1987 Annual Report

"Home Depot is the only company that has successfully brought off the union of low prices and high service."

FORTUNE magazine
February 29, 1988

THE HOME DEPOT

Corporate Profile

The Home Depot operates 75 retail warehouse stores which sell a wide variety of building supplies and home improvement products to do-it-yourselfers and home remodeling professionals. Located across the Southern half of the United States from Florida to California, Home Depot warehouses range in size from 65,000 to 140,000 square feet of enclosed space; most stores have an additional 10,000 to 15,000 square feet of outdoor selling area for gardening and landscaping supplies. A typical warehouse store stocks approximately 25,000 items, including lumber, building materials, wall and floor coverings, paint, plumbing and electrical supplies, hardware, tools and seasonal merchandise.

Founded in 1978, The Home Depot is headquartered in Atlanta, Georgia.

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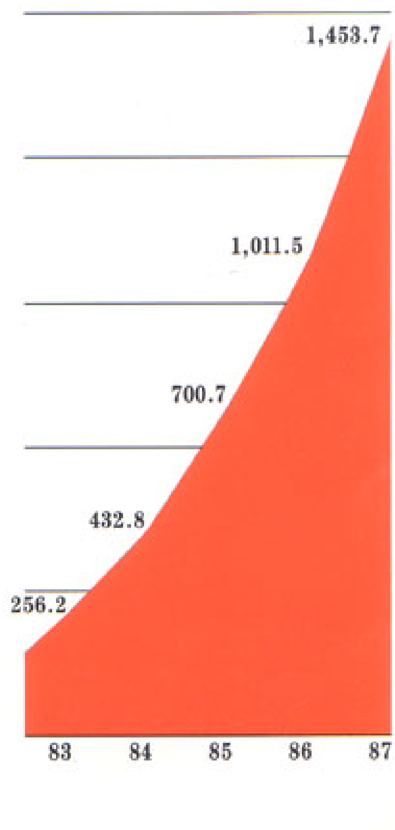
The Home Depot, the "Homer" caricature, "Warehouse Pricing Day-In, Day-Out" and various private label brand names are service marks and trademarks of The Home Depot, Inc.

Net Sales
$ in millions



Financial Highlights

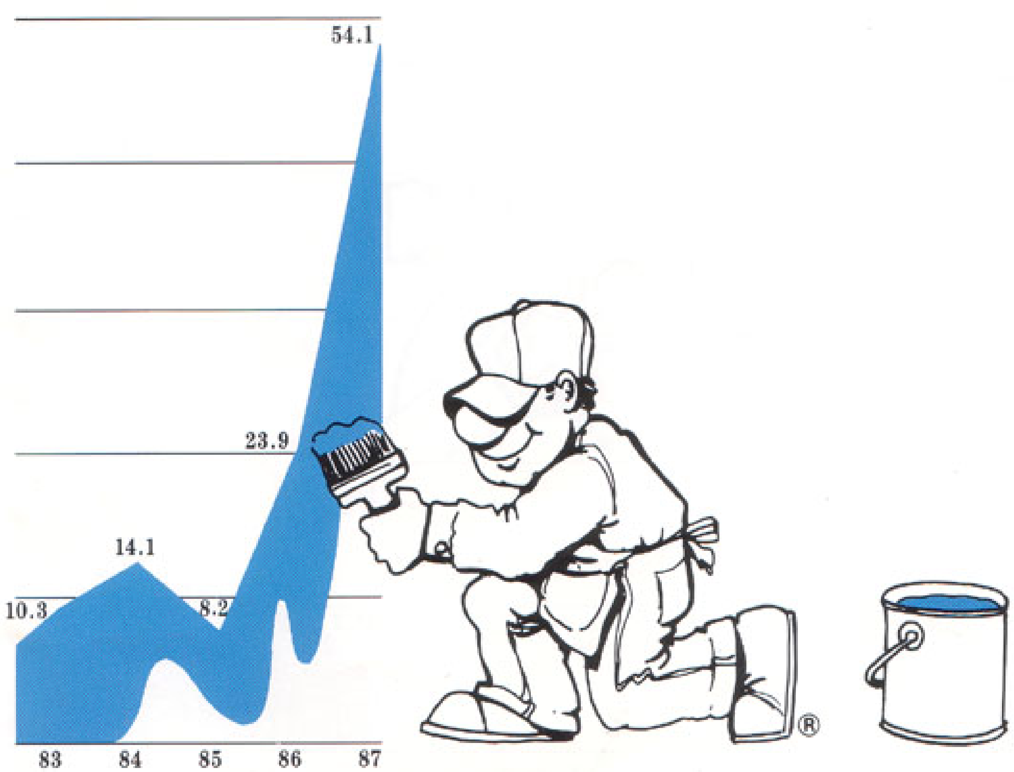
Dollars in thousands except per share data	Fiscal Year 1987	Fiscal Year 1986	% Increase (Decrease) 1987	% Increase (Decrease) 1986
Operating Results				
Net Sales	**$1,453,657**	$ 1,011,462	**43.7%**	44.3%
Gross Profit	**403,739**	278,160	**45.1**	53.3
Earnings Before Income Taxes	**95,586**	47,073	**103.1**	305.1
Net Earnings	**54,086**	23,873	**126.6**	190.5
Earnings Per Common and Common Equivalent Share(1)	**$ 1.13**	$ .60	**88.3**	172.7
Financial Position				
Working Capital	**$ 110,621**	$ 91,076	**21.5**	(14.4)
Merchandise Inventories	**211,421**	167,115	**26.5**	9.4
Property and Equipment, Net	**244,503**	168,981	**44.7**	5.1
Total Assets	**528,270**	394,741	**33.8**	3.8
Long-term Debt	**52,298**	116,907	**(55.3)**	(41.5)
Stockholders' Equity	**320,559**	163,042	**96.6**	83.0
Ratio of Current Assets to Current Liabilities	**1.75:1**	1.85:1		
Percentage of Long-term Debt to Stockholders' Equity	**16%**	72%		
Statistics(2)				
Number of Stores Open at Year End	**75**	60	**25.0**	20.0
Square Footage at Year End	**6,161**	4,828	**27.6**	21.0
Weighted Average Sales Per Square Foot	**$ 264.71**	$ 229.65	**15.3**	2.9
Number of Customer Transactions	**48,073**	34,020	**41.3**	45.9
Average Amount of Sale Per Transaction	**$ 30.24**	$ 29.73	**1.7**	(1.0)
Weighted Average Weekly Sales Per Operating Store	**$ 418,200**	$ 355,400	**17.7**	3.8
Average Inventory Per Store at Year End	**2,819**	2,785	**1.2**	(8.8)
Inventory Turnover	**5.4**	4.6	**17.4**	12.2

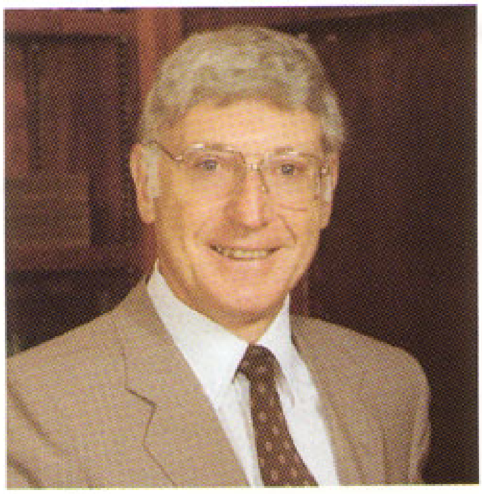
(1) All periods have been adjusted for the three-for-two stock split-up declared in August, 1987 and effected in the form of a dividend.

(2) Only number of square feet, customer transactions and average inventory per store are in thousands.

Net Earnings

$ in millions





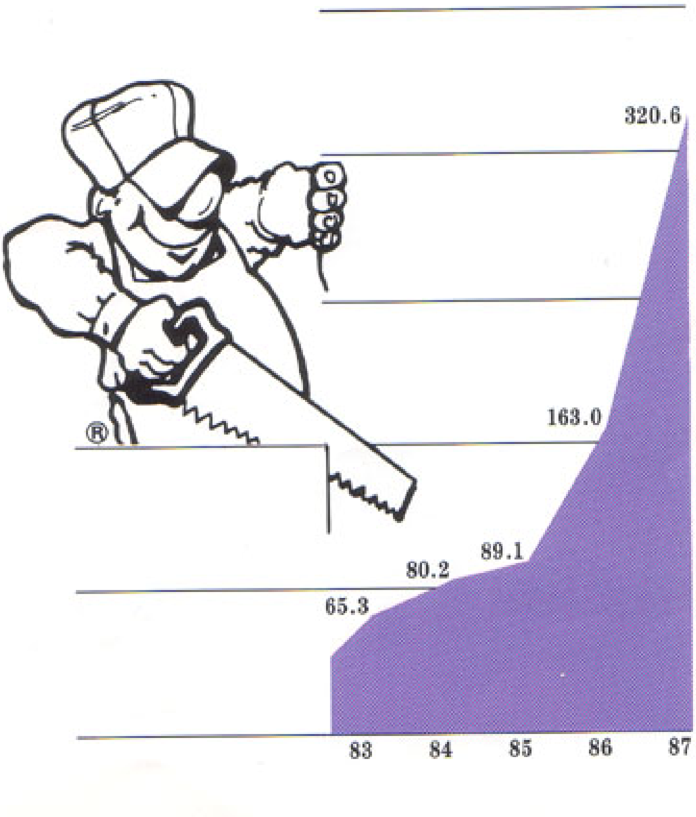
Bernard Marcus
Chairman and Chief Executive Officer

Arthur M. Blank
President and Chief Operating Officer

Significant Events

- Record sales of $1.5 billion achieved—a 44% increase over 1986 sales
- Net earnings reached $54.1 million —a 127% annual increase
- Earnings per share climbed to $1.13 from $.60 per share in 1986, an increase of 88%
- Comparable store sales rose 18%
- Debt to equity reduced to 16%
- Inventory turnover improved to 5.4 from 4.6
- First quarterly dividend declared
- Fifteen new stores opened—13 in existing markets and 2 in the new markets of Chattanooga and Knoxville, Tennessee
- Low day-in, day-out warehouse pricing policy established
- Convertible debentures redeemed for common stock
- In March, 1988, selected for inclusion in Standard & Poor's 500 Stock Composite Index

Stockholders' Equity
$ in millions



To Our Shareholders:

For The Home Depot, fiscal 1987 was another year of record performance. Our sales, earnings and customer transactions achieved record levels as we continued our plan of controlled, profitable growth in the fastest growing segment of the home improvement industry, the do-it-yourself market.

Sales for 1987 rose 44 percent to $1.454 billion, compared to last year's milestone revenues of just over $1 billion. Net earnings increased 127 percent; earnings per share improved 88 percent; and, stockholders' equity increased by 97 percent to $320.6 million.

Comparable store sales also rose a dramatic 18 percent as we successfully implemented policies and systems aimed at improving the productivity of our stores. As a result, our inventory turnover climbed to 5.4 turns in 1987 from 4.6 in 1986.

We also strengthened our financial position by redeeming $100,250,000 of our outstanding convertible debentures, thereby reducing the Company's debt. The Home Depot entered fiscal 1988 with a strong balance sheet and with bank lines of credit amounting to $200 million. These funds may be used to finance our expansion program or for other appropriate corporate purposes.

Prompted by The Home Depot's financial success, the Board of Directors declared the Company's first quarterly dividend in acknowledgement of our shareholders' loyalty as we continue to grow in the do-it-yourself business.

Total Store Space Increases to 6,161,000 Square Feet. During 1987, we opened 15 new stores, bringing our total to 75. Most new stores were opened in existing markets, but we also expanded into the new markets of Chattanooga and Knoxville, Tennessee. We now operate in 19 metropolitan areas across 8 states, including Florida, Georgia, Alabama, Tennessee, Louisiana, Texas, Arizona and California.

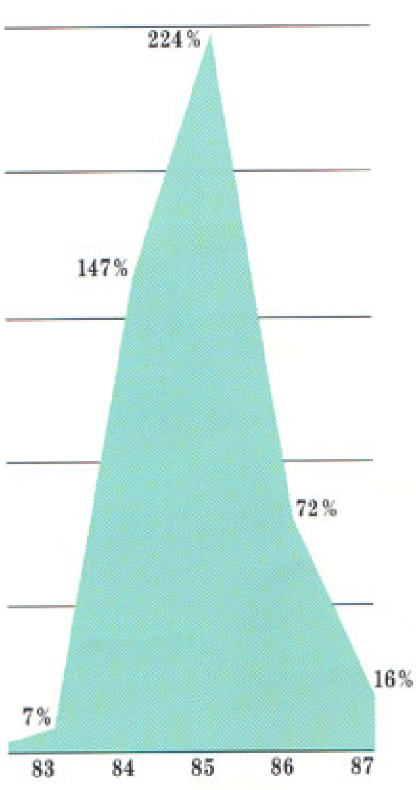
Additionally, we continued following our plan for keeping all stores up-to-date on new merchandising techniques and remodeled 8 of our older stores. We increased the square footage where possible while completely refixturing and modernizing each facility. The result was that during the year, total store space increased to 6,161,000 square feet, including all remodeled stores.

The cost of expansion and remodeling was borne primarily by internally generated funds. Consequently, we did not dilute our financial position in order to expand and grow.

Currently, we are planning to open approximately 21 stores in existing and new markets during fiscal 1988. These new store openings will include locations in New Jersey and Connecticut, our first northeastern markets.

Do-It-Yourself Market Growing and Stable. Research analysts predict that the do-it-yourself market should reach approximately $100 billion by 1990. Since 1982, the do-it-yourself business has posted

Debt to Equity Percentage



An in-depth selection is available at all 75 of The Home Depot stores. Each location stocks approximately 25,000 items.

an impressive annual growth rate of 11.6 percent, while general retail growth has increased at only 7.1 percent annually.

Demographic figures also provide optimism about the do-it-yourself market. As baby boomers reach adulthood throughout the 1980s, this do-it-yourself population segment will grow much more rapidly through the current decade than the total population.

The do-it-yourself market continues to demonstrate its non-cyclical nature. The 2 percent drop in housing starts for 1987 did not affect The Home Depot's business.

Continuing to Create Dedicated Do-It-Yourselfers. The Home Depot's success has been built on our commitment to develop new do-it-yourselfers while serving the expanding needs of our present customers. Our trained sales people continue to create a new customer base for The Home Depot by encouraging and advising novice do-it-yourselfers. We believe that with proper guidance and instruction, home owners can learn to do their own home improvement projects and repairs, ultimately becoming dedicated do-it-yourselfers.

Our objective is to continue to pursue this commitment to growing the market and to continue as the leading retailer in those markets where we operate. We are pleased with the year's outstanding 18 percent increase in sales from existing stores.

The success of The Home Depot is the result of many—our customers, our suppliers, our shareholders and most importantly, our employees. We appreciate this support and thank each of you for your contribution to our past and your confidence in our future.

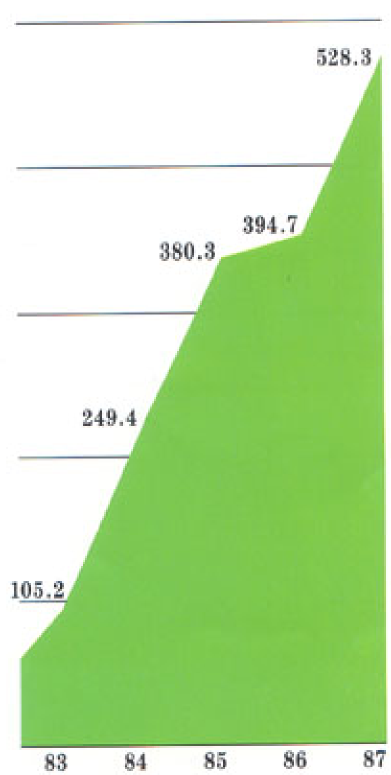
Sincerely,

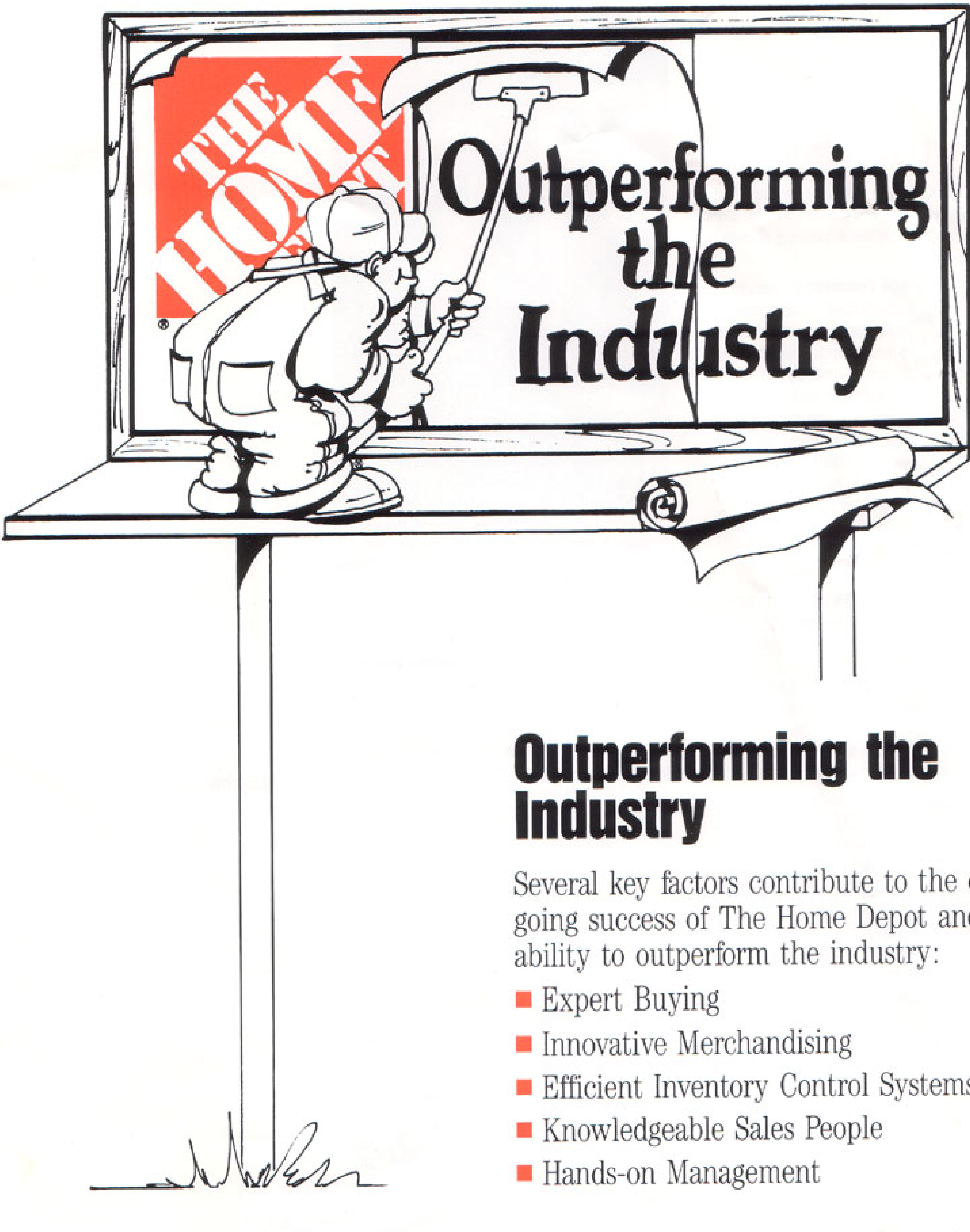
Bernard Marcus

Bernard Marcus
Chairman and
Chief Executive Officer

Arthur M. Blank
President and
Chief Operating Officer

Total Assets
$ in millions





Outperforming the Industry

Several key factors contribute to the ongoing success of The Home Depot and its ability to outperform the industry:

- Expert Buying
- Innovative Merchandising
- Efficient Inventory Control Systems
- Knowledgeable Sales People
- Hands-on Management

Expert Buying

The Home Depot has long realized the need to keep product buying flexible, current and customized to meet the varying demands of each regional market.

Research-Based Decisions Extensive market research is conducted to determine exactly what products consumers want. The Home Depot executives, merchandisers and middle management are constantly on the sales floor assessing customer actions and questions. Additionally, we monitor market developments to anticipate changes and keep aware of new product introductions and innovations. Based on this research and computerized sales tracking records, The Home Depot adds and deletes products to match market demand and lead industry trends.

The Right Product Mix Our merchants work [illegible] assortment of products featuring nationally advertised brands as well as newly introduced items that have been carefully evaluated. In addition, we offer our own controlled labels, manufactured to The Home Depot's tough specifications and backed by our guarantee of quality and performance.

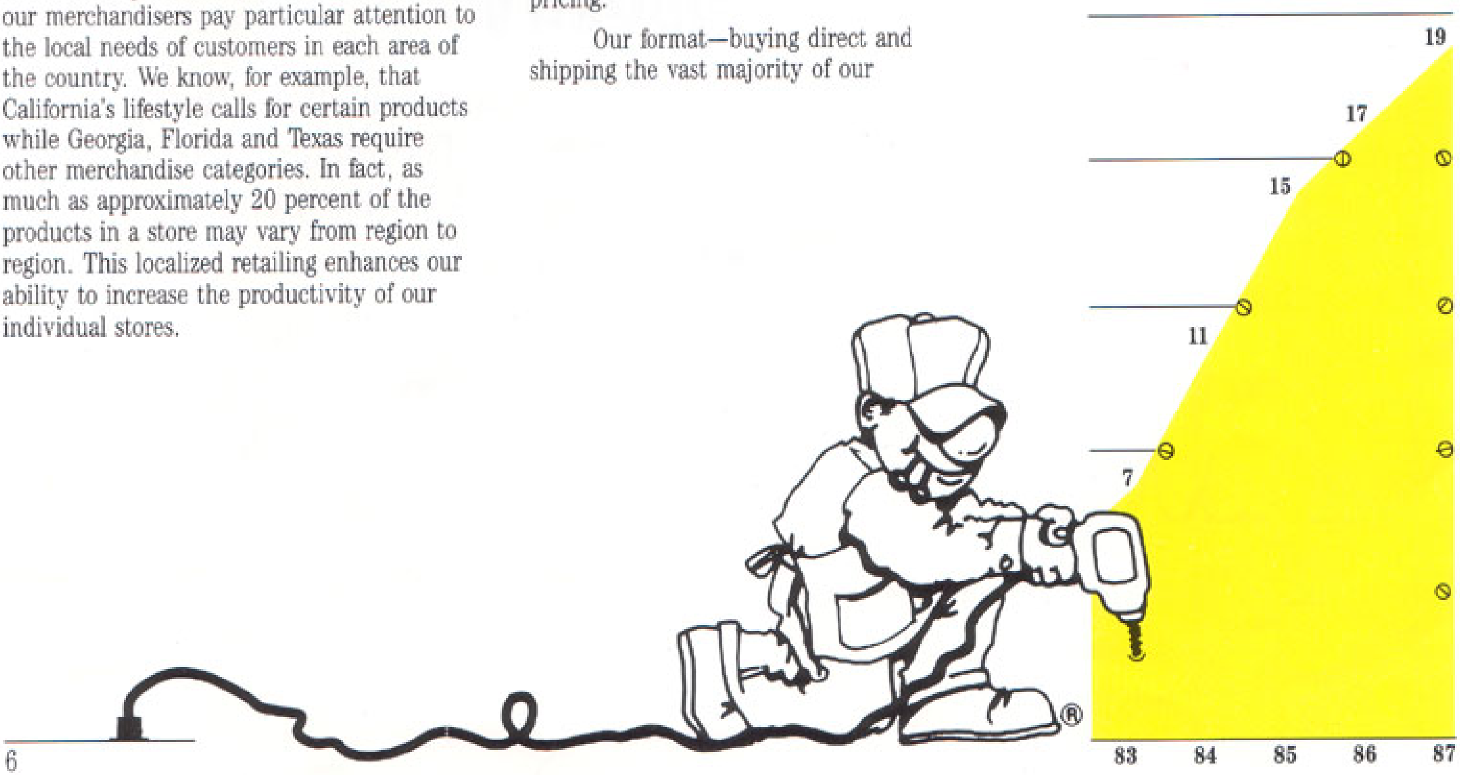
Throughout The Home Depot markets, our merchandisers pay particular attention to the local needs of customers in each area of the country. We know, for example, that California's lifestyle calls for certain products while Georgia, Florida and Texas require other merchandise categories. In fact, as much as approximately 20 percent of the products in a store may vary from region to region. This localized retailing enhances our ability to increase the productivity of our individual stores.

Home Depot is committed to growing the do-it-yourself market by giving novices the confidence and know-how to take on more complex projects.

The Economies of Our Volume Buying and Warehouse Format The Home Depot buys directly from manufacturers in very large quantities and so is able to negotiate the lowest available prices. These savings are passed on to the customer as we seek to reach higher sales levels due to competitive pricing.

Our format—buying direct and shipping the vast majority of our

Number of Markets



Researchers predict the do-it-yourself market should reach $100 billion by 1990 partly because through this decade, the do-it-yourself population segment will grow faster than the total population.

merchandise straight to the stores—avoids the expense of central warehousing for those items and keeps overhead low. This, in turn, allows us to be even more price competitive.

Furthermore, because of our in-depth selection and the large amounts of each item carried in our individual warehouse stores, The Home Depot is able to have immediately on-hand those products that are in demand.

Innovative Merchandising

Another critical factor contributing to the exceptional performance of The Home Depot is our concentration on merchandising activities that relate directly to our high level of customer service.

Responding to Specific Customer Needs

No detail in the retailing process is too small to escape The Home Depot's concern. For example, store hours were adjusted to include earlier opening times so that we could better serve our professional customers who need to purchase supplies before arriving at the job site, as well as male and female working do-it-yourselfers whose shopping time is limited. Likewise, we have developed a specialized sales staff that is specifically trained to work with professionals to handle their job orders. The Home Depot also employs many professional tradesmen at each location so that customers with complex projects can get the assistance they need.

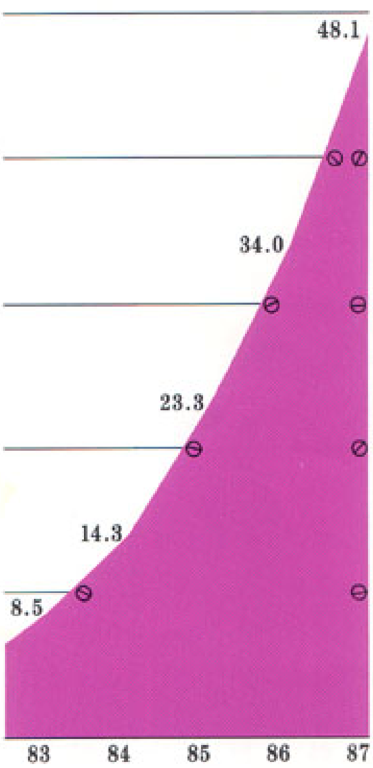
Over the course of our history, The Home Depot has catered to retail customers by stocking many new items as well as the traditional, commodity-type merchandise. Not only does this new merchandise answer the needs of the customer, it also helps maintain the levels which are necessary to the overall profitability of the Company. Moreover, our customers have responded to our array of decorative and hard-to-find items with higher average amounts per sale transaction.

Low Day-In, Day-Out Warehouse Pricing

In 1987, The Home Depot began instituting a low day-in, day-out pricing policy in all markets. A consumer price watch program, wherein professional shoppers are

Customer Count

in millions



Using computerized graphics, Home Depot sales people can help customers carefully plan their customized kitchens.

Computerized inventory control allows for the tight management of merchandise so a store's products match seasonal, regional and other important market conditions.

regularly checking prices at competitors' operations, assures customers that our everyday prices will be competitive within their market. This pricing strategy allows us to expand our market share while maintaining profitability.

In-Store Clinics and Project-Long Assistance The Home Depot is committed to creating do-it-yourselfers—to motivating and educating customers so that they are able to successfully complete projects they may not have attempted previously. Classes are offered in wallpapering, wiring, plumbing, carpentry and more. Also, the Home Depot sales people respond to customers' many questions not only on the sales floor, but also by telephone at any point in a project's progress.

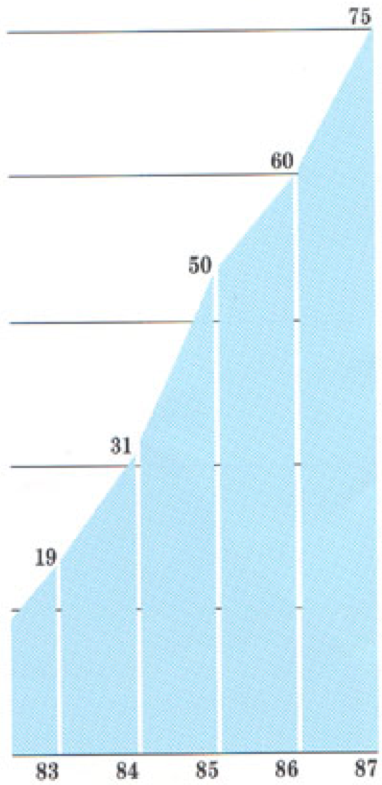
Efficient Inventory Control Systems

Tight inventory management that considers market conditions, product seasonality, regional differences and promotional activities is another important area where The Home Depot excels, adding to the bottom line.

Advanced Inventory Management System In 1987, we completed the installation of our perpetual inventory management system which helped to improve our inventory turnover to 5.4 times a year from the 4.6 times accomplished in fiscal 1986. The increased turnover meant that in fiscal 1987 The Home Depot was able to carry an average of approximately $34 million less in inventory. The result is considerably lower inventory investment and the ability to cut margins in the future.

The Home Depot's advanced systems have the ability to track merchandise from the time an order is placed, through the receipt of merchandise, right to the keying of customers' purchases at store registers. Computer reports highlight which products are selling and at what margins. Slow-moving items are flagged and re-order actions are noted that match our inventory strategy. With the inventory systems, we can quickly

Number of Stores



Home Depot continues to expand its management information systems to improve operating efficiency. In 1987, the perpetual inventory management system contributed to the Company's success in improving inventory turnover to 5.4 from 4.6.

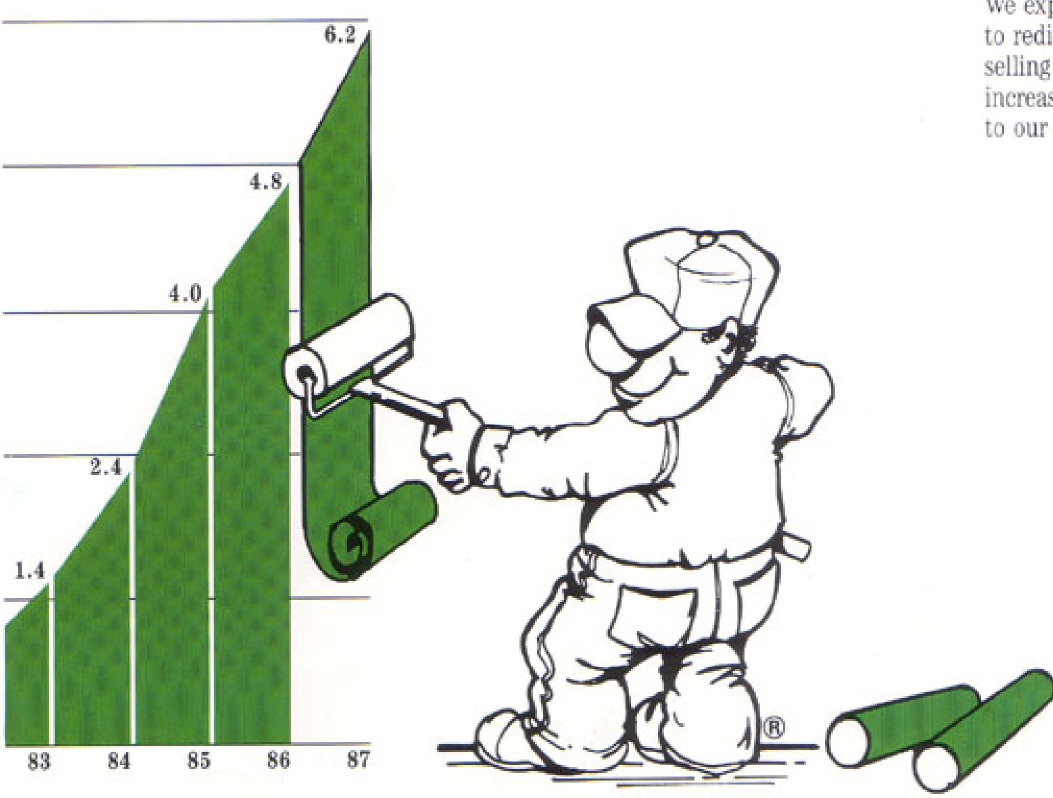
evaluate products on the basis of sales and profitability and be sure that merchandise is in the right place, in the right quantity.

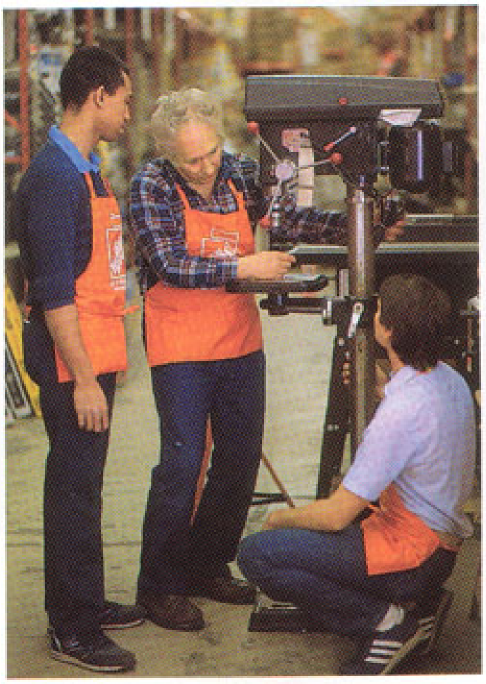
Additional Systems Under Consideration

During 1988, the Company anticipates the installation of a satellite network system that will speed up computer-to-computer data communications while at the same time, giving us an opportunity for top management to communicate directly via video to personnel at each store location.

In addition, the Company has started the development of a UPC (Universal Product Code) system in order to eliminate the need for individual price tickets on merchandise. We expect this pricing system will allow us to redirect our employees towards more selling and customer service and this increased concentration should be beneficial to our total operations.

Store Square Footage
in millions





All sales people receive extensive hands-on training so they, in turn, are able to teach do-it-yourselfers and give customers reliable product knowledge.

Knowledgeable Sales People

The Home Depot's people continue to make the difference and are the major contributors to the success of the Company. It is their helpful attitude and product/project knowledge that sets The Home Depot apart and helps us continue to outperform the industry.

90 Percent Are Full-Time Employees Most of our competitors' operations are staffed with part-timers and minimum wage earners. In contrast, approximately 90 percent of our employees work full-time for The Home Depot.

Our people also earn higher than average salaries and enjoy a full benefits program. We believe these factors motivate our employees to serve the customer better and create a bond between the employee and The Home Depot.

Training and Re-Training Employees attend product knowledge classes on a regular basis. They are also taught correct, courteous selling procedures that stress helping individual do-it-yourselfers.

Home Depot sales people are given detailed information plus hands-on training. The goal is to give employees not only information about a single product, but a broad understanding of a total project. This way employees are able to train do-it-yourselfers and give them the confidence to take on and complete diverse projects.

Moreover, while giving our employees total project knowledge, we also stress the need to be sure that a customer has purchased, or has available, all the related products it may take to finish a job.

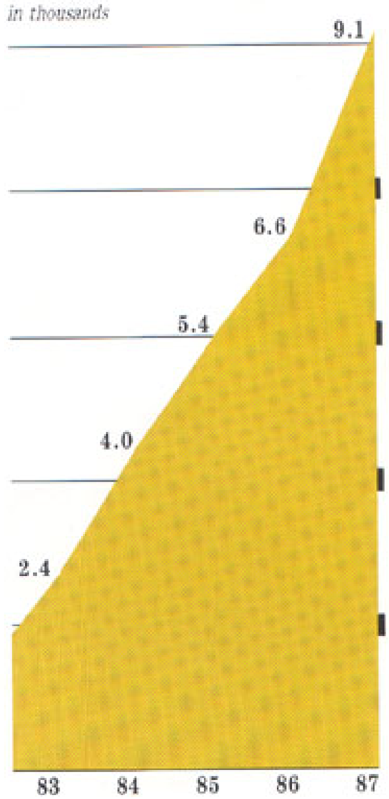
We train our people to have the skills a trades person might have, and teach them simple things to more complex undertakings, from how to put in a light fixture to how to lay out a complete sprinkler system.

Recognition programs have been designed to reward employees who have successfully serviced customers beyond the norm. Badges are awarded for service accomplishments and are prominently displayed on the employee's Home Depot apron.

At the recruitment level, The Home Depot stresses customer service and selects those people who are naturally friendly, intelligent and who enjoy being involved in customer projects. At our stores, the majority of our staff works on the floor in a selling capacity, so it is extremely important to select people suited to the retailing environment.

Number of Employees

in thousands



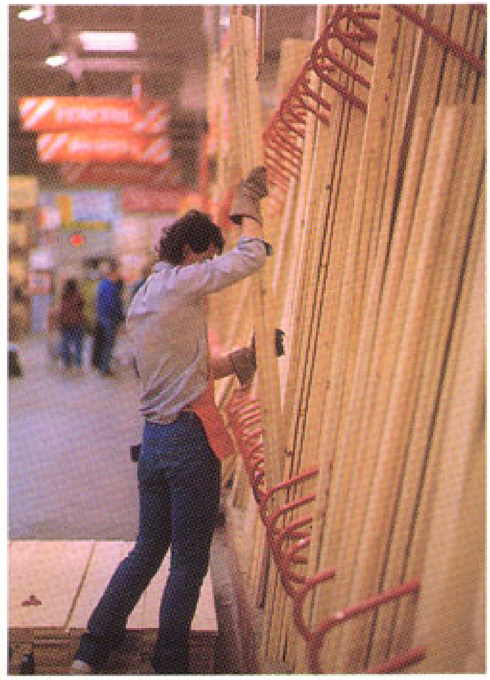
Hands-On Management

One final factor that has enabled The Home Depot to perform so well is the commitment of our management to stay involved and stay visible.

Regular Store Visits The Home Depot management is out in the field continually reviewing store operations and, more importantly, talking and listening to our store personnel and to our customers. We believe that store visits allow us to obtain first-hand knowledge and let us keep open dialogue with all employees. In addition, The Home Depot management visits competitors' operations to make comparative judgments and remain aware of new market developments.

New Location Inspections Before any final decisions are made concerning new store locations, top management makes on-site inspections. Choosing the right locations is critical and we believe that there are many factors concerning real estate that can only be evaluated in this manner.

Executive Personnel Teach Classes All new and potential store managers attend formal training classes which are taught by the key officers of the Company. We consider management training extremely important and are aware of no other company where the top executives regularly spend their time involved in classroom training sessions.

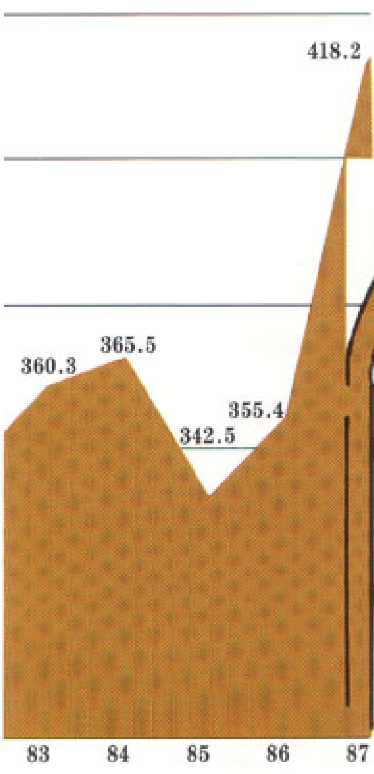


By using the store as a warehouse and by carrying large amounts of each item at every location, Home Depot is able to have immediately on-hand those products that are in demand.

During the courses, we teach our Company philosophy and communicate to our people just what we expect from them. Some of the subjects that are covered include merchandising concepts, time management, personnel matters, safety and security, and the interpretation of various inventory and financial reports.

The do-it-yourself home improvement industry has evolved rapidly over the past few years to a business of significant size and competitiveness. What continues to keep The Home Depot at a top performance level is our dedication to providing high quality service and our meticulous attention to the details of buying, merchandising and operational efficiency.

Weighted Average Weekly Sales Per Store
in thousands



Selected Financial Data

Amounts in thousands except per share data	Fiscal Year Ended January 31, 1988	February 1, 1987	February 2, 1986	February 3, 1985[1]	January 29, 1984
Selected Consolidated Statement of Earnings Data:					
Net Sales	**$1,453,657**	$1,011,462	$700,729	$432,779	$256,184
Gross Profit	**403,739**	278,160	181,457	114,319	70,014
Earnings Before Income Taxes	**95,586**	47,073	11,619	26,252	18,986
Net Earnings	**$ 54,086**	$ 23,873	$ 8,219	$ 14,122	$ 10,261
Earnings Per Common and Common Equivalent Share:[2]					
Net Earnings	**$ 1.13**	$ .60	$ .22	$ .37	$ .28
Weighted Average Number of Common and Common Equivalent Shares	**47,994**	39,870	37,871	37,953	37,251
Selected Consolidated Balance Sheet Data:					
Working Capital	**$ 110,621**	$ 91,076	$106,451	$100,110	$ 49,318
Total Assets	**528,270**	394,741	380,193	249,364	105,230
Long-Term Debt	**52,298**	116,907	199,943	117,942	4,384
Stockholders' Equity	**$ 320,559**	$ 163,042	$ 89,092	$ 80,214	$ 65,278

(1) 53 week fiscal year, all others were 52 week fiscal years.

(2) All periods have been adjusted for the three-for-two stock split-up declared in August, 1987, and effected in the form of a dividend.

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

The data below reflect the percentage relationship between sales and major categories in the Consolidated Statements of Earnings and selected sales data and the percentage change in the dollar amounts of each of the items.

	Fiscal Year[1]			Percentage Increase (Decrease) of Dollar Amounts	
	1987	1986	1985	**1987 v 1986**	1986 v 1985
SELECTED CONSOLIDATED STATEMENTS OF EARNINGS DATA					
Net Sales	**100.0%**	100.0%	100.0%	**43.7%**	44.3%
Gross Profit	**27.8**	27.5	25.9	**45.1**	53.3
Costs and Expenses:					
Selling and Store Operating	**18.1**	18.7	19.2	**39.1**	40.9
Pre-Opening	**.3**	.3	1.1	**44.1**	(57.5)
General and Administrative	**2.6**	2.7	2.9	**37.6**	33.2
Net Gain on Disposition of Property and Equipment	**—**	—	(.2)	**—**	—
Interest Income	**—**	(.1)	(.2)	**(25.8)**	(30.7)
Interest Expense	**.2**	1.2	1.4	**(72.1)**	20.0
	21.2	22.8	24.2	**33.3**	36.1
Earnings Before Income Taxes	**6.6**	4.7	1.7	**103.1**	305.1
Income Taxes	**2.9**	2.3	.5	**78.9**	582.4
Net Earnings	**3.7%**	2.4%	1.2%	**126.6%**	190.5%
SELECTED CONSOLIDATED SALES DATA					
Number of Customer Transactions	**48,073,000**	34,020,000	23,324,000	**41.3%**	45.9%
Average Amount of Sale Per Transaction	**$ 30.24**	$ 29.73	$ 30.04	**1.7**	(1.0)
Weighted Average Weekly Sales Per Operating Store	**$ 418,200**	$ 355,400	$ 342,500	**17.7**	3.8
Weighted Average Sales Per Square Foot	**$ 264.71**	$ 229.65	$ 223.25	**15.3**	2.9

(1) Fiscal years 1987, 1986 and 1985 refer to the fiscal years ended January 31, 1988, February 1, 1987, and February 2, 1986, respectively.

Results of Operations

For an understanding of the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the consolidated financial statements appearing elsewhere in this annual report.

Fiscal Year Ended January 31, 1988 Compared to February 1, 1987

Sales for fiscal year 1987 increased 43.7% from $1,011,462,000 to $1,453,657,000. The increase is attributable to 15 new stores opened during the year, an increase of 18% in comparable store-for-store sales and full year sales from the 10 stores opened in 1986. Included in the store-for-store calculation are stores in existing markets which have been open at least 12 months and stores in new markets which have been open at least 15 months.

Gross profit as a percent of sales increased in 1987 to 27.8% compared to 27.5% in 1986. This increase is due to enhanced merchandising efforts and lower promotional markdown costs resulting from a campaign to advertise our products at their low day-in, day-out warehouse prices.

Costs and expenses as a percent of sales decreased to 21.2% from 22.8% due to better expense controls and economies of scale from higher sales volumes. Interest expense decreased to .2% from 1.2% due to lower average borrowings under the Company's revolving line of credit and the conversion of the convertible debentures to common stock during the year.

The Company's combined Federal and state effective tax rate was 43.4% in 1987 compared to 49.3% in 1986. This decrease is attributable to the corporate tax rate reduction enacted through the Tax Reform Act of 1986. In December 1987 the Financial Accounting Standards Board issued a new accounting standard that requires a complex method for determining deferred income tax liabilities and related tax expense for financial statement purposes (see note 1 of notes to the consolidated financial statements).

Management's Discussion and Analysis of Results of Operations and Financial Condition *(continued)*

Net earnings as a percent of sales increased to 3.7% from 2.4% reflecting continued strong sales growth, improved gross margin results, better expense controls, lower interest expense and a lower tax rate as described above. In addition, earnings per share for 1987 was $1.13 compared to $.60 in 1986 with an increase in the weighted average shares outstanding of 20% from 39,870,000 to 47,994,000 in 1987.

Fiscal Year Ended February 1, 1987 Compared to February 2, 1986

Sales for fiscal year 1986 increased 44.3% from $700,729,000 to $1,011,462,000. The increase in sales is attributable to 10 new stores opened during the year, full year sales for the 20 new stores which were opened in 1985, the comparable store-for-store sales increase of 7% and the success of new marketing and promotional activities.

Gross profit as a percent of sales increased in 1986 to 27.5% from 25.9%. During 1986 we enhanced our merchandising through the addition of new product lines, stricter quality standards than ever before and by an ongoing review of the pricing and promotional structure on an item by item basis in all of our markets. Improved store operating systems supplied timely and more accurate information which helped to control inventory shrinkage. In addition, new training programs geared toward store managers, assistant managers and department heads enabled our personnel to increase sales on a comparable store basis while increasing margins at the same time.

Costs and expenses as a percent of sales decreased in 1986 to 22.8% from 24.2% primarily because higher sales volume from maturing stores and from new stores opened within mature markets enabled us to achieve certain economies of scale in our selling and store operating expenses. In addition, pre-opening expenses decreased as a result of opening 10 new stores in 1986 versus 20 in 1985. Net interest expense, although less as a percent of sales, increased in dollar amount due to higher average outstanding borrowings during 1986.

As a result of the enactment of the Tax Reform Act of 1986, which retroactively repealed the investment tax credit, the Company's combined Federal and state effective income tax rate was increased to 49.3% during 1986. The effective tax rate in 1985 was 29.3%, which resulted from a high amount of investment and other tax credits as a percentage of the total tax provision.

Net earnings as a percent of sales increased to 2.4% from 1.2% in 1985 due to improved gross margin and lower operating expenses partially offset by the increase in the Company's effective income tax rate, as described above.

Liquidity and Capital Resources

Cash flow generated from store operations provides the Company with a significant source of liquidity since sales are on a cash-and-carry basis. As a result of enhanced computer systems and more emphasis on inventory management, inventory turnover increased to 5.4 times compared to 4.6 times in 1986. In addition, a significant portion of the Company's inventory is financed under vendor credit terms.

The Company plans to open approximately 21 new stores during fiscal 1988, of which it anticipates that seven stores will be owned and 14 will be leased. The Company plans on opening approximately 24 new stores during fiscal 1989. Although some of these locations will be leased, it is expected that many may be obtained through the purchase of leasehold interests, the acquisition of land parcels and construction of buildings or the purchase of existing land and buildings during 1988. The total cost of new stores to be constructed and owned by the Company is expected to range from $5,300,000 to over $12,100,000, dependent upon location. In addition, the Company may have to purchase leasehold interests at varying amounts dependent upon the value of such properties. The cost to remodel and fixture stores to be leased ranges from $800,000 to over $3,300,000. In addition, each new store will require approximately $1,500,000 to finance inventories, net of vendor financing.

Management believes that the availability of funds under its $200,000,000 revolving credit agreement, cash generated from operations and/or its ability to obtain alternate forms of financing will enable the Company to complete its store expansion program through fiscal 1989.

Impact of Inflation and Changing Prices

Although the Company cannot accurately determine the precise effect of inflation on its operations, it does not believe inflation has had a material effect on sales or results of operations.

Consolidated Statements of Earnings

Amounts in thousands except per share data	Fiscal Year Ended January 31, 1988	February 1, 1987	February 2, 1986
Net Sales	**$1,453,657**	$1,011,462	$700,729
Cost of Merchandise Sold	**1,049,918**	733,302	519,272
Gross Profit	**403,739**	278,160	181,457
Operating Expenses:			
Selling and Store Operating Expenses	**263,212**	189,290	134,354
Pre-Opening Expenses	**4,608**	3,198	7,521
General and Administrative Expenses	**37,678**	27,376	20,555
Total Operating Expenses	**305,498**	219,864	162,430
Operating Income	**98,241**	58,296	19,027
Other Income (Expense):			
Net Gain on Disposition of Property and Equipment	**—**	—	1,317
Interest Income	**761**	1,026	1,481
Interest Expense (note 2)	**(3,416)**	(12,249)	(10,206)
Earnings Before Income Taxes	**95,586**	47,073	11,619
Income Taxes (notes 1 and 3)	**41,500**	23,200	3,400
Net Earnings	**$ 54,086**	$ 23,873	$ 8,219
Earnings Per Common and Common Equivalent Share (note 4)	**$ 1.13**	$ .60	$ .22
Weighted Average Number of Common and Common Equivalent Shares	**47,994**	39,870	37,871

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Dollar amounts in thousands

Assets	January 31, 1988	February 1, 1987
Current Assets:		
Cash and Cash Equivalents	**$ 25,595**	$ 17,124
Accounts Receivable, Net	**15,228**	9,937
Merchandise Inventories	**211,421**	167,115
Prepaid Expenses	**5,043**	3,713
Total Current Assets	**257,287**	197,889
Property and Equipment, at cost (note 2):		
Land	**65,841**	42,990
Buildings	**85,842**	48,190
Furniture, Fixtures, and Equipment	**59,563**	45,233
Leasehold Improvements	**43,520**	34,670
Construction in Progress	**12,427**	12,799
	267,193	183,882
Less Accumulated Depreciation and Amortization	**22,690**	14,901
Net Property and Equipment	**244,503**	168,981
Cost in Excess of the Fair Value of Net Assets Acquired, net of accumulated amortization of $1,995 at January 31, 1988 and $1,363 at February 1, 1987	**23,296**	23,928
Other	**3,184**	3,943
	$528,270	$394,741

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	January 31, 1988	February 1, 1987
Current Liabilities:		
Accounts Payable	**$ 93,859**	$ 67,800
Accrued Salaries and Related Expenses	**22,021**	11,039
Other Accrued Expenses	**27,322**	21,985
Income Taxes Payable (notes 1 and 3)	**3,229**	5,751
Current Installments of Long-Term Debt (note 2)	**235**	238
Total Current Liabilities	**146,666**	106,813
Long-Term Debt, excluding current installments (note 2)	**52,298**	116,907
Other Long-Term Liabilities	**762**	991
Deferred Income Taxes (notes 1 and 3)	**7,985**	6,988
Stockholders' Equity (note 4):		
Common stock, par value $.05. Authorized: 100,000,000 shares; issued and outstanding —49,407,000 shares at January 31, 1988 and 42,571,000 shares at February 1, 1987	**2,470**	2,129
Paid-in Capital	**203,755**	98,106
Retained Earnings	**114,334**	62,807
Total Stockholders' Equity	**320,559**	163,042
Commitments and Contingencies (notes 2, 4, 5 and 6)		
	$528,270	$394,741

Consolidated Statements of Stockholders' Equity

Fiscal years ended January 31, 1988, February 1, 1987 and February 2, 1986

Amounts in thousands, except per share amount	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance, February 3, 1985	37,582	$1,879	$ 47,620	$ 30,715	$ 80,214
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	143	7	409	—	416
Tax Effect of Sale of Option Shares by Employees	—	—	243	—	243
Net Earnings	—	—	—	8,219	8,219
Balance, February 2, 1986	37,725	1,886	48,272	38,934	89,092
Sale of Common Stock in a Public Offering, Net of Expenses of Sale	4,485	224	47,964	—	48,188
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirement (note 4)	361	19	1,890	—	1,909
Tax Effect of Sale of Option Shares by Employees	—	—	(20)	—	(20)
Net Earnings	—	—	—	23,873	23,873
Balance, February 1, 1987	42,571	2,129	98,106	62,807	163,042
Conversion of Convertible Subordinated Debentures, Net (note 2)	6,116	305	98,299	—	98,604
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	720	36	7,078	—	7,114
Tax Effect of Sale of Option Shares by Employees	—	—	272	—	272
Net Earnings	—	—	—	54,086	54,086
Cash Dividends ($.06 per share)	—	—	—	(2,559)	(2,559)
Balance, January 31, 1988	49,407	$2,470	$203,755	$114,334	$320,559

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Amounts in thousands	Fiscal Year Ended January 31, 1988	February 1, 1987	February 2, 1986
Cash Provided From Operations:			
Net Earnings	**$54,086**	$23,873	$ 8,219
Reconciliation of Net Earnings to Net Cash Provided By Operations:			
Depreciation and Amortization	**10,646**	8,697	5,193
Gain on Sale of Property and Equipment	**—**	—	(1,317)
Deferred Income Taxes	**1,400**	1,238	3,612
(Increase) Decrease in Receivables, Net	**(5,291)**	15,227	(15,799)
Increase in Merchandise Inventories	**(44,306)**	(14,415)	(68,654)
Increase in Accounts Payable and Accrued Expenses	**44,009**	27,596	26,839
Increase (Decrease) in Income Taxes Payable	**(2,230)**	5,488	(626)
Other	**(2,109)**	(2,330)	(2,315)
Total	**2,119**	41,501	(53,067)
Net Cash Provided (Used) by Operations	**56,205**	65,374	(44,848)
Cash Flows From Investment in Property and Equipment:			
Capital Expenditures	**(89,235)**	(52,363)	(99,767)
Proceeds from Sale-and-Leaseback of Property	**—**	31,673	—
Proceeds from Sale of Property and Equipment	**1,857**	5,607	9,469
Net Cash Used in Investing Activities	**(87,378)**	(15,083)	(90,298)
Cash Flows From Financing Activities:			
Borrowings (Repayments) Under Revolving Line of Credit, Net	**35,500**	(88,000)	88,000
Proceeds from Long-Term Borrowings	**—**	5,200	4,400
Principal Repayments of Long-Term Debt	**(391)**	(10,378)	(304)
Proceeds from Sale of Common Stock, Net	**7,094**	50,340	659
Cash Dividends Paid to Stockholders	**(2,559)**	—	—
Net Cash Provided (Used) By Financing Activities	**39,644**	(42,838)	92,755
Increase (Decrease) in Cash and Cash Equivalents	**8,471**	7,453	(42,391)
Cash and Cash Equivalents at Beginning of Year	**17,124**	9,671	52,062
Cash and Cash Equivalents at End of Year	**$25,595**	$17,124	$ 9,671
Supplemental Disclosure of Cash Payments Made For:			
Interest (net of interest capitalized)	**$ 4,427**	$12,114	$ 9,330
Income Taxes	**$42,350**	$12,572	$ 3,830

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Amounts in thousands	January 31, 1988	February 1, 1987	February 2, 1986
	Fiscal Year Ended		
Cash Provided From Operations:			
Net Earnings	**$54,086**	$23,873	$ 8,219
Reconciliation of Net Earnings to Net Cash Provided By Operations:			
Depreciation and Amortization	**10,646**	8,697	5,193
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Cash and Cash Equivalents at End of Year	**$25,595**	$17,124	$ 9,671
Supplemental Disclosure of Cash Payments Made For:			
Interest (net of interest capitalized)	**$ 4,427**	$12,114	$ 9,330
Income Taxes	**$42,350**	$12,572	$ 3,830

See accompanying notes to consolidated financial statements.

1-Summary of Significant Accounting Policies (continued)

Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share are based on the weighted average number of shares and equivalents outstanding. Common equivalent shares used in the calculation of earnings per share represent shares granted under the Company's employee stock option plans and employee stock purchase plans.

Prior to their conversion during 1987, shares issuable upon conversion of the Company's convertible subordinated debentures were not materially dilutive to the earnings per share computations for fiscal 1986 or 1985.

2-Long-Term Debt and Line of Credit

Long-term debt consists of the following (in thousands):

	January 31, 1988	February 1, 1987
8½% Convertible Subordinated Debentures, converted into shares of common stock of the Company at $17.67 per share during 1987.	**$ —**	$ 86,250
9% Convertible Subordinated Debentures, converted into shares of common stock of the Company at $11.27 per share during 1987.	**—**	14,000
Revolving Credit Agreement. Interest may be fixed for any portion outstanding for up to 180 days, at the Company's option, based on a CD rate plus ¾%, the LIBOR rate plus 1/2%, the prime rate or at rates determined through competitive bids.	**35,500**	—
Variable Rate Industrial Revenue Bonds, secured by letters of credit or land, interest rates averaging 6.5% during 1987, payable in varying installments through 2010 with $5,200 payable on October 1, 2011.	**12,400**	12,633
9⅝% Industrial Revenue Bond, secured by a letter of credit, payable on December 1, 1993, with interest payable semi-annually.	**4,200**	4,200
Other	**433**	62
Total long-term debt	**52,533**	117,145
Less current installments	**235**	238
Long-term debt, excluding current installments	**$ 52,298**	$ 116,907

Maturities of long-term debt are approximately $235,000 for fiscal 1988 through fiscal 1990 and $332,000 for fiscal 1991 and 1992.

The Company has a revolving line of credit agreement for a maximum of $200,000,000, subject to certain limitations. Commitment amounts under the agreement decrease by $15,000,000 on July 31, 1991, by $20,000,000 each six months from that date through January 31, 1994, and by $35,000,000 on July 31, 1994. The remaining $50,000,000 commitment expires on January 31, 1995. Maximum borrowings outstanding within the commitment limits may not exceed specified percentages of inventories, land

2-Long-Term Debt and Line of Credit (continued)

and buildings, and fixtures and equipment, all as defined in the agreement. Under certain conditions, the commitment may be extended and/or increased. An annual commitment fee of 1/4% to 3/8% is required to be paid on the unused portion of the revolving line of credit. Interest rates specified may be increased by a maximum of 3/8% based on specified ratios of interest rate coverage and debt to equity.

Under the Revolving Credit Agreement, the Company is required, among other things, to maintain a minimum tangible net worth of $181,100,000 as of January 31, 1988 (increasing quarterly to $213,160,000 by January 31, 1989), a debt to tangible net worth ratio of no more than 2.5 to 1, a current ratio of not less than 1.4 to 1 and a ratio of earnings before interest expense and income taxes to interest expense, net, of not less than 2.5 to 1. The Company was in compliance with all restrictive covenants as of January 31, 1988. The restrictive covenants related to the letter of credit agreements securing the industrial revenue bonds are no more restrictive than those under the revolving line of credit agreement.

During 1987, holders' of the Company's 8½% and 9% Convertible Subordinated Debentures converted a total principal amount of $100,098,000 into 6,115,689 shares of the Company's common stock. As a result of the transaction, the total principal amount converted plus accrued and unpaid interest to the conversion dates of $682,000 was credited to common stock at par and additional paid-in capital, net of unamortized expenses of the original debt issues of $2,176,000. Assuming the conversions had occurred at the beginning of fiscal 1987, net earnings per share would have decreased to $1.11 for the year ended January 31, 1988.

Interest expense in the accompanying consolidated statements of earnings is net of interest capitalized of $2,601,000 in fiscal 1987, $2,808,000 in fiscal 1986 and $3,429,000 in fiscal 1985.

3-Income Taxes

The provision for income taxes consists of the following (in thousands):

	Fiscal year ended		
	January 31, 1988	February 1, 1987	February 2, 1986
Current:			
Federal	**$ 34,100**	$ 19,131	$ (578)
State	**6,000**	2,831	366
	40,100	21,962	(212)
Deferred:			
Federal	**1,324**	1,237	3,306
State	**76**	1	306
	1,400	1,238	3,612
Total	**$ 41,500**	$ 23,200	$ 3,400

Notes to Consolidated Financial Statements *(continued)*

3-Income Taxes (continued)

The effective tax rates for fiscal 1987, 1986, and 1985 were 43.4%, 49.3% and 29.3%, respectively. A reconciliation of income tax expense at Federal statutory rates of 39% (blended rate) for fiscal 1987 and 46% for fiscal 1986 and 1985 to actual tax expense for the applicable fiscal years follows (in thousands):

	Fiscal year ended		
	January 31, 1988	February 1, 1987	February 2, 1986
Income taxes at Federal statutory rate, net of surtax exemption	**$ 37,278**	$ 21,654	$ 5,345
State income taxes, net of Federal income tax benefit	**3,680**	1,529	363
Investment and targeted jobs tax (credits) recapture	**17**	(263)	(2,308)
Other, net	**525**	280	—
	$ 41,500	$ 23,200	$ 3,400

Deferred income taxes result from differences in the timing of reporting income for financial statement and income tax purposes. The sources of these differences and the tax effect of each are as follows (in thousands):

	Fiscal year ended		
	January 31, 1988	February 1, 1987	February 2, 1986
Accelerated depreciation	**$ 3,029**	$ 2,955	$ 2,526
Interest capitalization	**792**	962	855
Accrued self-insurance liabilities	**(2,104)**	(1,632)	—
Other accrued liabilities	**(382)**	(488)	—
Other, net	**65**	(559)	231
	$ 1,400	$ 1,238	$ 3,612

4-Employee Stock Plans

The Company has a qualified and a nonqualified stock option plan that provide for the granting of options to purchase the Company's common stock to selected key employees, officers and directors. Under the Employee Incentive Stock Option Plan a maximum of 7,156,250 shares of common stock (2,000,000 of which are subject to approval by stockholders) are authorized for grants at fair market value at date of grant. Such options may be exercised at the rate of 25% per year commencing with the first anniversary date of the grant and expire after five years. At January 31, 1988, options for 4,054,470 shares had been granted net of cancellations (of which 1,475,126 had been exercised) at $1.07 to $20.92 per share and 1,101,780 common shares were available for future grants under the plan.

Under the 1984 Nonqualified Stock Option Plan, a maximum of 750,000 shares are authorized for grants at fair market value at date of grant. Such options may be exercised at varying rates commencing on the first anniversary date of the grant and expire on the tenth anniversary date of the grant. At January 31, 1988 options for 149,325 shares had been granted net of cancellations (of which 1,125 had been exercised) at $10.33 to $16.33 per share and 600,675 common shares were available for future grants under the plan.

4-Employee Stock Plans (continued)

The following summarizes shares outstanding under the plans at January 31, 1988, February 1, 1987, and February 2, 1986 and changes during the fiscal years then ended:

	Fiscal year ended		
	January 31, 1988	February 1, 1987	February 2, 1986
Number of options			
At beginning of year			
Outstanding	**2,604,131**	3,004,661	1,583,315
Exercisable	**881,949**	546,219	377,625
During the year			
Issued	**988,150**	206,925	1,934,100
Cancelled	**278,296**	352,321	392,407
Became exercisable	**428,846**	590,864	288,941
Exercised	**593,950**	255,134	120,347
At end of year			
Outstanding	**2,720,035**	2,604,131	3,004,661
Exercisable	**716,845**	881,949	546,219
Average price per share			
Outstanding at the end of year	**$ 11.72**	$ 9.51	$ 8.96
Exercised during the year	**$ 10.61**	$ 4.90	$ 1.38

In addition, the Company has an Employee Stock Purchase Plan under which the Company may grant eligible employees options to purchase up to 1,650,000 shares of common stock (900,000 of which are subject to approval by stockholders) at a price equal to 85% of the stock's fair market value at the date of grant. Shares purchased may not exceed the lesser of 20% of the employee's annual compensation, as defined, or $25,000 of the fair market value of such stock (determined at the time such option is granted) for any one calendar year. Employees pay for the shares ratably over a period of one year (the purchase period) through payroll deductions, and cannot exercise their option to purchase any of the shares until the conclusion of the purchase period. In the event an employee elects not to exercise such options, the full amount withheld is refundable. During fiscal 1987 options for 152,061 shares were exercised at an average price of $9.68, and at January 31, 1988, 122,362 options were outstanding, net of cancellations, at an average price of $14.60 per share. At February 1, 1987, 75,329 options were outstanding, net of cancellations, at an average price of $9.39 per share. At February 2, 1986, 54,630 options were outstanding, net of cancellations, at an average price of $6.84 per share.

5-Leases

The Company leases certain retail locations, office, warehouse and distribution space, equipment, and vehicles under operating leases. All leases will expire within the next 25 years; however, it can be expected that in the normal course of business, leases will be renewed or replaced. Total rent expense, net of minor sublease income for the fiscal years ended January 31, 1988, February 1, 1987, and February 2, 1986 amounted to approximately $25,980,000, $19,314,000 and $12,737,000, respectively. Under the building leases, real estate taxes, insurance, maintenance, and operating expenses applicable to the leased property are obligations of the Company. Certain of the store leases provide for contingent rentals based on percentages of sales in excess of specified minimums. Contingent rentals for fiscal years ended January 31, 1988, February 1, 1987, and February 2, 1986 were approximately $972,000, $736,000 and $650,000, respectively.

During the second quarter of fiscal year 1986, the Company concluded sale-and-leaseback agreements for six stores with total proceeds approximating $31,673,000. The leases are being accounted for as operating leases with initial terms of 25 years. The net gain on sale of $377,000 is deferred and being amortized over the lease term.

The approximate future minimum lease payments under operating leases at January 31, 1988 are as follows (in thousands):

Fiscal Year	
1988	25,292
1989	25,688
1990	26,507
1991	26,093
1992	24,893
Thereafter	283,387
	$411,860

6-Commitments and Contingencies

At January 31, 1988, the Company was contingently liable for approximately $15,695,000 under outstanding letters of credit issued in connection with purchase commitments.

The Company has litigation arising from the normal course of business. In management's opinion this litigation will not materially affect the Company's financial condition.

Notes to Consolidated Financial Statements *(continued)*

7-Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited quarterly results of operations for fiscal years ended January 31, 1988 and February 1, 1987 (in thousands, except per share amounts):

	Net sales	Percent increase (decrease) in comparable store sales	Gross profit	Net earnings	Net earnings per common and common equivalent share
Fiscal year ended January 31, 1988:					
First Quarter	$ 333,969	22%	$ 94,116	$ 12,807	$ .29
Second Quarter	381,443	21%	104,063	15,579	.33
Third Quarter	364,245	20%	96,228	9,737	.19
Fourth Quarter	374,000	12%	109,332	15,963	.32
	$ 1,453,657	18%	$ 403,739	$ 54,086	$ 1.13
Fiscal year ended February 1, 1987:					
First Quarter	$ 222,619	2%	$ 62,672	$ 5,138	$ .13
Second Quarter	263,433	5%	71,749	7,130	.19
Third Quarter	251,537	10%	67,631	3,921	.10
Fourth Quarter	273,873	8%	76,108	7,684	.18
	$ 1,011,462	7%	$ 278,160	$ 23,873	$ .60

Auditors' Report

KPMG Peat Marwick

The Board of Directors and Stockholders
The Home Depot, Inc.:

We have examined the consolidated balance sheets of The Home Depot, Inc., and subsidiary as of January 31, 1988 and February 1, 1987 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 1988. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Home Depot, Inc. and subsidiary at January 31, 1988 and February 1, 1987, and the results of their operations and cash flows for each of the years in the three-year period ended January 31, 1988, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT MARWICK MAIN & CO.

Atlanta, Georgia
March 11, 1988

Store Locations by Market

ALABAMA

MOBILE
Mobile

ARIZONA

PHOENIX
Cave Creek
Mesa
Camelback
Thomas Road
Glendale*

TUCSON
East Broadway
Oracle Road

CALIFORNIA

LOS ANGELES
Huntington Beach
Fullerton
San Bernardino
Long Beach
Cerritos
City of Industry
La Mirada
Van Nuys*
Pico Rivera*
Covina*
San Fernando*
Upland*

SACRAMENTO
Carmichael*

SAN FRANCISCO BAY
Sunnyvale
San Jose
Fremont
Colma
Milpitas
San Leandro*

SAN DIEGO
Genesee
University Avenue
Oceanside
Chula Vista
El Cajon
Sports Arena*
Escondido*

CONNECTICUT

NEW HAVEN
North Haven*

FLORIDA

SOUTHERN FLORIDA
Hollywood
Lauderdale Lakes
Perrine
Hialeah
North Miami Beach
West Palm Beach
Deerfield Beach
Midway Mall (Miami)
Kendall
Lake Park
Margate*
Stuart*

JACKSONVILLE
Arlington (Atlantic)
Orange Park (Blanding)
Lane Avenue*

CENTRAL FLORIDA
Altamonte Springs
Colonial Drive
South Orlando
Daytona
Melbourne*

TAMPA BAY
Tampa
Clearwater
St. Petersburg
Brandon
Dale Mabry/Hillsborough
New Port Richey
Largo
Sarasota*

FT. MYERS
Ft. Myers

GEORGIA

ATLANTA
Decatur
Doraville
Marietta
Forest Park
Duluth
Kennesaw
Douglasville
Roswell*

SAVANNAH
Savannah*

LOUISIANA

NEW ORLEANS
Gretna
Harahan
East New Orleans

SHREVEPORT
Shreveport

BATON ROUGE
Baton Rouge

NEW JERSEY

EAST HANOVER
East Hanover*

SOUTH CAROLINA

GREENVILLE
Greenville*

TENNESSEE

KNOXVILLE
Knoxville

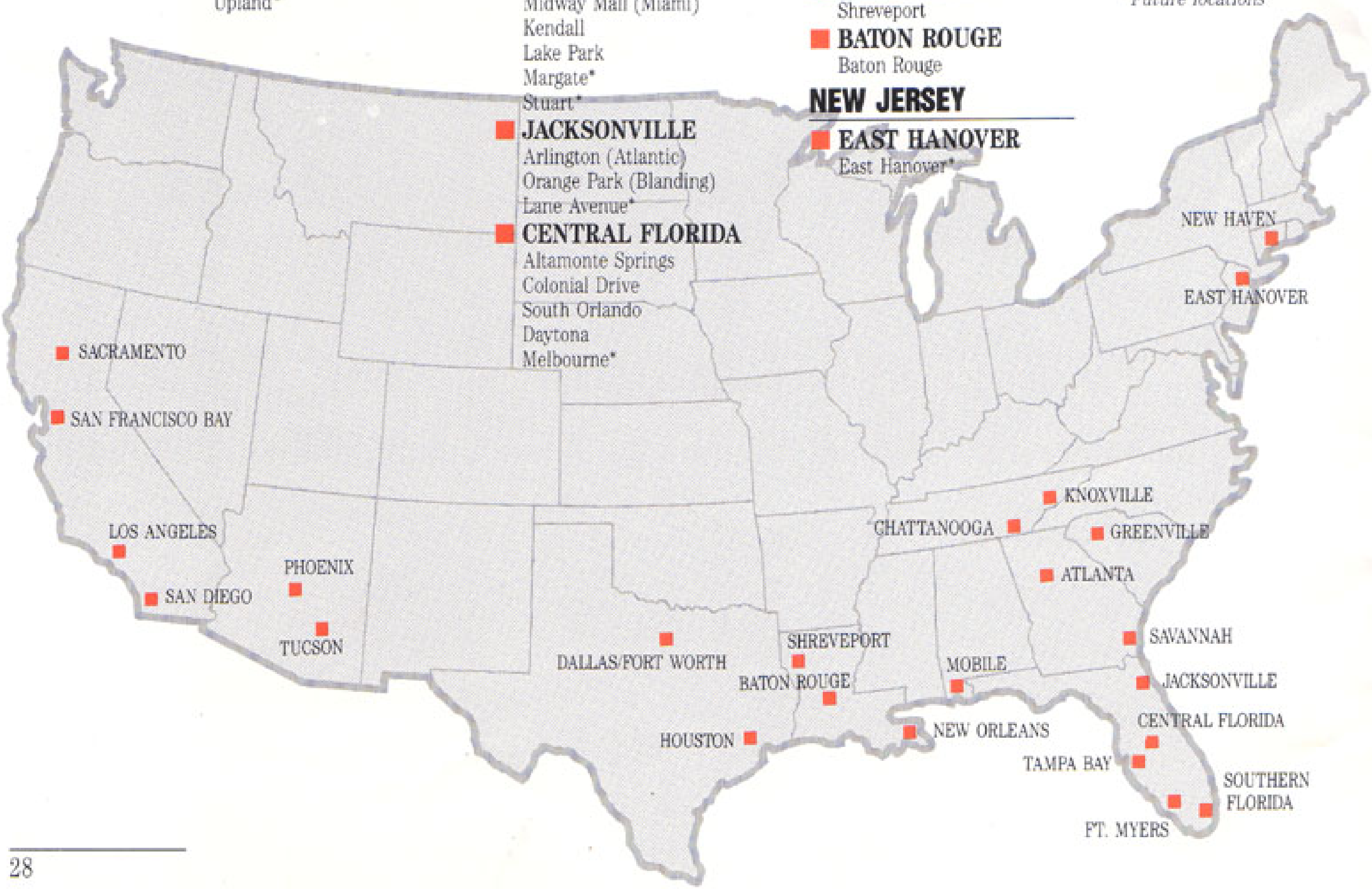
CHATTANOOGA
Chattanooga

TEXAS

DALLAS/FORT WORTH
North Richland Hills
Plano
Richardson
Arlington
Mesquite
Duncanville
White Settlement
Carrollton
Northwest Highway

HOUSTON
Sharpstown
Willowbrook
Gulf Freeway
North Freeway
Katy Freeway*

Future locations



DIRECTORS

Bernard Marcus*
Chairman of the Board
The Home Depot, Inc.

Arthur M. Blank*
President
The Home Depot, Inc.

Berry R. Cox**†
Private investor

Frederick DeMatteis**†
Chairman of the Board, The DeMatteis Organization

Milledge A. Hart, III**†
Chairman of the Board, Rmax, Inc.

Kenneth G. Langone*†
Chairman of the Board and President, Invemed Associates, Inc.

Frank Borman
Chairman of the Board and Chief Executive Officer, Eastern Airlines, Inc.

Alan D. Schwartz**
Managing Director, Corporate Finance of Bear Stearns & Co.

*Member of the Executive Committee.
**Member of the Audit Committee.
†Member of the Compensation Committee.

OFFICERS

Bernard Marcus
Chairman of the Board, Chief Executive Officer, Secretary

Arthur M. Blank
President, Chief Operating Officer

Ronald M. Brill
Sr. Vice President/Treasurer—Chief Financial Officer

E. Dennis Ross
Sr. Vice President—Management Information Systems

Nathan Morton
Sr. Vice President—Operations

James Inglis
Vice President—Merchandising

Bruce Berg
Vice President—Merchandising

Dan Tsujioka
Vice President—Store Operations

David Alban
Vice President—Human Resources

Steve Burrows
Vice President—Advertising

Marshall L. Day
Controller

Corporate Headquarters

The Home Depot, Inc.
6300 Powers Ferry Rd.
Atlanta, Ga. 30339
Telephone: 404/952-5504

Transfer Agent and Registrar

The Citizens and Southern National Bank
33 North Avenue, Suite 1300
Atlanta, Ga. 30308

Stock Exchange Listing

New York Stock Exchange

Trading Symbol—HD

Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 A.M., Thursday, May 29, 1986, at the Holiday Inn, 6345 Powers Ferry Rd., Atlanta, Ga.

Number of Stockholders

As of April 15, 1986, there were approximately 4000 stockholders of record. This number excludes individual stockholders holding stock under nominee security position listings.

Dividend Policy

No cash dividends have been declared or paid by the Company since its inception. It is the policy of the Company to retain any cash flow for future business expansion. The Company anticipates no change in this policy in the foreseeable future.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1986 as filed with the Securities and Exchange Commission, will be sent to any stockholder upon request in writing to:

Ronald M. Brill
Sr. Vice President—Chief Financial Officer
The Home Depot, Inc.
6300 Powers Ferry Rd.
Atlanta, Ga. 30339

Quarterly Stock Price Range

	High	Low
Fiscal 1985:		
First Quarter	19⅞	15
Second Quarter	20⅞	12⅞
Third Quarter	13¼	10½
Fourth Quarter	13¾	10½
Fiscal 1984:		
First Quarter	19¾	14
Second Quarter	23¼	18½
Third Quarter	27⅞	12
Fourth Quarter	18¼	12

®
Executive Offices
The Home Depot
6300 Powers Ferry Road
Atlanta, GA 30339
404-952-5504