, first-out (LIFO) method. Included in inventory cost are certain costs associated with the preparation of inventory for resale. If the FIFO method had been used, inventories would have been \$38.6 and \$67.6 million higher at January 29, 1999 and January 30, 1998, respectively.

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

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

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

Income Taxes – Income taxes are provided for temporary differences between the tax and financial accounting bases of assets and liabilities using the liability method. The tax effects of such differences are reflected in the balance sheet at the enacted tax rates expected to be in effect when the differences reverse.

Store Pre-opening Costs – Costs of opening new retail stores are charged to operations as incurred.

Impairment/Store Closing Costs – Losses related to impairment of long-lived assets and for long-lived assets to be disposed of are recognized when expected future cash flows are less than the assets' carrying value. At the time management commits to close or relocate a store location, the Company evaluates the carrying value of the assets in relation to its expected future cash flows. If the carrying value of the assets is greater than the expected future cash flows, a provision is provided for the impairment of the assets. When a leased location becomes impaired, a provision is provided for the present value of future lease obligations, net of anticipated sublease income. Provisions for impairment and store closing costs are included in selling, general and administrative expenses.

The estimated realizable value of closed store real estate is included in other assets and amounted to \$62.3 and \$45.4 million at January 29, 1999 and January 30, 1998, respectively.

Advertising – Costs associated with advertising are charged to operations as incurred. Advertising expenses were \$110.1, \$125.6 and \$99.8 million for 1998, 1997 and 1996, respectively.

Recent Accounting Pronouncements – Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) was issued in June 1998. SFAS 133 is effective for the Company in the year beginning January 29, 2000. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management is currently evaluating the impact of the adoption of SFAS 133 and its effect on the Company's financial statements.

Note 2, Investments:

The amortized cost, gross unrealized holding gains and losses and fair values of investment securities, all of which are classified as available-for-sale securities, at January 29, 1999 and January 30, 1998 are as follows:

(In Thousands) Type	January 29, 1999			January 30, 1998				
	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Losses	Fair Value
Municipal Obligations	\$20,211	\$132	—	\$20,343	\$14,557	—	—	\$14,557
Adjustable Rate Preferred Stock	—	—	—	—	1,614	—	\$ (16)	1,598
Classified as Short-Term	20,211	132	—	20,343	16,171	—	(16)	16,155
Municipal Obligations –								
Classified as Long-Term	28,207	554	\$ (45)	28,716	34,904	\$291	(34)	35,161
Total	\$48,418	\$686	\$ (45)	\$49,059	\$51,075	\$291	\$ (50)	\$51,316

The proceeds from sales of available-for-sale securities were \$37.5, \$14.3 and \$15.1 million for 1998, 1997 and 1996, respectively. Gross realized gains on the sale of available-for-sale securities were \$47, \$89 and \$80 thousand for 1998, 1997 and 1996, respectively. Gross realized losses on the sale of available-for-sale securities were \$30, \$26 and \$535 thousand for 1998, 1997 and 1996, respectively. Municipal obligations classified as long-term at January 29, 1999 will mature in 1 to 5 years.

Note 3, Property and Accumulated Depreciation:

Property is summarized below by major class:

(In Thousands)	January 29, 1999	January 30, 1998
Cost:		
Land	\$ 946,203	\$ 711,930
Buildings	1,841,658	1,533,954
Store, Distribution and Office Equipment	1,638,264	1,393,718
Leasehold Improvements	182,636	155,392
Total Cost	4,608,761	3,794,994
Accumulated Depreciation and Amortization	(971,844)	(789,795)
Net Property	\$3,636,917	\$3,005,199

The estimated depreciable lives, in years, of the Company's property are: buildings, 20 to 40; store, distribution and office equipment, 3 to 10; leasehold improvements, generally the life of the related lease.

Net property includes \$464.0 and \$438.4 million in assets under capital leases at January 29, 1999 and January 30, 1998, respectively.

Note 4, Short-Term Borrowings and Lines of Credit:

The Company has a \$300 million revolving credit facility with a syndicate of 11 banks. The facility has \$100 million expiring November 1999, with the remaining \$200 million expiring November 2001. The facility is used to support the Company's commercial paper program and for short-term borrowings. Facility fees ranging from .06% to .075% are paid on the unused amount of these facilities. The revolving credit facility contains certain restrictive covenants including maintenance of specific financial ratios. There were no borrowings outstanding under this revolving credit facility as of January 29, 1999 or January 30, 1998.

Five banks have extended lines of credit aggregating \$278.2 million for the purpose of issuing documentary letters of credit and standby letters of credit. These lines do not have termination dates but are reviewed periodically. Commitment fees ranging from .19% to .50% per annum are paid on the amounts of standby letters of credit used. At January 29, 1999, outstanding letters of credit totaled \$80.1 million.

A \$100 million revolving credit and security agreement, expiring in September 1999 and renewable annually, is available from a financial institution. Interest rates under this agreement are determined at the time of borrowing. Under the current terms of the agreement, borrowings are based upon commercial paper rates plus 21 basis points. At January 29, 1999 and January 30, 1998, respectively, there were \$92.5 and \$98.1 million outstanding under this credit and security agreement and \$132.1 and \$105.3 million of the Company's accounts receivable were pledged as collateral.

In addition, \$80 million is available, on an unsecured basis, for the purpose of short-term borrowings on a bid basis from various banks. These lines are uncommitted and are reviewed periodically by both the banks and the Company. There were no borrowings outstanding under these lines of credit as of January 29, 1999 or January 30, 1998.

The weighted average interest rate on short-term borrowings outstanding at January 29, 1999 and January 30, 1998 was 4.96% and 5.73%, respectively.

Note 5, Long-Term Debt:

Debt Category	Interest Rates	Fiscal Year of Final Maturity	January 29, 1999	January 30, 1998
(In Thousands)				
Secured Debt¹:				
Industrial Revenue Bonds	2.85% to 6.25%*	2020	\$ 2,536	\$ 4,314
Industrial Revenue Bonds ²	3.55%*	2005	900	2,700
Other Notes	3.87% to 9.50%	2006	7,826	2,501
Unsecured Debt:				
Debentures	6.88%	2028	296,284	—
Medium Term Notes – Series A	6.50% to 8.20%	2022	238,999	238,992
Medium Term Notes ³ – Series B	6.70% to 7.61%	2037	266,004	265,795
Senior Notes	6.38%	2005	99,282	99,177
Capital Leases	6.58% to 13.31%	2018	470,280	444,569
Total Long-Term Debt			1,382,111	1,058,048
Less Current Maturities			99,019	12,478
Long-Term Debt, Excluding Current Maturities			\$1,283,092	\$1,045,570

*Interest rate varies as a percentage of prime rate or other interest index. Interest rates shown are as of January 29, 1999. Prime rate was 7.75% at January 29, 1999.

Debt maturities, exclusive of capital leases, for the next five fiscal years are as follows (in millions): 1999, \$86.0; 2000, \$35.9; 2001, \$16.6; 2002, \$43.9; 2003, \$0.9.

The Company's debentures, senior notes and medium term notes contain certain financial covenants, including the maintenance of specific financial ratios.

Notes:

¹ Real properties pledged as collateral for secured debt had net book values at January 29, 1999, as follows: industrial revenue bonds – \$11.5 million and other notes – \$7.8 million.

² With certain restrictions, the floating rate demand industrial revenue bonds can be converted to a fixed interest rate based on a fixed interest index at the Company's option.

³ Approximately 37% of these Medium Term Notes may be put at the option of the holder on either the tenth or twentieth anniversary date of the issue.

Note 6, Financial Instruments:

The following are financial instruments whose estimated fair value amounts are different from their carrying amounts. Estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(In Thousands)	January 29, 1999		January 30, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long-Term Debt	\$1,382,111	\$1,525,208	\$1,058,048	\$1,146,434

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

Note 7, Earnings Per Share:

Basic earnings per share (EPS) excludes dilution and is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS includes the dilutive effects of common stock equivalents and convertible debt, as applicable. Following is the reconciliation of EPS for 1998, 1997 and 1996.

(In Thousands, Except Per Share Data)

	1998	1997	1996
Basic Earnings per Share:			
Net Earnings	\$482,422	\$357,484	\$292,150
Weighted Average Shares Outstanding	352,104	348,554	335,199
Basic Earnings per Share	\$1.37	\$1.03	\$.87
Diluted Earnings per Share:			
Net Earnings	\$482,422	\$357,484	\$292,150
Interest (After Taxes) on Convertible Debt	—	—	3,620
Net Earnings, as Adjusted	\$482,422	\$357,484	\$295,770
Weighted Average Shares Outstanding	352,104	348,554	335,199
Dilutive Effect of Stock Options	1,691	205	158
Dilutive Effect of Convertible Debt	—	—	10,012
Weighted Average Shares, as Adjusted	353,795	348,759	345,369
Diluted Earnings per Share	\$1.36	\$1.03	\$.86

Note 8, Shareholders' Equity:

Authorized shares of common stock were 1.4 billion at January 29, 1999 and 700 million at January 30, 1998 and January 31, 1997.

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

The Company has a shareholder rights plan, which provides for a dividend distribution of one preferred share purchase right on each outstanding share of common stock. Each purchase right will entitle shareholders to buy one unit of a newly authorized series of preferred stock for \$152.50. Each unit is intended to be the equivalent of one share of common stock. The purchase rights will be exercisable only if a person or group acquires or commences a tender offer for 15% or more of Lowe's common stock. The purchase rights are not exercisable or transferable by the person or group acquiring the stock or commencing the tender offer. The rights will expire on September 9, 2008, unless the Company redeems or exchanges them earlier.

The Company has two stock incentive plans, referred to as the "1994" and "1997" Incentive Plans, under which incentive and non-qualified stock options, stock appreciation rights, restricted stock awards and incentive awards may be granted to key employees. No awards may be granted after January 31, 2004 under the 1994 plan and 2007 under the 1997 plan. Stock options generally have terms ranging from 5 to 10 years, vest evenly over 3 years and are assigned an exercise price of not

less than the fair market value on the date of grant. At January 29, 1999, there were 285,050 and 6,869,614 shares available for grants under the 1994 and 1997 plans, respectively.

Option information is summarized as follows:

Key Employee Stock Option Plans	Shares	Weighted-Average Exercise Price Per Share
	(In Thousands)	
Outstanding at January 31, 1996	40	\$19.38
Granted	2,430	\$19.56
Canceled or Expired	(20)	\$19.38
Outstanding at January 31, 1997	2,450	\$19.56
Granted	1,494	\$22.55
Canceled or Expired	(20)	\$19.56
Exercised	(4)	\$19.56
Outstanding at January 30, 1998	3,920	\$20.70
Granted	1,736	\$44.35
Canceled or Expired	(249)	\$20.78
Exercised	(621)	\$19.77
Outstanding at January 29, 1999	4,786	\$29.40
Exercisable at January 29, 1999	1,620	\$20.41

Of the 4,786,000 options outstanding at January 29, 1999, 3,054,000 options had exercise prices per share ranging from \$19.38 to \$23.66 with a weighted-average remaining term of 3.2 years. The remaining options outstanding, totaling 1,732,000, had exercise prices per share ranging from \$34.78 to \$45.00 with a weighted-average remaining term of 6.8 years. The exercise prices per share of those options exercisable at January 29, 1999 range from \$19.38 to \$23.66.

Stock appreciation rights were denominated in units, which were comparable to a share of common stock for purposes of determining the amount payable under an award. An award entitled the participant to receive the excess of the final value of the unit over the fair market value of a share of common stock on the first day of the performance period, generally three years. The final value was the average closing price of a share of common stock during the last month of the performance period. Limits were established with respect to the amount payable on each unit. A total of 253,700 stock appreciation rights were paid out at the maximum level of \$1,902,750 during 1998 with no remaining awards outstanding at January 29, 1999. The costs of these rights were expensed over the performance periods and have reduced pre-tax earnings by \$0.3, \$0.9 and \$1.0 million in 1998, 1997 and 1996, respectively.

Restricted stock awards of 10,000, 870,700 and 777,100 shares, with per share weighted-average fair values of \$35.13, \$24.80 and \$16.57, were granted to certain executives in 1998, 1997 and 1996, respectively. These shares are nontransferable and subject to forfeiture for periods prescribed by the Company. These shares may become transferable and vested earlier based on achievement of certain performance measures. During 1998, a total of 280,100 shares were forfeited and 164,950 shares became vested. At January 29, 1999, grants totaling 1,548,750 shares are included in Shareholder's Equity and are being amortized as earned over periods not exceeding seven years. Related expense (charged to compensation expense) for 1998, 1997 and 1996 was \$18.5, \$6.2 and \$1.9 million, respectively.

The Company has a Directors' Stock Incentive Plan. This Plan provides that at the first Board meeting following each annual meeting of shareholders, the Company shall issue each non-employee Director 500 shares of common stock. Up to 50,000 shares may be issued under this Plan. In 1998, 1997 and 1996, 12,000, 8,000 and 8,000 shares, respectively, were issued under this Plan. Prior to its expiration in 1994, 280,000 stock options were granted under a Non-Employee Directors' Stock Option Plan. In 1998 and 1997, 40,000 and 24,000 shares, respectively, were exercised under this Plan. There were no exercises under the Plan in 1996. No shares were canceled under the Plan in 1998, 1997 or 1996. At January 29, 1999, 104,000 shares were exercisable. Of the remaining outstanding options at January 29, 1999, the exercise price per share ranges from \$3.19 to \$9.44 and their weighted-average remaining term is 2.6 years.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized for stock-based compensation where the option price of the stock approximated the fair market value of the stock on the date of grant, other than for

restricted stock grants and stock appreciation rights. Had compensation for 1998, 1997 and 1996 stock options granted been determined consistent with Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," the Company's net earnings and earnings per share (EPS) amounts for 1998, 1997 and 1996 would approximate the following pro forma amounts (in thousands, except per share data):

	1998		1997		1996	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net Earnings	\$482,422	\$474,533	\$357,484	\$352,217	\$292,150	\$291,411
Basic EPS	\$ 1.37	\$ 1.35	\$ 1.03	\$ 1.01	\$.87	\$.87
Diluted EPS	\$ 1.36	\$ 1.34	\$ 1.03	\$ 1.01	\$.86	\$.85

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the assumptions listed below.

	1998	1997	1996
Weighted average fair value per option	\$18.38	\$9.30	\$8.50
Assumptions used:			
Weighted average expected volatility	31.6 %	34.8 %	38.3 %
Weighted average expected dividend yield	0.35%	0.60%	0.66%
Weighted average risk-free interest rate	4.71%	6.04%	6.01%
Weighted average expected life, in years	6.9	5.0	5.0

During 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income (SFAS 130)." The Company reports comprehensive income in its consolidated statement of shareholders' equity. SFAS 130 requires the reporting of comprehensive income in addition to net earnings from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that has not been historically recognized in the calculation of net earnings.

For the three years ended January 29, 1999, unrealized holding gains (losses) on available-for-sale securities is the only other comprehensive income component for the Company. As required by SFAS 130 in the year of adoption and forward, the following disclosures of unrealized net holding gains are made for 1998.

(In Thousands)	Pre-Tax	Tax Expense	After Tax
Unrealized net holding gains arising during the year	\$417	\$177	\$240
Less: Reclassification adjustment for gains included in net earnings	17	6	11
Unrealized net gains on available-for-sale securities, net of reclassification adjustment	\$400	\$171	\$229

Note 9, Leases:

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

In August 1998, the Company entered into a \$100 million operating lease agreement for a distribution facility and store facilities. The initial lease term is three years with two 1-year renewal options. The agreement contains significant guaranteed residual values and purchase options at original cost for all properties under the agreement.

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

Fiscal Year	Operating Leases		Capital Leases		Total
	Real Estate	Equipment	Real Estate	Equipment	
(In Thousands)					
1999	\$ 104,771	\$1,110	\$ 52,945	\$291	\$ 159,117
2000	108,482	673	52,963	218	162,336
2001	105,759	194	52,981	98	159,032
2002	102,263	43	52,981	98	155,385
2003	101,657	—	52,981	49	154,687
Later Years	1,314,657	—	634,626	—	1,949,283
Total Minimum Lease Payments	\$1,837,589	\$2,020	\$899,477	\$754	\$2,739,840
Total Minimum Capital Lease Payments			\$900,231		
Less Amount Representing Interest			429,951		
Present Value of Minimum Lease Payments			470,280		
Less Current Maturities			12,952		
Present Value of Minimum Lease Payments, Less Current Maturities			\$457,328		

Rental expenses under operating leases for real estate and equipment were \$89.3, \$65.4 and \$59.2 million in 1998, 1997 and 1996, respectively.

Note 10, Employee Retirement Plans:

The Company's contribution to its Employee Stock Ownership Plan (ESOP) is determined annually by the Board of Directors. The ESOP covers all employees after completion of one year of employment and 1,000 hours of service during that year. Contributions are allocated to participants based on their eligible compensation relative to total eligible compensation. Contributions may be made in cash or shares of the Company's common stock and are generally made in the following year. ESOP expense for 1998, 1997 and 1996 was \$80.3, \$63.1 and \$61.1 million, respectively.

At January 29, 1999, the Employee Stock Ownership Trust held approximately 9.3% of the outstanding common stock of the Company. Shares allocated to ESOP participants' accounts are voted by the trustee according to participants' voting instructions.

The Board of Directors determines contributions to the Company's Employee Savings and Investment Plan (ESIP) each year based upon a matching formula applied to employee contributions. All employees are eligible to participate in the ESIP on the first day of the month following completion of one year of employment. Company contributions to the ESIP for 1998, 1997 and 1996 were \$10.6, \$8.7 and \$7.2 million, respectively. The Company's common stock is an investment option for participants in the ESIP. Shares held in the ESIP are voted by the trustee as directed by an administrative committee of the ESIP.

Note 11, Income Taxes:

	1998		1997		1996	
	Statutory Rate Reconciliation		Statutory Rate Reconciliation		Statutory Rate Reconciliation	
Statutory Federal Income Tax Rate	35.0%		35.0%		35.0%	
State Income Taxes – Net of Federal Tax Benefit	2.4		2.2		1.8	
Other, Net	(1.0)		(1.2)		(1.2)	
Effective Tax Rate	36.4%		36.0%		35.6%	
(In Thousands)						
	Components of Income Tax Provision					
Current						
Federal	\$235,827	85.4%	\$175,649	87.4%	\$135,075	83.7%
State	25,836	9.4	17,777	8.8	9,338	5.8
Total Current	261,663	94.8	193,426	96.2	144,413	89.5
Deferred						
Federal	11,880	4.3	6,328	3.1	14,122	8.7
State	2,457	0.9	1,309	0.7	2,921	1.8
Total Deferred	14,337	5.2	7,637	3.8	17,043	10.5
Total Income Tax Provision	\$276,000	100.0%	\$201,063	100.0%	\$161,456	100.0%

The tax effect of cumulative temporary differences and carryforwards that gave rise to the deferred tax assets and liabilities and the related valuation allowance at January 29, 1999 and January 30, 1998 is as follows (in thousands):

	January 29, 1999			January 30, 1998		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Accrued Excess Property and Store Closing Costs	\$20,046	—	\$ 20,046	\$16,208	—	\$ 16,208
Insurance	15,120	—	15,120	11,338	—	11,338
Depreciation	—	\$(179,060)	(179,060)	—	\$(144,601)	(144,601)
Property Taxes	1,561	—	1,561	3,140	—	3,140
Other, Net	42,431	(4,237)	38,195	36,001	(11,748)	24,253
Total	\$79,158	\$(183,297)	\$(104,139)	\$66,687	\$(156,349)	\$ (89,662)

There was no valuation allowance at January 29, 1999 or January 30, 1998. The valuation allowance decreased \$0.3 million in 1997 and decreased \$1.3 million in 1996.

Note 12, Litigation:

The Company is a defendant in legal proceedings considered to be in the normal course of business, none of which, singularly or collectively, are considered material to the Company.

Note 13, Other Information:

Net interest expense is composed of the following:

	1998	1997	1996
(In Thousands)			
Long-Term Debt	\$63,592	\$34,936	\$31,300
Capitalized Leases	39,104	38,255	29,076
Short-Term Debt	5,506	7,913	4,368
Amortization of Loan Costs	779	527	403
Interest Income	(20,218)	(7,741)	(8,765)
Interest Capitalized	(14,028)	(8,323)	(7,315)
Net Interest Expense	\$74,735	\$65,567	\$49,067

Supplemental Disclosures of Cash Flow Information:

	1998	1997	1996
(In Thousands)			
Cash Paid for Interest (Net of Amount Capitalized)	\$ 99,574	\$ 74,005	\$ 66,350
Cash Paid for Income Taxes	\$262,583	\$196,144	\$125,266
Noncash Investing and Financing Activities:			
Fixed Assets Acquired Under Capital Leases	\$ 47,303	\$ 32,738	\$182,676
Termination of Capital Leases	10,401	—	—
Common Stock Issued to ESOP (Note 10)	60,074	56,630	43,890
Common Stock Issued to Executives and Directors, net of Unearned Compensation	17,853	6,407	2,030
Conversion of Debt to Common Stock	—	—	\$256,798
Notes Received in Exchange for Assets	—	600	—
Notes Issued in Exchange for Assets	\$ 6,014	\$ 2,200	—

Sales by Product Category:

(Dollars in Millions)

Product Category	1998		1997		1996	
	Total Sales	%	Total Sales	%	Total Sales	%
Fashion Plumbing & Electrical	\$ 1,388	11%	\$ 1,161	12%	\$ 908	11%
Tools	1,234	10	1,002	10	793	9
Building Materials	1,207	10	1,034	10	1,008	12
Lumber	1,186	10	1,124	11	1,014	12
Outdoor Hardlines	1,165	10	929	9	803	9
Major Appliances/Kitchens	1,115	9	842	8	619	7
Hardware	922	8	745	8	636	7
Millwork	908	8	748	8	664	8
Floors, Windows & Walls	790	6	594	6	448	5
Rough Plumbing & Electrical	784	6	655	6	584	7
Paint & Sundries	752	6	624	6	511	6
Nursery & Gardening Products	669	5	546	5	420	5
Electronics	125	1	133	1	192	2
Totals	\$12,245	100%	\$10,137	100%	\$8,600	100%

Note 14, Merger Agreement (Unaudited):

In November 1998, the Company entered into a merger agreement to acquire Eagle Hardware and Garden, Inc. (Eagle). Eagle is a leading operator of home improvement centers in the western United States. The transaction, which was effected as a stock-for-stock transaction, was completed April 2, 1999. The transaction was structured as a tax-free reorganization and was accounted for as a pooling of interests.

Following is selected unaudited pro forma combined financial data for the Company and Eagle for 1998, 1997 and 1996. The results of operations assume that the companies had always been combined for accounting purposes, and the balance sheet data assumes the merger was completed on January 29, 1999. The year ended January 31, 1997 was a 53-week year for Eagle and a 52-week year for the Company. The stockholders' equity figure has been adjusted by tax effected merger related expenses of \$10 million.

(In Thousands)	1998	1997	1996
Results of Operations Data:			
Net Sales	\$13,330,540	\$11,108,378	\$9,361,204
Gross Margin	3,602,071	2,963,125	2,435,339
Net Earnings	518,754	387,400	313,887
Basic Earnings Per Share	1.40	1.05	.89
Diluted Earnings Per Share	1.39	1.05	.87
Cash Dividends Per Share	\$.12	\$.11	\$.10
Balance Sheet Data (as of January 29, 1999):			
Total Assets	\$ 7,064,404		
Long-Term Debt, Excluding Current Maturities	\$ 1,364,278		
Shareholders' Equity	\$ 3,587,289		

Note 15, Subsequent Events (Unaudited):

In February 1999, the Company issued \$400 million principal of 6.5% Debentures due March 15, 2029. The debentures were issued at an original price of \$986.47 per \$1000 principal amount, which represented an original discount of .478% and underwriters' discount of .875%. The debentures may not be redeemed prior to maturity.

In March 1999, the Company issued 6,206,895 shares of common stock in a public offering. The net proceeds from the stock offering were approximately \$348.1 million. The shares were issued under a shelf registration statement filed with the Securities and Exchange Commission in December 1997.

Selected Financial Data
(Unaudited)

(In Thousands, Except Per Share Data)

	1998	1997	1996	1995	1994
Selected Statement of Earnings Data:					
Net Sales	\$12,244,882	\$10,136,890	\$8,600,241	\$7,075,442	\$6,110,521
Gross Margin	3,294,726	2,689,773	2,223,759	1,763,247	1,512,544
Net Earnings	482,422	357,484	292,150	226,027	223,560
Basic Earnings Per Share	1.37	1.03	.87	.71	.72
Diluted Earnings Per Share	1.36	1.03	.86	.68	.70
Dividends Per Share	\$.12	\$.11	\$.10	\$.10	\$.09
Selected Balance Sheet Data:					
Total Assets	\$6,344,651	\$5,219,277	\$4,434,954	\$3,556,386	\$3,105,992
Long-Term Debt, Excluding Current Maturities	\$1,283,092	\$1,045,570	\$ 767,338	\$ 866,183	\$ 681,184

Selected Quarterly Data*

	First	Second	Third	Fourth
1998				
Net Sales	\$2,899,540	\$3,425,685	\$3,003,993	\$2,915,664
Gross Margin	760,038	903,036	812,319	819,333
Net Earnings	94,465	165,378	116,367	106,212
Basic Earnings Per Share	.27	.47	.33	.30
Diluted Earnings Per Share	\$.27	\$.47	\$.33	\$.30
1997				
Net Sales	\$2,400,754	\$2,808,086	\$2,530,481	\$2,397,568
Gross Margin	623,703	731,093	670,886	664,090
Net Earnings	70,383	126,496	88,099	72,507
Basic Earnings Per Share	.20	.36	.25	.21
Diluted Earnings Per Share	\$.20	\$.36	\$.25	\$.21

*** LIFO Adjustment:**

1998 – The total LIFO effect for the year was a credit of \$29.0 million. A credit of \$11.1 million was made against earnings through the first nine months and a credit of \$17.9 million was made in the fourth quarter.

1997 – The total LIFO effect for the year was a credit of \$7.0 million. A charge of \$5.5 million was made against earnings through the first nine months, resulting in a fourth quarter credit of \$12.5 million.

Stock Performance

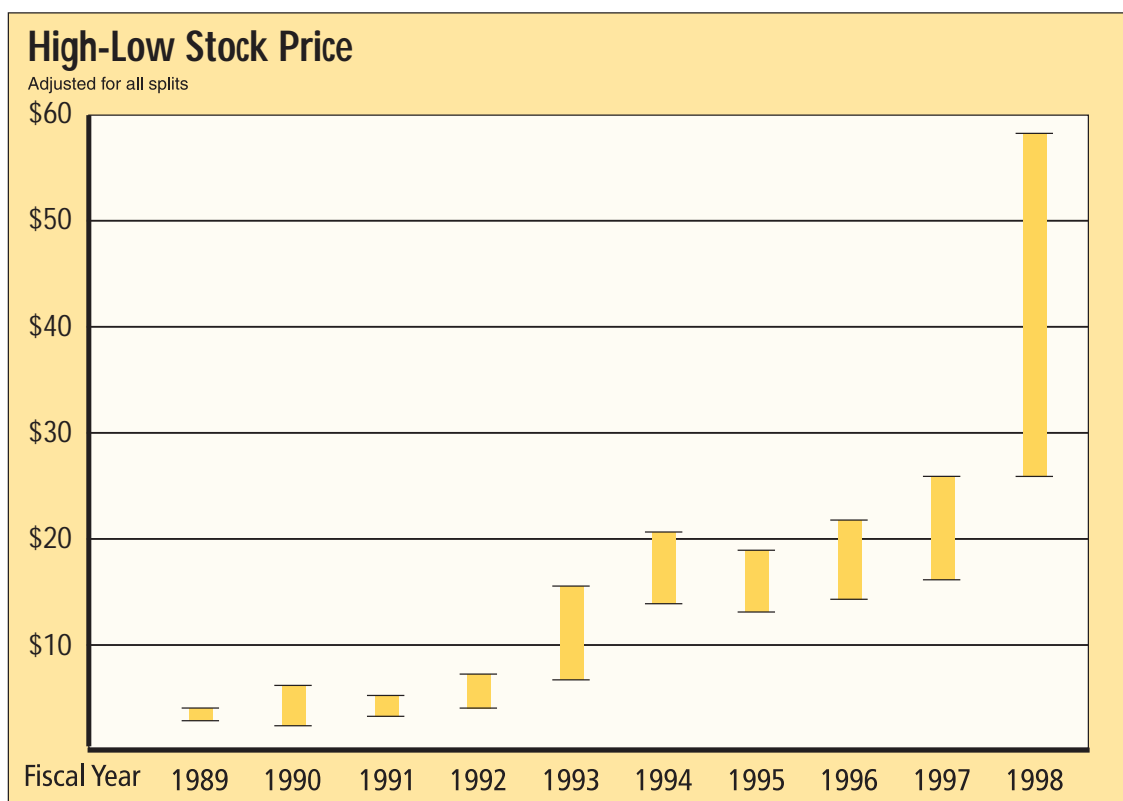
Lowe's Quarterly Stock Price Range and Cash Dividend Payment*

	Fiscal 1998			Fiscal 1997			Fiscal 1996		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$36 7/32	\$25 7/8	\$.028	\$20 1/8	\$16 3/16	\$.028	\$18 1/8	\$14 11/16	\$.025
2nd Quarter	45 1/8	33 7/8	.030	19 15/16	16 27/32	.028	19 1/2	14 5/16	.025
3rd Quarter	42 1/4	24 15/16	.030	22 5/32	16 31/32	.028	21 21/32	16 3/16	.025
4th Quarter	\$58 5/16	\$34 7/16	\$.030	\$25 25/32	\$20 25/32	\$.028	\$21 3/4	\$15 13/16	\$.028

Monthly Stock Price and Trading Volume*

	Fiscal 1998			Fiscal 1997		
	High	Low	Shares Traded	High	Low	Shares Traded
February	\$30 1/8	\$25 7/8	24,347,800	\$18 15/16	\$16 3/16	34,123,600
March	36 7/32	30 1/2	36,818,800	20 1/8	18 1/8	22,085,600
April	35 1/2	32 9/16	35,141,200	19 15/16	18 1/16	21,258,600
May	39 19/32	33 7/8	34,402,600	19 3/4	18 7/16	20,809,400
June	42 5/8	38 31/32	32,207,700	19 15/16	18 1/16	30,774,600
July	45 1/8	36 9/16	37,209,900	19 19/32	16 27/32	58,571,600
August	42 1/4	35	28,258,800	18 31/32	16 31/32	41,402,400
September	38 1/8	29 7/8	37,658,800	20 5/32	17 11/32	32,319,800
October	34 7/8	24 15/16	40,442,900	22 5/32	18 21/32	34,707,600
November	43 9/16	34 7/16	28,081,900	24 1/2	20 25/32	26,879,000
December	51 11/16	42 3/8	29,097,100	24 9/16	22 3/8	19,869,400
January	\$58 5/16	\$50 5/8	32,430,300	\$25 25/32	\$21 19/32	28,205,400

* Adjusted for 2-for-1 stock split to shareholders of record on June 12, 1998, as applicable.



Sources: The Wall Street Journal, Bloomberg

Quarterly Review of Performance
(Unaudited)

Earnings Statement

In Thousands, Except Per Share Data

Quarter Ended	Fiscal 1998				Fiscal 1997			
	1/29/99	10/30/98	7/31/98	5/1/98	1/30/98	10/31/97	8/1/97	5/2/97
Net Sales	\$2,915,664	\$3,003,993	\$3,425,685	\$2,899,540	\$2,397,568	\$2,530,481	\$2,808,086	\$2,400,754
FIFO Gross Margin	801,425	804,219	900,036	760,038	651,590	670,755	734,178	626,249
LIFO (Charge) Credit	17,908	8,100	3,000	—	12,500	131	(3,085)	(2,546)
LIFO Gross Margin	819,333	812,319	903,036	760,038	664,090	670,886	731,093	623,703
Expenses:								
S,G & A	534,187	522,723	545,166	516,073	440,229	435,765	447,303	431,480
Store Opening Costs	24,988	20,345	14,952	11,365	26,788	22,671	12,289	8,252
Depreciation	72,104	68,660	66,273	64,732	65,053	60,546	58,569	56,712
Interest	19,801	18,024	17,247	19,663	17,231	15,046	16,005	17,286
Total Expenses	651,080	629,752	643,638	611,833	549,301	534,028	534,166	513,730
Pre-Tax Earnings	168,253	182,567	259,398	148,205	114,789	136,858	196,927	109,973
Income Tax Provision	62,041	66,200	94,020	53,740	42,282	48,759	70,431	39,590
Net Earnings	106,212	116,367	165,378	94,465	72,507	88,099	126,496	70,383
Basic Earnings								
Per Share	.30	.33	.47	.27	.21	.25	.36	.20
Diluted Earnings								
Per Share	\$.30	\$.33	\$.47	\$.27	\$.21	\$.25	\$.36	\$.20

Earnings Statement Changes

Changes from Same Quarter Previous Year, to Nearest Tenth Percent

Quarter Ended	Fiscal 1998				Fiscal 1997			
	1/29/99	10/30/98	7/31/98	5/1/98	1/30/98	10/31/97	8/1/97	5/2/97
Net Sales	21.6%	18.7%	22.0%	20.8%	17.4%	15.4%	14.2%	25.9%
FIFO Gross Margin	23.0	19.9	22.6	21.4	19.9	18.4	15.8	30.2
LIFO (Charge) Credit	43.3	6083.2	(197.2)	(100.0)	38.0	(126.2)	(43.5)	(43.3)
LIFO Gross Margin	23.4	21.1	23.5	21.9	20.2	18.5	16.3	30.9
Expenses:								
S,G & A	21.3	20.0	21.9	19.6	15.9	17.0	18.0	29.7
Store Opening Costs	(6.7)	(10.3)	21.7	37.7	47.9	41.7	(2.2)	(33.9)
Depreciation	10.8	13.4	13.2	14.1	18.3	19.3	22.6	27.1
Interest	14.9	19.8	7.8	13.8	30.3	42.8	32.1	31.1
Total Expenses	18.5	17.9	20.5	19.1	17.8	18.8	18.3	27.5
Pre-Tax Earnings	46.6	33.4	31.7	34.8	33.3	17.4	11.0	49.6
Income Tax Provision	46.7	35.8	33.5	35.7	38.6	17.8	11.6	49.6
Net Earnings	46.5	32.1	30.7	34.2	30.3	17.2	10.7	49.6
Basic Earnings								
Per Share	42.9	32.0	30.6	35.0	31.3	13.6	2.9	33.3
Diluted Earnings								
Per Share	42.9%	32.0%	30.6%	35.0%	31.3%	13.6%	5.9%	33.3%

Earnings Statement Percentages

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

Quarter Ended	Fiscal 1998				Fiscal 1997			
	1/29/99	10/30/98	7/31/98	5/1/98	1/30/98	10/31/97	8/1/97	5/2/97
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
FIFO Gross Margin	27.49	26.77	26.27	26.21	27.18	26.50	26.15	26.09
LIFO (Charge) Credit	.61	.27	.09	—	.52	.01	(.11)	(.11)
LIFO Gross Margin	28.10	27.04	26.36	26.21	27.70	26.51	26.04	25.98
Expenses:								
S,G & A	18.32	17.40	15.91	17.80	18.36	17.22	15.93	17.98
Store Opening Costs	.86	.68	.44	.39	1.12	.90	.44	.34
Depreciation	2.47	2.29	1.94	2.23	2.72	2.39	2.09	2.36
Interest	.68	.60	.50	.68	.72	.59	.57	.72
Total Expenses	22.33	20.97	18.79	21.10	22.92	21.10	19.03	21.40
Pre-Tax Earnings	5.77	6.07	7.57	5.11	4.78	5.41	7.01	4.58
Income Tax Provision	36.87	36.26	36.25	36.26	36.83	35.63	35.77	36.00
Net Earnings	3.64%	3.87%	4.83%	3.26%	3.02%	3.48%	4.50%	2.93%

Investor Information

Stock Transfer Agent & Registrar, Dividend Disbursing Agent and Dividend Reinvesting Agent

EquiServe Trust Company, N.A.
P.O. Box 8218
Boston, MA 02266-8218
800-633-4236

Dividend History

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

Dividend Declaration Dates

Usually the middle of April, July, October and January

Dividend Payment Dates

Usually the last of April, July, October and January

Lowe's Telephone Numbers

Telephone 336-658-4000
FAX 336-658-4766

Lowe's Addresses

Mailing: P.O. Box 1111
North Wilkesboro, NC 28656
Street:
1605 Curtis Bridge Road
Wilkesboro, NC 28697
E-Mail: webeditor@lowes.com
Web: <http://www.lowes.com>

Annual Meeting Date

May 28, 1999 at 10:00 AM
Lowe's Corporate Offices
North Wilkesboro, NC

Lowe's Common Stock

Ticker Symbol: LOW
Listed:
New York Stock Exchange
20 Broad Street
New York, NY 10005

Pacific Stock Exchange
301 Pine Street
San Francisco, CA 94104

London Stock Exchange
Old Broad Street
London, ECN1HP England

General Counsel

William C. Warden, Jr.
Executive Vice President,
Chief Administrative Officer and Secretary
336-658-4497

Certified Public Accountants

Deloitte & Touche LLP
1100 Carillon
Charlotte, NC 28202
704-372-3560

Shareholder Services

Shareholders' and security analysts' inquiries should be directed to:
Marshall Croom – Vice President and Treasurer
336-658-4022
Carson Anderson – Assistant Treasurer
336-658-4385

For copies of financial information:
888-34LOWES 888-345-6937

Financial History

Years Ended on	5-Year CGR	January 29, 1999	January 30, 1998	January 31, 1997	January 31, 1996	January 31, 1995	
Stores and People							
1 Number of Stores	9.2%	484	446	402	365	336	1
2 Square Footage	25.1	43,403,380	36,545,343	30,381,529	23,945,111	18,604,368	2
3 Number of Employees	17.9	65,706	58,504	53,492	44,546	37,555	3
4 Customer Transactions (In Thousands)	21.1%	241,972	206,498	176,206	146,957	122,847	4
5 Average Purchase		\$50.60	\$49.09	\$48.81	\$48.15	\$49.74	5
Comparative Income Statements (In Thousands)							
6 Sales	22.0%	\$12,244,882	\$10,136,890	\$8,600,241	\$7,075,442	\$6,110,521	6
7 Depreciation	27.5	271,769	240,880	198,115	150,011	109,647	7
8 LIFO Credit (Charge)	NM	29,008	7,000	(1,390)	(8,250)	(435)	8
9 Store Restructuring	—	—	—	—	—	—	9
10 Operating Income ¹	30.0	1,104,926	864,994	700,788	540,158	481,051	10
11 Pre-Tax Earnings	30.8	758,422	558,547	453,606	352,107	343,531	11
12 Income Tax Provision	NM	276,000	201,063	161,456	126,080	119,971	12
13 Net Earnings	29.6	482,422	357,484	292,150	226,027	223,560	13
14 Cash Dividends	11.8	41,171	38,239	34,709	30,471	27,433	14
15 Earnings Retained	NM	\$ 441,251	\$ 319,245	\$ 257,441	\$ 195,556	\$ 196,127	15
Dollars Per Share (Weighted Average Shares, Assuming Dilution)							
16 Sales	18.5%	\$34.61	\$29.07	\$24.90	\$20.65	\$18.41	16
17 Earnings	25.3	1.36	1.03	.86	.68	.70	17
18 Cash Dividends	8.4	.12	.11	.10	.09	.08	18
19 Earnings Retained	NM	1.25	.92	.75	.57	.59	19
20 Shareholders' Equity	25.5%	\$ 8.86	\$ 7.46	\$ 6.42	\$ 4.83	\$ 4.28	20
Financial Ratios							
21 Asset Turnover ²		2.35	2.29	2.42	2.28	2.78	21
22 Return on Sales ³		3.94%	3.53%	3.40%	3.19%	3.66%	22
23 Return on Assets ⁴		9.24%	8.06%	8.21%	7.28%	10.15%	23
24 Return on Shareholders' Equity ⁵		18.55%	16.12%	17.63%	15.92%	25.59%	24
Comparative Balance Sheets (In Thousands)							
25 Total Current Assets	19.0%	\$2,585,683	\$2,109,602	\$1,851,466	\$1,603,684	\$1,557,168	25
26 Cash and Short-Term Investments	17.5	243,052	211,301	70,490	171,297	268,474	26
27 Accounts Receivable — Net	24.3	143,928	118,408	117,562	113,483	109,214	27
28 Merchandise Inventory	19.8	2,104,845	1,714,592	1,605,880	1,267,077	1,132,282	28
29 Other Current Assets	(9.1)	37,734	31,185	37,682	32,659	29,069	29
30 Fixed Assets — Net	28.9	3,636,917	3,005,199	2,494,396	1,858,274	1,397,713	30
31 Other Assets	10.3	93,335	69,315	53,477	53,369	67,652	31
32 Total Assets	23.6	6,344,651	5,219,277	4,434,954	3,556,386	3,105,992	32
33 Total Current Liabilities	21.0	1,765,344	1,449,320	1,348,531	949,931	945,893	33
34 Accounts Payable	19.4	1,133,177	969,777	914,167	655,399	675,436	34
35 Other Current Liabilities	24.8	247,820	220,915	198,461	151,494	134,334	35
36 Long-Term Debt (Excluding Current Maturities)	16.7	1,283,092	1,045,570	767,338	866,183	681,184	36
37 Total Liabilities	19.3	3,208,699	2,618,668	2,217,478	1,899,671	1,686,102	37
38 Shareholders' Equity	29.1%	\$3,135,952	\$2,600,609	\$2,217,476	\$1,656,715	\$1,419,890	38
39 Equity/Long-Term Debt (Excluding Current Maturities)		2.44	2.49	2.89	1.91	2.08	39
40 Year-End Leverage Factor: Assets/Equity		2.02	2.01	2.00	2.15	2.19	40
Shareholders, Shares and Book Value							
41 Shareholders of Record, Year-End		13,499	11,334	11,460	11,299	9,765	41
42 Shares Outstanding, Year-End (In Thousands)		352,643	350,632	346,808	321,836	319,054	42
43 Weighted Average Shares, Assuming Dilution (In Thousands)		353,795	348,759	345,369	342,701	331,841	43
44 Book Value Per Share		\$ 8.89	\$ 7.42	\$ 6.39	\$ 5.15	\$ 4.45	44
Closing Stock Price During Calendar Year⁶							
45 High (Adjusted for Stock Splits)		\$51.69	\$24.47	\$21.75	\$19.44	\$20.69	45
46 Low (Adjusted for Stock Splits)		\$22.00	\$15.82	\$14.32	\$13.00	\$13.88	46
47 Closing Price December 31		\$51.19	\$23.85	\$17.82	\$16.75	\$17.38	47
Price/Earnings Ratio							
48 High		38	24	25	29	30	48
49 Low		16	15	17	19	20	49

Base Year January 31, 1994	January 31, 1993	January 31, 1992	January 31, 1991	January 31, 1990	
311	303	306	309	306	1
14,174,889	9,975,537	8,016,136	7,061,925	6,219,018	2
28,843	21,269	18,368	15,556	15,271	3
92,932	80,461	64,284	54,142	47,246	4
\$48.83	\$47.80	\$47.54	\$52.33	\$56.10	5
\$4,538,001	\$3,846,418	\$3,056,247	\$2,833,108	\$2,650,547	6
80,530	69,820	58,298	51,431	46,134	7
(15,524)	(9,514)	(5,979)	688	(3,549)	8
—	—	71,288	—	—	9
297,132	211,311	80,187	169,101	174,158	10
198,324	125,892	4,951	100,251	108,796	11
66,538	41,172	(1,536)	29,164	33,884	12
131,786	84,720	6,487	71,087	74,912	13
23,571	21,153	20,020	19,334	18,228	14
\$ 108,215	\$ 63,567	\$ (13,533)	\$ 51,753	\$ 56,684	15
\$14.81	\$13.16	\$10.46	\$9.52	\$8.89	16
.44	.29	.02	.24	.25	17
.08	.07	.07	.06	.06	18
.35	.22	NM	.17	.19	19
\$ 2.85	\$ 2.51	\$ 2.29	\$2.29	\$2.16	20
2.82	2.67	2.54	2.47	2.44	21
2.90%	2.20%	.21%	2.51%	2.83%	22
8.19%	5.88%	.54%	6.20%	6.90%	23
17.97%	12.67%	.95%	11.01%	12.77%	24
\$1,083,907	\$ 745,554	\$ 770,078	\$ 616,461	\$ 595,946	25
108,468	54,849	30,814	50,144	55,566	26
48,500	53,288	115,739	96,354	121,897	27
853,707	594,195	602,795	460,804	407,677	28
60,932	34,710	14,275	9,159	9,610	29
1,020,234	787,197	612,955	541,464	507,811	30
57,099	52,856	46,845	45,127	43,637	31
2,201,648	1,608,877	1,441,228	1,203,052	1,147,394	32
681,176	499,634	588,951	337,676	307,890	33
467,278	330,584	307,814	186,860	210,197	34
81,765	72,626	61,400	44,578	42,685	35
592,333	313,562	113,650	159,204	167,896	36
1,327,979	875,657	772,674	520,380	501,836	37
\$ 873,669	\$ 733,220	\$ 668,554	\$ 682,672	\$ 645,558	38
1.47	2.34	5.88	4.29	3.84	39
2.52	2.19	2.16	1.76	1.78	40
7,470	7,257	6,216	6,261	6,361	41
295,772	291,892	291,520	291,676	298,040	42
306,492	292,304	292,104	297,712	298,224	43
\$ 2.95	\$ 2.51	\$ 2.29	\$ 2.34	\$ 2.17	44
\$15.50	\$ 7.19	\$ 5.18	\$ 6.21	\$ 4.02	45
\$ 6.66	\$ 4.00	\$ 2.88	\$ 2.30	\$ 2.77	46
\$14.88	\$ 6.04	\$ 4.27	\$ 3.07	\$ 3.69	47
35	25	259	26	16	48
15	14	144	10	11	49

Stock splits and stock dividends since 1961

- A 100% stock dividend, effective April 5, 1966, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective November 18, 1969.
- A 50% stock dividend, effective November 30, 1971, (which had the net effect of a 3-for-2 stock split).
- A 3²/₃% stock dividend, effective July 25, 1972, (which had the net effect of a 4-for-3 stock split).
- A 50% stock dividend, effective June 2, 1976, (which had the net effect of a 3-for-2 stock split).
- A 3-for-2 stock split, effective November 2, 1981.
- A 5-for-3 stock split, effective April 29, 1983.
- A 100% stock dividend, effective June 29, 1992, (which had the net effect of a 2-for-1 stock split).
- A 2-for-1 stock split, effective April 4, 1994.
- A 2-for-1 stock split, effective June 29, 1998.

Explanatory notes

- ¹ Pretax earnings plus depreciation and interest.
- ² Asset Turnover – Sales divided by Beginning Assets.
- ³ Return on Sales – Net Earnings divided by Sales.
- ⁴ Return on Assets – Net Earnings divided by Beginning Assets.
- ⁵ Return on Shareholders' Equity – Net Earnings divided by Beginning Equity.
- ⁶ Stock price source: *The Wall Street Journal*
 NM = not meaningful
 CGR = compound growth rate

LOWE'S
Companies, Inc.[®]