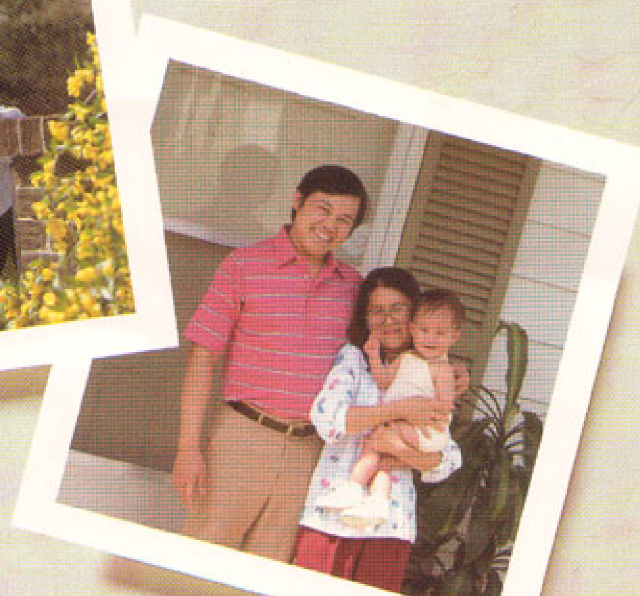
1984 ANNUAL REPORT

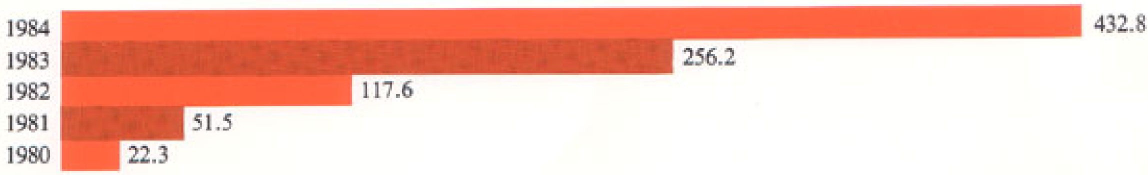
"I learned to do it at the Home Depot, and I did it myself."





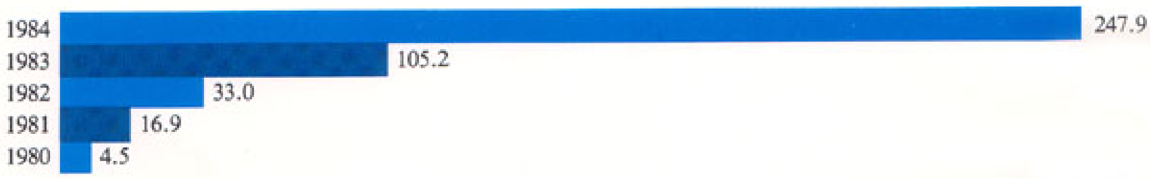
41

Net Sales
(In millions)

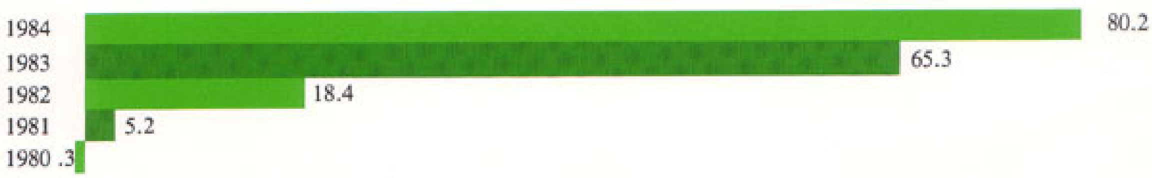


Net Earnings
(In millions)

Total Assets
(In millions)



Stockholders' Equity
(In millions)



The Company

The Home Depot, Inc. operates retail "warehouse" stores selling a wide assortment of building materials and home improvement products primarily to the "do-it-yourself" and home remodeling markets. Stores are clustered in the Atlanta, Southern Florida, Central Florida, New Orleans, Phoenix, and Dallas markets, as well as individual stores in Tucson, Baton Rouge, Shreveport, and Mobile.

The Home Depot, Do-It-Yourself Warehouse and the "Homer" caricature are service marks and trademarks of The Home Depot, Inc.

Financial Highlights

Dollars in thousands except per share data

	Fiscal Year[1]		% Increase	
	1984	1983	**1984**	1983
Operating Results				
Net Sales	**$432,779**	$256,184	**68.9%**	117.8%
Gross Profit	**114,319**	70,014	**63.3**	109.9
Earnings Before Income Taxes	**26,252**	18,986	**38.3**	92.4
Net Earnings	**14,122**	10,261	**37.6**	93.1
Per Share				
Earnings Per Common and Common Equivalent Share	**$.56**	$.41	**36.6**	70.8
Financial Position				
Working Capital	**$101,617**	$ 49,318	**106.4**	282.2
Merchandise Inventories	**84,046**	58,712	**43.1**	234.1
Property and Equipment, Net	**73,577**	21,129	**248.2**	254.9
Total Assets	**247,857**	105,230	**135.5**	218.7
Long-term Debt and Capital Lease Obligations, Net	**117,942**	4,384	**2,590.3**	1,757.6
Stockholders' Equity	**80,214**	65,278	**22.9**	255.7
Ratio of Current Assets to Current Liabilities	**3.22:1**	2.43:1		
Ratio of Total Debt to Stockholders' Equity	**1.47:1**	.61:1		
Statistics[2,3]				
Number of Stores Open at Year End	**31**	19	**63.2**	90.0
Number of Customer Transactions	**13,807**	8,479	**62.8**	103.6
Average Sale Per Transaction	**$31.34**	$30.21	**3.7**	6.9
Weighted Average Weekly Sales Per Operating Store	**$383,500**	$360,300	**6.4%**	28.0%

[1]*Fiscal years 1984 and 1983 refer to the fiscal years ended February 3, 1985 and January 29, 1984 respectively. Fiscal 1984 consisted of 53 weeks while fiscal 1983 consisted of 52 weeks.*

[2]*Only the number of customer transactions are in thousands.*

[3]*Except for the number of stores open at year end, the effect of the acquisition of the Bowater Stores have not been included (See note 2 to consolidated financial statements).*

To Our Shareholders

Fiscal 1984 was another record year for The Home Depot as we again significantly increased our sales, our earnings, and the number of Home Depot stores. In 1984 we also made our first acquisition and we continued to enter new geographic areas and expand our presence in existing markets.

Specifically, for the 53 weeks ended February 3, 1985, our sales rose 69% to $432,779,000, while earnings increased 38% to $14,122,000, or $.56 per share. This includes a loss of $.035 per share from Bowater Home Centers since its acquisition in December, 1984, which is partly a result of the pre-opening expenses associated with converting these stores to Home Depots. Over the last five years, The Home Depot has achieved a compounded annual growth rate of 81% in sales and 99% in earnings.

Our financial position remains quite strong. Stockholders' equity increased to $80,214,000 and our working capital increased to $101,617,000. During the past year, we sold $86,250,000 of 8.5% convertible subordinated debentures and negotiated a $100,000,000 line of credit with a banking group. These additional funds are being used to finance our expansion and for other corporate purposes, such as enabling us to make timely acquisitions.

In fact, more than simply being a record year for The Home Depot, fiscal 1984 was a transitional year as well. It was a year in which The Home Depot entered a new phase of its growth, laying the groundwork for significant expansion in the years immediately ahead. We implemented a variety of organizational changes which allow us to make moves of major proportions, and to take advantage of new opportunities as they arise.

The steps we took included the completion of the initial phase of our management information systems, which has been specially designed to keep track of sales and control our inventory throughout our entire organization.

We also strengthened our senior management team and backed up every key Home Depot executive. Our expansion has also meant developing specialists in several vital areas of our Company, such as lumber, plumbing, electrical hardware, and real estate.

Above all, we have hired and trained a large corps of new staff so that we can move quickly and smoothly into new stores as they open. With our aggressive plans, this is an essential step for maintaining the high quality of our personnel. While this creates duplication in the short term, it is part of The Home Depot's long-term growth strategy to open stores only when we are assured of having qualified, well-motivated people.

Indeed, this growth in our management depth and in our systems, allowed us to move very rapidly when an exceptionally attractive opportunity came along.

One such opportunity was our acquisition of Bowater Home Centers for approximately $38 million in cash and securities. This chain of nine existing "Home Depot"-style warehouse stores has excellent potential. Six stores are located in the Dallas/Fort Worth area, with an additional store presently being constructed in Fort Worth. The Dallas/Fort Worth market was one which The Home Depot had been actively seeking to enter. We are delighted that this acquisition has provided us with an immediate entry into this market at a price which was far

Bernard Marcus
Chairman of the Board

Arthur M. Blank
President

below what we would have had to pay had we undertaken to enter the market from scratch.

The other stores obtained from Bowater are located in Baton Rouge and Shreveport, which complement our presence in New Orleans, and in Mobile, Alabama.

One particularly attractive aspect of this acquisition is the relative ease in which we have converted these stores to Home Depots. All of the stores are between 70,000-80,000 square feet, with inventory that is comparable to ours. Thus, with very little modification, we have been able to incorporate these stores into our organization.

We also added new stores in Phoenix and Tucson, Arizona and one in St. Petersburg, Florida, which further expands our share of the Arizona and Mid-Florida markets. In all, the number of Home Depot stores rose by over 50% during this past year, to a total of 31. And we plan to more than double the number of Home Depot stores in the next 24 months. In fiscal 1985, we plan to open a minimum of twenty new stores, in both new and existing markets.

These new markets include our entry into Houston, Southern and Northern California and Jacksonville. These markets have passed the rigorous screening process of our highly demanding demographic criteria. In addition, our plans for 1986 include entry into the Detroit market, which will mark our first entry into a cold weather climate, which is particularly exciting for us in that it opens the way to our becoming a truly national chain.

In addition to entering new markets, we will be opening stores in existing markets, where present Home Depot stores are already operating at capacity levels. These new stores should absorb the overflow as well as attract additional customers. In 1984, comparable store sales were up 14%. However, since many stores are now operating near their capacity levels, and new satellite stores will be opening in close proximity to those near-capacity stores, comparable store sales figures will become a less meaningful measure of our overall achievement.

As we move forward during this second phase of growth, our plans for major expansion activity will mean significant pre-opening expenses for us in the near-term. Nevertheless, we are convinced that such an investment in new Home Depot stores is warranted and we believe this is an opportune time to build our market share.

On a final note, we would like to express our appreciation to Pat Farrah, one of our founders, who resigned to pursue other goals outside our industry. Before he left, however, Pat was instrumental in recruiting, training and strengthening our management team and helping to build our staff for the future.

There is no doubt that 1984 was an important year for us. Our continuing success would not have been possible were it not for the dedicated service of our employees, and for our customers, who have demonstrated that The Home Depot concept is a sound and exciting business that has revolutionized the home improvement market in America.

Very truly yours,

Bernard Marcus

Bernard Marcus

Arthur M. Blank

Arthur M. Blank

Left to right,

E. Dennis Ross
Sr. Vice President — MIS

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

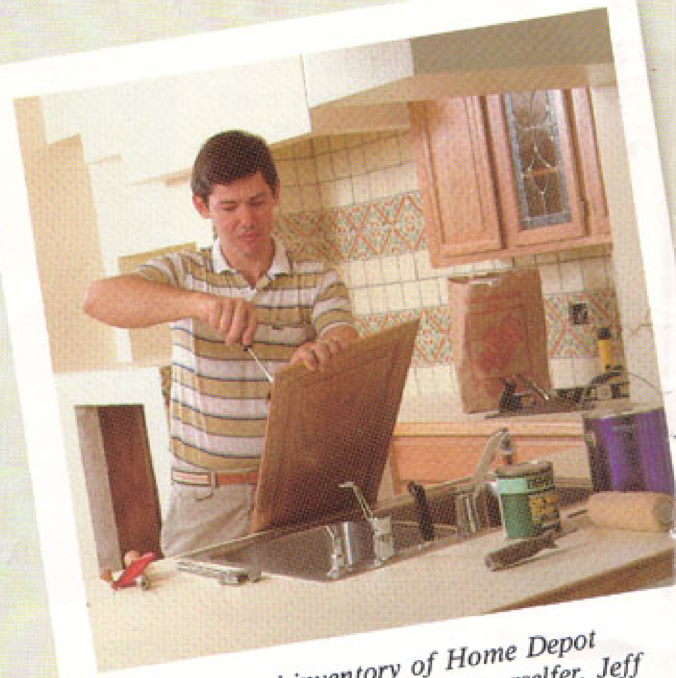
Nathan Morton
Sr. Vice President — Operations

Left to right, Duane Wolter — Vice President-Finance, Dan Tsujioka — Vice President-Store Operations, Jeffrey Langfelder — Vice President-Real Estate, David Alban — Vice President-Human Resources

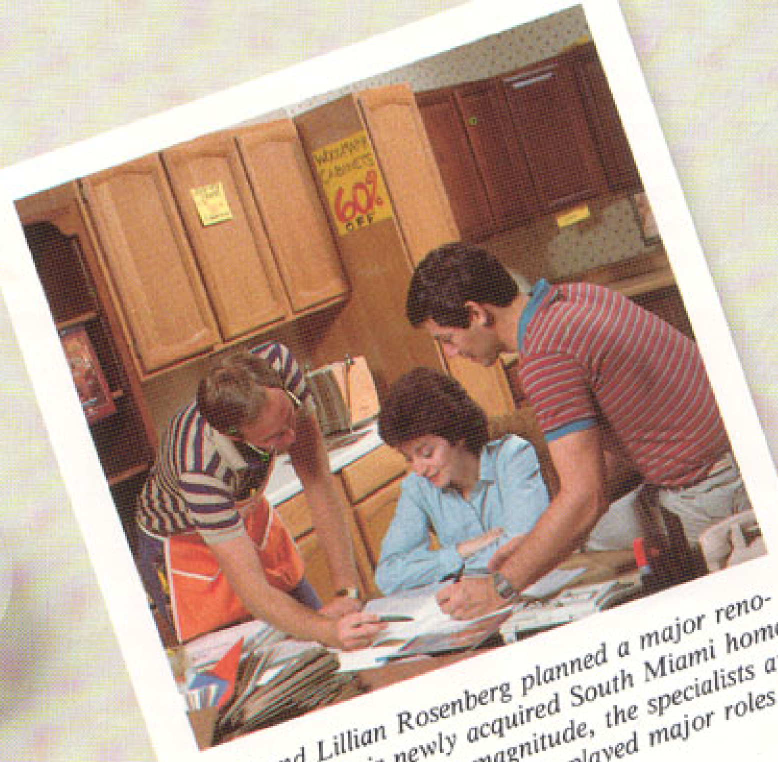
Left to right, James Inglis — Vice President-Merchandising, Steve Burrows — Vice President-Advertising, Richard Mayo — Vice President-Merchandising, Bruce Berg — Vice President-Merchandising (not pictured)

The Home Depot's extraordinary success over the past 6 years has been due to many factors — to our innovative merchandising concepts, our careful choice of personnel, our unique commitment to training our people, our broad inventory selection and our extensive market research, which helps us determine which markets to enter and where to locate our stores within those markets. All of these factors were important, but perhaps the greatest key to our development has been The Home Depot's dedication to educating our customers in how to "do it yourself" and to motivating our staff how to best serve them.

The Do-It-Yourself home improvement market, in which The Home Depot is a leader, is one to which every homeowner potentially belongs, regardless of age, background, economic status, or geographic location. Our outstanding growth as a company is directly related to our ability to recognize this potential business and to know how to successfully attract a large market share.



With the broad inventory of Home Depot products available to the do-it-yourselfer, Jeff was able to create a custom environment with the high quality products from a single store.



Jeff and Lillian Rosenberg planned a major renovation of their newly acquired South Miami home. For a project of this magnitude, the specialists at Home Depot's Perrine store played major roles.

More than ever, Lillian appreciates Jeff's talent, hard work and interest in comparison shopping. Both agree that Home Depot has the largest selection and lowest prices in all of South Florida.

Fundamental to our success is the knowledge that every homeowner is in charge of an extremely valuable asset — a home — which needs care and maintenance. Moreover, most homeowners would like to enhance the value of their homes. We believe that with the proper guidance and instruction, any homeowner can learn to do his or her own projects and repairs, no matter how large the task may be. In this report, we have assembled a few actual case histories, which demonstrate our achievement in reaching this market, and how some of our customers have successfully completed projects which they probably never would have attempted if it were not for The Home Depot.

Towards the goal of serving this almost limitless market, The Home Depot does everything possible to motivate our customers to become dedicated do-it-yourselfers.

Elaine Lee, a former secretary, tackled a most ambitious project when she and her husband, Bill, decided to build their Lafayette, Louisiana home themselves, relying only on expert advice from Home Depot.

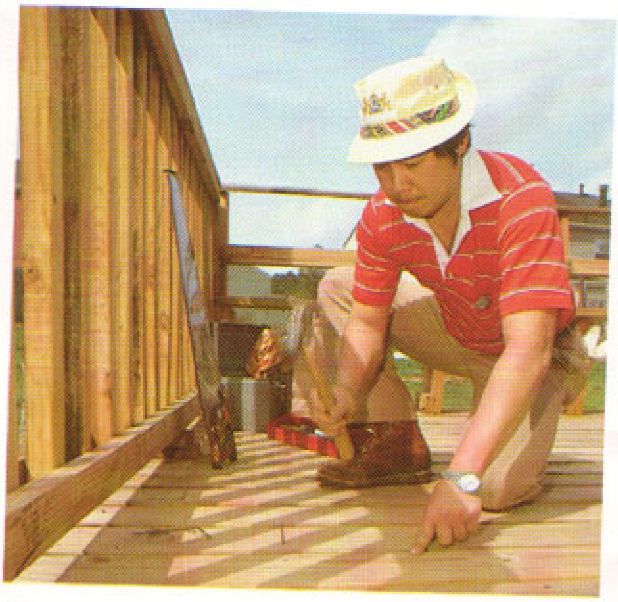
Everything from wood to windows, hammers to nails, paint to brushes was purchased at Home Depot in Gretna, 2½ hours away. "Despite the distance, we became very good friends," Elaine says.

Elaine looks forward to decorating her home with such items as shades, fans, and fixtures. She'll find the same helpful attention and great values at Home Depot's new Baton Rouge store, now only an hour away.

Each Home Depot store, ranging from 63,000 to over 100,000 square feet of enclosed selling space, with an additional 4,000 to 10,000 square feet of outdoor space, stocks a complete line of homebuilding merchandise — enough to build an entire house from scratch and to fully landscape its grounds. We also sell all the tools necessary for the job, and we typically lead the industry in offering this merchandise at the lowest possible prices.

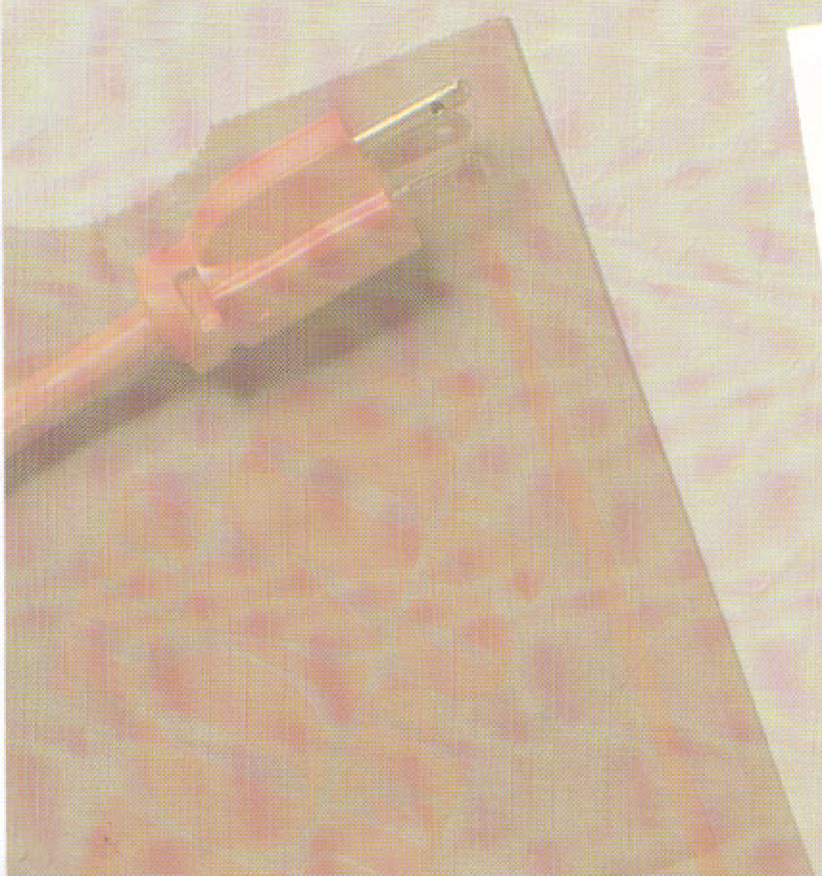
Above all, our highly knowledgeable and outgoing sales staff give expert advice on how to complete a project, including which tools to use and which materials to buy. We offer clinics in projects such as wallpapering, electrical wiring, cabinetry, and plumbing. Our sales people are always ready to respond to any questions our customers may have — at any point in their projects' progress — not only at the moment of sale.

Our greatest satisfaction comes when our customers say — as they frequently do — "I learned how to do it at The Home Depot, and I did it myself."



Manot and Suda Chiniatana, from Taiwan, settled with their young daughter, Manida, in Stone Mountain, Georgia. A dedicated Home Depot do-it-yourselfer, Manot recently built a patio deck on the back of his new home.

Manot knows all of the friendly folks at the Memorial Drive Home Depot store. He purchased all he needed to complete his new outdoor patio, from treated wood and stain, to a carpenter's level, T-square, and band saw.



Manot found that Home Depot also stocks quality furniture and fixtures, such as the durable, handsome patio set his family will enjoy for summers to come. For Manot, Home Depot is the one-stop answer to all home improvement needs.

Selected Financial Data

	Fiscal Year Ended				
	February 3, 1985[1]	January 29, 1984	January 30, 1983	January 31, 1982	February 1, 1981
SELECTED CONSOLIDATED STATEMENT OF EARNINGS DATA:					
Net sales	**$432,779,000**	$256,184,000	$117,645,000	$51,542,000	$22,318,000
Gross profit	**114,319,000**	70,014,000	33,358,000	14,735,000	6,855,000
Earnings before income taxes and extraordinary item	**26,252,000**	18,986,000	9,870,000	1,963,000	856,000
Earnings before extraordinary item	**14,122,000**	10,261,000	5,315,000	1,211,000	453,000
Extraordinary item — reduction of income taxes arising from carry forward of prior years operating losses	—	—	—	234,000	403,000
NET EARNINGS	**14,122,000**	10,261,000	5,315,000	1,445,000	856,000
PER COMMON AND COMMON EQUIVALENT SHARE[2]:					
Earnings before extraordinary item	**$ .56**	$ .41	$ .24	$ .06	$ .02
Extraordinary item	—	—	—	.01	.02
NET EARNINGS	**$ .56**	$ .41	$ .24	$ .07	$ .04
Weighted average number of common and common equivalent shares	**25,302,000**	24,834,000	22,233,000	21,050,000	21,496,000
SELECTED CONSOLIDATED BALANCE SHEET DATA:					
Working capital	**$101,617,000**	$ 49,318,000	$ 12,901,000	$ 5,502,000	$ 1,399,000
Total assets	**247,857,000**	105,230,000	33,014,000	16,906,000	4,507,000
Long-term debt and capital lease obligations, net	**117,942,000**	4,384,000	236,000	3,738,000	1,013,000
Redeemable preferred stock-series A and B	—	—	—	—	1,925,000
Stockholders' equity (deficit)	**80,214,000**	65,278,000	18,354,000	5,204,000	(284,000)

[1]*53 week fiscal year, all others were 52 week fiscal years.*
[2]*Adjusted for stock split-ups effected in the form of dividends*

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

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

	Fiscal Year[1] 1984	1983	1982	Percentage Increase (Decrease) of Dollar Amounts 1984 v 1983	1983 v 1982
SELECTED CONSOLIDATED STATEMENTS OF EARNINGS DATA:					
Net sales	**100.0%**	100.0%	100.0%	68.9%	117.8%
Gross profit	**26.4**	27.3	28.4	63.3	109.9
Costs and expenses:					
Selling and store operating	**17.2**	17.0	16.5	71.1	124.4
Preopening	**.4**	.9	.4	(21.9)	465.9
General and administrative	**3.0**	2.9	3.3	73.8	90.2
Interest expense	**.9**	—	.2	3863.5	(62.9)
Interest income	**(1.2)**	(.9)	(.4)	116.2	386.3
	20.3	19.9	20.0	72.6	117.3
Earnings before income taxes	**6.1**	7.4	8.4	38.3	92.4
Income taxes	**2.8**	3.4	3.9	39.0	91.5
NET EARNINGS	**3.3%**	4.0%	4.5%	37.6%	93.1%
SELECTED CONSOLIDATED SALES DATA:[3]					
Number of customer transactions	**13,807,000**	8,479,000	4,164,000	62.8%[2]	103.6%[2]
Average amount of sale per transaction	**$ 31.34**	$ 30.21	$ 28.25	3.7	6.9
Weighted average weekly sales per operating store	**$ 383,500**	$ 360,300	$ 281,400	6.4	28.0

[1]Fiscal years 1984, 1983 and 1982 refer to the fiscal years ended February 3, 1985, January 29, 1984 and January 30, 1983 respectively. Fiscal 1984 consisted of 53 weeks while 1983 and 1982 each consisted of 52 weeks.

[2]Represents change in number of customer transactions, not dollar amount.

[3]Excludes the effect of the acquisition of the Bowater Stores (See note 2 to consolidated financial statements).

Results of Operations:

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

Fiscal Year Ended February 3, 1985 Compared to January 29, 1984:

Net sales in fiscal 1984 increased 69% from $256,184,000 to $432,779,000. The growth is attributable to several factors. First, the Company opened three new stores during fiscal 1984. Second, the Company had sales of $9,755,000 from the nine former Bowater Home Center stores acquired on December 3, 1984. Third, second year sales increases were realized from the nine stores opened during fiscal 1983. Fourth, comparable store sales increases of 14% due in part to 53 weeks in fiscal 1984 compared to 52 weeks in fiscal 1983 and in part to the number of customer transactions increasing by 63%. Finally, excluding the sales of the former Bowater Home Center stores, the weighted average weekly sales per operating store increased 6% to $383,500 in fiscal 1984.

Gross profit in fiscal 1984 increased 63% from $70,014,000 to $114,319,000. This net increase was due to the increased sales and was partially offset by a reduction in the gross profit margin from 27.3% to 26.4%. The reduction in the gross profit percentage is largely the result of the purchase of a high proportion of promoted merchandise by customers in the second quarter.

Costs and expenses increased 73% during fiscal 1984. As a percent of sales, costs and expenses increased from 19.9% to 20.3% due to increased selling, store operating, general and administrative expenses. This planned increase was in preparation of the Company's future expansion. Interest expense increased significantly as a result of the issuance of substantial debt during fiscal 1984 to fund the Company's expansion. These increases were partially offset by reduced pre-opening expenses and increased interest income resulting from temporary investment of the proceeds of the debt financing.

Earnings before income taxes increased 38% from $18,986,000 to $26,252,000 resulting from the factors discussed above. Such pretax earnings, however, were reduced by a loss from the Bowater stores of approximately $1,900,000 from date of acquisition (December, 1984) to year end. The Company's effective income tax rate increased slightly from 46.0% to 46.2% resulting principally from less investment and other tax credits as a percentage of the total tax provision. As a percentage of sales, earnings decreased from 4.0% in fiscal 1983 to 3.3% in fiscal 1984. The decline is a result of the Company's reduced gross profit percentage and increases in the operating expenses discussed above.

Fiscal Year Ended January 29, 1984 Compared to January 30, 1983:

Net sales in fiscal 1983 increased 118% from $117,645,000 to $256,184,000. This growth was attributable to several factors. First, the Company's two stores in the Orlando market were open for a full year in fiscal 1983 as opposed to only four days in fiscal 1982. Second, the Company opened nine new stores during the fiscal year — two in the New Orleans market in May, two in the Tampa Bay area, one in July and one in October, three in the Phoenix, Arizona market, two in November and one in January, and two in its existing South Florida markets, one in May and one in October. Third, the Company gained wider acceptance of its merchandising concepts in its existing markets. Finally, the Company increased its average sale per transaction 7%. The above factors accounted for the 28% increase in the weighted average weekly sales per operating store (to $360,300) over the prior year.

Gross profit in fiscal 1983 increased 110% from $33,358,000 to $70,014,000. This net increase was due to the sales increase and was reduced by the Company's continuation of its promotional pricing strategies which resulted in a reduction in the gross margin from 28.4% to 27.3%.

Although costs and expenses increased 117% during fiscal 1983, they declined slightly as a percentage of sales from 20.0% to 19.9%. This decline was due to economies of scale resulting from the greater sales volume, cost efficiencies realized by the Company and increased interest income, all offset by the increase in preopening expenses.

Earnings before income taxes increased from $9,870,000 in fiscal 1982 to $18,986,000 in fiscal 1983, a 92% increase resulting from the factors discussed above. The Company's effective income tax rate declined slightly from 46.1% to 46.0% as a result of greater investment and other tax credits as a percentage of the total tax provision. Net earnings increased 93% from $5,315,000 in fiscal 1982 to $10,261,000 in fiscal 1983. As a percentage of sales, net earnings declined from 4.5% in fiscal 1982 to 4.0% in fiscal 1983. This decline is a result of the Company's decision to reduce its gross profit percentage through promotional strategies while taking advantage of the cost efficiencies obtained through higher volumes.

Impact of Inflation and Changing Prices:

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

Liquidity and Capital Resources:

Cash flow generated from existing store operations provides the Company with a significant source of liquidity since sales are on a cash-and-carry basis. In addition, a significant portion of the Company's inventory is financed under vendor credit terms. The Company has supplemented its operating cash flow from time to time with bank credit and equity and debt financing. During fiscal 1984, $86,250,000 of working capital was provided by issuance of convertible subordinated debentures, $13,600,000 from industrial revenue bonds, and approximately $18,075,000 from operations. In December, 1984, the Company spent approximately $38,420,000 for the acquisition of the Bowater Home Center chain of nine stores, of which $14,000,000 was provided by the issuance of a convertible subordinated debenture. In addition, during fiscal 1984, the Company entered into a new credit agreement for a $25,000,000 working capital line of credit and a $75,000,000 revolving credit facility with a group of banks.

The Company has announced plans to open at least twenty new stores during fiscal year 1985. The ultimate cost of this new store expansion program will depend upon, among other factors, the extent to which the Company is able to lease second use store space as opposed to acquiring leases or sites and having stores constructed to its own specifications. The Company preliminarily estimates that approximately $3,500,000 to $4,500,000 per store will be required to acquire sites and construct facilities to the Company's specifications and that approximately $500,000 to $1,100,000 will be required to open a store in leased space. These estimates include costs for site acquisition, construction expenditures, fixtures and equipment, and in-store minicomputers and point-of-sale terminals. In addition, each new store will require approximately $1,800,000 to finance inventories, net of vendor financing. The Company believes it has the ability to finance these expenditures through existing cash resources, current bank lines of credit, funds generated from operations and other forms of financing, including but not limited to various forms of real estate financing and unsecured borrowings.

Consolidated Statements of Earnings

	Fiscal Year Ended		
	February 3, 1985 (53 weeks)	January 29, 1984 (52 weeks)	January 30, 1983 (52 weeks)
NET SALES (note 2)	**$432,779,000**	$256,184,000	$117,645,000
COST OF MERCHANDISE SOLD	**318,460,000**	186,170,000	84,287,000
GROSS PROFIT	**114,319,000**	70,014,000	33,358,000
OPERATING EXPENSES:			
Selling and store operating expenses	**74,447,000**	43,514,000	19,394,000
Preopening expenses	**1,917,000**	2,456,000	434,000
General and administrative expenses	**12,817,000**	7,376,000	3,878,000
TOTAL OPERATING EXPENSES	**89,181,000**	53,346,000	23,706,000
OPERATING INCOME	**25,138,000**	16,668,000	9,652,000
OTHER INCOME (EXPENSE):			
Interest income	**5,236,000**	2,422,000	498,000
Interest expense (note 3)	**(4,122,000)**	(104,000)	(280,000)
	1,114,000	2,318,000	218,000
EARNINGS BEFORE INCOME TAXES	**26,252,000**	18,986,000	9,870,000
INCOME TAXES (note 5)	**12,130,000**	8,725,000	4,555,000
NET EARNINGS	**$ 14,122,000**	$ 10,261,000	$ 5,315,000
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (notes 4 and 6)	**$ .56**	$ .41	$ .24
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES (note 4)	**25,302,000**	24,834,000	22,233,000

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

Assets	February 3, 1985	January 29, 1984
CURRENT ASSETS:		
Cash, including certificates of deposit of $43,374,000 in 1985 and $20,103,000 in 1984	$ 52,062,000	$ 22,168,000
Accounts receivable, net	9,365,000	2,195,000
Merchandise inventories	84,046,000	58,712,000
Prepaid expenses	1,939,000	733,000
Total current assets	147,412,000	83,808,000
PROPERTY AND EQUIPMENT, AT COST (notes 3 and 7):		
Land	30,044,000	4,497,000
Buildings	3,728,000	1,717,000
Furniture, fixtures, and equipment	17,905,000	8,774,000
Leasehold improvements	11,743,000	7,308,000
Capital leases, principally data processing equipment	257,000	257,000
Construction in progress	14,039,000	171,000
	77,716,000	22,724,000
Less accumulated depreciation and amortization	4,139,000	1,595,000
Net property, and equipment	73,577,000	21,129,000
COST IN EXCESS OF THE FAIR VALUE OF NET ASSETS ACQUIRED, NET (note 2)	23,691,000	—
OTHER	3,177,000	293,000
	$247,857,000	$105,230,000

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	February 3, 1985	January 29, 1984
CURRENT LIABILITIES:		
Accounts payable	**$39,232,000**	$ 28,727,000
Accrued salaries and related expenses	**3,819,000**	3,912,000
Other accrued liabilities	**1,831,000**	514,000
Income taxes payable (note 5)	**626,000**	1,283,000
Current installments of long-term debt and capital lease obligations (notes 3 and 7)	**287,000**	54,000
Total current liabilities	**45,795,000**	34,490,000
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS (note 3)	**117,877,000**	4,261,000
CAPITAL LEASE OBLIGATIONS, EXCLUDING CURRENT INSTALLMENTS (note 7)	**65,000**	123,000
OTHER LIABILITIES	**1,320,000**	—
DEFERRED INCOME TAXES (note 5)	**2,586,000**	1,078,000
STOCKHOLDERS' EQUITY (notes 4 and 6):		
Common stock, par value $.05. Authorized: 50,000,000 shares; issued and outstanding 25,055,188 shares at February 3, 1985 and 24,893,709 shares at January 29, 1984	**1,253,000**	1,245,000
Paid-in capital	**48,246,000**	47,440,000
Retained earnings	**30,715,000**	16,593,000
Total stockholders' equity	**80,214,000**	65,278,000
COMMITMENTS AND CONTINGENT LIABILITIES (notes 3, 6 and 7)		
	$247,857,000	$105,230,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Fiscal year ended February 3, 1985, January 29, 1984 and January 30, 1983

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Total Stockholders' Equity
BALANCE, JANUARY 31, 1982	3,995,394	$ 200,000	$ 3,987,000	$ 1,017,000	$ 5,204,000
Five-for-four stock split-up effected in the form of a dividend, net of redemption of fractional shares (note 4)	998,752	50,000	(51,000)	—	(1,000)
Sale of common stock under public offering, net of expenses of sale	630,000	31,000	7,666,000	—	7,697,000
Shares sold under Employee Incentive Stock Option Plan (note 6)	29,807	1,000	160,000	—	161,000
Repurchase and retirement of shares acquired pursuant to the exercise of stock options	(783)	—	(22,000)	—	(22,000)
Two-for-one stock split-up effected in the form of a dividend (note 4)	5,642,216	282,000	(282,000)	—	—
Net earnings	—	—	—	5,315,000	5,315,000
BALANCE, JANUARY 30, 1983	11,295,386	564,000	11,458,000	6,332,000	18,354,000
Sale of common stock under public offering, net of expenses of sale	1,100,000	55,000	36,325,000	—	36,380,000
Two-for-one stock split-up effected in the form of a dividend (note 4)	12,395,386	620,000	(620,000)	—	—
Shares sold under Employee Incentive Stock Option Plan (note 6)	104,434	6,000	198,000	—	204,000
Repurchase and retirement of shares acquired pursuant to the exercise of stock options	(1,497)	—	(36,000)	—	(36,000)
Tax benefit from sale of option shares by employees	—	—	115,000	—	115,000
Net earnings	—	—	—	10,261,000	10,261,000
BALANCE, JANUARY 29, 1984	24,893,709	1,245,000	47,440,000	16,593,000	65,278,000
Shares sold under Employee Stock Purchase Plan (note 6)	29,972	1,000	396,000	—	397,000
Shares sold under Employee Incentive Stock Option Plan (note 6)	136,117	7,000	400,000	—	407,000
Repurchase and retirement of shares acquired pursuant to the exercise of stock options	(4,610)	—	(80,000)	—	(80,000)
New York Stock Exchange listing expenses	—	—	(140,000)	—	(140,000)
Tax benefit from sale of option shares by employees	—	—	230,000	—	230,000
Net earnings	—	—	—	14,122,000	14,122,000
BALANCE, FEBRUARY 3, 1985	25,055,188	$1,253,000	$48,246,000	$30,715,000	$80,214,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

	Fiscal Year Ended		
	February 3, 1985	January 29, 1984	January 30, 1983
SOURCES OF WORKING CAPITAL:			
Net earnings	**$ 14,122,000**	$10,261,000	$ 5,315,000
Items which do not use working capital:			
Depreciation and amortization of property and equipment	**2,275,000**	903,000	389,000
Deferred income taxes	**1,508,000**	713,000	272,000
Other	**170,000**	59,000	15,000
WORKING CAPITAL PROVIDED BY OPERATIONS	**18,075,000**	11,936,000	5,991,000
Proceeds from sale of property and equipment, net	**861,000**	3,000	43,000
Long-term debt borrowings and capital lease obligations	**120,350,000**	4,200,000	238,000
Sale of common stock, net	**814,000**	36,663,000	7,836,000
	$140,100,000	$52,802,000	$14,108,000
USES OF WORKING CAPITAL:			
Additions to property and equipment	**$ 50,769,000**	$16,081,000	$ 2,883,000
Current installments and repayments of long-term debt and capital lease obligations	**6,792,000**	52,000	3,740,000
Acquisition of Bowater Home Center, Inc., net of working capital of $10,734,000 (note 2):			
Property and equipment	**4,815,000**	—	—
Cost in excess of the fair value of net assets acquired	**23,784,000**	—	—
Other liabilities, net of other assets	**(913,000)**	—	—
Other, net	**2,554,000**	252,000	86,000
Increase in working capital	**52,299,000**	36,417,000	7,399,000
	$140,100,000	$52,802,000	$14,108,000
CHANGES IN COMPONENTS OF WORKING CAPITAL:			
Increase in current assets:			
Cash	**$ 29,894,000**	$13,917,000	$ 6,633,000
Accounts receivable, net	**7,170,000**	1,567,000	213,000
Merchandise inventories	**25,334,000**	41,137,000	6,311,000
Prepaid expenses	**1,206,000**	227,000	429,000
	63,604,000	56,848,000	13,586,000
Increase (decrease) in current liabilities:			
Accounts payable	**10,505,000**	17,150,000	5,261,000
Accrued salaries and related expenses	**(93,000)**	2,524,000	1,011,000
Other accrued liabilities	**1,317,000**	341,000	(213,000)
Income taxes payable	**(657,000)**	406,000	452,000
Current installment of long-term debt and capital lease obligation	**233,000**	10,000	(324,000)
	11,305,000	20,431,000	6,187,000
INCREASE IN WORKING CAPITAL	**$ 52,299,000**	$36,417,000	$ 7,399,000

See accompanying notes to consolidated financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year

The Company's fiscal year ends on the Sunday closest to the last day of January and usually consists of 52 weeks. Every five or six years, however, there is a 53-week year. The fiscal year ended February 3, 1985 consisted of 53 weeks while the years ended January 29, 1984 and January 30, 1983 consisted of 52 weeks and are considered fiscal years 1984, 1983, and 1982 respectively.

Principles of Consolidation

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

Merchandise Inventories

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

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. Equipment obtained under capital leases is amortized on the straight-line method over the lease term.

Investment Tax Credits

Investment tax credits are recorded as a reduction of Federal income taxes in the year the credits are realized.

Store Preopening Expenses

Preopening costs related to new store openings are expensed as incurred.

Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share are based on the weighted average number of shares and equivalents outstanding after retroactive adjustment for various stock split-ups, all effected in the form of dividends. Common equivalent shares used in the calculation of earnings per share represent shares granted under the Company's employee stock option and stock purchase plans.

Shares issuable upon conversion of the 8½% convertible subordinated debentures are also common stock equivalents. Shares issuable upon conversion of the 9% convertible subordinated debentures would only be included in the computation of fully diluted earnings per share. However neither shares issuable upon conversion of the 8½% nor the 9% convertible debentures were dilutive and thus neither were considered in the earnings per share computation.

2 ACQUISITION

On December 3, 1984 the Company acquired the outstanding stock of Bowater Home Center, Inc. (Bowater) for approximately $38,420,000 including costs incurred in connection with the acquisition. Bowater operates nine retail home center stores primarily in the Dallas, Texas metropolitan area. The acquisition was accounted for by the purchase method and accordingly, results of operations have been included with those of the Company from the date of acquisition. Cost in excess of the fair value of net assets acquired amounted to approximately $23,784,000 which is being amortized over forty years from date of acquisition using the straight-line method. Such amortization amounted to $93,000 for fiscal 1984 and is included in general and administrative expenses in the accompanying consolidated statement of earnings.

The following table summarizes, on a pro forma, unaudited basis, the combined results of operations of the Company and Bowater for the years ended February 3, 1985 and January 29, 1984, as though the acquisition had been made at January 31, 1983. The pro forma information does not purport to be indicative of the results of operations which would have actually been realized had the acquisition been consummated on the date indicated. In addition, this pro forma financial information does not purport to be, and in the opinion of the Company is not, indicative of results of operations which may be realized in the future. This opinion is based, in part, upon the fact that the pro forma information, because it is historical, does not take into consideration, among other things, the impact of The Home Depot's merchandising philosophy and economies of scale.

2 ACQUISITION *continued*

	Fiscal Year Ended	
	February 3, 1985	January 29, 1984*
	(Unaudited)	
Net sales	**$482,752,000**	$274,660,000
Net earnings	**9,009,000**	6,913,000
Earnings per common and common equivalent share	**.36**	.28

**Includes the operations and pro forma adjustments from the date of inception of Bowater's operations in August 1983.*

3 LONG TERM DEBT AND LINES OF CREDIT

Long-term debt consists of the following:

	February 3, 1985	January 29, 1984
8½% convertible subordinated debentures, due July 1, 2009, convertible into shares of common stock of the Company at a conversion price of $26.50 per share. The debentures are redeemable by the Company at a premium from July 1, 1986 to July 1, 1999. An annual mandatory sinking fund commencing July 1, 1995 will retire 70% of the issue prior to maturity. Interest is payable semi-annually.	**$ 86,250,000**	$ —
9% convertible subordinated debentures, due December 15, 1999, convertible into shares of common stock of the Company at a conversion price of $16.90 per share. The debentures are redeemable by the Company at a premium from December 15, 1986 to December 15, 1994. An annual mandatory sinking fund of $2,000,000 per year is required from 1994 to 1998. Interest is payable semi-annually.	**14,000,000**	—
9⅞% Industrial Revenue Bond secured by a letter of credit, payable on December 1, 1993, with interest payable semi-annually.	**4,200,000**	4,200,000
*Variable Rate Industrial Revenue Bond, secured by a letter of credit, payable on December 1, 2009, with interest payable monthly.	**5,500,000**	—
*Variable Rate Industrial Revenue Bond, secured by a letter of credit, payable on December 1, 2009, with interest payable monthly.	**4,600,000**	—
Industrial Revenue Bond with interest at 65% of the prime rate, secured by land, payable in 15 annual installments, first installment due July 1, 1985, with interest payable semi-annually.	**3,500,000**	—
9% mortgage note, secured by a building, payable in monthly installments including interest.	**61,000**	62,000
Total long term debt	**118,111,000**	4,262,000
Less current installment	**(234,000)**	(1,000)
Long term debt, excluding current installment	**$117,877,000**	$4,261,000

**The interest rates on the variable rate industrial revenue bonds are related to various short term municipal money market composite rates.*

3 LONG TERM DEBT AND LINES OF CREDIT *continued*

Maturities of long-term debt for each of the five years subsequent to February 3, 1985 are approximately $234,000 per year.

During the fiscal year ended February 3, 1985, the Company entered into a new working capital line of credit and revolving line of credit for $25,000,000 and $75,000,000, respectively, with interest, at the Company's option, of the prime rate, the Interbank Eurodollar rate plus ½% or the Bank's Certificate of Deposit rate plus ¾%. There were no borrowings under such lines of credit at year end. Under these agreements the Company is required among other things to maintain a minimum tangible net worth (including the 8½% convertible subordinated debentures) as defined, of $123,000,000, a debt to tangible net worth ratio of no more than 1.6:1, a current ratio of not less than 1.5:1 and a ratio of earnings before taxes and interest expense (net of interest income) to interest expense of not less than 3.0:1. An annual commitment fee of ¼% to ⅜% is required to be paid on the unused portion of the revolving line of credit. The restrictions related to the letter of credit agreements securing the industrial revenue bonds are less restrictive than those under the line of credit agreements.

The following information is provided with respect to the short-term borrowings under the credit agreements:

	Fiscal Year Ended		
	February 3, 1985	January 29, 1984	January 30, 1983
Maximum amount outstanding during the period	**$6,500,000**	$ —	$1,000,000
Average daily amount outstanding	**$ 810,000**	$ —	$ 30,000
Daily weighted average interest rate on borrowings	**12%**	—%	17%

Interest expense in the accompanying consolidated statements of earnings is net of interest capitalized ($1,462,000 in fiscal 1984). Prior to 1984 interest expense was not capitalized since the amount was insignificant.

4 COMMON STOCK

During fiscal 1983 and 1982, the Board of Directors approved three stock split-ups of the Company's common stock effected in the form of dividends with the par value remaining at $.05 per share. These actions resulted in transfers to common stock from paid-in capital in amounts equal of the par value of the additional shares issued. All per share amounts in the consolidated financial statements and other share information relating to the employee stock options and the employee stock purchase plan described in note 6 have been adjusted to reflect these transactions. All other data related to common stock transactions are reported on an historical basis.

5 INCOME TAXES

The provision for income taxes consists of the following:

	Fiscal Year Ended		
	February 3, 1985	January 29, 1984	January 30, 1983
Current:			
Federal	**$ 9,083,000**	$6,916,000	$3,783,000
State	**1,539,000**	1,096,000	500,000
	10,622,000	8,012,000	4,283,000
Deferred:			
Federal	**1,464,000**	713,000	272,000
State	**44,000**	—	—
	1,508,000	713,000	272,000
Total	**$12,130,000**	$8,725,000	$4,555,000

5 INCOME TAXES *continued*

The effective tax rates for fiscal 1984, 1983, and 1982 were 46.2%, 46.0% and 46.1% respectively. A reconciliation of income taxes from Federal statutory rates to actual tax rates for the applicable fiscal years follows:

	Fiscal Year Ended		
	February 3, 1985	January 29, 1984	January 30, 1983
Income taxes at Federal statutory rate, net of surtax exemption	**$12,076,000**	$8,734,000	$4,520,000
State income taxes, net of Federal income tax benefit	**855,000**	592,000	270,000
Investment and targeted jobs tax credits	**(800,000)**	(747,000)	(237,000)
Other, net	**(1,000)**	146,000	2,000
	$12,130,000	$8,725,000	$4,555,000

Deferred income tax expense results principally from timing differences between depreciation expense computed for financial reporting purposes and income tax purposes.

6 EMPLOYEE STOCK PLANS

The Company has stock option plans that provide for the granting of options to purchase the Company's common stock to selected key employees, officers and directors. Under the Employee Incentive Stock Option Plan a maximum of 1,437,500 shares of common stock are authorized for future grants at fair market value at date of grant. Currently, an additional 800,000 shares have been authorized by the Board of Directors subject to stockholder approval. Such options may be exercised at the rate of 25% per year commencing with the first anniversary date of the grant and expire after five years. At February 3, 1985, options for 1,336,924 shares had been granted net of cancellations (of which 337,881 had been exercised) at $1.60 to $28.62 per share and 870,576 common shares were available for future grants under the plan.

Under the 1984 Non Qualified Stock Option Plan, a maximum of 500,000 shares are authorized for future grants at fair market value at date of grant. Such options may be exercised at varying rates commencing on the third anniversary date of the grant and expire during 1994. At February 3, 1985 options for 26,500 shares had been granted at $15.50 per share (none of which had been exercised) and 473,500 common shares were available for future grant.

The following summarizes shares outstanding under the plans at February 3, 1985, January 29, 1984, and January 30, 1983 and changes during the fiscal years then ended:

	Fiscal Year Ended		
	February 3, 1985	January 29, 1984	January 30, 1983
Number of options			
At beginning of year			
Outstanding	**930,820**	771,886	578,400
Exercisable	**145,126**	31,894	—
During the year			
Issued	**452,650**	319,520	354,240
Cancelled	**191,810**	56,152	63,424
Became exercisable	**242,741**	217,666	129,224
Exercised	**136,117**	104,434	97,330
At end of year			
Outstanding	**1,055,543**	930,820	771,886
Exercisable	**251,750**	145,126	31,894
Average price per share			
Outstanding at the end of year	**$14.33**	$12.80	$6.22
Exercised during the year	**$ 2.97**	$ 1.95	$1.66

6 EMPLOYEE STOCK PLANS *continued*

In addition, the Company has an Employee Stock Purchase Plan under which the Company, may grant eligible employees options to purchase up to 200,000 shares at a price equal to 85% of the stock's fair market value at the date of grant. Subsequent to February 3, 1985, the board of Directors authorized an additional 300,000 shares subject to stockholder approval. Shares purchased may not exceed the lesser of 20% of the employee's annual compensation, as defined, or $25,000 of the fair market value of such stock (determined at the time such option is granted) for any one calendar year. Employees pay for the shares ratably over a period of one year (the purchase period) through payroll deductions, and cannot exercise their option to purchase any of the shares until the conclusion of the purchase period. In the event an employee elects not to exercise such options, the full amount withheld is refundable. During fiscal 1984 options for 29,972 shares were exercised at an average price of $13.25 and at February 3, 1985, 100,682 options were outstanding, net of cancellations, at an average price of $14.41 per share. At January 29, 1984, 49,240 options were outstanding, net of cancellations, at an average price of $16.80 per share. There were no purchases under this plan during fiscal 1983.

7 LEASES

The Company leases certain retail locations, office, warehouse and distribution space, equipment, and vehicles under operating leases. All leases will expire within the next 40 years; however, it can be expected that in the normal course of business, leases will be renewed or replaced. Total rent expense, net of minor sublease income for the fiscal years ended February 3, 1985, January 29, 1984, and January 30, 1983 amounted to $6,718,000, $4,223,000, and $1,911,000 respectively. Under the building leases, real estate taxes, insurance, maintenance, and operating expenses applicable to the leased property are obligations of the Company. Certain of the store leases provide for contingent rentals based on percentages of sales in excess of specified minimums. Contingent rentals for fiscal years ended February 3, 1985 and January 29, 1984 were $545,000 and $111,000. There were no contingent rentals for the 1982 fiscal year.

The Company leases data processing equipment under capital leases that expire over the next three years. The present value of future minimum capital lease payments and approximate future minimum lease payments under operating leases at February 3, 1985 are as follows:

Fiscal Year	Capital Leases	Operating Leases
1985	$ 73,000	$ 10,195,000
1986	65,000	10,213,000
1987	4,000	10,228,000
1988	—	10,186,000
1989	—	9,959,000
Thereafter	—	99,379,000
	142,000	$150,160,000
Less amount representing interest (at rates varying from 14% to 15.7%)	24,000	
Present value of net minimum capital lease payments	118,000	
Less current installments of obligations under capital leases	53,000	
Long-term obligations under capital leases	$ 65,000	

8 QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal years ended February 3, 1985 and January 29, 1984:

	Net Sales	Gross Profit	Net Earnings	Net Earnings Per Common and Common Equivalent Share
Fiscal year ended February 3, 1985:				
1st Quarter	$ 95,872,000	$ 25,026,000	$ 3,437,000	$.14
2nd Quarter	119,068,000	29,185,000	3,808,000	.15
3rd Quarter	100,459,000	27,658,000	3,280,000	.13
4th Quarter	117,380,000	32,450,000	3,597,000	.14
	$432,779,000	$114,319,000	$14,122,000	$.56
Fiscal year ended January 29, 1984:				
1st Quarter	$ 42,993,000	$ 11,213,000	$ 1,367,000	$.06
2nd Quarter	66,613,000	18,773,000	3,355,000	.13
3rd Quarter	64,083,000	17,471,000	2,291,000	.09
4th Quarter	82,495,000	22,557,000	3,248,000	.13
	$256,184,000	$ 70,014,000	$10,261,000	$.41

9 SUPPLEMENTARY INCOME STATEMENT INFORMATION

Advertising costs, net of rebates, amounted to $11,330,000, $7,433,000, and $3,084,000 for fiscal years 1984, 1983, and 1982, respectively.

Accountants' Report

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

We have examined the consolidated balance sheets of The Home Depot, Inc. and subsidiaries as of February 3, 1985 and January 29, 1984, and the related consolidated statements of earnings, stockholders' equity, and changes in financial position for each of the years in the three-year period ended February 3, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Home Depot, Inc. and subsidiaries at February 3, 1985 and January 29, 1984, and the results of their operations and the changes in their financial position for each of the years in the three-year period ended February 3, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Atlanta, Georgia
March 29, 1985

Store Locations

Atlanta
Decatur
Doraville
Forest Park
Marietta
*Duluth**

Orlando
E. Colonial
*Southlake/Orange Blossom**
Altamonte Springs

Tampa Bay
Tampa
Clearwater
St. Petersburg

Southern Florida
Hollywood
Lauderdale Lakes
Perrine
Hialeah
North Miami Beach
West Palm Beach
*Deerfield Beach**
*Miami—Kendall Drive**
*Miami—Flagler Street**

Jacksonville
*Blanding Boulevard**
*Atlantic Boulevard**

New Orleans
Harahan
Gretna

Houston
*FM 1960/FM 149**
*Bellerive**
*Gulf Freeway**
*Stuebner**

Dallas/Ft. Worth
Plano
Richardson
Arlington
Mesquite
Dallas
N. Richland Hills
*White Settlement**

Shreveport

Baton Rouge

Mobile

Detroit
*Taylor**
*Madison Heights**
*Roseville**

Phoenix
Paradise Valley
Mesa
Glendale
Phoenix

Tucson
E. Broadway
*Oracle Road**

Los Angeles
*Huntington Beach**
*Fullerton**
*San Bernadino**
*Long Beach**

San Diego
*Oceanside**
*Balboa-Genessee**
*La Mesa**
*Chula Vista**

Northern California
*Sunnyvale**
*San Jose**

**Future Locations*

Corporate Information

Directors

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

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

Berry R. Cox**†
Private investor

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

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

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

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

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

Officers

Bernard Marcus
Chairman of the Board, Chief Executive Offic
Secretary

Arthur M. Blank
President, Chief Operating Officer

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

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

Nathan Morton
Sr. Vice President—Operations

Richard Mayo
Vice President—Merchandising

James Inglis
Vice President—Merchandising

Bruce Berg
Vice President—Merchandising

Dan Tsujioka
Vice President—Store Operations

David Alban
Vice President—Human Resources

Duane R. Wolter
Vice President—Finance

Jeffrey Langfelder
Vice President—Real Estate

Steve Burrows
Vice President—Advertising

Corporate Headquarters

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

Transfer Agent and Registrar

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

Stock Exchange Listing

New York Stock Exchange

Trading Symbol—HD

Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 A.M., Wednesday, May 29, 1985, at the Holiday Inn, 6345 Powers Ferry Rd., Atlanta, Ga.

Number of Stockholders

As of April 15, 1985, there were approximately 4000 stockholders of record. This number excludes individual stockholders holding stock under nominee security position listings.

Dividend Policy

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

Form 10-K

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1985 as filed with the Securities and Exchange Commission, will be sent to any stockholder upon request in writing to:

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

Quarterly Stock Price Range

	High	Low
Fiscal 1984:		
First Quarter	19¾	14
Second Quarter	23¼	18½
Third Quarter	27⅞	12
Fourth Quarter	18⅛	12
Fiscal 1983:		
First Quarter	19	13¾
Second Quarter	31⅛	24¾
Third Quarter	31	21
Fourth Quarter	26½	17

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