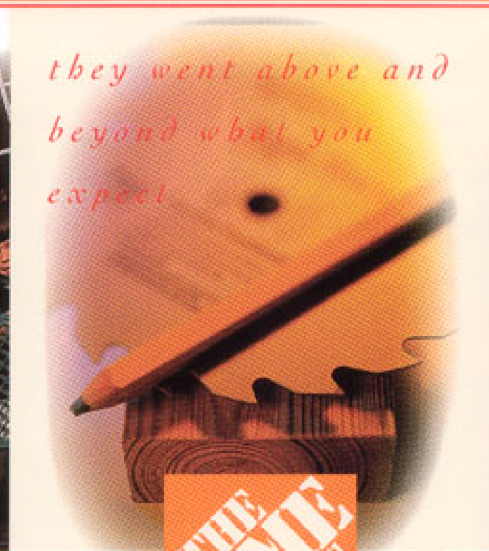
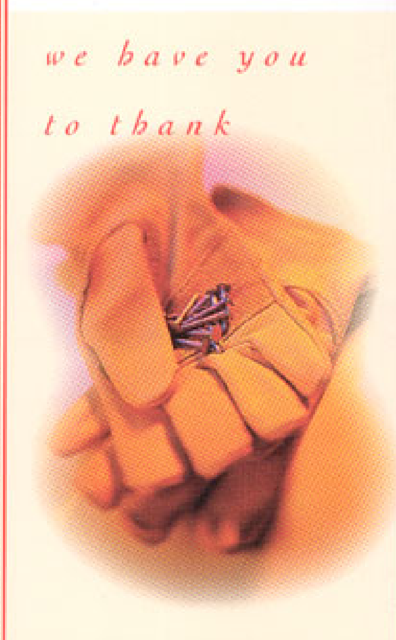
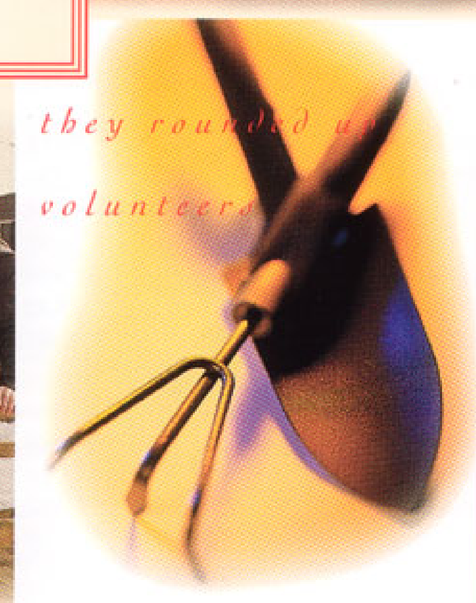




Guess what happened to me at The Home Depot

1994 Annual Report



Company Profile

Founded in 1978 in Atlanta, Georgia, The Home Depot® is the world's largest home improvement retailer and ranks among the 20 largest retailers in the United States. At the close of fiscal 1994, the Company was operating 340 full-service, warehouse-style stores, 328 in 28 states in the U.S. and 12 stores in three Canadian provinces.

The average Home Depot store has approximately 103,000 square feet of indoor selling space, with an additional 20,000-28,000 square feet of outside garden center including houseplant enclosures. The stores stock approximately 40,000 to 50,000 different kinds of building materials, home improvement products and lawn and garden supplies. In addition, Home Depot stores offer installation services for many products. The Company employs approximately 70,000 associates.

Retail industry analysts have credited The Home Depot with being a leading innovator in retailing by combining the economies of scale of warehouse-format stores with a high level of customer service. The Company has augmented that concept with a corporate culture that values decentralized management and decision-making, entrepreneurial innovation and risk-taking, and high levels of employee commitment and enthusiasm.

Stores serve primarily do-it-yourselfers, although home improvement contractors, building maintenance professionals, interior designers and other professionals have become increasingly important customers.

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.

contents

Ten Year Selected Financial and Operating Highlights

The Home Depot, Inc. and Subsidiaries

Amounts in thousands, except where noted

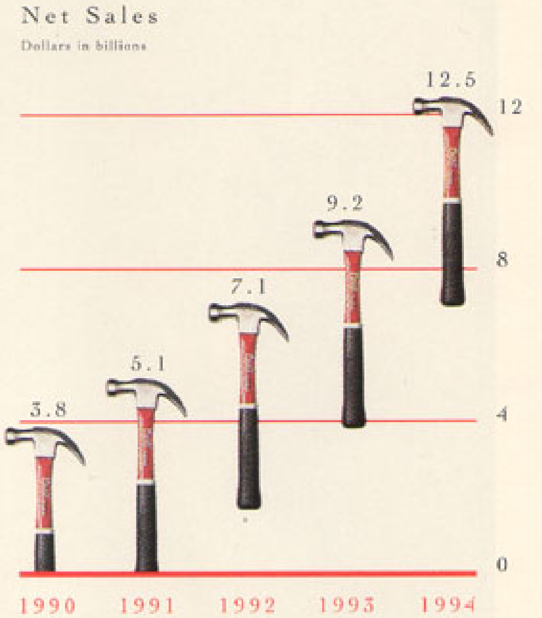
	5 Year Annual Compound Growth Rate	10 Year Annual Compound Growth Rate	1994	1993
Statement of Earnings Data				
Net sales	35.2%	40.0%	$12,476,697	$9,238,763
Net sales increase – %	–	–	35.0	29.2
Earnings before taxes	40.0	43.6	979,751	736,871
Net earnings	40.1	45.6	604,501	457,401
Net earnings increase – %	–	–	32.2	26.1
Net earnings per share ($)	32.8	36.2	1.32	1.01
Net earnings per share increase – %	–	–	30.5	23.2
Weighted average number of shares	6.0	6.4	475,947	453,037
Gross margin – % to sales	–	–	27.9	27.7
Store selling and operating – % to sales	–	–	17.8	17.6
Pre-opening – % to sales	–	–	.4	.4
General and administrative – % to sales	–	–	1.8	2.0
Net interest (expense) income – % to sales	–	–	(.1)	.3
Earnings before taxes – % to sales	–	–	7.8	8.0
Net earnings – % to sales	–	–	4.8	5.0
Balance Sheet Data and Financial Ratios				
Total assets	38.9%	36.9%	$ 5,778,041	$4,700,889
Working capital	27.4	24.8	918,724	993,963
Merchandise inventories	35.6	35.5	1,749,312	1,293,477
Net property and equipment	45.9	46.3	3,397,237	2,370,904
Long-term debt	26.6	23.6	983,369	874,048
Stockholders' equity	46.4	45.6	3,442,223	2,814,100
Book value per share ($)	37.1	36.6	7.59	6.26
Long-term debt to equity – %	–	–	28.6	31.1
Current ratio	–	–	1.76:1	2.02:1
Inventory turnover	–	–	5.7x	5.9x
Return on average equity – %	–	–	19.3	17.9
Statement of Cash Flows Data				
Depreciation and amortization	43.8%	49.2%	$ 129,609	$ 89,839
Capital expenditures	42.9	37.4	1,220,180	900,452
Cash dividends per share ($)	–	–	.15	.11
Customer and Store Data				
Number of U.S. states	18.5%	16.7%	28	23
Number of Canadian provinces	–	–	3	–
Number of stores	23.6	27.1	340	264
Square footage at year-end	27.5	30.9	35,133	26,383
Change in square footage – %	–	–	33.2	26.3
Average square footage per store	–	–	103	100
Number of customer transactions	29.0	35.7	302,181	236,101
Average sale per transaction ($)	4.8	3.1	41.29	39.13
Number of employees	30.9	32.6	67,300	50,600
Other Data				
Average total company weekly sales	35.2%	40.0%	$ 239,936	$ 177,669
Weighted average weekly sales per operating store	9.3	8.2	802	764
Comparable store sales increase – % [2]	–	–	8	7
Weighted average sales per square foot ($) [2]	5.9	5.0	404	398
Advertising expense – % to sales	–	–	.5	.5

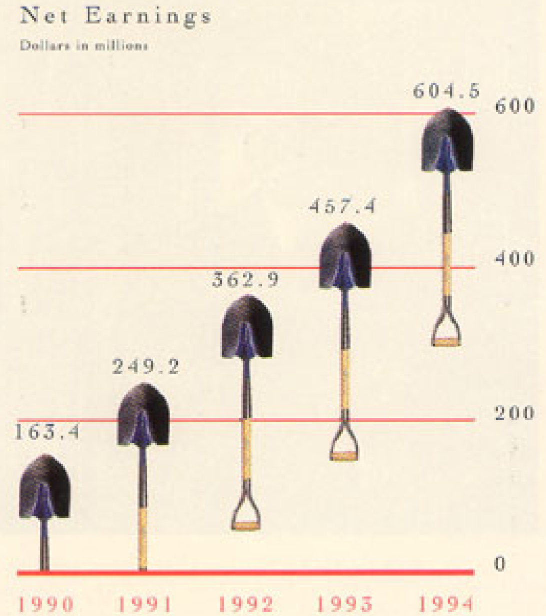
[1] *Fiscal year 1990 consisted of 53 weeks, all other years reported consisted of 52 weeks.*

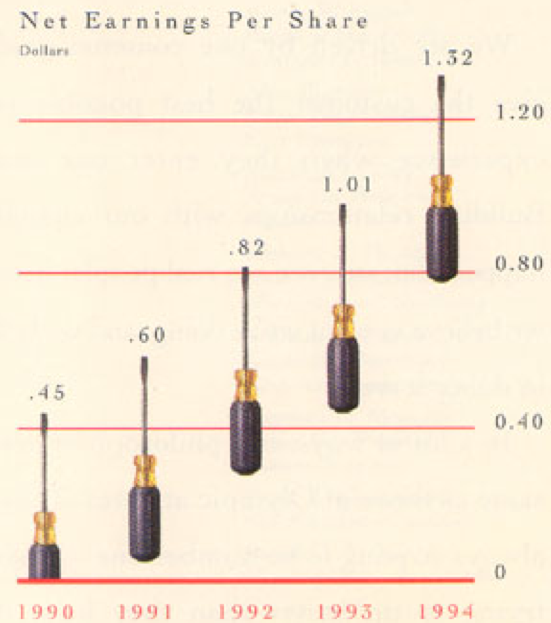
[2] *Adjusted to reflect the first 52 weeks of the 53-week fiscal year in 1990.*

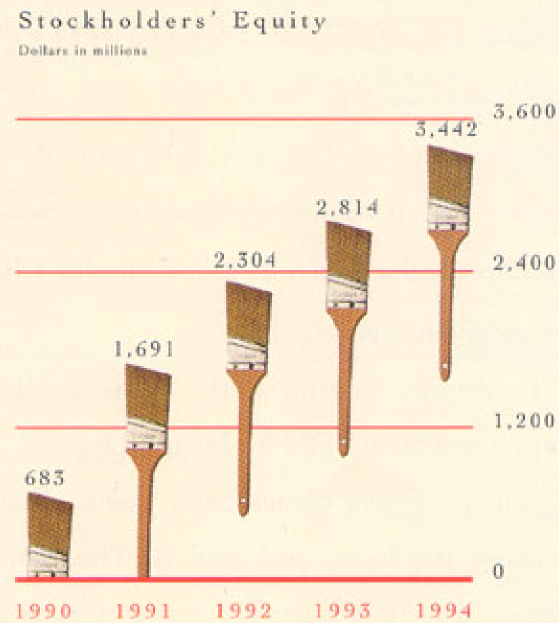
1992	1991	1990[1]	1989	1988	1987	1986	1985
$7,148,436	$5,136,674	$3,815,356	$2,758,535	$1,999,514	$1,453,657	$1,011,462	$700,729
39.2	34.6	38.3	38.0	37.6	43.7	44.3	61.9
575,973	396,120	259,828	182,015	125,833	95,586	47,073	11,619
362,863	249,150	163,428	111,954	76,753	54,086	23,873	8,219
45.6	52.5	46.0	45.9	41.9	126.6	190.5	(41.8)
.82	.60	.45	.32	.22	.17	.09	.03
36.7	33.3	40.6	45.5	29.4	88.9	200.0	(50.0)
444,989	415,997	362,505	355,409	345,976	323,961	269,124	255,633
27.6	28.1	27.9	27.8	27.0	27.8	27.5	25.9
17.4	18.1	18.2	18.3	17.8	18.1	18.7	19.2
.4	.3	.4	.3	.4	.3	.3	1.1
2.1	2.3	2.4	2.5	2.4	2.6	2.7	2.9
.4	.3	(.1)	(.1)	(.1)	(.2)	(1.1)	(1.2)
8.1	7.7	6.8	6.6	6.3	6.6	4.7	1.7
5.1	4.8	4.3	4.1	3.8	3.7	2.4	1.2
$3,931,790	$2,510,292	$1,639,503	$1,117,534	$ 699,179	$ 528,270	$ 394,741	$380,193
807,028	623,937	300,867	273,851	142,806	110,621	91,076	106,451
939,824	662,257	509,022	381,452	294,274	211,421	167,115	152,700
1,607,984	1,254,774	878,730	514,440	332,416	244,503	168,981	160,816
843,672	270,575	530,774	302,901	107,508	52,298	116,907	199,943
2,304,081	1,691,212	683,402	512,129	382,938	320,559	163,042	89,092
5.20	4.01	1.93	1.49	1.13	.97	.56	.35
36.6	16.0	77.7	59.1	28.1	16.3	71.7	224.0
2.07:1	2.17:1	1.73:1	1.94:1	1.74:1	1.75:1	1.85:1	2.27:1
6.3x	6.1x	6.0x	5.9x	5.8x	5.4x	4.6x	4.1x
18.1	18.5	27.6	25.2	21.6	21.1	20.3	9.7
$ 69,536	$ 52,283	$ 34,358	$ 21,107	$ 14,673	$ 10,646	$ 8,697	$ 5,193
437,278	432,198	400,205	204,972	105,123	89,235	52,363	99,767
.08	.05	.04	.02	.02	.01	–	–
19	15	12	12	10	8	7	7
–	–	–	–	–	–	–	–
214	174	145	118	96	75	60	50
20,897	16,480	13,278	10,424	8,216	6,161	4,828	4,001
26.8	24.1	27.4	26.9	33.4	27.6	20.6	68.0
98	95	92	88	86	82	80	80
189,493	146,221	112,464	84,494	64,227	48,073	34,020	23,324
37.72	35.13	33.92	32.65	31.13	30.24	29.73	30.04
38,900	28,000	21,500	17,500	13,000	9,100	6,600	5,400
$ 137,470	$ 98,782	$ 71,988	$ 53,049	$ 38,452	$ 27,955	$ 19,451	$ 13,476
724	633	566	515	464	418	355	343
15	11	10	13	13	18	7	2
387	348	322	303	282	265	230	223
.5	.7	.9	1.1	1.5	2.0	2.4	3.2

Financial Performance









Message to Our Stockholders

Bernard Marcus

Chairman and Chief Executive Officer

Arthur M. Blank

President and Chief Operating Officer

You've heard them all... no matter where we go, we hear the stories. Everyone, it seems, has a tale to tell, an experience to share, and a generous thank you for what we've given them.

It always begins with, "Guess what happened to me at The Home Depot ..."

And it always comes back home. That's because the heart and soul of The Home Depot are the people. We serve customers. We help our communities grow. We are never content, we always strive to improve.

We are driven by one common goal, to give the customer the best possible retail experience when they enter our stores. Building relationships with our customers happens because we are real people, because we believe in what we're doing, and we believe in doing it well.

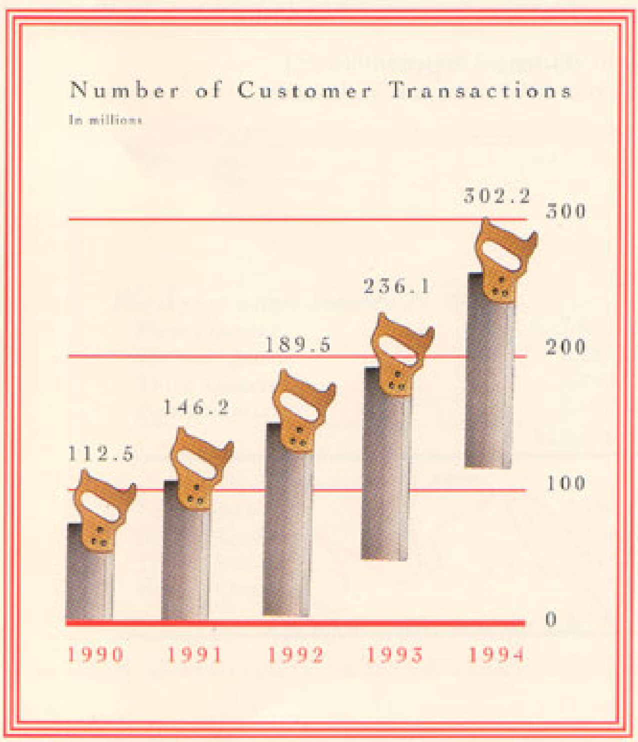
In a lot of ways, our philosophies are the same as those of Olympic athletes. They are always striving to be number one – pushing, trying to do better than they have done before. These are the same values that we share at The Home Depot.

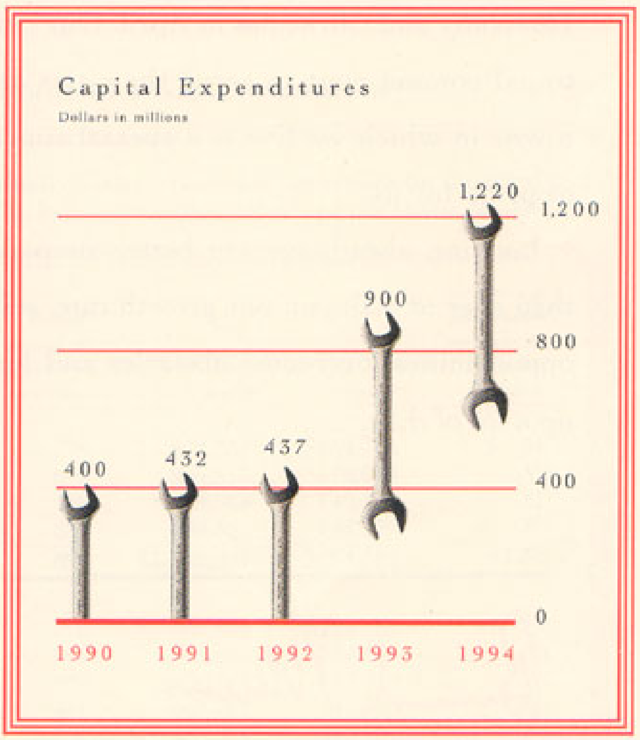
We know that one person can make a difference, and that's what is so unique about our Company. It doesn't matter where our associates work in our Company, they can all make a difference. If we care about our customers, our communities, our Company and our associates – in the final analysis, we should always come out ahead.

These lasting bonds we formed with our customers propelled us to new milestones of store growth, merchandising innovations and strong financial performance.

Our achievements in 1994 propelled us to our ninth consecutive year of record sales and earnings, while adding 77 stores, of which 45 were in 19 new markets across North America. At fiscal year-end, we employed nearly 70,000 associates, all of whom are imbued with making the dream of affordable home improvement come true.

Also last year, we became an international company with our entry into Canada and the start of our planning to go south to Mexico, and beyond. At the same time, we looked within the United States, forming a foundation for future growth with The Home Depot CrossRoads™ and Expo® Design Centers.





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We grew with our communities, and volunteered for programs such as Habitat for Humanity and Christmas in April. Our continual commitment to serve the cities and towns in which we live is a special source of pride for us.

Looking ahead, we are better prepared than ever to maintain our growth rate, seize opportunities, overcome obstacles and kick up a lot of dust.

We plan to open approximately 91 new stores in fiscal 1995 and relocate approximately nine others. In every store that opens, we work hard to give our customers the same wonderful shopping experiences that The Home Depot has offered for the past 15 years.

We will strive to continue to achieve greater efficiencies and cost savings, applying cutting-edge technology to improve our operations and customer service.

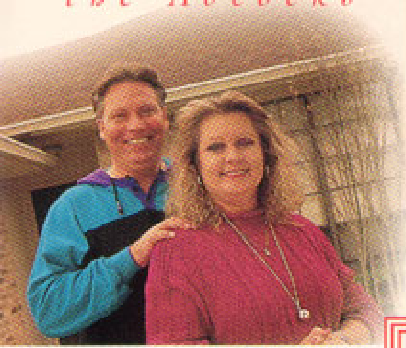
Going forward, we pledge to continue to listen and learn from our associates and our customers about how to bring that Home Depot magic to every person who enters our stores.

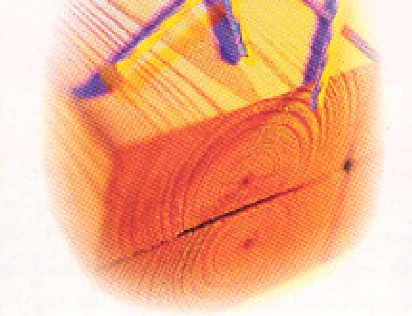
Our goal is that every customer will want to say, "Guess what happened to me at The Home Depot!"

Bernard Marcus
Chairman and Chief Executive Officer
March 31, 1995

Arthur M. Blank
President and Chief Operating Officer

the Adcocks





a Home Depot truck pulled up

a team of volunteers

A helping hand in Texas

DeSoto, Texas—Forecasters warned that the tornado that tore through this middle class community was just a taste of what was to follow. So when Janie Adcock went outside to survey the damage to her home, all she could think of was that the worst was yet to come.

"As I looked at my house, I had this sinking feeling. How could we fix the damage to our roof and replace shattered windows before more bad weather rolled in?"

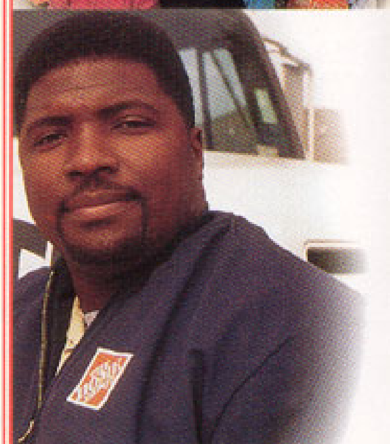
She couldn't believe what happened to her while she was sifting through the debris. A Home Depot truck pulled up with volunteers from the Duncanville store offering lumber, hammers, gloves and plastic sheeting.

"They said that we had always been good customers and that they were giving back to the community by donating materials," says Mrs. Adcock. "The tears just came pouring down my cheeks and I sat down and cried."

She says many of her neighbors would have lost prized possessions to the ensuing rains had it not been for the store's quick response and donated materials coordinated by Time For Dallas which were used to shore up the damage before the next onslaught of bad weather.

When the storm had passed and destruction in the Dallas suburb was assessed, nearly 800 homes in the town of 30,000 had been damaged and the City Center complex of government buildings had been destroyed.

"I can't say enough good things about Home Depot," says Mrs. Adcock. "We were able to weather the storm and we have you to thank."



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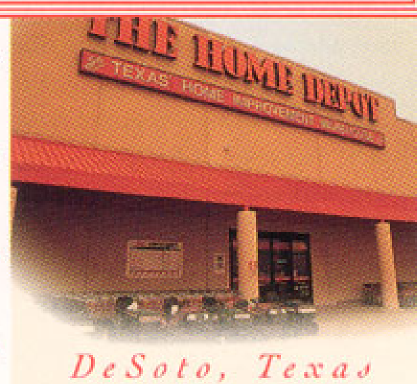
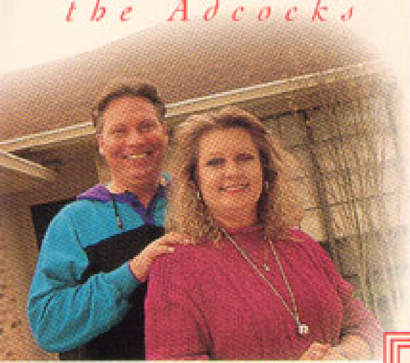
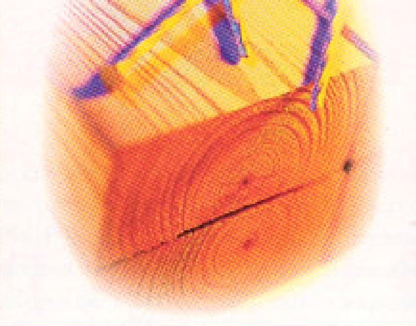


DeSoto, Texas

the Adcocks





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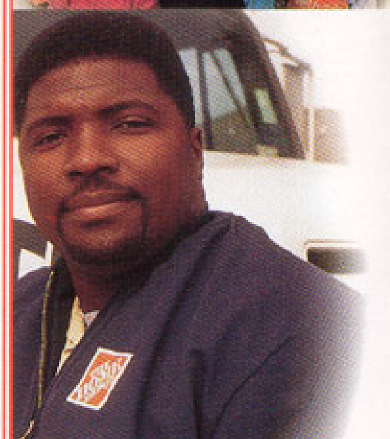


I had this

sinking

feeling

the

tears

just

came

we

have

you to

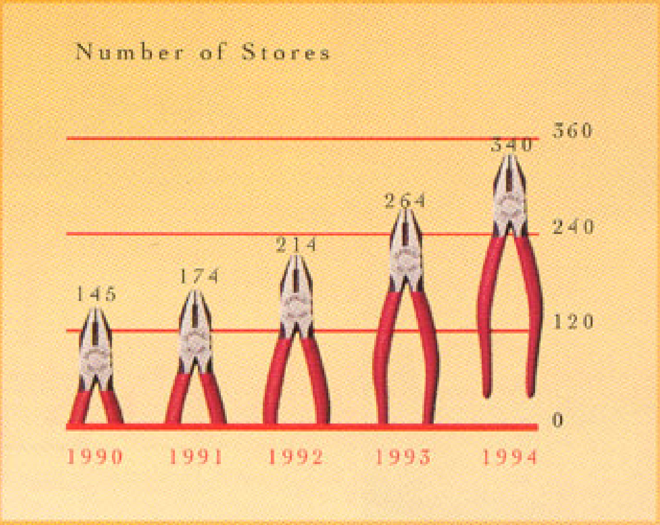
thank

DeSoto, Texas

Year in Review Continued

At the end of fiscal 1994, we operated 340 stores in 28 states in the United States and three Canadian provinces. During the year, we entered 19 new markets and opened 70 new stores, acquired seven stores, and closed one.

During fiscal 1995, we plan to enter 10 new markets and open approximately 91 new stores in the United States and Canada, for a total of approximately 431 stores.



Midwest Division Recognizing the vast growth opportunity in the Midwestern states, the Company in 1993 created a Midwest Division, and in 1994 entered the region's two largest markets – Chicago and Detroit – and opened 11 stores.

The Midwest, a leading area for affordable housing in the United States, is expected to be one of our fastest-growing divisions for several years to come. Approximately 16 additional stores are scheduled for 1995, and by the end of 1998, we expect approximately 112 stores to be in operation.

Much like the Northeast, the Midwest has a dense concentration of aging housing stock and harsh weather, as well as a strong home improvement work ethic.

The Home Depot Canada The acquisition of a 75% interest in the Aikenhead's Home Improvement Warehouse chain in Canada, through a partnership and its conversion to The Home Depot Canada stands as one of our most significant accomplishments of 1994. Developed by a former Home Depot officer who remains as division president, the Aikenhead's stores were similar in design to our basic layout. Under the joint venture agreement with the Molson Companies Limited, our Company acquired a 75% interest in a partnership in Aikenhead's, with The Home Depot serving as the managing partner.

Seven warehouse stores were included in the acquisition, and an additional five stores were built during the fiscal year, for a total of 12 stores. At fiscal year-end, The Home Depot Canada was serving customers in eight stores in Ontario, two stores in Vancouver, British Columbia, and one store each in Edmonton and Calgary, Alberta. Approximately nine additional new stores are planned for a total of 21 by the end of fiscal 1995, and by the end of 1998, we expect 40-50 stores to be in operation.

In addition to giving us what we believe to be a three-year head-start in attaining a significant presence in the Canadian market, the acquisition provides an employee base of approximately 3,000 associates committed to excellent customer service and a record of loyal customer relationships.

Mexico Division This past year we developed the nucleus of our Mexico Division and began building relationships with key suppliers in Mexico.

Our entry into Mexico will be cautious and slow. On a long-term basis, however, we expect our eventual investments there to be prudent and we anticipate that success there will open doors to doing business throughout Central and South America.

Growing the Business by Growing the Market In 1994, we added 77 stores with a total of approximately 8,750,000 square feet, which is a 33% increase in selling space over the end of fiscal 1993.

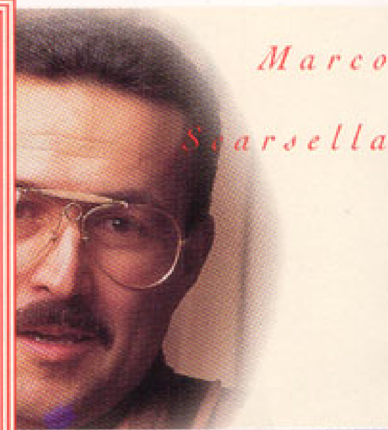
A portion of that increase comes from our Type V stores, a prototype format which offers about 32,000 more square feet of selling space and a significantly broader and deeper selection of products and services, as well as a more convenient layout than our traditional stores. In designing the Type V store, we took into consideration that many home improvement projects begin with a kitchen and bath renovation and are followed by interior design undertakings. With that in mind, we located the professionally staffed design center in a central location and grouped complementary product categories together. How-to clinics are held by in-house design professionals, who teach an assortment of projects.

During the year, we built or remodeled existing stores into 14 Type V stores. We now have a total of 16 and expect to continue to test this new store format and more than double that number during 1995, for a total of approximately 33 stores.

Our strategy of cannibalizing existing stores by opening new stores nearby has allowed us to maintain our lead in providing the best customer service in

Zora

little helpers



Marco Scarsella

The Home Depot way

Woodbridge, Ontario – Zora Asanin is the first to admit she's no carpenter, but her new home needed storage units above the washer and dryer, and she wanted to see if they could be built.

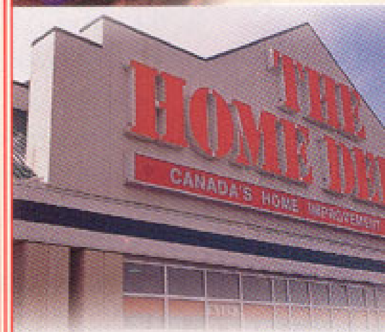
She piled her boys, ages 3, 5 and 7, into the car and traveled 20 minutes to The Home Depot. While she had measurements and a picture in her mind of what she wanted, Ms. Asanin had no concept of how the shelves should be made. Guess what happened to her when she got to the lumber department?

Associate Marco Scarsella came to her rescue.

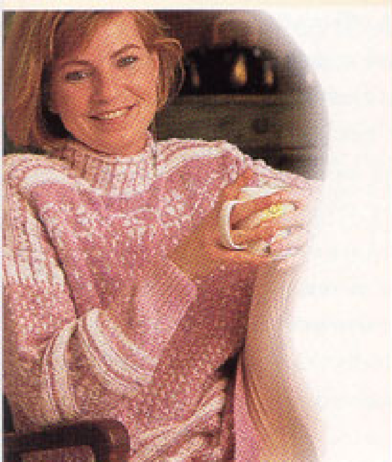
"He went above and beyond what you expect, displaying professionalism and an extremely personable approach," says Ms. Asanin.

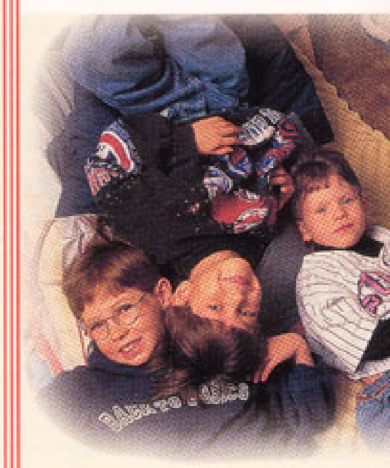
The children were full of energy and the store was packed with customers, but that didn't stop Marco from his mission. He chose the lumber and cut each piece to size, helped to select the hardware, diagramed the project with every imaginable view and penciled in step-by-step instructions, indicating with arrows where each screw should go. He also took the time to entertain the boys, involving them in the project and giving each a piece of wood to hold and screws to go with it.

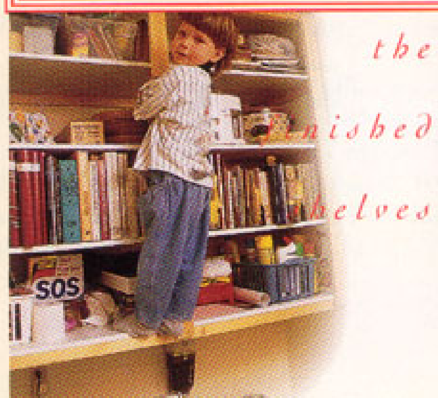
The finished shelves in Ms. Asanin's laundry room are a pleasant reminder of her trip to the Woodbridge store. Sturdy and solid, they were designed with patience and attention to detail – The Home Depot way.



Woodbridge, Ontario



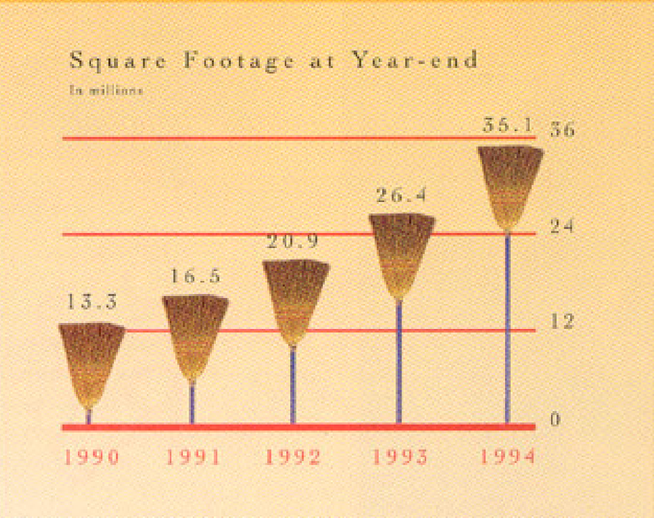




the finished shelves

Year in Review Continued

home improvement retailing. By cannibalizing stores, we are able to further increase our customer base within existing markets by providing more customers with convenient shopping locations. Customer service is more critical in home improvement retailing than in many other retail niches because customers need expert advice and support. By providing the guidance they need, we stimulate customers' interest, confidence levels and proficiency in engaging in home improvement activities. As a result, we have increased overall demand for home improvement products and services in the markets where we operate stores. Simply stated, we have been growing our business by also growing the market.



Merchandising Today for Growth Tomorrow During 1994, we refined our merchandising function to be more efficient and responsive to customers. Our new structure gives division merchandising managers responsibility for specific product categories, such as decor and construction, and specialists in each of those categories make sure business lines are kept current. In addition, there are also field merchants who work with the stores to ensure the proper implementation of new programs as well as maintaining ongoing programs. This approach strengthens product lines, gets the right merchandise to the customers, reduces administrative costs and prepares us to expand into even more business lines.

In working toward our goal to be "The Do-it-yourself (DIY) Retailer," we created CrossRoads and Expo Design Centers, two store formats designed to cater to customer segments that are currently underserved. While working as divisions of the Company, each is able to exercise autonomy in merchandising, recognizing the differing needs of its consumers.

CrossRoads Our CrossRoads store format, announced last fall, will carry building and home improvement supplies sold at the traditional Home Depot stores, as well as a broad assortment of products and services for farmers and ranchers. By combining our traditional customer base with the farmer and rancher community, we believe we have a strategy that might enable us on a long-term basis to penetrate hundreds of markets much smaller than those where we currently operate. As we have done with every other new concept we have introduced, we will tinker with this new format and roll it out cautiously.

The first CrossRoads store is expected to open in Quincy, IL, during the summer of 1995 and stores in Waterloo, IA, and Columbia, MO, are expected to also open during the year.

The average CrossRoads store is expected to encompass more than 100,000 square feet, plus additional outside selling space of approximately 100,000 square feet.

Expo® Design Centers Due to strong customer acceptance of our Expo stores in San Diego and Atlanta, we plan to add Expo stores in Westbury, NY, on Long Island, and in Dallas, TX, during 1995.

Targeted to the upscale homeowner, the Expo stores offer approximately 125,000 square feet of selling space plus 5,000 square feet of climate-controlled garden space.

More than 20 professional designers on staff and top-of-the-line brands, many previously unavailable to consumers in a discount retail setting, as well as installation services, combine to provide a unique shopping experience that draws customers from a wide trade area.

Strengthening Customer Ties We forge strong relationships with our customers by continuously improving the assortment of products they want while providing the high level of personal service they have come to expect from us.

Do-it-yourself customers will continue as our core business. Comprising approximately two-thirds of the total home improvement segment, DIY customers buy materials for the home and install it themselves. Many take advantage of "how-to" classes offered in The Home Depot stores.

Emerging from the upswing in home improvement activity are the buy-it-yourself (BIY) customers. The BIY customer chooses products, makes the purchase and contracts with others to complete or install the project.

Mike Ryan

the Rambling Ryan show

Brandon, Florida—Every Saturday morning, week after week, the gardeners come. From the very young to the retiree, they descend upon the Brandon store like clockwork, to see Mike Ryan in his element, among the periwinkles and begonias, to hear what he has to say about black spot fungus and butterfly larvae.

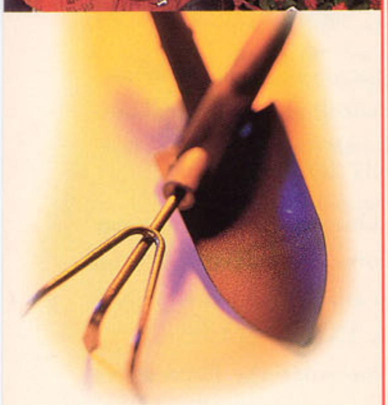
It's a "family" of sorts that Mike tends to, and it has grown to 60 members, who can't believe what a wonderful time they have when they go to The Home Depot.

The "Rambling Ryan Show," as he likes to call it, came about purely by accident. Mike frequently found himself to be the center of activity when dealing with a customer problem. A one-on-one conversation would end up as a free-for-all, with folks asking questions and more questions of the gardening expert.

"I figured if I could gather eight individuals in the gardening center, I could do wonders with a clinic," he says.

So it was that the wall came down and the bleachers went up to accommodate the customers and stockholders who gather with their potted plants and stories. As the "snow birds" and natives like to point out, the clinic is more than a how-to session on the wonders of Mother Nature.

"Sure, I've found out what kind of bugs were eating my gardenias and that my pecans needed more zinc," says clinic regular Helen Brown. "But, I've also met some friends and I know there will always be a seat waiting for me on Saturdays at The Home Depot."



the center of activity

a family of sorts

The Rambling Ryan Show

Brandon, Florida

Year in Review Continued

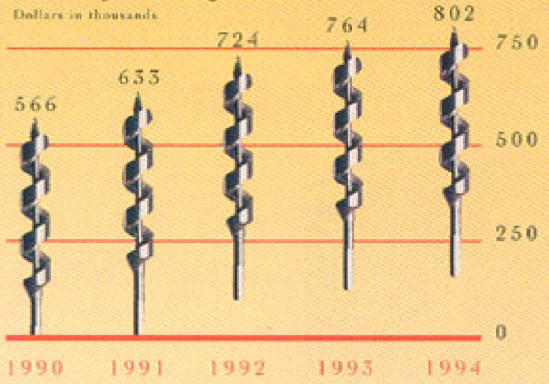
We are capturing the BIY momentum by expanding our installed sales program companywide. Carpet installations represent about 25% of our growing installed sales program, and by the end of 1994, The Home Depot had grown to No. 2 in retail carpet sales in the United States.

We have also continued reaching out to the professional business customer, who represents about one-third of the home improvement industry. In addition to our commercial credit program, our stores have set up commercial check-out lines, offer expanded professional brands and on-site delivery, and have hired more associates with experience in professional business areas.

Our global outlook expanded in 1994 as we welcomed Terence Smith to our Company, to the newly created position of Vice President/General Manager – Imports. He will further grow and improve our import program in the areas of product development, sourcing and distribution.

Weighted Average Weekly Sales Per Operating Store

Dollars in thousands



Running Fast as a Partner With the 1996 Olympic Games We took the Olympic torch and ran with it in 1994, while celebrating the spirit of going for the gold. A Centennial Olympic Games Partner since 1992, The Home Depot culminated a year of Olympic-related preparation by unveiling a program to help pave the Olympic Park in Atlanta with engraved bricks, hiring athletes to work in our stores and office while they train for the Games, and continuing our groundbreaking cooperative partnership with vendors in our "Home Depot Olympic Family."

We continued our growing partnership with 29 key suppliers in the United States and 26 in Canada, who are members of The Home Depot Olympic Family. Each of the "Family" members represent a specific home improvement product category and may participate in many of Home Depot's Olympic Games promotions.

In addition, the opportunity to produce Medallion Series™ products became available to these vendors. Sold exclusively at The Home Depot, the Medallion Series product line is specially packaged and represents the highest quality and most technologically advanced merchandise produced by Olympic Family Members.

At the heart of the Olympic Games are the athletes, who go the extra mile in their quest to realize their dream. To show our support for these hard working men and women, we joined in the Olympic Job Opportunities Program, and have already welcomed more than 50 Olympic Hopefuls on board to bring the spirit of the Games to The Home Depot. The participants who work in our stores are seen by customers as real people as well as accomplished athletes who juggle work and training. While allowing for flexible hours and shortened work days for training and competition, the program is seen by the athletes as a way to provide financial security and help them progress toward a productive career.

Reflecting our desire to serve people regardless of disabilities, we also announced our sponsorship of the Paralympic Games, which will follow the Summer Games in Atlanta. Support of the Paralympic Games and the courageous athletes who compete reflects our commitment to better serve our associates and customers with disabilities. We plan to continue to augment our product and service offerings for these customers and further ensure their easy physical access to our stores.

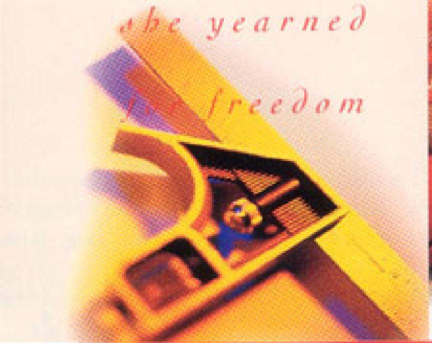
Gaining Maximum Impact from Every Dollar Spent New and innovative programs continued to play a strategic role in our growth, as we strived in fiscal 1994 to become more efficient.

With an eye toward companywide rollout, we introduced Phone Centers to serve our customers who call the stores to inquire about pricing and availability of merchandise. By adding associates to a phone bank to answer calls quickly and efficiently, weekly phone sales have increased and telephone response times in general have improved dramatically. The system also keeps associates on the floor from being distracted with phone calls, and allows them to better serve in-store customers.

Customers in the check-out line were served more efficiently, thanks to new counter-top scanners and faster registers as well as a system to speed up check approval.

In our continuing efforts to reduce shoplifting, we outfitted stores with Electronic Article Surveillance

Gail and friends



she yearned for freedom

lumber, concrete and tools

New found freedom

Orange, Connecticut—While Gail Nicoli's home is her castle, the distance between her front steps and the street might as well have been a mile-long moat. There simply was no way out.

Confined to a wheelchair because of a stroke six years ago, Mrs. Nicoli considered herself a prisoner in her own home. She yearned for freedom to go shopping and banking, but it was unattainable without the help of others.

All that changed with one simple phone call. To this day, Mrs. Nicoli can't believe what a wonderful feeling it was when volunteers from The Home Depot showed up at her door with lumber, concrete and tools to construct a ramp, and set her free.

Neighbors had offered to help build a ramp if she purchased the materials, but when she called store manager Leighton Royster, he offered to donate materials and provide volunteers to build it, like similar projects The Home Depot had done with Ramps for Champs.

It was no easy task. Trees were uprooted and rocks discarded to make way for the ramp, which had to be built perfectly level in three sections to accommodate the wheelchair and a massive maple tree. Cement was poured, curbs were built and decorative lattice added for privacy in the project headed up by store associates Fred Weidner and Ron Craft.

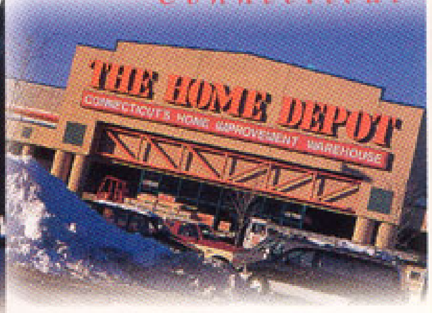
When the work was done, Mrs. Nicoli surveyed the handiwork and pronounced herself independent.

"I was a prisoner and now I'm free," she says, while maneuvering her wheelchair out the front door to the street. "It's unbelievable. I won't have to rely on anyone anymore."

volunteers

now I'm free

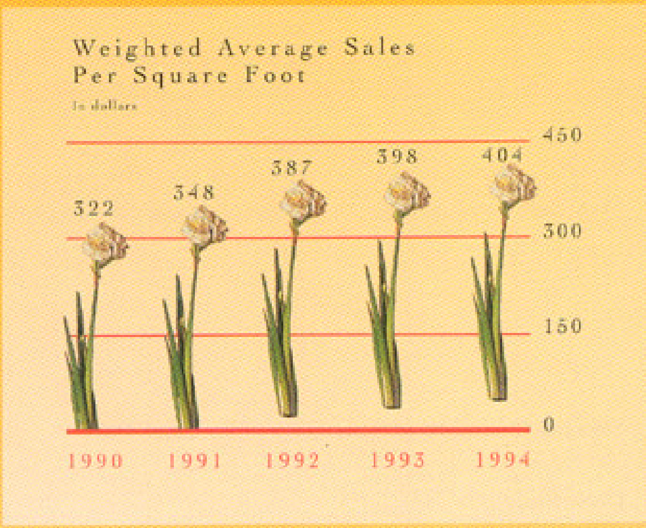
Orange, Connecticut



Year in Review Continued

(EAS) detectors that trigger an alarm if a person exits the store with merchandise that has been affixed with an EAS label. The system is proving to be a deterrent, with many stores reporting reductions in shoplifting offenses.

We also made great strides in positioning the Company to take us into the future with the more extensive use of our Electronic Data Interchange (EDI) system. A paperless system, EDI electronically processes orders from stores to vendors, alerts the store when the merchandise is set to arrive and transmits vendor invoice data. The system aids us in keeping merchandise in stock and allows us to track shipments almost instantly, resulting in better customer service.



Strengthening Our Orange-Blooded Culture

"Guess what happened to me at The Home Depot..." It's more than a phrase or an introduction to a story. It's a powerful bond, cultivated time and time again with our customers and the communities we serve. It's a recognition of superb service and achievement second-to-none in our industry.

We call it our orange-blooded culture. In addition to providing excellent wages and benefits, superior training and advancement opportunities, we encourage and reward independent thinking and initiative, keeping with our progressive philosophy that one person can make a difference. As stockholders, we have ownership in the Company, knowing full-well that if The Home Depot does well, so will we.

Our customers tell us about their shopping experiences, and we listen. Through our Consumer Affairs Department in 1994, we responded to more than 20,000 letters and telephone calls and received 600,000 comment cards. This communication serves as a learning tool for us, as we continue to train associates and improve our product knowledge.

At The Home Depot we take our social commitments seriously. Our service is not just to our customers and associates, but also to our global environment and the communities we live in across the United States and Canada.

We volunteer time and energy to make our cities and towns better places to live. Under our "Team Depot" volunteer program, our associates help build low-income housing for organizations like Habitat for Humanity. Through programs like Christmas in April, we repair the homes of the elderly, the disabled and the poor. Our associates also tutor, coach and help nurture "at-risk" youth who are in need of guidance in their lives.

In addition to the countless volunteer hours, The Home Depot in 1994 provided over $6 million to help fund many community projects in the United States and Canada.

Our environmental concerns are far-reaching, and in 1994 we continued our involvement with consumer groups. We have been recognized as an industry leader for promoting environmentally healthy building and home improvement practices, in addition to programs in lead awareness, energy conservation, recycling, forest preservation and conservation.

In early 1995, the prestigious *Fortune* magazine named us as America's most admired retailer for the second straight year and one of the most admired corporations. The poll of more than 10,000 senior business executives cited quality of management and the ability to attract, develop and keep talented people as foundations of the Company's success.

With our solid financial base, our willingness to take calculated, entrepreneurial risks with new concepts, our passion for customer service and our philosophy to treat our associates like family, The Home Depot is poised for even greater accomplishments in 1995. We expect to continue to expand our lead in home improvement retailing through our progressive corporate culture and keen competitive spirit, further developing and sustaining long-term relationships with our customers.

The data below reflects selected sales data, 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	
	1994	1993	1992	1994 vs. 1993	1993 vs. 1992
Selected Consolidated Statements of Earnings Data					
Net Sales	*100.0%*	100.0%	100.0%	*35.0%*	29.2%
Gross Profit	*27.9*	27.7	27.6	*36.5*	29.7
Operating Expenses:					
Selling and Store Operating	*17.8*	17.6	17.4	*36.4*	30.5
Pre-Opening	*.4*	.4	.4	*39.4*	36.6
General and Administrative	*1.8*	2.0	2.1	*24.6*	25.8
Total Operating Expenses	*20.0*	20.0	19.9	*35.3*	30.1
Operating Income	*7.9*	7.7	7.7	*39.7*	28.6
Interest Income (Expense):					
Interest and Investment Income	*.2*	.6	1.0	*(53.2)*	(9.9)
Interest Expense	*(.3)*	(.3)	(.6)	*17.0*	(25.1)
Interest, Net	*(.1)*	.3	.4	*(124.7)*	13.7
Earnings Before Income Taxes	*7.8*	8.0	8.1	*33.0*	27.9
Income Taxes	*3.0*	3.0	3.0	*34.3*	31.1
Net Earnings	*4.8%*	5.0%	5.1%	*32.2%*	26.1%
Selected Consolidated Sales Data					
Number of Customer Transactions	*302,181,000*	236,101,000	189,493,000	*28.0%*	24.6%
Average Amount of Sale Per Transaction	*$ 41.29*	$ 39.13	$ 37.72	*5.5*	3.7
Weighted Average Weekly Sales Per Operating Store	*$802,000*	$764,000	$724,000	*5.0*	5.5
Weighted Average Sales Per Square Foot	*$ 404.04*	$ 398.18	$ 386.92	*1.5*	2.9

[1] Fiscal years 1994, 1993 and 1992 refer to the fiscal years ended January 29, 1995, January 30, 1994 and January 31, 1993, 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 29, 1995 Compared to January 30, 1994

Sales for fiscal year 1994 increased 35.0% from $9,238,763,000 in fiscal 1993 to $12,476,697,000. This increase was attributable to, among other things, 69 new store openings, nine store relocations, the acquisition of a 75% partnership interest in seven Canadian stores then known as Aikenhead's Home Improvement Warehouse, an 8% comparable store-for-store sales increase and full year sales from the 50 new store openings during fiscal 1993. The percentage increase in comparable store sales would have been 9% after excluding all sales from the ten stores in Southern Florida that were significantly affected by Hurricane Andrew during 1993.

Gross profit as a percent of sales was 27.9% for fiscal 1994 compared to 27.7% for fiscal 1993. This higher gross profit percentage resulted primarily from changes in merchandise mix including more decor products and upgraded seasonal merchandise at higher margins, as well as decreased sales penetrations in lumber which carries lower margins.

Operating expenses as a percent of sales were 20.0% for both fiscal 1994 and fiscal 1993. Selling and store operating expenses as a percent of sales increased to 17.8% in fiscal 1994 compared to 17.6% in fiscal 1993. This increase was attributable to, among other things, additional costs associated with nine store relocations during fiscal 1994 compared to six store relocations during fiscal 1993. The increase in selling and store operating expenses as a percent of sales was offset by lower general and administrative expenses as a percent of sales due to cost control measures and economies from higher sales volumes.

Interest and investment income as a percent of sales decreased to 0.2% in fiscal 1994 compared to 0.6% during fiscal 1993. This decrease was attributable to a reduction of investment principal due to utilization of funds for capital expansion, as well as lower yields due to shorter maturities on the investment portfolio. Interest expense as a percent of sales was 0.3% for both fiscal 1994 and fiscal 1993. Higher interest expense from additional capital leases was partially offset by higher capitalized interest resulting from constructing more owned stores than in the previous year.

The Company's combined Federal and state effective income tax rate was 38.3% for fiscal 1994 compared to 38.2% for fiscal 1993, before cumulative effect of change in accounting principle. This increase was attributable to lower tax-advantaged investments. The Company implemented SFAS 109 "Accounting for Income Taxes" during fiscal 1993 which reduced the combined Federal and state effective income tax rate to 37.9% in fiscal 1993.

Net earnings as a percent of sales was 4.8% for fiscal 1994 compared to 5.0% for fiscal 1993, reflecting lower interest income and a higher effective income tax rate, partially offset by higher gross profits, as described above. Earnings per share was $1.32 for fiscal 1994 compared to $1.01 during fiscal 1993.

Fiscal Year Ended January 30, 1994 Compared to January 31, 1993

Sales for fiscal year 1993 increased 29.2% from $7,148,436,000 in fiscal 1992 to $9,238,763,000. This increase was attributable to, among other things, 50 new store openings, six store relocations, a 7% comparable store-for-store sales increase and full year sales from the 40 store openings during fiscal 1992. The percentage increase in comparable store sales would have been 8% after excluding all sales from the ten stores in Southern Florida that were significantly affected by Hurricane Andrew.

Gross profit as a percent of sales was 27.7% for fiscal 1993 compared to 27.6% for fiscal 1992. This higher gross profit percentage resulted primarily from higher vendor volume rebates and changes in merchandise mix, partially offset by lower margins in highly competitive markets.

Operating expenses as a percent of sales increased to 20.0% in fiscal 1993 from 19.9% in fiscal 1992. This increase was attributable to, among other things, higher payroll costs as a percent of sales due to the implementation of new labor standards that put additional sales hours on the selling floor, partially offset by lower self-funded insurance reserves and lower general and administrative expenses as a percent of sales due to cost control measures.

Interest income as a percent of sales decreased to 0.6% in fiscal 1993 compared to 1.0% during fiscal 1992. This decrease was attributable to a reduction of investment principal due to utilization of funds for capital expansion, partially offset by a higher yield on the investment portfolio. Interest expense as a percent of sales decreased to 0.3% in fiscal 1993 from 0.6% in fiscal 1992 due to the call for redemption and conversion to equity of substantially all the Company's 6% Convertible Subordinated Notes in June, 1992 and due to higher capitalized interest.

The Company's combined Federal and state effective income tax rate, before cumulative effect of a change in accounting principle, was 38.2% for fiscal 1993 compared to 37.0% for fiscal 1992. This increase was attributable to the enactment of the Omnibus Budget Reconciliation Act of 1993 and to lower tax-advantaged investments. The Company implemented SFAS 109 "Accounting for Income Taxes" in the first quarter of fiscal 1993. As a result of this change in accounting principle, the combined Federal and state effective income tax rate was 37.9% in 1993.

Net earnings as a percent of sales was 5.0% for fiscal 1993 compared to 5.1% for fiscal 1992, reflecting higher operating expenses, lower net interest income and a higher effective income tax rate, partially offset by higher gross profits, as described above. Earnings per share was $1.01 for fiscal 1993 compared to $.82 for fiscal 1992 on 2% more weighted average shares outstanding in fiscal 1993.

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.

The Company plans to open approximately 91 new stores and relocate nine existing stores during fiscal 1995. Of these 100 locations, it is anticipated that approximately 90% will be owned and the balance will be leased. The Company also plans to open approximately 122 stores, including relocations, in fiscal 1996. Although some of these locations may be newly leased, it is expected that most will be obtained during fiscal 1995 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 $12,600,000 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 $4,000,000 per store. Each new store will require approximately $3,100,000 to finance inventories, net of vendor financing.

During fiscal 1994, the Company initiated a commercial paper program which will provide short-term funding needs up to a maximum of $300,000,000 of which $100,000,000 was outstanding as of January 29, 1995. In connection with the program, the Company entered into a back-up credit facility with a consortium of banks for up to $300,000,000. The facility expires November 1, 1997. The facility contains various restrictive covenants, none of which is expected to impact the Company's liquidity or capital resources.

On February 28, 1995, the Company announced its decision to redeem on March 31, 1995, all of its outstanding 4½% Convertible Subordinated Notes due February 15, 1997 at a redemption price of $1,016.75 (which includes premium and accrued interest) per $1,000 principal amount of Notes. The Notes are convertible into common stock of the Company at the rate of one share for each $38.75 principal amount of Notes owned. In light of current market prices of the Company's common stock, it is expected that the redemption call will result in the conversion of substantially all of the outstanding principal ($804,985,000) to equity and, thereby, result in the issuance of approximately 20,774,000 additional shares of common stock.

As of January 29, 1995, the Company had $57,866,000 in cash and cash equivalents and short-term investments as well as $98,022,000 in long-term investments. Management believes that its current cash position, the proceeds from short-term and long-term investments, internally generated funds, its commercial paper program, and/or the ability to obtain alternate sources of financing 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.

Consolidated Statements of Earnings

The Home Depot, Inc. and Subsidiaries

Amounts in thousands, except per share data

	Fiscal Year Ended		
	January 29, 1995	January 30, 1994	January 31, 1993
Net Sales	*$12,476,697*	$9,238,763	$7,148,436
Cost of Merchandise Sold	*8,991,204*	6,685,384	5,179,368
Gross Profit	*3,485,493*	2,553,379	1,969,068
Operating Expenses:			
Selling and Store Operating	*2,216,540*	1,624,920	1,245,608
Pre-Opening	*51,307*	36,816	26,959
General and Administrative	*230,456*	184,954	147,080
Total Operating Expenses	*2,498,303*	1,846,690	1,419,647
Operating Income	*987,190*	706,689	549,421
Interest Income (Expense):			
Interest and Investment Income	*28,510*	60,896	67,562
Interest Expense (note 2)	*(35,949)*	(30,714)	(41,010)
Interest, Net	*(7,439)*	30,182	26,552
Earnings Before Income Taxes	*979,751*	736,871	575,973
Income Taxes (note 3)	*375,250*	279,470	213,110
Net Earnings	*$ 604,501*	$ 457,401	$ 362,863
Earnings Per Common and Common Equivalent Share	*$ 1.32*	$ 1.01	$ .82
Weighted Average Number of Common and Common Equivalent Shares	*475,947*	453,037	444,989

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

The Home Depot, Inc. and Subsidiaries

Amounts in thousands, except share data

	January 29, 1995	January 30, 1994
Assets		
Current Assets:		
Cash and Cash Equivalents	*$ 1,154*	$ 99,997
Short-Term Investments, including current maturities of long-term investments (note 7)	*56,712*	330,976
Receivables, Net	*272,225*	198,431
Merchandise Inventories	*1,749,312*	1,293,477
Other Current Assets	*53,560*	43,720
Total Current Assets	*2,132,963*	1,966,601
Property and Equipment, at cost:		
Land	*1,167,063*	814,440
Buildings	*1,311,806*	891,755
Furniture, Fixtures and Equipment	*634,173*	451,789
Leasehold Improvements	*273,015*	224,933
Construction in Progress	*289,157*	194,482
Capital Leases (notes 2 and 5)	*72,054*	41,029
	3,747,268	2,618,428
Less Accumulated Depreciation and Amortization	*350,031*	247,524
Net Property and Equipment	*3,397,237*	2,370,904
Long-Term Investments (note 7)	*98,022*	281,623
Notes Receivable	*32,528*	35,470
Cost in Excess of the Fair Value of Net Assets Acquired, net of accumulated amortization of $8,636 at January 29, 1995 and $5,788 at January 30, 1994	*88,513*	19,503
Other	*28,778*	26,788
	$5,778,041	$4,700,889
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	*$ 681,291*	$ 521,246
Accrued Salaries and Related Expenses	*192,151*	167,489
Sales Taxes Payable	*101,011*	57,590
Other Accrued Expenses	*208,377*	183,933
Income Taxes Payable	*8,717*	40,303
Current Installments of Long-Term Debt (notes 2, 5 and 6)	*22,692*	2,077
Total Current Liabilities	*1,214,239*	972,638
Long-Term Debt, excluding current installments (notes 2, 5 and 6)	*983,369*	874,048
Other Long-Term Liabilities	*67,953*	12,276
Deferred Income Taxes (note 3)	*19,258*	27,827
Minority Interest (note 9)	*50,999*	–
Stockholders' Equity (notes 2 and 4):		
Common Stock, par value $.05. Authorized: 1,000,000,000 shares; issued and outstanding – 453,365,000 shares at January 29, 1995 and 449,364,000 shares at January 30, 1994	*22,668*	22,468
Paid-in Capital	*1,526,463*	1,436,029
Retained Earnings	*1,937,284*	1,400,575
Cumulative Translation Adjustments	*(10,887)*	(121)
Unrealized Loss on Investments, Net	*(1,495)*	–
	3,474,033	2,858,951
Less Notes Receivable From ESOP (note 6)	*31,810*	44,851
Total Stockholders' Equity	*3,442,223*	2,814,100
Commitments and Contingencies (notes 5, 8 and 9)		
	$5,778,041	$4,700,889

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

The Home Depot, Inc. and Subsidiaries

Fiscal years ended January 29, 1995, January 30, 1994 and January 31, 1993
Amounts in thousands, except per share data

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Unrealized Loss on Investments, Net	Notes Receivable from ESOP	Total Stockholders' Equity
Balance, February 2, 1992	422,224	$21,111	$1,022,043	$ 666,471	$ –	$ –	$(18,413)	$1,691,212
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	7,053	353	57,971	–	–	–	–	58,324
Tax Effect of Sale of Option Shares by Employees	–	–	32,451	–	–	–	–	32,451
Additional Notes Receivable from ESOP, Net of Repayments of $8,419 (note 6)	–	–	–	–	–	–	(33,023)	(33,023)
Conversion of 6% Convertible Subordinated Notes, Net (note 2)	14,308	715	227,346	–	–	–	–	228,061
Conversion of 4½% Convertible Subordinated Notes, Net (note 2)	–	–	10	–	–	–	–	10
Net Earnings	–	–	–	362,863	–	–	–	362,863
Cash Dividends ($.08 per share)	–	–	–	(35,817)	–	–	–	(35,817)
Balance, January 31, 1993	443,585	$22,179	$1,339,821	$ 993,517	$ –	$ –	$(51,436)	$2,304,081
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	5,779	289	76,500	–	–	–	–	76,789
Tax Effect of Sale of Option Shares by Employees	–	–	19,708	–	–	–	–	19,708
Cumulative Translation Adjustments	–	–	–	–	(121)	–	–	(121)
Repayments of Notes Receivable from ESOP (note 6)	–	–	–	–	–	–	6,585	6,585
Net Earnings	–	–	–	457,401	–	–	–	457,401
Cash Dividends ($.11 per share)	–	–	–	(50,343)	–	–	–	(50,343)
Balance, January 30, 1994	449,364	$22,468	$1,436,029	$1,400,575	$ (121)	$ –	$(44,851)	$2,814,100
Shares Sold Under Employee Stock Purchase and Option Plans, Net of Retirements (note 4)	4,001	200	77,720	–	–	–	–	77,920
Tax Effect of Sale of Option Shares by Employees	–	–	12,709	–	–	–	–	12,709
Cumulative Translation Adjustments	–	–	–	–	(10,766)	–	–	(10,766)
Repayments of Notes Receivable from ESOP (note 6)	–	–	–	–	–	–	13,041	13,041
Conversion of 4½% Convertible Subordinated Notes, Net (note 2)	–	–	5	–	–	–	–	5
Unrealized Loss on Investments, Net (note 7)	–	–	–	–	–	(1,495)	–	(1,495)
Net Earnings	–	–	–	604,501	–	–	–	604,501
Cash Dividends ($.15 per share)	–	–	–	(67,792)	–	–	–	(67,792)
Balance, January 29, 1995	*453,365*	*$22,668*	*$1,526,463*	*$1,937,284*	*$(10,887)*	*$(1,495)*	*$(31,810)*	*$3,442,223*

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Home Depot, Inc. and Subsidiaries

Amounts in thousands

	Fiscal Year Ended		
	January 29, 1995	January 30, 1994	January 31, 1993
Cash Provided From Operations:			
Net Earnings	*$ 604,501*	$ 457,401	$ 362,863
Reconciliation of Net Earnings to Net Cash Provided by Operations:			
Depreciation and Amortization	*129,609*	89,839	69,536
Deferred Income Tax (Benefit) Expense	*(2,468)*	12,578	5,465
Increase in Receivables, Net	*(69,025)*	(36,658)	(68,593)
Increase in Merchandise Inventories	*(405,197)*	(353,653)	(277,567)
Increase in Accounts Payable and Accrued Expenses	*280,056*	200,977	219,046
(Decrease) Increase in Income Taxes Payable	*(11,126)*	36,143	34,031
Other	*8,161*	(10,120)	(6,639)
Net Cash Provided by Operations	*534,515*	396,507	338,142
Cash Flows From Investing Activities:			
Capital Expenditures, Net of $31,183, $36,294 and $4,765 of non-cash capital expenditures in fiscal 1994, 1993 and 1992, respectively	*(1,100,654)*	(864,158)	(432,513)
Acquisition of Canadian Partnership Interest	*(161,548)*	–	–
Proceeds from Sale of Property and Equipment	*49,718*	35,070	5,046
Sale (Purchase) of Short-Term Investments, Net	*96,007*	14,903	(62,008)
Purchase of Long-Term Investments	*(94,442)*	(840,361)	(2,029,214)
Proceeds from Maturities of Long-Term Investments	*50,251*	269,988	212,786
Proceeds from Sale of Long-Term Investments	*405,738*	929,598	1,132,627
Advances Secured by Real Estate, Net	*2,650*	5,681	(54,022)
Net Cash Used in Investing Activities	*(754,280)*	(449,279)	(1,227,298)
Cash Flows From Financing Activities:			
Proceeds from Commercial Paper and Long-Term Borrowings	*100,000*	–	805,000
Cash Loaned to ESOP	*–*	–	(41,442)
Repayments of Notes Receivable from ESOP	*15,041*	6,585	8,419
Principal Repayments of Long-Term Debt	*(2,175)*	(2,006)	(2,133)
Proceeds from Sale of Common Stock, Net	*77,926*	76,789	58,324
Cash Dividends Paid to Stockholders	*(67,792)*	(50,343)	(35,817)
Effect of Exchange Rate Changes on Cash	*(76)*	–	–
Net Cash Provided by Financing Activities	*120,924*	31,025	792,351
Decrease in Cash and Cash Equivalents	*(98,843)*	(21,747)	(96,805)
Cash and Cash Equivalents at Beginning of Year	*99,997*	121,744	218,549
Cash and Cash Equivalents at End of Year	*$ 1,154*	$ 99,997	$ 121,744
Supplemental Disclosure of Cash Payments Made For:			
Interest (net of interest capitalized)	*$ 30,537*	$ 28,778	$ 26,182
Income Taxes	*$ 393,915*	$ 228,968	$ 169,617

See accompanying notes to consolidated financial statements.

Note one 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 1994, 1993 and 1992, which ended January 29, 1995, January 30, 1994 and January 31, 1993, respectively, consisted of 52 weeks.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Minority interest represents the minority partner's share of the equity in The Home Depot Canada. All significant intercompany transactions have been eliminated in consolidation.

Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Company's cash and cash equivalents are primarily cash equivalents carried at fair market value and consist of preferred stocks, commercial paper, money market funds and U.S. government agency securities.

Investments

Effective January 31, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities," which was effective for fiscal years beginning after December 15, 1993. The Company classifies its investments into one of three categories: trading, held to maturity, or available for sale. Trading securities, which are bought and held primarily for the purpose of selling them in the near term, are recorded at fair value with gains and losses included in earnings. Held to maturity securities, which are securities that the Company has the ability and the intent to hold until maturity, are recorded at amortized cost and adjusted for amortization or accretion of premiums or discounts. The Company's short-term and long-term investments, consisting primarily of debt securities, have been designated as being held available for sale, and accordingly, are reported at fair value. Unrealized gains and losses on securities classified as available for sale are reported as a separate component of stockholders' equity, net of income taxes until realized. The cost of investments sold is determined using the specific identification method. Estimated fair values of investments are based on quoted market prices on the last business day of the fiscal year. A decline in the market value of any available for sale or held to maturity security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

In fiscal years 1993 and 1992, the Company valued its short-term investments, consisting primarily of debt securities, at amortized cost which approximated market. Certain long-term investments designated as available for sale were recorded at lower of amortized cost or market. The Company's remaining investments classified as held to maturity were valued at amortized cost.

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 income and expenses for tax purposes. Targeted jobs tax credits are recorded as a reduction of income taxes in the year realized.

Effective February 1, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes" and reported the cumulative effect of that change in the method of accounting for income taxes in the consolidated statement of earnings for the first fiscal quarter of 1993, which ended May 2, 1993. SFAS 109 requires an asset and liability approach in accounting for income taxes and, therefore, required a change from the deferred method the Company previously used. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

Pursuant to the deferred method under Accounting Principles Board Opinion 11, which was applied in fiscal 1992 and prior years, deferred income taxes that were reported in different years for financial reporting purposes and income tax purposes were recognized for income and expense items using the tax rate applicable for the year of the calculation. Under the deferred method, deferred taxes were not adjusted for subsequent changes in the tax rate.

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	10-45 years
Furniture, fixtures and equipment	5-20 years
Leasehold improvements	8-30 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 estimated loss on sale of land and building, 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 and the Company's 4½% Convertible Subordinated Notes due 1997, issued in 1992. For the 1994 fiscal year, the 4½% Notes are dilutive and are assumed to be converted as of the beginning of the accounting period for purposes of calculating earnings per share. Earnings per share is calculated by dividing net earnings, adjusted for tax-effected net interest and issue costs on the 4½% Notes, by weighted average common and common equivalent shares. The weighted average number of common and common equivalent shares include shares issuable under the Company's stock plans and the 20,774,000 shares issuable upon conversion of the 4½% Notes. In fiscal year 1993, the 4½% Notes were dilutive but had no impact on earnings per share.

The Company's 6% Convertible Subordinated Notes, issued in 1990, were common stock equivalents prior to their conversion in 1992. Because shares issuable upon conversion of the 6% Notes were not dilutive in fiscal 1992, they were excluded from the earnings per share calculations.

Cost in Excess of the Fair Value of Net Assets Acquired

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over a 40-year period. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining useful life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds.

Employee Stock Ownership Plan

For all shares purchased by the Employee Stock Ownership Plan (ESOP) prior to December 31, 1992, the Company's contributions to the ESOP are determined based on the ESOP's cost of the shares released to the employees. For shares purchased after December 31, 1992, the Company's contributions to the ESOP will be determined based on the fair value of the shares released to the employees as of the release date.

Foreign Currency Translation

The local currency has been used as the functional currency in Canada. The assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rate of exchange existing at year-end and revenues and expenses are translated at the average monthly exchange rates. The translation gains and losses are included as a separate component of stockholders' equity. Transaction gains and losses included in income are immaterial.

Recent Accounting Pronouncements

In December 1993, the Accounting Institute of Certified Public Accountants issued Statement of Position 93-7, "Reporting on Advertising Costs" (SOP 93-7). Under SOP 93-7, certain advertising expenditures must be expensed either as incurred or the first time the advertising takes place. Certain production costs incurred by the Company are currently amortized over periods not exceeding one year. While the Company plans to adopt SOP 93-7 in fiscal 1995, it is not expected to have a significant impact on the Company's results of operations.

In June 1993, Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116) was issued. SFAS 116 requires companies that make contributions of cash and other assets, including unconditional promises to give, to not-for-profit organizations, to recognize expense in the accounting period made. Under SFAS 116, conditional promises to give should be recognized when the conditions on which they depend are substantially met. Results of operations for the Company will not be significantly impacted when SFAS 116 is adopted by the Company in fiscal 1995.

Reclassifications

Certain balances in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year.

Note two Long-Term Debt

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

	January 29, 1995	*January 30, 1994*
4½% Convertible Subordinated Notes, due February 15, 1997, convertible into shares of common stock of the Company at a conversion price of $38.75 per share. The Notes are redeemable by the Company at a premium, plus accrued interest, beginning March 3, 1995.	**$ 804,985**	$804,990
Commercial Paper, with a weighted average interest rate of 5.9%.	**100,000**	–
Capital Lease obligations payable in varying installments through January 31, 2015 (see note 5).	**63,225**	32,585
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 2.7% during fiscal 1994, payable in varying installments through 1999, $3,000 payable on December 1, 2010 and $5,200 payable on September 1, 2011.	**9,966**	10,500
Installment Notes Payable, interest imputed at rates between 9.5% and 11.5%, payable in varying installments through 2014.	**7,419**	7,592
Other	**466**	458
Total long-term debt	**1,006,061**	876,125
Less current installments	**22,692**	2,077
Long-term debt, excluding current installments	**$ 983,369**	$874,048

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 $38.75 per share, subject to adjustment under certain conditions. The Notes are not subject to sinking fund provisions.

On February 28, 1995, the Company announced that its outstanding 4½% Convertible Subordinated Notes which had a face value of $804,985,000 would be redeemed on March 31, 1995, at a redemption price of $1,016.75 (which includes premium and accrued interest) per $1,000 principal amount of Notes. Noteholders have the right through March 21, 1995 to convert their Notes into approximately 25.81 shares of common stock of The Home Depot, Inc. for each $1,000 principal amount of Notes at the conversion price of $38.75 per share. Conversion of all the Notes would result in the issuance of approximately 20,774,000 shares of the Company's common stock.

In January, 1995, the Company established a $300,000,000 Commercial Paper program supported by a back-up credit facility with a maximum aggregate principal amount outstanding of $300,000,000. The program expires November 1, 1997. The Commercial Paper borrowings are classified as long-term debt as it is the Company's intention to refinance them on a long-term basis. As of January 29, 1995, the Company was in compliance with all restrictive covenants.

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 January 29, 1995. The restrictive covenants related to letter of credit agreements securing the industrial revenue bonds are no more restrictive than those referenced or described above.

Interest expense in the accompanying consolidated statements of earnings is net of interest capitalized of $17,559,000 in fiscal 1994, $13,912,000 in fiscal 1993 and $7,549,000 in fiscal 1992.

Maturities of long-term debt (excluding the 4½% Convertible Subordinated Notes) are $22,692,000 for fiscal 1995, $3,197,000 for fiscal 1996, $102,706,000 for fiscal 1997, $2,594,000 for fiscal 1998, and $2,805,000 for fiscal 1999.

Based on discounted cash flows of future payment streams, assuming rates equivalent to the Company's current incremental borrowing rate on similar liabilities, the fair value of the 7.95% unsecured ESOP Note, the Variable Rate Industrial Revenue Bonds, the Installment Notes, the Capital Leases, the Commercial Paper, and other notes payable as of January 29, 1995 is $231,649,000. The fair value of the 4½% Convertible Subordinated Notes as of January 29, 1995, based on the quoted market price on the last business day of the year, is $986,107,000.

Note three Income Taxes

As discussed in Note 1, the Company adopted SFAS 109 as of February 1, 1993. The cumulative effect of this change in accounting for income taxes, which resulted in a tax benefit of $2,130,000, was determined as of February 1, 1993 and has been reflected in the consolidated statement of earnings for the fiscal year ended January 30, 1994. Prior years' financial statements have not been restated to apply the provisions of SFAS 109.

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

	Fiscal Year Ended		
	January 29, 1995	*January 30, 1994*	*January 31, 1993*
Current:			
Federal	**$330,232**	$236,888	$181,727
State	**47,486**	32,134	25,918
	377,718	269,022	207,645
Deferred:			
Federal	**(1,875)**	10,212	4,413
State	**(593)**	2,366	1,052
	(2,468)	12,578	5,465
Total	**$375,250**	$281,600	$213,110

The Company's combined state and Federal effective tax rate from operations for fiscal years 1994, 1993 and 1992, net of offsets generated by targeted jobs tax credits, were approximately 38.3%, 38.2% and 37.0%, respectively. The 1994 and 1993 fiscal year effective tax rates include the effect of the corporate Federal tax rate increase from 34% to 35% enacted into law during the Company's 1993 fiscal year. A reconciliation of income tax expense from operations at the Federal statutory rate to actual tax expense from operations for the applicable fiscal years follows (in thousands):

	Fiscal Year Ended		
	January 29, 1995	*January 30, 1994*	*January 31, 1993*
Income taxes at Federal statutory rate	**$342,913**	$257,905	$195,831
State income taxes, net of Federal income tax benefit	**30,480**	22,425	17,800
Other, net	**1,857**	1,270	(521)
Total	**$375,250**	$281,600	$213,110

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of January 29, 1995 and January 30, 1994 are as follows (in thousands):

	January 29, 1995	*January 30, 1994*
Deferred Tax Assets:		
Accrued self-insurance liabilities	**$ 40,906**	$ 26,813
Other accrued liabilities	**28,061**	16,300
Net deferred tax assets	**68,967**	43,113
Deferred Tax Liabilities:		
Accelerated depreciation	**(77,061)**	(62,835)
Other	**(11,164)**	(8,105)
Total gross deferred liabilities	**(88,225)**	(70,940)
Net deferred tax liability	**$(19,258)**	$(27,827)

No valuation allowance was recorded against the deferred tax assets at January 29, 1995, January 30, 1994, or February 1, 1993. The Company's management believes the existing net deductible temporary differences comprising the total gross deferred tax assets will reverse during periods in which the Company generates net taxable income.

For fiscal years ending before January 31, 1993, deferred income taxes resulted from differences in the timing of reporting income and expenses for financial statement and income tax purposes. The sources of these differences and the tax effect of each for fiscal 1992 are as follows (in thousands):

Accelerated depreciation	$12,245
Accrued self-insurance liabilities	(9,132)
Other accrued liabilities	(574)
Other, net	2,926
Total	$ 5,465

Note four Employee Stock Plans

The Company has stock option plans that provide for the granting of incentive and non-qualified 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 43,360,692 shares, net of cancellations (of which 41,246,391 had been exercised), have been granted at $.16 to $18.83 per share as of January 29, 1995. 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 were carried over to the 1991 Omnibus Stock Option Plan.

Under the Non-Qualified Stock Option Plan of 1984, options for 679,124 shares, net of cancellations (of which 529,232 had been exercised), have been granted at $1.53 to $9.86 per share as of January 29, 1995. Such options may be exercised at varying rates commencing on the third 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 were carried over to the 1991 Omnibus Stock Option Plan.

The provisions of the 1991 Omnibus Stock Option Plan, which became effective June 1, 1991, authorize a maximum number of shares available for grant 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. Under the 1991 Omnibus Stock Option Plan, options for 6,852,504 shares, net of cancellations (of which 426,102 had been exercised), have been granted at $24.50 to $48.94 per share. As of January 29, 1995, the maximum shares available under this plan for future grants were 30,408,417.

The following summarizes shares outstanding under the plans at January 29, 1995, January 30, 1994 and January 31, 1993 and changes during the fiscal years then ended (in thousands of shares):

	Fiscal Year Ended		
	January 29, 1995	*January 30, 1994*	*January 31, 1993*
Number of option shares			
At beginning of year			
Outstanding	**9,647**	12,455	14,750
Exercisable	**2,757**	4,528	4,576
During the year			
Issued	**1,981**	1,831	3,549
Cancelled	**306**	332	415
Became exercisable	**2,843**	2,536	5,381
Exercised	**2,631**	4,307	5,429
At end of year			
Outstanding	**8,691**	9,647	12,455
Exercisable	**2,969**	2,757	4,528
Average price per share			
Outstanding at the end of year	**$30.57**	$23.50	$14.89
Exercised during the year	**$10.66**	$ 7.42	$ 4.99

In addition, the Company had 2,375,460 shares available for future grants under the Employee Stock Purchase Plan at January 29, 1995. This plan enables the Company to grant substantially all eligible employees options to purchase up to 17,137,500 shares of common stock, of which 14,762,040 shares have been exercised from inception of the plan, 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 1994, options for 1,420,463 shares were exercised at an average price of $34.72 per share. At January 29, 1995, 821,812 options were outstanding, net of cancellations, at an average price of $36.68 per share.

Note five Leases

The Company leases certain retail locations, office space, warehouse and distribution space, equipment and vehicles. While the majority of the leases are operating leases, certain retail locations are leased under capital leases. As leases expire, 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 29, 1995, January 30, 1994 and January 31, 1993 amounted to $164,381,000, $137,252,000 and $110,577,000, 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 January 29, 1995, January 30, 1994 and January 31, 1993 were approximately $9,744,000, $8,370,000 and $6,855,000, respectively.

The approximate future minimum lease payments under capital and operating leases at January 29, 1995, are as follows (in thousands):

Fiscal year	*Capital leases*	*Operating leases*
1995	$ 10,411	$ 184,801
1996	10,465	186,131
1997	10,486	176,534
1998	10,628	165,559
1999	10,780	161,801
Thereafter	157,452	1,902,130
	210,222	$2,776,956
Less: Imputed interest	(146,997)	
Net present value of capital lease obligations	63,225	
Less: Current installments	(803)	
Long-term, excluding current installments	$ 62,422	

On the Consolidated Balance Sheet the long-term and short-term obligations for capital leases are included in Long-term Debt and Current Installments of Long-term Debt, respectively. The assets recorded at January 29, 1995 and January 30, 1994, net of amortization, in Net Property and Equipment amounted to $68,647,000 and $40,608,000, respectively.

Note six Employee Benefit Plans

During fiscal 1988, the Company established a leveraged Employee Stock Ownership Plan and Trust (ESOP) covering substantially all full-time employees. At January 29, 1995, the ESOP held a total of 7,558,551 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 1992, 1990 and 1989 totaling $81,442,000. 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 additional $61,442,000 loaned to the ESOP was funded by cash from operations of the Company. Outstanding loans totalling $31,810,000 to the ESOP are due and payable to the Company in varying amounts from 1995 through 2001.

The Company's Board of Directors authorized loans to the ESOP up to $90,000,000. The Company may advance funds to the ESOP so that the ESOP may purchase up to an additional $8,558,000 of the Company's stock in the open market at prices the ESOP deems desirable.

The Company's common stock purchased by the ESOP is held in a "suspense account" as collateral for amounts loaned by the Company. The Company makes annual contributions to the ESOP at the discretion of its Board of Directors 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. As of January 29, 1995, 5,296,862 shares had been allocated to participating employees, 433,295 shares were committed to be released, and 1,828,394 shares were held in suspense by the trustee. 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 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 $12,500,000, $6,000,000 and $8,200,000 for the fiscal years 1994, 1993 and 1992, respectively.

The Company adopted a non-qualified ESOP Restoration Plan in fiscal 1994. The primary purpose of the Plan is to provide certain employees deferred compensation that they would have received under the ESOP if not for the maximum compensation limits under the Internal Revenue Code of 1986, as amended. The Company plans to establish a "rabbi trust" to fund the benefits under the ESOP Restoration Plan. Compensation expense for 1994 related to this plan was not significant. Funds to be provided to the trust will primarily be used to purchase shares of the Company's common stock on the open market.

Note seven Investments

The Company's investments are all classified as available for sale and consisted of the following at January 29, 1995 and January 30, 1994 (in thousands):

	January 29, 1995				*January 30, 1994*			
	Amortized cost	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*	*Amortized cost*	*Gross unrealized gains*	*Gross unrealized losses*	*Fair value*
Tax exempt notes and bonds	$ 95,079	$ –	$1,431	$ 93,648	$104,996	$ 482	$ 12	$105,466
U.S. Treasury securities	–	–	–	–	61,286	449	18	61,717
U.S. government agency securities	13,000	–	296	12,704	74,940	157	200	74,897
Commercial paper	–	–	–	–	16,496	3	61	16,438
Certificates of deposit	–	–	–	–	30,000	–	189	29,811
Corporate obligations	13,900	–	139	13,761	209,903	2,479	211	212,171
Preferred stock	14,998	–	301	14,697	46,831	271	4	47,098
Corporate Asset-backed securities	6,415	–	127	6,288	61,288	389	320	61,357
Other	13,636	–	–	13,636	6,859	35	–	6,894
	157,028	–	2,294	154,734	612,599	4,265	1,015	615,849
Short-term, including current maturities of long-term investments	57,345	–	633	56,712	330,976	2,322	774	332,524
Long-term investments	99,683	–	1,661	98,022	281,623	1,943	241	283,325
Total	$157,028	–	$2,294	$154,734	$612,599	$4,265	$1,015	$615,849

Proceeds from sale of investments available for sale during the year ended January 29, 1995 were $526,696,000. Gross gains of $1,638,000 and gross losses of $1,251,000 were realized on those sales.

Maturities of investment securities classified as available for sale were as follows at January 29, 1995 (in thousands):

	Amortized Cost	*Fair Value*
Due within one year	$ 52,842	$ 52,323
Due after one year through five years	99,683	98,022
Mortgage-backed securities not due at a single date	4,503	4,389
	$157,028	$154,734

Note eight Commitments and Contingencies

At January 29, 1995, the Company was contingently liable for approximately $131,896,000 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 consolidated results of operations.

Note nine Acquisition of Interest in Canadian Company

Effective February 28, 1994, the Company entered into a partnership and, as a result, acquired 75 percent of Aikenhead's Home Improvement Warehouse which was operating seven warehouse-style home improvement stores in Toronto, London and Kitchener, Ontario, Canada. Subsequent to the acquisition, the partnership has opened five stores which include one store each in Edmonton and Calgary, Alberta and Toronto, Ontario, and two stores in Vancouver, British Columbia. At any time after the sixth anniversary of the purchase, the Company has the option to purchase, or the other partner has the right to cause the Company to purchase, the remaining 25 percent of the Canadian company. The option price is based on the lesser of fair market value or a value to be determined by an agreed-upon formula as of the option exercise date.

The purchase price paid for the 75 percent interest in the Canadian company was approximately $161,548,000 and was accounted for by the purchase method of accounting. Accordingly, results of the partnership's operations have been included with those of the Company from the date of acquisition. The excess purchase price over the estimated fair value of the net assets as of the acquisition date of $66,800,000 has been recorded as goodwill and will be amortized over 40 years. Proforma results of operations did not have a significant impact on historical results of the Company and, therefore, are not presented.

Note ten Quarterly Financial Data (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the fiscal years ended January 29, 1995 and January 30, 1994 (in thousands, except 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 January 29, 1995:					
First Quarter	**$ 2,872,129**	**7%**	**$ 808,757**	**$139,734**	**$ .31**
Second Quarter	**3,287,036**	**6%**	**895,817**	**178,014**	**.39**
Third Quarter	**3,240,050**	**9%**	**880,568**	**140,774**	**.31**
Fourth Quarter	**3,077,482**	**8%**	**900,351**	**145,979**	**.32**
	$12,476,697	**8%**	**$3,485,493**	**$604,501**	**$1.32**
Fiscal year ended January 30, 1994:					
First Quarter	$ 2,180,218	7%	$ 601,700	$106,799	$ .24
Second Quarter	2,453,756	9%	661,834	134,504	.30
Third Quarter	2,317,372	6%	626,186	103,418	.23
Fourth Quarter	2,287,417	6%	663,659	112,680	.25
	$ 9,238,763	7%	$2,553,379	$457,401	$1.01

Management's Responsibility for Financial Statements

The Home Depot, Inc. and Subsidiaries

The financial statements presented in this Annual Report have been prepared with integrity and objectivity and are the responsibility of the management of The Home Depot, Inc. These financial statements have been prepared in conformity with generally accepted accounting principles and properly reflect certain estimates and judgments based upon the best available information.

The Company maintains a system of internal accounting controls, which is supported by an internal audit program, and is designed to provide reasonable assurance, at an appropriate cost, that the Company's assets are safeguarded and transactions are properly recorded. This system is continually reviewed and modified in response to changing business conditions and operations and as a result of recommendations by the external and internal auditors. In addition, the Company has distributed to associates its policies for conducting business affairs in a lawful and ethical manner.

The financial statements of the Company have been audited by KPMG Peat Marwick LLP, independent auditors. Their accompanying report is based upon an audit conducted in accordance with generally accepted auditing standards, including the related review of internal accounting controls and financial reporting matters.

The Audit Committee of the Board of Directors, consisting solely of outside Directors, meets periodically with the independent auditors, the internal auditors and representatives of management to discuss auditing and financial reporting matters. The Audit Committee, acting on behalf of the stockholders, maintains an ongoing appraisal of the internal accounting controls, the activities of the outside auditors and internal auditors and the financial condition of the Company. Both the Company's independent auditors and the internal auditors have free access to the Audit Committee.

Ronald M. Brill
Executive Vice President
Chief Financial Officer
Treasurer

Independent Auditors' Report

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 January 29, 1995 and January 30, 1994, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended January 29, 1995. 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 January 29, 1995 and January 30, 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended January 29, 1995 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Atlanta, Georgia
March 10, 1995

Directors and Officers

The Home Depot, Inc. and Subsidiaries

Directors

Bernard Marcus°
Chairman of the Board
The Home Depot

Arthur M. Blank°
President
The Home Depot

Ronald M. Brill
Executive Vice President
The Home Depot

James W. Inglis
Executive Vice President
The Home Depot

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

Berry R. Cox°°
Private Investor

Milledge A. Hart, III°°+
Chairman of the Board
The Hart Group

Donald R. Keough°°+
Retired President and Chief Operating Officer
The Coca-Cola Company and Chairman of the Board
Allen & Company Inc.

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

M. Faye Wilson°°
Executive Vice President
Bank of America

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

Officers

Corporate

Bernard Marcus[1]
Chairman of the Board
Chief Executive Officer
Secretary

Arthur M. Blank[1]
President and Chief Operating Officer

Ronald M. Brill[1]
Executive Vice President
Chief Financial Officer
Treasurer

Bill Hamlin[1]
Executive Vice President – Merchandising

James W. Inglis[1]
Executive Vice President – Strategic Development

Alan Barnaby
Senior Vice President – Store Operations

Marshall L. Day[1]
Senior Vice President – Finance

Richard A. Hammill
Senior Vice President – Marketing and Advertising

William E. Harris
Senior Vice President – Corporate Development

Stephen R. Messana
Senior Vice President – Human Resources

Peter E. Cleaveland
Vice President – Logistics

Bryan J. Fields
Vice President – Real Estate

Kerrie R. Flanagan
Vice President – Merchandise Accounting

Ronald B. Griffin
Vice President – Information Services

Ted Kaczmarowski
Vice President – Construction

Preston R. Kirby
Vice President – Controller

Bill Peña
Vice President/General Manager – Mexico

Don Singletary
Vice President – Employee Relations

Lawrence A. Smith
Vice President – Legal

Terence L. Smith
Vice President/General Manager – Imports

Richard L. Sullivan
Vice President – Advertising

Edward A. Wolfe
Vice President – Loss Prevention

Southeast Division

Bruce Berg[1]
President

Jesse Behnke
Vice President – Merchandising/Mid-South

Larry Bucksbarg
Vice President – Store Operations Mid-South

Lynn Martineau
Vice President – Merchandising/Southern

Tony Brown
Vice President – Store Operations Southern

Western Division

Harry Pierce[1]
President

Bill Hogan
Vice President – Merchandising

Jeff Birren
Vice President – Store Operations

Paul Rodriguez
Vice President – Store Operations

Northeast Division

Larry Mercer[1]
President

Barry Silverman
Vice President – Merchandising

Vern Joslyn
Vice President – Store Operations North Atlantic

Dennis Johnson
Vice President – Store Operations Mid-Atlantic

Midwest Division

W. Andrew McKenna[1]
President

Ken Ubertino
Vice President – Merchandising

Robert Gilbreth
Vice President – Store Operations

The Home Depot Canada

Stephen Bebis[1]
President

Leonard Kapiloff
Vice President – Merchandising

Thomas "Buzz" Smith
Vice President – Store Operations

Expo Design Centers Division

Bryant Scott[1]
President

Steve Smith
Vice President – Merchandising

CrossRoads Division

Dennis Ryan[1]
President

[1] *Executive officer and officer subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934.*

Western Division

LOCATION	NUMBER OF STORES
Arizona	12
Phoenix	10
Tucson	2
California	76
Bakersfield	1
Fresno	2
Los Angeles	38
Modesto	1
Sacramento	3
San Diego	11
San Francisco	19
Stockton	1
Idaho	1
Boise	1
Nevada	3
Las Vegas	2
Reno	1
New Mexico	2
Albuquerque	2
Oregon	3
Eugene	1
Portland	2
Texas	2
El Paso	2
Utah	3
Salt Lake City	3
Washington	7
Seattle	6
Tacoma	1

Southeast Division

LOCATION	NUMBER OF STORES
Alabama	2
Huntsville	1
Mobile	1
Florida	55
Daytona Beach/ Melbourne/Orlando	10
Ft. Lauderdale/Miami/ West Palm Beach	21
Ft. Myers/Naples	6
Gainesville/Ocala	2
Jacksonville	4
Pensacola	1
Tallahassee	1
Tampa/ St. Petersburg	10
Georgia	18
Atlanta	16
Augusta	1
Savannah	1
Louisiana	7
Baton Rouge	1
Lafayette	1
New Orleans	4
Shreveport	1
North Carolina	10
Asheville	1
Charlotte	3
Greensboro/ Winston-Salem	3
Raleigh	3

LOCATION	NUMBER OF STORES
Oklahoma	4
Oklahoma City	2
Tulsa	2
South Carolina	5
Charleston	1
Columbia	2
Greenville	1
Spartanburg	1
Tennessee	7
Chattanooga	1
Knoxville	2
Nashville	4
Texas	30
Austin	2
Dallas/Ft. Worth	13
Houston	12
San Antonio	3

Northeast Division

LOCATION	NUMBER OF STORES
Connecticut	7
Fairfield	1
Hartford	4
New Haven	2
Maryland	7
Baltimore	5
Gaithersburg	1
Silver Spring	1

LOCATION	NUMBER OF STORES
Massachusetts	11
Boston	7
Southern Massachusetts	3
West Massachusetts	1
New Hampshire	3
Manchester	1
Nashua	1
Salem	1
New Jersey	13
Northern New Jersey	11
Southern New Jersey	2
New York	16
Albany	1
Buffalo	2
Long Island	11
Wappinger Falls/ Wallkill	2
Pennsylvania	7
Allentown	1
Bethlehem	1
Philadelphia	5
Rhode Island	1
Warwick	1
Virginia	5
Northern Virginia	5

Midwest Division

LOCATION	NUMBER OF STORES
Illinois	6
Chicago	6
Michigan	5
Detroit	5

The Home Depot Canada

LOCATION	NUMBER OF STORES
Alberta	2
Calgary	1
Edmonton	1
British Columbia	2
Vancouver	2
Ontario	8
Kitchener	1
London	1
Toronto	6

The locations depicted above represent Home Depot markets and may not reflect locations of individual stores.

Corporate Offices

The Home Depot, Inc.
2727 Paces Ferry Road
Atlanta, Georgia 30339-4089
Telephone: (404) 433-8211

Transfer Agent and Registrar

The First National Bank of Boston
P.O. Box 644, Mail Stop 45-02-09
Boston, Massachusetts 02102-0644

Telephone:
1-800-730-4001 (Voice)
1-800-952-9245 (TTY/TDD)

Independent Auditors

KPMG Peat Marwick LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, Georgia 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., May 31, 1995, at Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, Georgia 30339.

Number of Stockholders

As of March 10, 1995, there were approximately 63,100 stockholders of record. This number excludes individual stockholders holding stock under nominee security position listings.

Corporate Social Responsibility Report

For a copy of the 1994 Home Depot Corporate Social Responsibility Report, which also includes guidelines for applying for philanthropic grants, contact the Community Affairs department at the corporate offices.

Dividend Reinvestment/ Stock Purchase Plan

Stockholders of record may acquire additional shares of The Home Depot's common stock through its Dividend Reinvestment/Stock Purchase Plan. Quarterly cash dividends, as well as semi-monthly cash contributions from $10 up to $4,000 monthly, may be invested through this plan. For all communications regarding this service, contact:

The First National Bank of Boston
P.O. Box 1681, Mail Stop 45-01-06
Boston, Massachusetts 02105-1681

For more information regarding this plan contact:
1-800-730-4001 (Voice)
1-800-952-9245 (TTY/TDD)

Stockholder Relations

To enhance service to our stockholders, we have a stockholder information hotline. By dialing (404) 984-2776, you can receive Company information of interest to investors/stockholders.

Effective in September 1995, Internet users can access, on the World Wide Web, copies of financial reports including recent filings with the Securities and Exchange Commission at www.homedepot.com.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1995, as filed with the Securities and Exchange Commission, will be sent to any stockholder upon request in writing to:

Investor/Public Relations
The Home Depot, Inc.
2727 Paces Ferry Road
Atlanta, Georgia 30339-4089

Dividends Per Common Share

Fiscal 1994:	
First Quarter	**$.0300**
Second Quarter	**.0400**
Third Quarter	**.0400**
Fourth Quarter	**.0400**
Fiscal 1993:	
First Quarter	$.0225
Second Quarter	.0300
Third Quarter	.0300
Fourth Quarter	.0300

Quarterly Stock Price Range

	High	Low
Fiscal 1994:		
First Quarter	**44⅜**	**37⅛**
Second Quarter	**46⅝**	**39⅝**
Third Quarter	**46¼**	**39¾**
Fourth Quarter	**48¼**	**44⅛**
Fiscal 1993:		
First Quarter	50⅞	39⅝
Second Quarter	47	41⅛
Third Quarter	47¼	35
Fourth Quarter	44¾	36½

Printed in the U.S.A. on recycled paper with 10% post-consumer waste.

Atlanta 1996

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