1991 ANNUAL REPORT

THE HOME DEPOT

Founded in 1978 in Atlanta, Georgia, The Home Depot is America's largest home center retailer and ranks among the nation's 30 largest retailers, according to *Fortune* magazine. At the close of fiscal 1991, the Company had 174 full-service, warehouse-style stores in 34 markets in 15 states.

The average Home Depot store is approximately 95,000 square feet, with an additional 10,000 to 20,000 square feet of outside selling area. New stores average approximately 102,000 square feet in size with an additional 10,000 to 20,000 square feet of outside selling area. The stores stock approximately 30,000 different kinds of building materials, home improvement supplies and lawn and garden products.

The Home Depot has been widely credited with being a leading innovator in retailing by combining the economies of scale inherent in a warehouse format with a high level of customer service. The Company is also noted for its progressive corporate culture and workplace practices. The Home Depot has a three-part marketing philosophy consisting of low day-in, day-out pricing, large merchandise assortment and excellent customer service. Service, by far, is the most important of the three – as well as the most difficult to execute and for competitors to copy – since do-it-yourselfers require a high level of guidance while undertaking home improvement projects.

The Home Depot's primary customers are do-it-yourselfers, however, home remodeling contractors, building maintenance professionals and other professional customers are also important market segments.

The Home Depot has been a publicly held company since 1981. Its stock is traded on the New York Stock Exchange under the symbol, "HD," and is included in the Standard & Poor's 500 Index.

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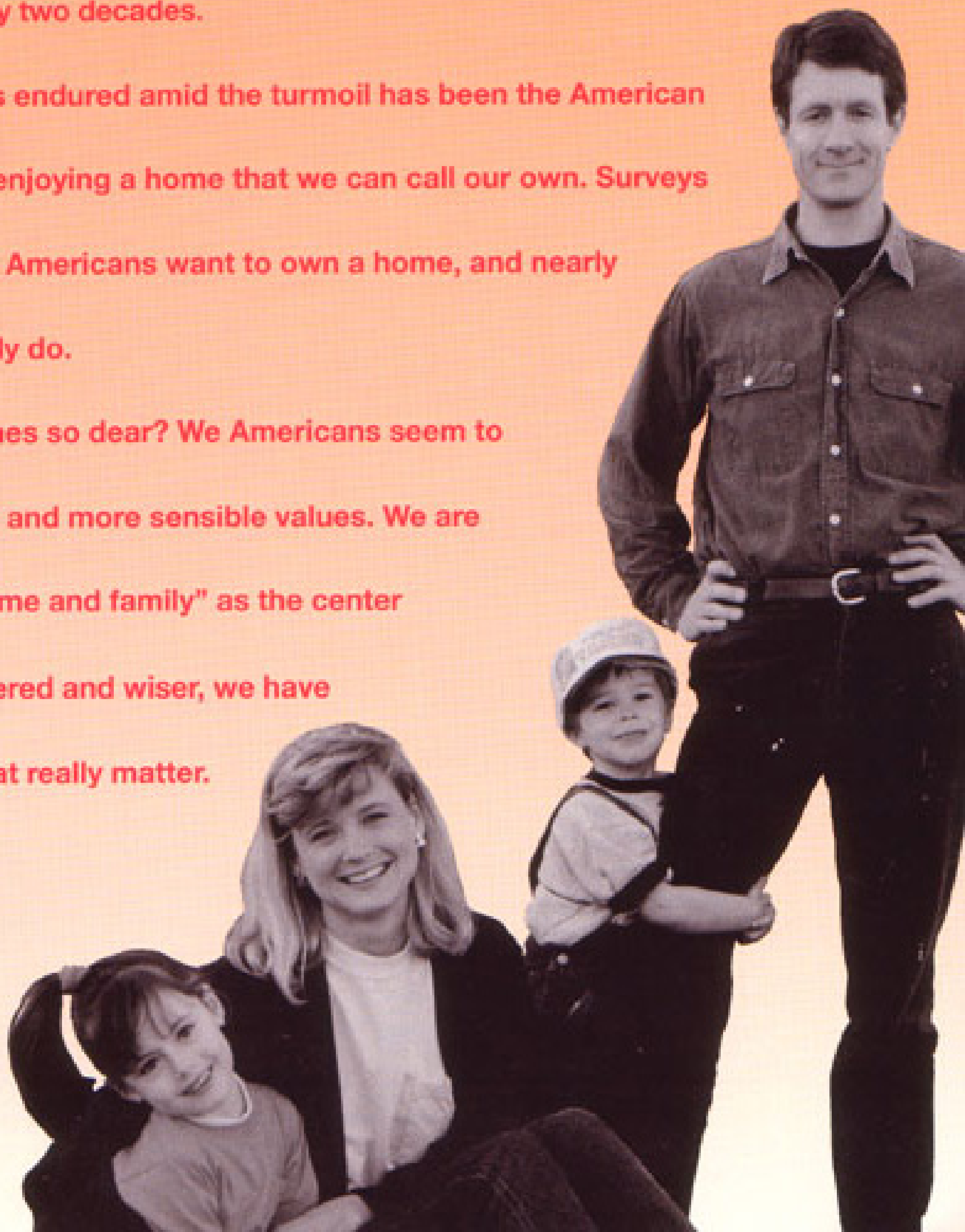
Despite a war, a recession and historic changes in consumer confidence levels and spending habits during 1991, The Home Depot enjoyed another record-setting year. While consumers may not be buying expensive new cars or designer clothing, or stepping up to bigger and better homes, they have continued to repair, remodel and improve their existing homes, which are often their largest personal asset. They have also been refinancing their homes in record numbers to take advantage of the lowest mortgage rates in nearly two decades.

Clearly, what has endured amid the turmoil has been the American Dream of living in and enjoying a home that we can call our own. Surveys indicate that almost all Americans want to own a home, and nearly two-thirds of us already do.

Why are our homes so dear? We Americans seem to be returning to simpler and more sensible values. We are reaffirming "hearth, home and family" as the center stage of our lives. Sobered and wiser, we have turned to the things that really matter.



THE HOME DEPOT, INC. AND SUBSIDIARIES

Amounts in thousands, except where noted

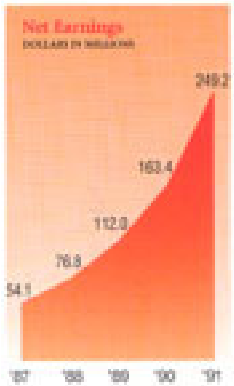
	5 Year Annual Compound Growth Rate	10 Year Annual Compound Growth Rate	1991	1990[1]
STATEMENT OF EARNINGS DATA				
Net sales	38.4%	58.4%	$5,136,674	$3,815,356
Earnings before taxes	53.1	70.0	396,120	259,828
Net earnings	59.8	70.3	249,150	163,428
Net earnings per share ($)[2]	46.1	61.4	1.20	.90
Weighted average number of shares[2]	9.1	6.9	207,999	181,253
Gross margin – % to sales	–	–	28.1	27.9
Store selling and operating – % to sales	–	–	18.1	18.2
Pre-opening – % to sales	–	–	.3	.4
General and administrative – % to sales	–	–	2.3	2.4
Net interest income (expense) – % to sales	–	–	.3	(.1)
Earnings before taxes – % to sales	–	–	7.7	6.8
Net earnings – % to sales	–	–	4.8	4.3
BALANCE SHEET DATA AND FINANCIAL RATIOS				
Total assets	44.8%	64.9%	$2,510,292	$1,639,503
Working capital	46.9	60.5	623,937	300,867
Merchandise inventories	31.7	50.3	662,257	509,022
Net property and equipment	49.3	80.1	1,254,774	878,730
Long-term debt	18.3	53.4	270,575	530,774
Stockholders' equity	59.7	78.3	1,691,212	683,402
Book value per share ($)[2]	47.9	66.1	8.01	3.86
Long-term debt to equity – %	–	–	16.0	77.7
Current ratio	–	–	2.17:1	1.73:1
Inventory turnover	–	–	6.1x	6.0x
Return on average equity – %	–	–	18.5	27.6
STATEMENT OF CASH FLOWS DATA				
Depreciation and amortization	43.2%	76.7%	$ 52,283	$ 34,358
Capital expenditures	52.5	67.5	432,198	400,205
Cash dividends per share ($)[2]	–	–	.11	.07
CUSTOMER AND STORE DATA				
Number of states	16.5%	22.3%	15	12
Number of stores	23.7	36.1	174	145
Square footage at year-end	27.8	41.6	16,480	13,278
Change in square footage – %	–	–	24.1	27.4
Average square footage per store	–	–	95	92
Number of customer transactions	33.9	54.3	146,221	112,464
Average sale per transaction ($)	3.4	2.7	35.13	33.92
Number of employees	33.5	45.7	28,000	21,500
OTHER DATA				
Net sales increase – %	–	–	34.6	38.3
Average total company weekly sales	38.4%	58.4%	$ 98,782	$ 71,988
Weighted average weekly sales per operating store	12.3	13.0	633	566
Comparable store sales increase – %[3]	–	–	11	10
Weighted average sales per square foot ($)[3]	8.6	8.6	348	322
Advertising expense – % to sales	–	–	.7	.9

[1] Fiscal years 1990 and 1984 consisted of 53 weeks, all other years reported consisted of 52 weeks.
[2] All per share and share data have been adjusted for a three-for-two stock split-up effected in the form of a dividend in June 1991.
[3] Adjusted to reflect the first 52 weeks of the 53-week fiscal year in 1990.

1989	1988	1987	1986	1985	1984(1)	1983	1982
$2,758,535	$1,999,514	$1,453,657	$1,011,462	$700,729	$432,779	$256,184	$117,645
182,015	125,833	95,586	47,073	11,619	26,252	18,986	9,870
111,954	76,753	54,086	23,873	8,219	14,122	10,261	5,315
.63	.44	.33	.18	.06	.11	.08	.05
177,705	172,988	161,981	134,562	127,817	128,093	125,724	112,557
27.8	27.0	27.8	27.5	25.9	26.4	27.3	28.4
18.3	17.8	18.1	18.7	19.2	17.2	17.0	16.5
.3	.4	.3	.3	1.1	.4	.9	.4
2.5	2.4	2.6	2.7	2.9	3.0	2.9	3.3
(.1)	(.1)	(.2)	(1.1)	(1.2)	.3	.9	.2
6.6	6.3	6.6	4.7	1.7	6.1	7.4	8.4
4.1	3.8	3.7	2.4	1.2	3.3	4.0	4.5
$1,117,534	$ 699,179	$ 528,270	$ 394,741	$380,193	$249,364	$105,230	$ 33,014
273,851	142,806	110,621	91,076	106,451	100,110	49,318	12,901
381,452	294,274	211,421	167,115	152,700	84,046	58,712	17,575
514,440	332,416	244,503	168,981	160,816	73,577	21,129	5,954
302,901	107,508	52,298	116,907	199,943	117,942	4,384	236
512,129	382,938	320,559	163,042	89,092	80,214	65,278	18,354
2.97	2.26	1.93	1.13	.70	.63	.52	.32
59.1	28.1	16.3	71.7	224.0	147.0	6.7	1.3
1.94:1	1.74:1	1.75:1	1.85:1	2.27:1	3.22:1	2.43:1	1.92:1
5.9x	5.8x	5.4x	4.6x	4.1x	4.2x	4.9x	5.8x
25.2	21.6	21.1	20.3	9.7	19.3	24.5	45.1
$ 21,107	$ 14,673	$ 10,646	$ 8,697	$ 5,193	$ 2,368	$ 903	$ 389
204,972	105,123	89,235	52,363	99,767	50,769	16,081	2,883
.05	.03	.02	–	–	–	–	–
12	10	8	7	7	6	4	2
118	96	75	60	50	31	19	10
10,424	8,216	6,161	4,828	4,001	2,381	1,449	696
26.9	33.4	27.6	20.6	68.0	64.3	108.2	37.3
88	86	82	80	80	77	76	70
84,494	64,227	48,073	34,020	23,324	14,256	8,479	4,164
32.65	31.13	30.24	29.73	30.04	30.36	30.21	28.25
17,500	13,000	9,100	6,600	5,400	4,000	2,400	1,100
38.0	37.6	43.7	44.3	61.9	68.9	117.8	128.3
$ 53,049	$ 38,452	$ 27,955	$ 19,451	$ 13,476	$ 8,166	$ 4,927	$ 2,262
515	464	418	355	343	366	360	281
13	13	18	7	2	14	31	47
303	282	265	230	223	247	245	210
1.1	1.5	2.0	2.4	3.2	2.5	2.9	2.6

We are extremely pleased to report that by virtually all significant measures, The Home Depot posted another year of record results during fiscal 1991.

THANKS TO OUR EMPLOYEES

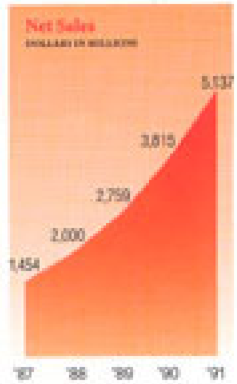


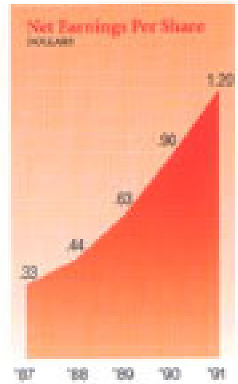
At the outset of this report, we would like to thank our 28,000 employees who are the ones most responsible for our continuing success. They have continued to work hard to build and sustain strong relationships with our customers. The human resources factor cannot be underestimated in home center retailing since our primary customers are homeowners who often require expert and caring guidance to complete their do-it-yourself projects.

Our progressive corporate culture, which encourages entrepreneurship, teamwork, innovation and open communications and which provides for broad-based employee stock ownership, has been a strategic factor in our growth.

RECORD SALES AND EARNINGS

The 1991 fiscal year contained 52 weeks, compared to the 53-week 1990 fiscal year. In fiscal 1991, net earnings rose 52%, sales increased 35%, weighted average weekly store sales rose 12%, and comparable store-for-store sales rose 11% after adjusting fiscal 1990 to 52 weeks. Inventory turnover, already high, improved from 6.0 to 6.1.





In addition, customer transactions increased 30%, the average customer sale rose 4%, sales per square foot increased 8%, and the overall amount of store selling space increased by 24%. For a more detailed review of all key statistics, please refer to the Ten Year Selected Financial and Operating Highlights section on page two of this report.

During fiscal 1991, we opened 30 new stores, closed one store, and relocated four other stores. At the end of the fiscal year we had a total of 174 stores in 34 markets in 15 states, compared to 145 stores in 30 markets in 12 states at the end of fiscal 1990.

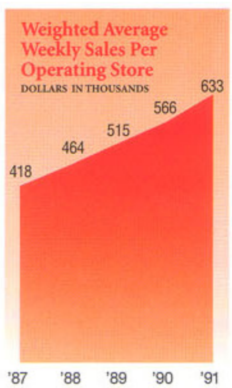
STRONG BALANCE SHEET, SUFFICIENT CAPITAL

Our financial position has never been stronger. At the end of fiscal 1991, stockholders' equity was $1,691,212,000, an increase of 147% from $683,402,000 a year ago. Our ratio of long-term debt to equity was 16% at fiscal year-end. Our $459 million in cash and investments, coupled with the proceeds from the sale of $805 million in convertible subordinated notes subsequent to the end of fiscal 1991, should give us sufficient capital to continue our expansion for a number of years.

EXPANDING MARKET SHARE, IMPROVING STORE PRODUCTIVITY

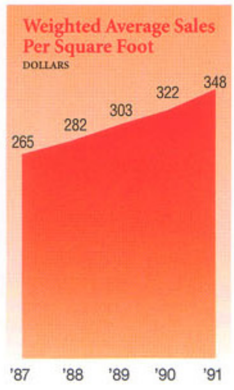
Our strategy of adding new stores near the edge of market areas served by existing stores has continued to be successful. This "cannibalization" strategy has a short-term negative impact on the rate of growth of individual store sales, but it enables us to maintain our competitive lead in providing high levels of customer service as we increase our market share.

During fiscal 1991, 20 of the 30 new stores we opened were deliberately located to cannibalize existing stores. Similarly, of the 40 stores we plan to open during fiscal 1992, we expect that 31 will cannibalize older stores.



Over the longer term, however, we expect to be able to reduce the extent of our cannibalization efforts through the successful companywide implementation of our Store Productivity Improvement (SPI) program. The SPI program is now being implemented in substantially all new stores and in selected existing stores. The goal of SPI is to increase merchandise throughput by innovations in store layout, material handling techniques and operations.

By making our new and existing stores more efficient, the SPI program enables us to maintain or increase customer service while increasing sales per square foot to levels we previously thought were not

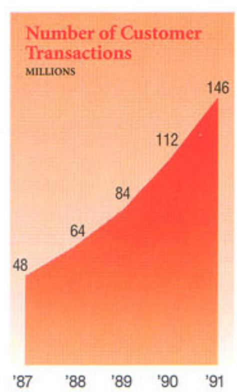


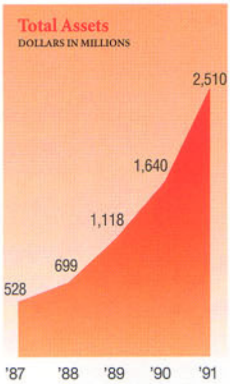
possible. Because of the Company's self-imposed limit of opening new stores at a rate no greater than 25% per year, our need to cannibalize older stores in existing market areas has kept us from moving more rapidly into new markets.

By the close of fiscal 1991, 49 stores were using elements of the SPI program. During fiscal 1992, approximately 32 more stores will undergo some degree of SPI conversion and all new stores are taking part in the program. Our customers have responded favorably to the innovations, indicating through surveys that they enjoy our cleaner, less cluttered aisles, better store layouts and improvements in our salesperson-to-customer ratio.

A LONG WAY TO GROW

At fiscal 1991 year-end, with sales in excess of $5.1 billion and the total market for home improvements estimated to be $105 billion, The Home Depot's market share is approximately 5%. The six largest home center retailers – of which The Home Depot is the largest – account for only about 14% of the total market. Clearly, the home improvement/home center retailing industry remains extremely fragmented with many regional competitors.





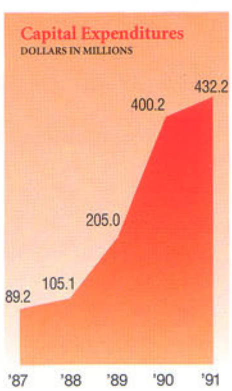
The emergence of a strong national competitor like The Home Depot as well as the weak economy have spurred further consolidation within our industry, with The Home Depot gaining additional market share.

The general discount retailing niche has exhibited a similar trend which began more than a decade ago when the largest discount retailers had single-digit market shares. Today, a few nationwide retailers account for most of that market. Some industry analysts predict a similar evolution in home center retailing.

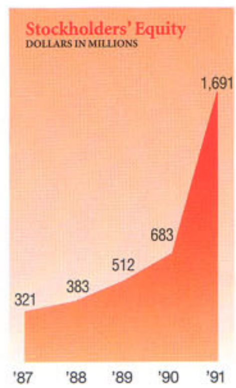
By the end of the 1991 fiscal year, despite being the largest home center retailer in America, The Home Depot was operating stores in just 15 states with approximately 75% of its stores in only four states: California, Texas, Florida and Georgia. There seems to be much more room to grow. By the end of fiscal 1996, The Home Depot hopes to be operating over 500 stores.

CONTINUED SUCCESSFUL EXPANSION

As we did during the previous fiscal year, The Home Depot again almost doubled, to 22, the number of stores in the northeastern United States. Several of those stores marked the Company's initial entry into New Hampshire, Maryland and Massachusetts. Despite the continuing weak economy in the Northeast, our stores there continue to rank among the highest sales volume stores throughout the Company. Accordingly, we plan to open approximately 18 more stores in the Northeast during fiscal 1992, including our first stores in the Boston, southern New Jersey and Washington, D.C. markets. Our long-term goal is to operate approximately 150 stores in the Northeast.



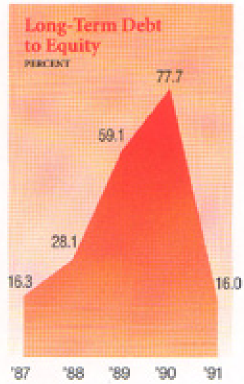
In terms of expansion in other regions of the country, The Home Depot, in fiscal 1992, plans to open its first stores in the states of Washington, Nevada and North Carolina. Of the 40 stores the Company plans to open during fiscal 1992, it is anticipated that 12 will be in the Western Division, 10 in the Southeast Division, as well as 18 in the Northeast Division as noted above.



THE ECONOMY AND THE HOME DEPOT

In 1991, the retail industry suffered through its worst year in 30 years, with sales up a mere 0.7% over 1990. Despite that, The Home Depot's comparable store sales rose 11%, after adjusting fiscal 1990 to 52 weeks.

To a certain degree The Home Depot is recession-resistant. In a recession, budget-stretched homeowners tend to do more projects around the home by themselves as a way to save labor costs. And, with turnover of existing housing down, homeowners who had planned to trade up to bigger and better homes are making decisions to keep their existing homes and undertake long-desired improvements and additions. The level of repair projects, as would be expected, remains steady despite economic conditions. Given that one's home is generally one's primary financial asset, homeowners tend to protect that asset above all others.



There have been several other positive impacts on The Home Depot related to the recession. The Company has been able to attract many unemployed construction contractors to come to work in our stores. These highly experienced tradepersons provide our customers with a high level of expert guidance on a variety of do-it-yourself projects. They have found employment at The Home Depot to their liking in terms of job stability and our generous benefits package and we do not expect them to return to the cyclical construction business when the economy regains strength. Also, many under-employed tradepersons typically engaged in new construction have entered the small-scale remodeling market on at least a part-time basis and this provides The Home Depot's buy-it-yourself customers with an opportunity to hire professional labor at reduced cost. Also, our continuing strength as a distribution channel through the recession has enabled us to initiate relationships with vendors and develop new sources of merchandise, particularly high-quality products often favored by professionals.

A GOOD BUSINESS FOR THE 1990s

According to the Home Improvement Research Institute, our industry can expect a 6.2% average annual growth rate for the period 1991-1996. That is a growth rate 19.2% greater than is anticipated for retailing overall and 5.1% greater than projected for the Gross National Product. This strong market outlook is attributable to several factors. Chief among them are the movement of the Baby Boom generation into middle age – which has positive implications for income growth and demand for additions and upgrades to homes – and the continued aging of the nation's housing stock, which will further boost spending on repairs and maintenance.

In summary, The Home Depot has enjoyed another year of record performance. We believe the Company is positioned for continued success in the years ahead.

Bernard Marcus
Chairman and Chief Executive Officer

Arthur M. Blank
President and Chief Operating Officer

PERTINENT QUESTIONS.
CANDID ANSWERS.

NEAR THE END OF FISCAL 1991, THE HOME DEPOT INVITED RETAIL INDUSTRY INVESTMENT ANALYSTS WHO PUBLISH RESEARCH ON OUR COMPANY AND INDUSTRY TO IDENTIFY KEY ISSUES AND QUESTIONS THEY DEEM WORTHY OF EXPANDED DISCUSSION. THEIR INPUT IS REFLECTED IN THE PRECEDING STOCKHOLDERS' LETTER AND MORE SPECIFICALLY, IN THE QUESTIONS POSED TO THE HOME DEPOT MANAGEMENT IN THIS SECTION. WE THANK THE FOLLOWING INVESTMENT ANALYSTS FOR THEIR PARTICIPATION.

David Bolotsky
Goldman, Sachs & Co.

Edie Braun
Gilder, Gagnon, Howe & Co.

Joseph Buckley
Bear, Stearns & Co.

Bo Cheadle
Montgomery Securities

Gary Dennis
J.C. Bradford & Co.

Frank Foellmer
Quincy Cass Associates, Inc.

Margaret Gilliam
The First Boston Corp.

Skip Helm
William Blair & Co.

Wayne Hood
Prudential Securities, Inc.

Tammi Kuntz
Morgan Keegan & Co., Inc.

Walter Loeb
Loeb Associates Inc.

Terry McEvoy
Janney Montgomery Scott

Mike Mead
Legg Mason

Bruce Missett
Morgan Stanley & Co., Inc.

Joseph Ronning
Brown Brothers Harriman & Co.

Robert Roth
Merrill Lynch, Pierce, Fenner & Smith Inc.

Ben Sharav
Value Line, Inc.

Ken Smith
Interstate/Johnson Lane

Donald Trott
Dean Witter Reynolds Inc.

Chris Vroom
Alex. Brown & Sons Inc.

Kim Walin
Shearson Lehman Brothers Inc.

Dan Wewer, Jr.
The Robinson Humphrey Co., Inc.

WHAT PLAN HAS THE HOME DEPOT MADE FOR MANAGEMENT SUCCESSION?

We have developed qualified individuals to back up all of our key people, from senior officers to store managers. We continue to train our people as decision makers and entrepreneurs in their own right. This effort will help perpetuate The Home Depot and its operating philosophies.

Bernard Marcus
Chairman and
Chief Executive Officer

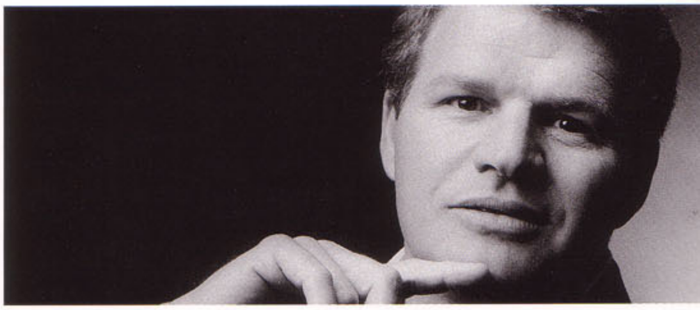
HOW IS THE HOME DEPOT HANDLING THE CHALLENGE OF CONTINUED GROWTH AND THE INCREASING GEOGRAPHIC DISPERSION THAT COMES WITH THAT GROWTH?

Much of our success is due to the entrepreneurial spirit that we've always encouraged among our employees. We've always believed in decentralizing our decision-making so that we remain responsive to regional conditions and don't develop a chain-store mentality. In late 1990, we formalized this decentralization philosophy, creating the Western Division and appointing a separate president and merchandising and operating officers for the new entity. With our western operations over 2,000 miles and three time zones away from our Atlanta headquarters, they were a natural candidate for more autonomy. We further decentralized in September 1991 when we formed the Northeast and Southeast Divisions, each with their own president and merchandising and operating officers. This formal decentralization enables us to maintain a sense of smallness and corporate intimacy even as the overall enterprise continues to grow.

Arthur M. Blank
President and
Chief Operating Officer

WHAT NEW COMPUTER-BASED INFORMATION SYSTEMS ARE BEING IMPLEMENTED BY THE COMPANY AND WHAT BENEFITS DO YOU EXPECT?

We've made a significant commitment to information systems and are continuing to apply technology to support our planned growth rates, assist us in reducing and controlling costs and provide key information about our business. Our planning process has identified growth needs and we are expanding the capabilities of our data communications network and data centers. In addition, we are replacing our in-store computers with faster, more efficient and flexible hardware. Our commitment to an open systems environment will provide flexibility and the ability to cost-effectively handle future needs. During 1992, we will be implementing major improvements to our invoice processing system and credit card network to support low cost transaction processing. Implementation of Electronic Data Interchange (EDI), starting with major vendors in 1992, will further streamline inventory replenishment and purchase order and invoice processing. A new human resources system, improved inventory management systems and enhanced information availability will provide additional management tools to support decision making.



W. Andrew McKenna
Senior Vice President
Information Services

IN TERMS OF FUTURE GROWTH, WHAT IS THE POTENTIAL NUMBER OF STORES THAT THE HOME DEPOT CAN OPERATE IN THE UNITED STATES?

With sales exceeding $5 billion, our share of the $105 billion and growing market for home improvements, repairs and renovations is approximately 5%. It's obvious that we still have a long way to grow. Based on the growth of our business and growth within our individual markets, we estimate that our potential for stores in the United States is well in excess of 1,000. In addition, we feel there are also many opportunities elsewhere in the world.

William E. Harris
Senior Vice President
Corporate Development

HOW HAS MERCHANDISING IN THE STORES CHANGED IN THE LAST FIVE YEARS AND WHAT'S AHEAD?

Lora Castellanos
Vendor Relations Manager
Merchandising

In keeping with our philosophy that "if you don't make dust, you eat dust," we have made thousands of changes to our merchandise and service offerings over the last five years. Our continuing direction, however, is to develop merchandise categories in which we can be dominant in terms of depth of assortment. Our greatly expanded kitchen, bathroom, millwork and decor programs are good examples of how we've been evolving in this way. We have also increased our sensitivity to the needs of professional customers, expanding our product line with brands and quality to meet their expectations. In addition, we are experimenting with a 30,000 square-foot garden center/greenhouse prototype and are commited to growing our garden business. Our Expo laboratory store in San Diego is another experiment that is giving us some new merchandise ideas. We are committed to serving the do-it-yourself and professional markets equally well.

WHY DOES THE HOME DEPOT CANNIBALIZE ITS OWN STORES?

Cannibalization of existing stores has provided two important benefits to The Home Depot. First, by opening up new stores not far from old ones, we are able to keep our existing stores from becoming choked with customers. This enables us to maintain our competitive lead in providing excellent customer service, which is so critical to our retail niche. Second, if you properly locate that new store on the periphery of two trade areas – one served by the older store and the other not served conveniently by any store – you not only relieve customer traffic at the older location, you also develop a new base of customers who are attracted to the more convenient location.

Tony C. Brown
Regional Manager

INSTALLED SALES IS A COMPLICATED BUSINESS WITH MANY POTENTIAL PROBLEMS. HOW IS THE HOME DEPOT'S INSTALLED SALES PROGRAM PROGRESSING AND WHAT ARE THE PROSPECTS?

When we embarked on our installed sales program, we were aware of the challenges involved. Chief among them is the issue of extending to installed sales the high levels of service and value our customers have come to depend on when they shop at our stores. We use outside contractors for the program who must meet stringent qualification criteria and are trained extensively. Ensuring quality control is the responsibility of store-based Home Depot regional installation managers and employee specialists. We have spent nearly two years testing our installed sales program in three markets before deciding to begin a gradual companywide roll-out in the spring of 1992. The program should be in every Company market within the next two to three years.

Tom Kesling
Marketing Manager
Installed Sales

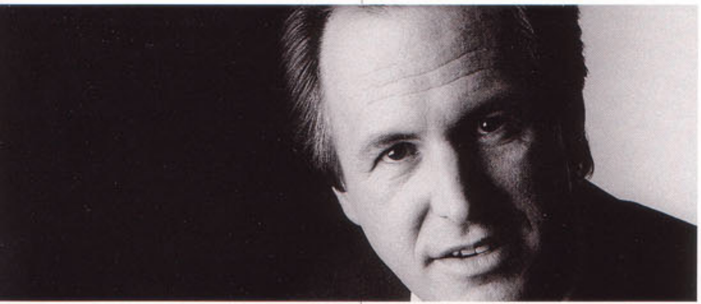
DESCRIBE THE HOME DEPOT'S PROFESSIONAL BUSINESS CUSTOMER MARKET AND HOW THAT SEGMENT HAS BEEN TRENDING. WHAT IMPACT DOES THIS SEGMENT HAVE ON SALES AND EARNINGS? IS IT A CYCLICAL BUSINESS?

Homeowners have been and will remain our primary customers. However, professional customers – a mixture of home remodeling and repair professionals as well as commercial and multi-family residential building maintenance professionals – represent an important secondary market that has been increasing in size. We believe that our professional customers represent over 20% of our total customer base. Over the last few years, we have become more sensitive to the special needs of these customers. We have expanded our assortment to carry more professional-grade supplies and tools, provided separate contractor checkouts during morning hours, added special professional service employees called "Homers" and provided easier access to credit. Our stores open early so that professionals can pick up supplies on their way to job sites. In terms of serving contractors engaged in new construction, we have little exposure to this cyclical market segment although we do serve as a kind of convenience store for spot supplies. By design, we do not focus on new building construction.

Jim Inglis
Executive Vice President
Merchandising

WHAT IS THE FUNDAMENTAL DIFFERENCE BETWEEN THE HOME DEPOT AND OTHER HOME CENTER RETAILERS?

We believe that our people are the most important difference between ourselves and our competitors. Our store employees are able to develop strong, long-term relationships with our customers. They make sure customers receive not just the right products at the right prices, but advice and guidance to successfully undertake a succession of do-it-yourself projects. Much effort goes into developing our people. Beyond providing excellent wages and benefits including stock ownership opportunities, we provide a psychologically enlightened workplace environment which is conducive to a satisfying and stimulating career. We can't expect our employees to bond with their customers if we don't have good relationships with our own people.



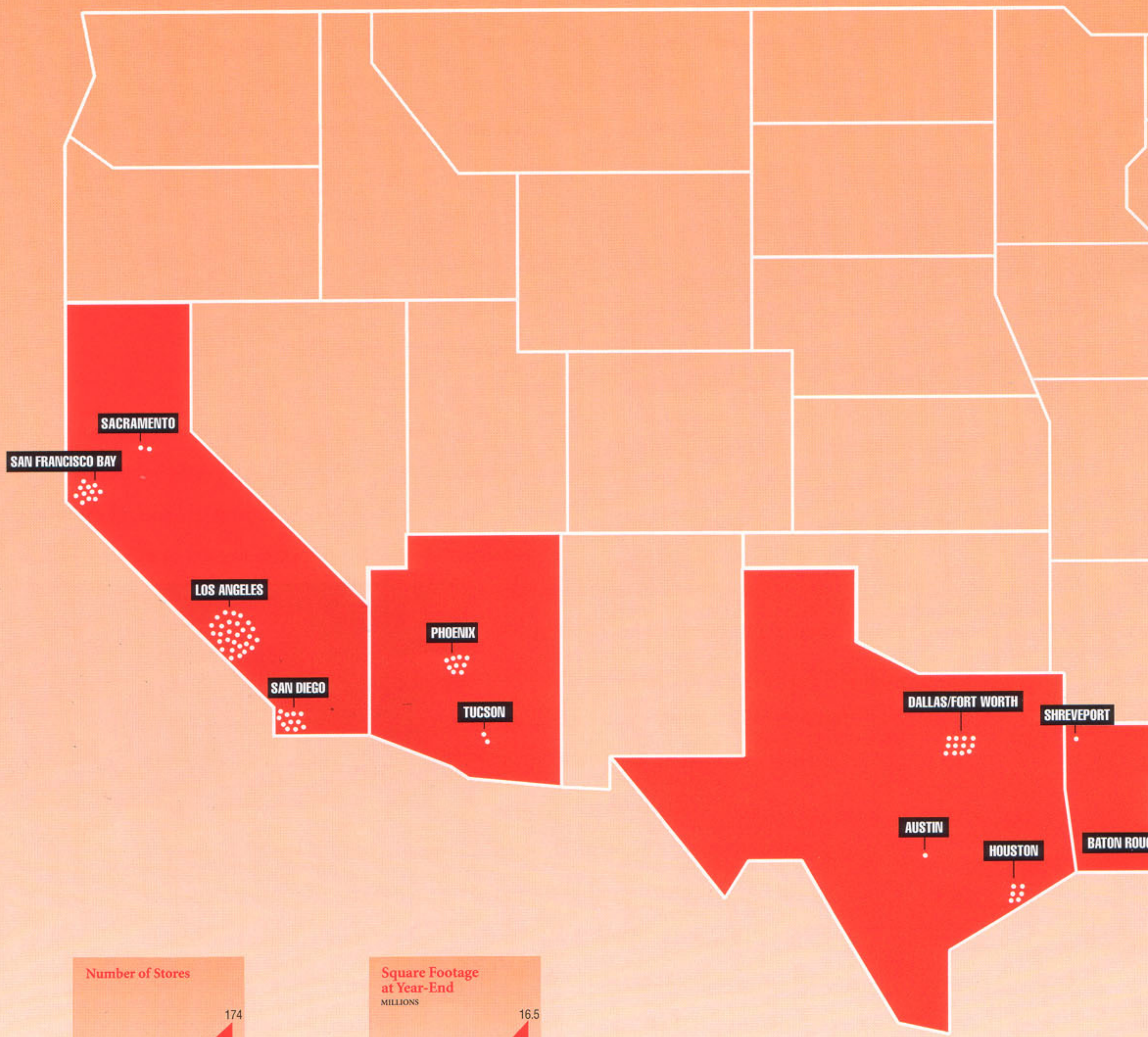
Don McKenna
Vice President
Human Resources

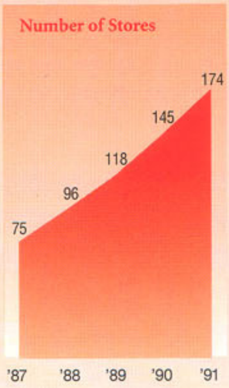
Ronald M. Brill
Senior Vice President,
Chief Financial Officer
and Treasurer

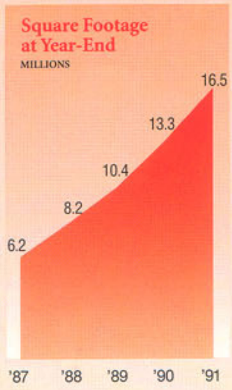
WHAT ARE THE HOME DEPOT'S CAPITAL SPENDING PLANS AND DOES IT HAVE ADEQUATE SOURCES OF CAPITAL?

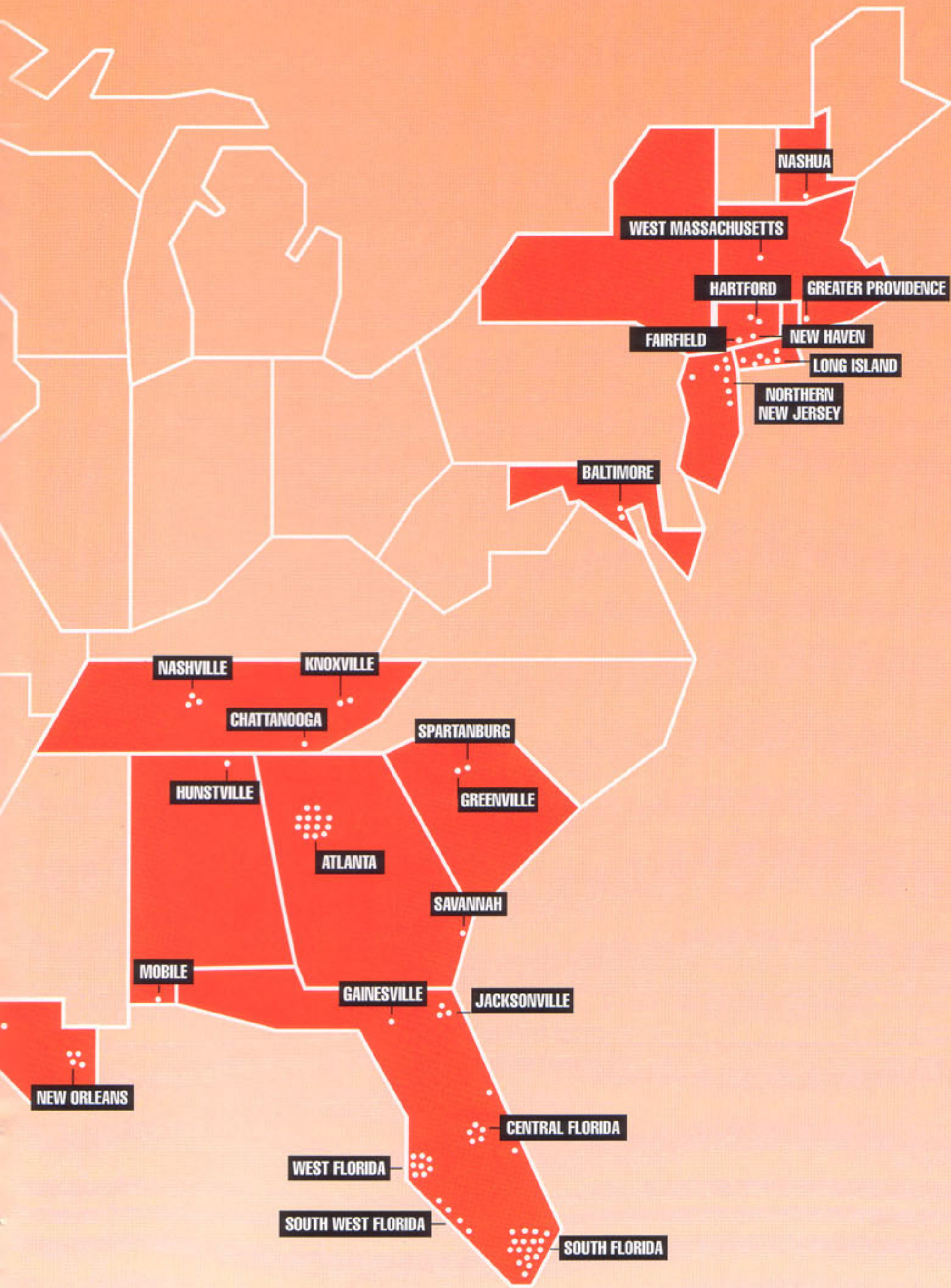
The Home Depot will spend approximately $500 million during fiscal 1992, primarily to open new stores, remodel existing ones and expand its internal information systems. Due to the Company's expansion plans, capital requirements are expected to increase annually. In addition to the $459 million in cash and investments currently on the balance sheet, The Home Depot, in February 1992, raised $805 million from the sale of convertible subordinated notes. Combining these sources of funds with retained earnings growth, the Company projects sufficient sources of capital for at least the next several years.

THE HOME DEPOT, THE LARGEST HOME CENTER RETAILER IN AMERICA, HAD 174 WAREHOUSE-STYLE STORES IN JUST 15 STATES AT THE CLOSE OF FISCAL 1991. AS THE MAP BELOW SHOWS, THERE IS MUCH MORE ROOM TO GROW.









LOCATION	NUMBER OF STORES	SQUARE FOOTAGE
Alabama	2	
Mobile	1	102,000
Huntsville	1	84,000
Arizona	11	
Phoenix	9	912,000
Tucson	2	195,000
California	52	
Los Angeles	28	2,884,000
Sacramento	2	212,000
San Francisco Bay	11	1,036,000
San Diego	11	1,066,000
Connecticut	4	
Hartford	2	208,000
Fairfield	1	102,000
New Haven	1	98,000
Florida	40	
South Florida	17	1,512,000
Jacksonville	3	265,000
Central Florida	7	623,000
West Florida	8	688,000
S.W. Florida	4	367,000
Gainesville	1	84,000
Georgia	14	
Atlanta	13	1,116,000
Savannah	1	80,000
Louisiana	6	
New Orleans	4	342,000
Shreveport	1	77,000
Baton Rouge	1	81,000
Maryland	2	
Baltimore	2	205,000
Massachusetts	2	
West Massachusetts	1	123,000
Greater Providence	1	103,000
New Hampshire	1	
Nashua	1	102,000
New Jersey	7	
Northern New Jersey	7	702,000
New York	6	
Long Island	6	648,000
South Carolina	2	
Greenville	1	99,000
Spartanburg	1	84,000
Tennessee	6	
Knoxville	2	157,000
Chattanooga	1	97,000
Nashville	3	305,000
Texas	19	
Dallas/Ft. Worth	12	1,104,000
Houston	6	515,000
Austin	1	102,000

Since fiscal 1989, when The Home Depot established a formal philanthropy and community investment program, the annual corporate contributions budget has increased from $1.8 million to $2.6 million in fiscal 1991. That number is projected to increase to $4 million in fiscal 1992.

The Company continues to focus 40% of the program's budget on the development and rehabilitation of affordable housing and 20% on programs serving at-risk youth. In addition, 10% goes to United Way programs in the communities where we operate stores, 20% is discretionary in nature to allow for quick response to emerging community needs and the remaining 10% funds our employee matching gift program.

A key element of The Home Depot's community investment program is its decentralized grant-making. Regional managers are provided with training in grant-making and allotted budget dollars so that they can respond more directly – and thus more effectively – to needs in the communities where they live and work.

In addition, the Company further decentralizes – and democratizes – its giving by putting budget dollars into the hands of all employees through an employee matching gift program.

Among the dozens of projects the Company funds and which its employees support with volunteer labor are technical assistance programs for nonprofit associations and community development corporations developing affordable housing; Habitat for Humanity home construction projects; home repair projects for the elderly; Outward Bound and tutoring programs for inner-city youth; alternative programs for juvenile offenders; and a shelter for runaway and abused children.

In terms of environmental responsibility, fiscal 1991 was a year of progress. Alternative "green" merchandise began to appear on our store shelves. The Home Depot became the first major retailer in the country to arrange for third-party independent evaluation of environmental claims appearing on product labels. The Company helped the EPA launch a waterborne lead abatement campaign by dropping lead solder from our plumbing departments. We also successfully tested a store recycling program in Atlanta, cutting solid waste and hauling costs in half. We are now expanding that program to stores in communities with recycling infrastructures with sufficient capacity. Our plastic shopping bags are now made of partially recycled plastic and our catalogs are also now printed on partially recycled paper.

In fiscal 1992, we'll be taking more steps. Among the things we're planning to implement are the increased use of recycled content products in many areas of the Company; an education program to assure our customers that the wood products we sell are harvested properly; customer recycling initiatives; special store signage to promote alternative "green" products; and financial support of environmental organizations. The Home Depot has made a firm commitment toward making the "ultimate" home improvement to where we all live – Planet Earth.

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THE HOME DEPOT, INC. AND SUBSIDIARIES

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

	Fiscal Year[1]			Percentage Increase (Decrease) of Dollar Amounts[1]	
	1991	1990	1989	1991 vs. 1990	1990 vs. 1989
SELECTED CONSOLIDATED STATEMENTS OF EARNINGS DATA					
Net Sales	**100.0%**	100.0%	100.0%	**34.6%**	38.3%
Gross Profit	**28.1**	27.9	27.8	**35.7**	38.8
Operating Expenses:					
Selling and Store Operating	**18.1**	18.2	18.3	**33.9**	37.5
Pre-Opening	**.3**	.4	.3	**32.7**	35.2
General and Administrative	**2.3**	2.4	2.5	**26.6**	35.0
Total Operating Expenses	**20.7**	21.0	21.1	**33.1**	37.2
Operating Income	**7.4**	6.9	6.7	**43.7**	43.9
Interest Income (Expense):					
Interest Income	**.5**	.5	.5	**52.4**	32.0
Interest Expense	**(.2)**	(.6)	(.6)	**(47.2)**	46.6
Interest, Net	**.3**	(.1)	(.1)	**–**	120.5
Earnings Before Income Taxes	**7.7**	6.8	6.6	**52.5**	42.8
Income Taxes	**2.9**	2.5	2.5	**52.5**	37.6
Net Earnings	**4.8%**	4.3%	4.1%	**52.5%**	46.0%

	1991	1990	1989	1991 vs. 1990	1990 vs. 1989
SELECTED CONSOLIDATED SALES DATA					
Number of Customer Transactions	**146,221,000**	112,464,000	84,494,000	**30.0%**	33.1%
Average Amount of Sale Per Transaction	**$ 35.13**	$ 33.92	$ 32.65	**3.6**	3.9
Weighted Average Weekly Sales Per Operating Store	**$633,000**	$566,000	$515,000	**11.8**	9.9
Weighted Average Sales Per Square Foot	**$ 348.13**	$ 321.60[2]	$ 302.88	**8.2**	6.2

[1] Fiscal years 1991, 1990 and 1989 refer to the fiscal years ended February 2, 1992, February 3, 1991, and January 28, 1990, respectively. Fiscal 1990 consisted of 53 weeks while fiscal 1991 and fiscal 1989 consisted of 52 weeks each.

[2] Adjusted to reflect the first 52 weeks of the 53-week 1990 fiscal year.

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 February 2, 1992
Compared to February 3, 1991

Sales for fiscal year 1991 increased 34.6% from $3,815,356,000 in fiscal 1990 to $5,136,674,000. Fiscal year 1991 consisted of 52 weeks compared to 53 weeks during the previous fiscal year. The increase in sales was attributable to, among other things, 30 new store openings, four store relocations, an 11% comparable store-for-store sales increase (after adjusting fiscal year ended February 3, 1991 to 52 weeks) and full year sales from the 27 stores opened during fiscal 1990.

Gross profit as a percent of sales was 28.1% for fiscal 1991 compared to 27.9% for fiscal 1990. The higher gross profit percentage was attributable to higher vendor volume rebates, changes in merchandise mix and an increasing percentage of sales in the Northeast where margins are generally higher.

Operating expenses as a percent of sales decreased to 20.7% in fiscal 1991 from 21.0% in fiscal 1990. This decrease was attributable to, among other things, lower net advertising expenses, lower occupancy costs and lower general and administrative expenses as a percentage of sales, due to cost controls and economies of scale from increased volumes. These reductions as a percent of sales were partially offset by higher self-funded insurance costs and higher expenses associated with increased private label and third party credit card sales.

Interest expense as a percent of sales decreased to 0.2% in fiscal 1991 from 0.6% in fiscal 1990. This decrease was due to the call for redemption and conversion to equity of all of the Company's 6¾% Convertible Subordinated Debentures in May, 1991. Interest income as a percent of sales was 0.5% for both fiscal 1991 and fiscal 1990.

The Company's combined Federal and state effective income tax rate was 37.1% for both fiscal 1991 and fiscal 1990.

Net earnings as percent of sales was 4.8% for fiscal 1991 compared to 4.3% for fiscal 1990 reflecting higher gross profits, reduced operating expenses and lower interest expense, as described above. Earnings per share was $1.20 for fiscal 1991 compared to $.90 for fiscal 1990 on 14.8% more shares outstanding.

Fiscal Year Ended February 3, 1991
Compared to January 28, 1990

Sales for the fiscal year 1990 increased 38.3% from $2,758,535,000 in fiscal 1989 to $3,815,356,000. This increase was attributable to, among other things, 27 new store openings during the year, a 10% comparable store-for-store sales increase (adjusted to reflect the first 52 weeks of the 53-week fiscal year) and full year sales from 22 stores opened during fiscal 1989. Also, a portion of the increase was due to the additional week of sales in fiscal 1990.

Gross profit as a percent of sales increased to 27.9% compared to 27.8% for fiscal 1989. The higher gross profit was primarily attributable to changes in product mix, additional vendor volume rebates and an increasing penetration of the Northeast market, where sales are generally at higher gross margins.

Operating expenses as a percent of sales decreased from 21.1% to 21.0%. This decrease resulted from, among other things, lower costs associated with the Company's self-funded risk management program, lower general and administrative expenses and lower net advertising expenses. These reductions as a percent of sales were partially offset by higher occupancy costs, higher pre-opening and operating expenses in the Northeast and higher expenses resulting from increasing third party and private label credit card sales.

Interest expense as a percent of sales remained at 0.6% for fiscal 1990. Interest income as a percent of sales remained at 0.5% representing revenue from the short-term investment of excess funds.

The Company's combined Federal and state effective income tax rate was 37.1% for fiscal 1990 compared to 38.5% for fiscal 1989. This decrease was attributable to a decrease in the Company's effective state income tax rate.

Net earnings as a percent of sales increased to 4.3% from 4.1% reflecting higher gross profits, reduced operating expenses, and a lower tax rate, as described above. Earnings per share was $.90 for fiscal 1990 compared to $.63 in fiscal 1989.

Liquidity and Capital Resources

Cash flow generated from store operations provides the Company with a significant source of liquidity. Additionally, a significant portion of the Company's inventory is financed under vendor credit terms. As a result of continued emphasis on inventory management, inventory turnover increased to 6.1 times in fiscal 1991 compared to 6.0 times in fiscal 1990 and 5.9 times in fiscal 1989.

The Company plans to open approximately 40 new stores and relocate four existing stores during fiscal 1992. Of these 44 locations, it is anticipated that approximately 50% will be owned and the balance will be leased. The Company also plans to open approximately 56 stores in fiscal 1993. Although some of these locations will be leased directly, it is expected that many may be obtained during fiscal 1992 through the purchase of pre-existing leasehold interests, the acquisition of land parcels and the construction or purchase of buildings. While the cost of new stores to be constructed and owned by the Company varies widely, principally due to land costs, new store costs are currently estimated to average approximately $10,000,000 per location. In addition, the Company may purchase leasehold interests at varying amounts depending on the value of such properties. The cost to remodel and fixture stores to be leased is expected to average approximately $3,000,000 per store. In addition, each new store will require approximately $2,000,000 to finance inventories, net of vendor financing.

During April, 1991, the Company issued 12,937,500 shares of common stock in a public offering resulting in net proceeds of approximately $469,000,000 which were added to capital.

On May 1, 1991, the Company announced its decision to redeem on May 31, 1991 all of its outstanding 6¾% Convertible Subordinated Debentures due May 15, 2014 at a redemption price of $1,057 (which included premium and accrued interest) per $1,000 principal amount of Debentures. The Debentures were convertible into common stock of the Company at the rate of one share for each $14.52 principal amount of Debentures owned. All of the outstanding Debentures were converted to common stock.

On or after June 30, 1992, the Company, at its option, may redeem, in whole or in part, its 6% Convertible Subordinated Notes pursuant to their terms. Depending on market conditions and the market price of the Company's common stock, the Company anticipates calling for redemption all of the 6% Notes. The holders of the 6% Notes have the right to convert their 6% Notes into shares of the Company's common stock at the rate of one share for each $32.11 principal amount of 6% Notes owned. In light of current market prices of the Company's common stock, it is expected that a redemption call, if made today, would result in the conversion of substantially all of the outstanding principal ($229,789,000) to equity and thereby result in the issuance of approximately 7,156,306 additional shares.

As of February 2, 1992, the Company had $395,199,000 in cash and short-term investments as well as $64,268,000 in long-term investments. In addition, on February 3, 1992, the Company issued at par, through a public offering, $805,000,000 of its 4½% Convertible Subordinated Notes. Management believes that its current cash position, including the proceeds from the February 3, 1992 offering, the proceeds from short-term and long-term investments and internally generated funds should enable the Company to complete its capital expenditure programs, including store expansion and renovation, through the next several fiscal years.

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.

THE HOME DEPOT, INC. AND SUBSIDIARIES

Amounts in thousands, except per share data

	Fiscal Year Ended		
	February 2, 1992 (52 weeks)	February 3, 1991 (53 weeks)	January 28, 1990 (52 weeks)
NET SALES	$5,136,674	$3,815,356	$2,758,535
COST OF MERCHANDISE SOLD	3,692,337	2,751,085	1,991,777
GROSS PROFIT	1,444,337	1,064,271	766,758
OPERATING EXPENSES:			
Selling and Store Operating	928,928	693,657	504,363
Pre-Opening	17,668	13,315	9,845
General and Administrative	116,063	91,664	67,901
TOTAL OPERATING EXPENSES	1,062,659	798,636	582,109
OPERATING INCOME	381,678	265,635	184,649
INTEREST INCOME (EXPENSE):			
Interest Income	26,790	17,579	13,320
Interest Expense (note 2)	(12,348)	(23,386)	(15,954)
INTEREST, NET	14,442	(5,807)	(2,634)
EARNINGS BEFORE INCOME TAXES	396,120	259,828	182,015
INCOME TAXES (note 3)	146,970	96,400	70,061
NET EARNINGS	$ 249,150	$ 163,428	$ 111,954
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (note 4)	$ 1.20	$ .90	$ .63
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES	207,999	181,253	177,705

See accompanying notes to consolidated financial statements.

THE HOME DEPOT, INC. AND SUBSIDIARIES

Amounts in thousands, except share data

	February 2, 1992	February 3, 1991
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 218,549	$ 107,895
Short-term Investments, including current maturities of long-term investments (note 7)	176,650	29,401
Accounts Receivable, Net	79,472	49,325
Merchandise Inventories	662,257	509,022
Other Current Assets	21,320	17,931
Total Current Assets	1,158,248	713,574
PROPERTY AND EQUIPMENT, at cost:		
Land	386,453	262,560
Buildings	444,249	272,095
Furniture, Fixtures and Equipment	253,831	186,025
Leasehold Improvements	178,460	160,760
Construction in Progress	120,390	82,179
	1,383,383	963,619
Less Accumulated Depreciation and Amortization	128,609	84,889
Net Property and Equipment	1,254,774	878,730
LONG-TERM INVESTMENTS (note 7)	64,268	–
COST IN EXCESS OF THE FAIR VALUE OF NET ASSETS ACQUIRED, net of accumulated amortization of $4,523 at February 2, 1992 and $3,891 at February 3, 1991	20,768	21,400
OTHER	12,234	25,799
	$2,510,292	$1,639,503

See accompanying notes to consolidated financial statements.

	February 2, 1992	February 3, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts Payable	$ 293,958	$ 235,267
Accrued Salaries and Related Expenses	92,531	63,547
Sales Taxes Payable	34,387	26,806
Other Accrued Expenses	89,305	76,381
Income Taxes Payable	22,288	8,800
Current Installments of Long-Term Debt (note 2)	1,842	1,906
Total Current Liabilities	534,311	412,707
LONG-TERM DEBT, excluding current installments (notes 2 and 6)	270,575	530,774
OTHER LONG-TERM LIABILITIES	7,126	4,415
DEFERRED INCOME TAXES (note 3)	7,068	8,205
STOCKHOLDERS' EQUITY (notes 2 and 4):		
Common stock, par value $.05. Authorized: 250,000,000 shares; issued and outstanding – 211,112,000 shares at February 2, 1992 and 177,099,000 shares at February 3, 1991	10,556	8,855
Paid-in Capital	1,032,598	261,349
Retained Earnings	666,471	439,770
	1,709,625	709,974
Less Notes Receivable From ESOP (note 6)	18,413	26,572
Total Stockholders' Equity	1,691,212	683,402
COMMITMENTS AND CONTINGENCIES (notes 5 and 8)		
	$2,510,292	$1,639,503

THE HOME DEPOT, INC. AND SUBSIDIARIES

Fiscal years ended February 2, 1992, February 3, 1991 and January 28, 1990

Amounts in thousands, except per share data

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Notes Receivable from ESOP	Total Stockholders' Equity
BALANCE, JANUARY 29, 1989	169,527	$ 8,476	$ 208,853	$185,609	$(20,000)	$ 382,938
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	3,237	162	12,984	–	–	13,146
Repayments of Notes Receivable from ESOP, Net of Additional Notes Receivable of $345 (note 6)	–	–	–	–	5,655	5,655
Tax Effect of Sale of Option Shares by Employees	–	–	6,822	–	–	6,822
Net Earnings	–	–	–	111,954	–	111,954
Cash Dividends ($.05 per share)	–	–	–	(8,386)	–	(8,386)
BALANCE, JANUARY 28, 1990	172,764	$ 8,638	$ 228,659	$289,177	$(14,345)	$ 512,129
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	4,328	217	22,896	–	–	23,113
Additional Notes Receivable from ESOP, Net of Repayments of $7,428 (note 6)	–	–	–	–	(12,227)	(12,227)
Conversion of 6¾% Convertible Subordinated Debentures, Net (note 2)	7	–	101	–	–	101
Tax Effect of Sale of Option Shares by Employees	–	–	9,693	–	–	9,693
Net Earnings	–	–	–	163,428	–	163,428
Cash Dividends ($.07 per share)	–	–	–	(12,835)	–	(12,835)
BALANCE, FEBRUARY 3, 1991	177,099	$ 8,855	$ 261,349	$439,770	$(26,572)	$ 683,402
Conversion of 6¾% Convertible Subordinated Debentures, Net (note 2)	17,813	891	254,659	–	–	255,550
Sale of Common Stock in a Public Stock Offering, Net of Expenses of Sale	12,938	647	468,142	–	–	468,789
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	3,255	163	33,662	–	–	33,825
Tax Effect of Sale of Option Shares by Employees	–	–	14,575	–	–	14,575
Repayments of Notes Receivable from ESOP (note 6)	–	–	–	–	8,159	8,159
Conversion of 6% Convertible Subordinated Notes, Net (note 2)	7	–	211	–	–	211
Net Earnings	–	–	–	249,150	–	249,150
Cash Dividends ($.11 per share)	–	–	–	(22,449)	–	(22,449)
BALANCE, FEBRUARY 2, 1992	211,112	$10,556	$1,032,598	$666,471	$(18,413)	$1,691,212

See accompanying notes to consolidated financial statements.

THE HOME DEPOT, INC. AND SUBSIDIARIES

Amounts in thousands

	Fiscal Year Ended		
	February 2, 1992	February 3, 1991	January 28, 1990
CASH PROVIDED FROM OPERATIONS:			
Net Earnings	$249,150	$163,428	$111,954
Reconciliation of Net Earnings to Net Cash Provided by Operations:			
Depreciation and Amortization	52,283	34,358	21,107
Deferred Income Tax (Benefit) Expense	(2,082)	688	(2,880)
Increase in Receivables, Net	(30,147)	(10,392)	(16,063)
Increase in Merchandise Inventories	(153,235)	(127,570)	(87,178)
Increase in Accounts Payable and Accrued Expenses	108,180	111,059	99,106
Increase (Decrease) in Income Taxes Payable	28,063	16,496	(2,067)
Other	14,405	(7,371)	(7,220)
Total	17,467	17,268	4,805
Net Cash Provided by Operations	266,617	180,696	116,759
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures, Net of $538, $2,100 and $14,728 of non-cash capital expenditures in 1991, 1990 and 1989, respectively	(431,660)	(398,105)	(190,244)
Proceeds from Sale of Property and Equipment	831	229	719
(Purchase) Sale of Short-term Investments, Net	(132,124)	36,455	(65,856)
Purchase of Long-term Investments	(85,844)	–	–
Proceeds from Maturities of Long-term Investments	6,451	–	–
Advances Secured by Real Estate	–	(7,389)	–
Net Cash Used in Investing Activities	(642,346)	(368,810)	(255,381)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments Under Revolving Line of Credit, Net	–	–	(71,000)
Proceeds from Long-term Borrowings	5,200	230,000	258,750
Cash Loaned to ESOP	–	(19,655)	(345)
Repayments of Notes Receivable from ESOP	8,159	7,428	6,000
Principal Repayments of Long-term Debt	(7,141)	(1,567)	(5,871)
Proceeds from Sale of Common Stock, Net	502,614	23,113	13,146
Cash Dividends Paid to Stockholders	(22,449)	(12,835)	(8,386)
Net Cash Provided by Financing Activities	486,383	226,484	192,294
Increase in Cash and Cash Equivalents	110,654	38,370	53,672
Cash and Cash Equivalents at Beginning of Year	107,895	69,525	15,853
Cash and Cash Equivalents at End of Year	$218,549	$107,895	$ 69,525
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS MADE FOR:			
Interest (net of interest capitalized)	$ 16,366	$ 21,138	$ 11,831
Income Taxes	$119,901	$ 78,427	$ 69,016

See accompanying notes to consolidated financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to January 31. Fiscal years 1991 and 1989, which ended February 2, 1992 and January 28, 1990, respectively, consisted of 52 weeks. Fiscal year 1990, which ended February 3, 1991, consisted of 53 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Stockholders' equity, share and per share amounts for all periods presented have been adjusted for three-for-two stock splits effected in June 1991 and July 1990 in the form of stock dividends.

Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Company's short-term investments, consisting primarily of debt securities, are valued at amortized cost which approximates market. The Company has the intent and ability to hold its long-term investments until maturity. Accordingly, long-term investments are valued at amortized cost, adjusted for principal repayments. The cost of investments sold is determined on the specific identification method.

Merchandise Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, as determined by the retail inventory method.

Income Taxes

The Company provides for Federal and state income taxes currently payable as well as for those deferred because of timing differences between reporting income and expenses for financial statement purposes and for tax purposes. Targeted jobs tax credits are recorded as a reduction of income taxes in the year realized.

In February 1992, the Financial Accounting Standards Board issued Statement 109, "Accounting for Income Taxes" (SFAS 109), which supersedes Statement 96, "Accounting for Income Taxes" (SFAS 96). The Company had elected not to adopt SFAS 96 prior to its required effective date. SFAS 109 is effective for fiscal years beginning after December 15, 1992 and requires an asset and liability approach in accounting and reporting for income taxes and will therefore require a change from the deferred method the Company currently uses. The effect of adopting the statement on the net earnings of the Company in its current form, assuming no change in the statutory tax rates, is not expected to be significant.

Depreciation and Amortization

The Company's buildings, furniture, fixtures and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Improvements to leased premises are amortized on the straight-line method over the life of the lease or the useful life of the improvement, whichever is shorter. The Company's property and equipment is depreciated using the following estimated useful lives:

	Life
Buildings	20-45 years
Furniture, fixtures and equipment	5-20 years
Leasehold improvements	8-25 years

The cost in excess of the fair value of net assets acquired is being amortized on a straight-line basis over 40 years. The cost of purchased software and associated consulting fees is amortized on a straight-line basis over periods ranging from three to five years.

Store Pre-Opening Costs

Non-capital expenditures associated with opening new stores are charged to expense as incurred.

Store Closing Costs

When a store is relocated or closed, estimated unrecoverable costs are charged to expense. Such costs include the book value of abandoned fixtures, equipment, leasehold improvements and a provision for the present value of future lease obligations, less estimated sub-rental income.

Earnings Per Common and Common Equivalent Share

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

The Company's 6% Convertible Subordinated Notes, issued in 1990, are common stock equivalents. However, because shares issuable upon their conversion would be anti-dilutive they are not included in the earnings per share computations. The Company's 6¾% Convertible Subordinated Debentures were not common stock equivalents and, therefore, shares issued upon their conversion were included only in the computation of fully diluted earnings per share up to conversion date. The difference between primary and fully diluted earnings per share was not significant in any year presented.

2 LONG-TERM DEBT AND LINE OF CREDIT

The Company's long-term debt consists of the following (in thousands):

	February 2, 1992	February 3, 1991
6¾% Convertible Subordinated Debentures, converted into shares of common stock of the Company at $14.52 per share during fiscal 1991.	$ –	$258,649
6% Convertible Subordinated Notes, due June 15, 1997, convertible into shares of common stock of the Company at a conversion price of $32.11 per share. The Notes are redeemable by the Company at a premium, plus accrued interest, beginning June 30, 1992.	229,789	230,000
7.95% Unsecured Note, payable on September 1, 1995, incurred in connection with the establishment of a leveraged Employee Stock Ownership Plan and Trust (see note 6); interest is payable semi-annually.	20,000	20,000
Variable Rate Industrial Revenue Bonds, secured by letters of credit or land, interest rates averaging 5.29% during fiscal 1991, payable in varying installments through 1999 and $5,200 payable on September 1, 2011.	11,366	11,700
Installment Notes Payable of $9,162 and $11,662 in fiscal 1991 and fiscal 1990, respectively, interest imputed at rates between 10.5% and 11.5%, payable in varying installments through 2000.	6,936	8,517
Other	4,326	3,814
Total long-term debt	272,417	532,680
Less current installments	1,842	1,906
Long-term debt, excluding current installments	$270,575	$530,774

Maturities of long-term debt are $1,842,000 for fiscal 1992, $1,827,000 for fiscal 1993, $1,580,000 for fiscal 1994, $21,854,000 for fiscal 1995 and $1,240,000 for fiscal 1996.

At February 2, 1992, the Company had a revolving line of credit agreement for maximum borrowings of $300,000,000. An annual facility fee of 1/8% was paid quarterly on the total credit facility commitment. As of and for the fiscal year ended February 2, 1992, there were no borrowings under this agreement. Subsequent to February 2, 1992, the agreement was cancelled by the Company.

Under the revolving line of credit agreement, the Company was required, among other things, to maintain a minimum tangible net worth of $600,000,000 plus 65% of consolidated net earnings for periods beginning after August 5, 1991 and a ratio of debt to tangible net worth of no more than two to one. In addition, the 7.95% Unsecured Note related to the ESOP requires, among other things, that debt shall not exceed 66⅔% of consolidated assets net of goodwill and current liabilities.

The Company was in compliance with all restrictive covenants as of February 2, 1992. The restrictive covenants related to letter of credit agreements securing the industrial revenue bonds are no more restrictive than those described above.

During fiscal 1991, holders of the Company's 6¾% Convertible Subordinated Debentures converted a total principal amount of $258,649,000 into 17,813,085 shares of the Company's common stock. As a result of this transaction, the total principal amount converted was credited to common stock at par and paid-in capital, net of unamortized expenses of the original debt issue of $3,099,000. Assuming the conversions had occurred at the beginning of fiscal 1991, net earnings per common and common equivalent share would have decreased from $1.20 to $1.18 for the year ended February 2, 1992.

Interest expense in the accompanying consolidated statements of earnings is net of interest capitalized of $11,676,000 in fiscal 1991, $7,731,000 in fiscal 1990 and $2,389,000 in fiscal 1989.

3 INCOME TAXES

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

	Fiscal Year Ended February 2, 1992	February 3, 1991	January 28, 1990
Current:			
Federal	**$133,139**	$83,036	$62,460
State	**15,913**	12,676	10,481
	149,052	95,712	72,941
Deferred:			
Federal	**(1,676)**	619	(2,394)
State	**(406)**	69	(486)
	(2,082)	688	(2,880)
Total	**$146,970**	$96,400	$70,061

The effective tax rates were 37.1% for fiscal 1991 and 1990 and 38.5% for fiscal 1989. A reconciliation of income tax expense at the Federal statutory rate of 34% to actual tax expense for the applicable fiscal years follows (in thousands):

	Fiscal Year Ended February 2, 1992	February 3, 1991	January 28, 1990
Income taxes at Federal statutory rate	**$134,681**	$88,342	$61,885
State income taxes, net of Federal income tax benefit	**10,235**	8,412	6,597
Other, net	**2,054**	(354)	1,579
Total	**$146,970**	$96,400	$70,061

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

	Fiscal Year Ended February 2, 1992	February 3, 1991	January 28, 1990
Accelerated depreciation	**$ 7,708**	$6,262	$ 6,342
Accrued self-insurance liabilities	**(5,463)**	(2,648)	(7,338)
Other accrued liabilities	**(5,316)**	(2,625)	(1,592)
Other, net	**989**	(301)	(292)
Total	**$(2,082)**	$ 688	$(2,880)

4 EMPLOYEE STOCK PLANS

The Company has incentive and non-qualified stock option plans 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 of 1981, options for 21,945,336 shares, net of cancellations (of which 14,759,274 had been exercised), have been granted at $.32 to $37.67 per share as of February 2, 1992. 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. The Plan expired on June 1, 1991 and the shares available for grant have been carried over to the 1991 Omnibus Stock Option Plan.

Under the Non-Qualified Stock Option Plan of 1984, options for 339,563 shares, net of cancellations (of which 157,513 had been exercised), have been granted at $3.06 to $19.72 per share as of February 2, 1992. 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. The Plan expired on June 1, 1991 and the shares available for grant have been carried over to the 1991 Omnibus Stock Option Plan.

In March 1991, the Company's Board of Directors adopted the 1991 Omnibus Stock Option Plan. This plan was approved by the stockholders and became effective June 1, 1991. It provides for the Company to grant options to purchase shares of common stock in an initial aggregate amount of 7,500,000 shares plus the sum of the shares authorized and not granted under the Company's 1981 and 1984 Stock Option Plans (Carryover Shares). The Carryover Shares from the 1981 Incentive Plan and the 1984 Non-Qualified Plan were 2,097,939 and 2,191,684, respectively. Accordingly, at June 1, 1991, the 1991 Plan authorized a minimum number of shares of 11,789,623.

The provisions of the 1991 Omnibus Stock Option Plan authorize a maximum number of shares available for grant each fiscal year equal to the cumulative number of shares available the previous year plus one percent of the number of shares of common stock issued and outstanding at the beginning of each fiscal year the plan is in effect, subject to the minimum amount as described above. During 1991, 6,850 shares were granted from the new plan at $49.00 and $57.75 per share. As of February 2, 1992, the maximum shares available under this plan for future grants were 11,782,773.

4 EMPLOYEE STOCK PLANS *(continued)*

The following summarizes shares outstanding under the Plans and changes during the fiscal years then ended (in thousands of shares):

	Fiscal Year Ended February 2, 1992	February 3, 1991	January 28, 1990
Number of option shares			
At beginning of year			
Outstanding	8,320	9,739	9,418
Exercisable	1,968	2,391	2,416
During the year			
Issued	1,521	2,431	3,316
Cancelled	253	460	468
Became exercisable	2,533	2,967	2,502
Exercised	2,213	3,390	2,527
At end of year			
Outstanding	7,375	8,320	9,739
Exercisable	2,288	1,968	2,391
Average price per share			
Outstanding at the end of year	$14.66	$9.82	$6.19
Exercised during the year	$ 7.54	$3.99	$3.46

In addition, the Company had 3,501,491 shares available for future grants under the Employee Stock Purchase Plan at February 2, 1992. This Plan authorizes the Company to grant to substantially all full-time employees options to purchase up to 8,568,750 shares of common stock 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 common stock at its fair market value (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 1991, options for 1,081,700 shares were exercised at an average price of $17.27 per share. At February 2, 1992, options for 490,231 shares were outstanding, net of cancellations, at an average price of $33.49 per share.

5 LEASES

The Company leases certain retail locations, office space, warehouse and distribution space, equipment and vehicles under operating leases. As leases expire, it can be expected that in the normal course of business, they will be renewed or replaced. Total rent expense, net of minor sublease income, for the fiscal years ended February 2, 1992, February 3, 1991 and January 28, 1990 amounted to $87,750,000, $68,691,000 and $48,515,000, respectively. Real estate taxes, insurance, maintenance and operating expenses applicable to the leased property are obligations of the Company under the building leases. 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 February 2, 1992, February 3, 1991 and January 28, 1990 were approximately $4,381,000, $3,328,000 and $2,072,000, respectively.

5 LEASES *(continued)*

The approximate future minimum lease payments under operating leases at February 2, 1992 are as follows (in thousands):

Fiscal year	
1992	$ 93,576
1993	108,205
1994	107,739
1995	103,951
1996	101,556
Thereafter	1,242,978
	$1,758,005

6 EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

During fiscal 1988, the Company established a leveraged Employee Stock Ownership Plan and Trust (ESOP) covering substantially all full-time employees. At February 2, 1992, the ESOP held a total of 3,490,095 shares of the Company's common stock in trust for plan participants. The ESOP purchased the shares in the open market with the proceeds of loans obtained from the Company during fiscal 1990 and fiscal 1989 totaling $40,000,000. Of that amount, the Company borrowed $20,000,000 during 1988 in a private placement (see note 2), which in turn was loaned to the ESOP for the purpose of purchasing the shares. The private placement loan and $20,000,000 of the related Company loans to the ESOP have similar terms and mature in August 1995. The additional $20,000,000 loaned to the ESOP was funded by cash from operations of the Company.

During fiscal 1991, the Company's Board of Directors authorized an increase in the loan to the ESOP from $40,000,000 to $90,000,000. The Company intends to advance funds to the ESOP from time to time so that the ESOP may purchase up to an additional $50,000,000 of the Company's stock in the open market at prices the ESOP deems desirable. As of February 2, 1992, the Company had not made any additional loans to the ESOP as a result of the authorized increase.

The Company's common stock purchased by the ESOP is held in a "suspense account" as collateral for amounts loaned by the Company. Each year the Company makes contributions to the ESOP which the plan trustee is required to use to make loan interest and principal payments to the Company. When the Company commits to make contributions to the ESOP, a portion of the common stock is released from the "suspense account" and allocated to participating employees. Any dividends on unallocated shares are used to service the ESOP's debt, to pay expenses of the ESOP, to purchase additional shares of the Company's common stock or to purchase other investments. The unpaid portion of the ESOP's obligation to the Company is recorded as a reduction of stockholders' equity. The Company's contributions to the ESOP were $8,000,000, $7,000,000 and $6,000,000 for the fiscal years 1991, 1990 and 1989, respectively.

7 INVESTMENTS

At February 2, 1992 and February 3, 1991, short-term investments, including current maturities of long-term investments, consisted of the following (in thousands):

	February 2, 1992	February 3, 1991
Tax exempt notes and bonds	$146,373	$ 5,000
U.S. Treasury bills	–	9,683
Certificates of deposit	8,001	9,999
Commercial paper	7,151	4,719
Current maturities of long-term investments	15,125	–
	$176,650	$29,401

The Company's long-term investments consist of asset backed securities with an amortized cost and approximate market value, including current maturities of long-term investments, of $79,393,000 and $80,224,000, respectively. Expected maturities of long-term investments are due in varying installments through fiscal 1996.

8 COMMITMENTS AND CONTINGENCIES

At February 2, 1992, the Company was contingently liable for approximately $36,894,000 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.

9 QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the fiscal years ended February 2, 1992 and February 3, 1991, including percent increase in comparable store sales adjusted to reflect the first 52 weeks in the fiscal year ended February 3, 1991 (in thousands, except percent and per share data):

	Net sales	Percent increase in comparable store sales	Gross profit	Net earnings	Net earnings per common and common equivalent share
Fiscal year ended February 2, 1992:					
First Quarter	**$1,186,890**	**10%**	**$ 325,618**	**$ 51,288**	**$ .28**
Second Quarter	**1,352,792**	**11%**	**369,083**	**71,828**	**.34**
Third Quarter	**1,298,277**	**10%**	**365,378**	**58,385**	**.27**
Fourth Quarter	**1,298,715**	**12%**	**384,258**	**67,649**	**.31**
	$5,136,674	**11%**	**$1,444,337**	**$249,150**	**$1.20**
Fiscal year ended February 3, 1991:					
First Quarter	$ 880,856	13%	$ 243,662	$ 38,617	$ .21
Second Quarter	990,346	12%	269,226	47,239	.26
Third Quarter	936,612	8%	258,817	36,096	.20
Fourth Quarter	1,007,542	6%	292,566	41,476	.23
	$3,815,356	10%	$1,064,271	$163,428	$ .90

10 SUBSEQUENT EVENT

On February 3, 1992, the Company issued, through a public offering, $805,000,000 of its 4½% Convertible Subordinated Notes at par, maturing February 15, 1997. The Notes are convertible into shares of common stock at any time prior to maturity, unless previously redeemed, at a conversion price of $77.50 per share, subject to adjustment under certain conditions. The Notes may be redeemed in whole or in part during the period beginning March 3, 1995 and ending on February 14, 1996 at 101.125% of their principal amount and thereafter at 100% of their principal amount. The Notes are not subject to sinking fund provisions.

The net proceeds of $796,000,000 from the sale of Notes will be used principally to finance a portion of the Company's capital expenditure programs over the next several years, including planned store expansion and renovation, and for general corporate purposes.

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

KPMG Peat Marwick

We have audited the accompanying consolidated balance sheets of The Home Depot, Inc. and subsidiaries as of February 2, 1992 and February 3, 1991, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended February 2, 1992. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Home Depot, Inc. and subsidiaries as of February 2, 1992 and February 3, 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended February 2, 1992 in conformity with generally accepted accounting principles.

KPMG Peat Marwick

Atlanta, Georgia
March 13, 1992

Directors

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

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

Ronald M. Brill
Sr. Vice 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
The Hart Group

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

Frank Borman**+
Retired Chairman of the Board
and Chief Executive Officer
Eastern Airlines, Inc. and
Chairman of the Board
Patlex Corporation

Peter S. Gold
Retired Chairman and
Chief Executive Officer
Price Pfister, Inc.

* *Member of the Executive Committee*
** *Member of the Audit Committee*
\+ *Member of the Compensation Committee*

Officers

Corporate
Bernard Marcus
Chairman of the Board
Chief Executive Officer
Secretary

Arthur M. Blank
President and
Chief Operating Officer

James Inglis
Executive Vice President-
Merchandising

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

William E. Harris
Sr. Vice President –
Corporate Development

W. Andrew McKenna
Sr. Vice President –
Information Services

Dennis Ryan
Sr. Vice President –
Merchandising

Donald P. McKenna
Vice President – Human Resources

Lawrence A. Smith
Vice President – Legal

Marshall L. Day
Vice President – Finance

Dick Hammill
Vice President –
Advertising and Marketing

Peter E. Cleaveland
Vice President – Distribution

Ted Kaczmarowski
Vice President – Construction

Edward A. Wolfe
Vice President – Loss Prevention

Preston R. Kirby
Controller

Northeast Division
Larry Mercer
President

Barry Silverman
Vice President – Merchandising

Southeast Division
Bruce Berg
President

Bryant Scott
Vice President –
Merchandising/Southern

Jesse Behnke
Vice President –
Merchandising/Mid-South

Lynn Martineau
Vice President – Store Operations
Southern

Larry Bucksbarg
Vice President – Store Operations
Mid-South

Western Division
Bill Hamlin
President

Kurt Plouff
Vice President – Merchandising

Paul Rodriguez
Vice President – Store Operations

Mike McCabe
Vice President – Store Operations

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Information contact:
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1-800-633-4236

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KPMG Peat Marwick
Suite 1900
245 Peachtree Center Avenue
Atlanta, Georgia 30303

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. Wednesday, May 27, 1992, at the Stouffer Waverly Hotel, 2450 Galleria Parkway, N.W., Atlanta, Georgia

Number of Stockholders
As of March 13, 1992, there were approximately 24,000 stockholders of record. This number excludes individual stockholders holding stock under nominee security position listings.

Dividend Policy
The Company did not declare dividends prior to fiscal 1987. During fiscal 1991, the Company paid a quarterly dividend of $.02 per share in March and $.03 per share in July, September and December.

Dividend Reimbursement/Stock Purchase Plan
Stockholders may acquire additional shares of The Home Depot's common stock through its Dividend Reinvestment/Stock Purchase Plan. For all communication regarding this service, contact:

Wachovia Bank of North Carolina, N.A.
Dividend Reinvestment Section
P.O. Box 3001
Winston-Salem, North Carolina 27102

Information contact:
Larry Watkins
1-800-633-4236

Form 10-K
A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1992 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 and Chief Financial Officer
The Home Depot, Inc.
2727 Paces Ferry Road
Atlanta, Georgia 30339

Portions of this annual report are printed on recycled paper.

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