LISTENING

THE HOME DEPOT ANNUAL REPORT 2000

There's a saying that retailing is not for the faint of heart – that to truly succeed in the business you must be able to react quickly to changes in everything from consumer trends to the competitive environment. More than that, it requires the ability to reinvent yourself on a continuous basis – to evolve with the marketplace and customer demands.

Our ability to embrace change – to reinvent ourselves – is what has made Home Depot so successful. It's what made it possible for us to grow from one store on Memorial Drive in Atlanta to 1,134 at year end, serving nearly a billion customers from Canada to the tip of South America.

In 22 short years, we've grown to $46 billion in sales – with a scale, scope and reach that is unparalleled in the home improvement industry.

We relish the challenge of sustaining that growth and continuing to be among the world's leading retailers – but it will take a tremendous effort on the behalf of everyone at Home Depot to make it happen. It will especially require new ways of thinking and doing – in applying new technologies, building efficiencies, reallocating resources – all while we continue to listen and respond to our customers every day.

WE'RE VERY OPTIMISTIC Our optimism is built on our associates' dedication and commitment to our "orange-blooded" entrepreneurial spirit, which embraces change yet retains our core values of excellent customer service, respect for all people and giving back to the community.

Our optimism is also built on our ability to bring new leadership into the executive ranks – to seek out new talent, experience and vision. That's why we are so excited to be joined by Bob Nardelli, one of the country's top business leaders, as President and CEO. His fresh perspective and business insight will take us to the next level.

While going outside the business in recruiting executive talent is not rare in other industries, it is somewhat rare in retailing. But we're a unique company seeking a unique successor.

We've often said that the people who follow us have to be better than we were. The hard part is not so much creating a new business, but successfully meeting customers' and investors' expectations year after year, decade after decade.

It's now time to hand the baton to a new generation of managers to see us through the new millennium. Our legacy to Bob is the most talented and capable merchandising, operations and support team in the retailing industry. Working together, they will take this great Company to new heights in customer service, market growth and stockholder value.

Arthur M. Blank
Co-Chairman of the Board

Bernard Marcus
Co-Chairman of the Board

CORPORATE PROFILE Founded in 1978, The Home Depot® is the world's largest home improvement retailer and the second largest retailer in the United States, with fiscal 2000 sales of $45.7 billion. At the close of fiscal 2000, The Home Depot operated 1,134 retail locations, including 1,029 Home Depot stores in the United States, 67 Home Depot stores in Canada and 7 Home Depot stores in South America. The Company also operated 26 EXPO Design Centers®, 4 Villager's® Hardware stores and 1 Home Depot Floor Store℠. In addition, the Company operated wholly-owned subsidiaries Apex Supply Company, Georgia Lighting®, Maintenance Warehouse® and National Blinds and Wallpaper®. The Company employed approximately 227,000 associates at the end of fiscal 2000.

The Company has been publicly held since 1981. The Home Depot trades on the New York Stock Exchange under the ticker symbol "HD" and is included in the Dow Jones Industrial Average and the Standard & Poor's 500 Index.

RESPONDING

Our founders have said it many times. Home Depot has the greatest associates in the world. Just ask our customers. In a recent study, Home Depot associates ranked 40% higher than the competition in customer service and product knowledge. We know that Home Depot service, low prices and quality products result in the best customer experience in retailing, but we also see countless opportunities to improve. Every day, we have to earn the trust of our customers, because we understand that each customer is on a day-to-day lease, with ever-increasing needs and expectations.

The Home Depot encourages initiative and rewards extraordinary effort. Most every good thought we've had has originated in our stores, where our associates and our customers meet every day. Those ideas have led to exciting new products for the do-it-yourselfer, new programs for our professional and installation services customers, and great new retailing concepts like our EXPO Design Center stores. Throughout this report, we recognize listening and responding as the keys to our success and the definition of what sets us apart in the industry. Our commitment is to continue to listen for new ideas from customers and associates, and then to respond with programs that make us better than ever in providing home improvement solutions.

"WE HAVE AN INFINITE CAPACITY TO GROW

^ ROBERT L. NARDELLI, PRESIDENT AND CHIEF EXECUTIVE OFFICER

It is an honor and a privilege to write this letter for the first time as President and CEO of The Home Depot. I come to this Company with respect for its past, a deep appreciation of its powerful culture and tremendous enthusiasm for the great opportunities that are in front of us. I am eager to expand upon our history of unparalleled growth, enviable trust and brand recognition built on outstanding customer service, broad merchandise assortments and the lowest prices in the industry.

In deciding to join The Home Depot, I looked at this business as would any investor. By every standard I could find, I joined a runaway winner. Now that I am here and have met every Home Depot store manager, I am more convinced of that than ever.

This is a company with a proud heritage, powerful track record, strong balance sheet and unmatched resources. First and foremost, our associates are central to our financial success and our longstanding relationships with our customers. They operate in a boundary-less environment, where excitement and new ideas are part of the fabric of our Company. They are backed by terrific support from Home Depot's vendors and service partners and the strongest balance sheet in retailing.

Our long-term stockholders also appreciate the strength of this Company's culture, which encourages entrepreneurship, fosters new ideas and adaptation and relishes competition. These are familiar characteristics of great companies where I've had the opportunity to develop and hone my skills over the past 30 years. At Home Depot, the foundation is in place and we have an infinite capacity to continue to grow. What remains is executing on our potential after a relatively difficult year in fiscal 2000.

RESULTS, ACHIEVEMENTS, MILESTONES For the fiscal year, Home Depot posted record earnings and solid sales gains. At some companies, that might be enough. A slowing economy in the second half of the year pressured sales and margins, resulting in performance that was inconsistent with historic standards and below our expectations. Twice within the past decade this Company has rebounded strongly from slower economic conditions, emerging as a stronger and more formidable competitor. We are committed to doing it again.

Summarizing the fiscal year:
- Sales totaled $45.7 billion, a 19% increase for the year.
- We opened 204 new stores, ending the year with 1,134 stores.
- Net earnings reached $2.6 billion, an 11% increase for the year.
- Fiscal 2000 diluted earnings per share were $1.10, compared to $1.00 per share in the previous year.

AND IMPROVE UPON EVERYTHING WE DO."

In addition, The Home Depot reached a number of milestones during the year. Among them:

- We continued to move up on *Fortune*'s Most Admired Companies list, climbing to sixth from ninth the previous year and being named the most admired specialty retailer for the eighth consecutive year.
- We ranked first in social responsibility in the most recent Harris Interactive survey.
- We opened our 1,000th store in July with a celebration that ran all the way to Wall Street, where we decorated the New York Stock Exchange with the world's largest orange apron and several hundred Home Depot associates built gazebos to benefit local parks.

While fiscal 2000 was a challenging year financially, a broad range of opportunities remains to build on the success of the past two decades at The Home Depot during fiscal 2001 and beyond.

LOOKING AHEAD, A GROWTH BUSINESS We continue to be a great growth business, with plans to more than double our sales over the next few years. The approach is straightforward: our growth will be driven by new stores, comparable sales increases in existing stores and through adjacent businesses. Our growth will be both productive and profitable.

In every market in which we operate, The Home Depot has the ability to increase its presence. Our growth will not focus simply on the number of stores opened, but on the quality of stores opened. In fiscal 2001, we will open about 200 stores, continuing a pace of rapid expansion, but we will also open stores earlier in the year, with "neighborhood friendly" merchandise, lower investments and associates who are fully trained and ready to serve new customers. We expect this to give us a greater sales benefit in the first year of new store operations.

In addition, we will continue to be innovative and more productive in existing stores. After meeting with every store manager and thousands of other associates, I am convinced we have the ingenuity and talent to grow sales and implement best practices from existing stores across the enterprise. This has led us to accelerate the roll-out of professional customer programs in fiscal 2001, focusing resources on the fastest growing customer segment in our business. In addition, our Service Performance Improvement program, or SPI, will be in every Home Depot store by the end of fiscal 2001. Tested during fiscal 2000, SPI shifts most of the handling of inventory to hours after the store is closed. As a result, the store is easier for our customers to shop, products are more readily available and our associates can focus all of their time on serving customers. SPI improves sales productivity and customer satisfaction.

Innovative programs to improve store performance are key elements of our growth plans, but a heightened emphasis on merchandising and store execution is equally critical. New product lines, sharper assortments to enhance the vitality of our inventory, and a dedication to improving inventory velocity are central to these efforts. For example, Home Depot's introduction of major appliances in fiscal 2000 added substantial sales and profits, while offering our customers a complete kitchen or laundry project package. With incremental support from product line expansion, advertising and training, we expect to double this business during the coming year.

"THIS IS A COMPANY WITH GREAT OPPORTUNITIES TO CONTINUE TO GAIN MARKET SHARE."

We have the most recognizable brand in home improvement, which gives us the power to extend our Home Depot success into formats that are complementary to our core business. We grew our EXPO Design Center concept from 15 to 26 stores during fiscal 2000 and anticipate continued strong expansion in 2001. We are also testing new store concepts such as Villager's Hardware, with four stores in New Jersey, and a Home Depot Floor Store in Plano, Texas, which we launched in mid-year to such success that we had to slow advertising to keep up with customer response.

FIVE BUSINESS IMPERATIVES FOR FISCAL 2001 All of our future plans are supported by five key business imperatives: customer service and loyalty; innovation and entrepreneurship; merchandising and advertising excellence; operational efficiency and competitive leadership; and talent and leadership development.

All of these imperatives are important, but the last is both critical and too frequently overlooked in the corporate world. As we grow, the unique Home Depot culture and values must be passed on to an increasing number of diverse orange-aproned associates. Therefore, we are committed to enhancing training throughout the organization and developing more focused accountability in clearly defined business units. Sharing ideas through electronic communication will be important to this process. Our structure, the processes we are putting in place and our people all support our strategy. Coupled with these imperatives, we have the roadmap for success.

Despite a slower economic environment, all the elements for growth are in place. It is up to us to broaden our business base so that we are more resistant to economic shifts and to offer a full array of products and services to a wider range of customers. I am challenging our organization to continue the pace of creativity and change that has made us so successful to date. We know where we want to go and we are determined to get there.

Even with our rapid growth in the past two decades, we have less than a 10% share of home improvement and building materials industry sales today. Our strategy for future market share growth begins with a metamarket view of the business, which includes broadening our reach in the industry, identifying new customer segments, analyzing their home improvement needs and gaining an increasingly larger percentage of their expenditures. Whether in opening new stores, adding volume to existing stores or extending the brand globally and through new platforms, The Home Depot is in the strongest position in the industry for continued growth in the coming years.

SPECIAL THANKS I want to express a special thank you to Bernie, Arthur and the Board of Directors for their support through this initial transition, and particularly to Arthur as he retires as Co-Chairman to pursue new endeavors. I am grateful for their confidence in my ability to take over the reins of the company they created and nurtured into a retailing legend, and I am committed to taking The Home Depot to the next level.

I hope you share my excitement for the future prospects of our Company.

Sincerely,

Bob

Robert L. Nardelli
President and Chief Executive Officer
February 19, 2001

> FINANCIAL SUMMARY

amounts in millions, except per share data

	2000	INCREASE	1999	INCREASE	1998	INCREASE
Net sales	$ 45,738	19.0%	$ 38,434	27.2%	$ 30,219	25.1%
Gross profit	13,681	19.9%	11,411	32.6%	8,605	26.9%
Earnings before income taxes	4,217	10.9%	3,804	43.3%	2,654	32.6%
Net earnings	2,581	11.3%	2,320	43.7%	1,614	31.9%
Diluted earnings per share	1.10	10.0%	1.00	40.8%	0.71	29.1%

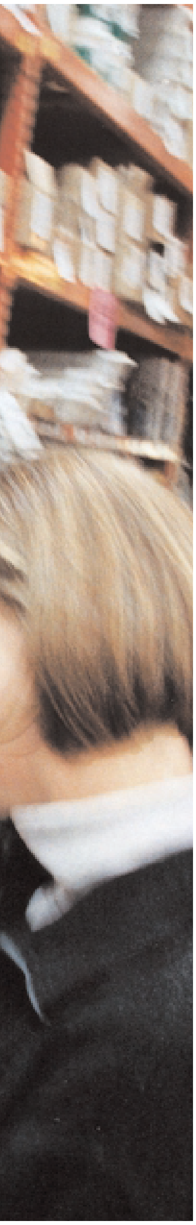
NET EARNINGS
as a Percent of Sales

PRETAX EARNINGS
as a Percent of Sales

RETURN ON INVESTED CAPITAL

OUR CUSTOMERS KNOW THEY'LL GET THE MOST KNOWLEDGEABLE SALES ASSOCIATES, THE BEST PRODUCTS AND THE LOWEST

WAYNE DINSE HAS BEEN A HOME DEPOT ASSOCIATE FOR NINE MONTHS. HE WORKS IN THE DÉCOR DEPARTMENT IN PARAMUS, NEW JERSEY. "I enjoy interacting with customers, understanding the needs they really have. In my career I've run my own business, so I understand why it's important to be detail-oriented. To me, time is of the essence. I like everything in its spot, signed and ready. I like perfection. We're the eyes and ears of the Company. Associates in the stores hear from the customer what they like, what they don't like and what they want. Then it's up to us to satisfy them."



"A customer was moving into a loft apartment in Manhattan and had eight enormous windows, seven to eight feet high. She didn't want curtains and was concerned about the cost of installing custom blinds. We were able to put together a combination of a valance and two blinds to give her the look she wanted for seven of the windows and helped her with a custom blind for the eighth. It solved her problem, it fit her budget and she could do it herself." *– Wayne Dinse*

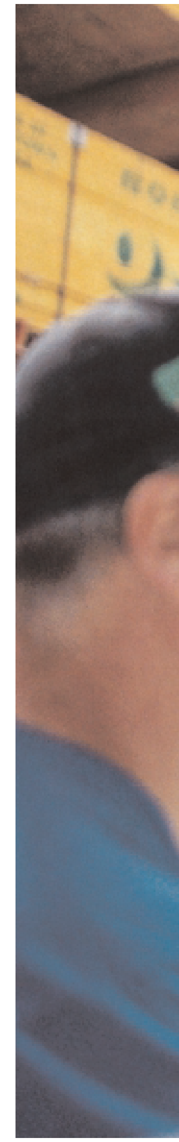
At the center of The Home Depot's success is the trusting relationship between the do-it-yourself customer and our orange-blooded associates. By emphasizing and teaching customer service, and supplementing with product knowledge training, we keep our business vital and growing. During fiscal 2000 we enhanced our relationship with 50,000 customers by building their confidence and skills through Home Depot University classes that teach the how-to part of many projects. We create customer loyalty with proprietary and exclusive products like Hampton Bay® fans and lighting; Behr Premium Plus® paint; Ralph Lauren® paint, carpet and lighting; John Deere® lawn and garden equipment; and Husky® and Ridgid® tools. Subsidiaries such as Georgia Lighting bring us further product expertise and unique import capabilities. With consistent everyday low price guarantees, we execute the fundamentals of retailing with a passion.

PRICES AT THE HOME DEPOT.

Innovation is a key to customer satisfaction. The number of tool rental centers in our stores grew to 342 at year-end. With more than 200 products available to the DIY or professional customer, tool rental services support the bigger projects that our customers take on and provide strong financial results for our stockholders as well.

We always seek to drive our performance to the next level. The Service Performance Improvement (SPI) initiative launched in our stores this year shifts product receiving to the night hours. The resulting efficiencies free up associates to dedicate their time to serving customers. As a result, our stores are easier to shop, the shelves are fully stocked and the aisles are cleaner.

> PROFESSIONAL



"A customer called to ask questions about the price of large quantities of commodity products. He was just looking for information – not exactly sure how he was going to end up doing the project. I asked him what he was doing, and he explained that he was trying to figure out how to convert a warehouse into office and storage space. Clearly, he needed to create a floor with appropriate load weights. So he faxed over a rough picture of what he envisioned. I developed a set of specifications for him and we worked out a solution. Twenty phone calls and eight faxes later, he bought the project from Home Depot and now we have a life-long customer." *– Geoff Highfield*

The professional contractor represents about 30% of our business today and, with the strength of our Pro Program, is the fastest-growing customer segment for the Company. At the end of fiscal 2000, 165 stores were offering pro-specific product assortments, credit programs and enhanced will-call and delivery services through a pro desk staffed by associates dedicated to the pro customer.

We expect to expand the Pro Program to more than 600 additional stores in fiscal 2001 and 2002, completing the rollout. As we've launched this initiative, we've learned how to improve it. We've gained efficiencies in the time and investment necessary to get stores ready to concentrate on pro customers. With a higher average purchase and shopping frequency, the pro customer is a great source of consistent growth, building sales and margin in existing markets.

Computer-savvy pros in selected markets can also use our new Internet service to fulfill ordering, delivery and billing from the job site or an office.

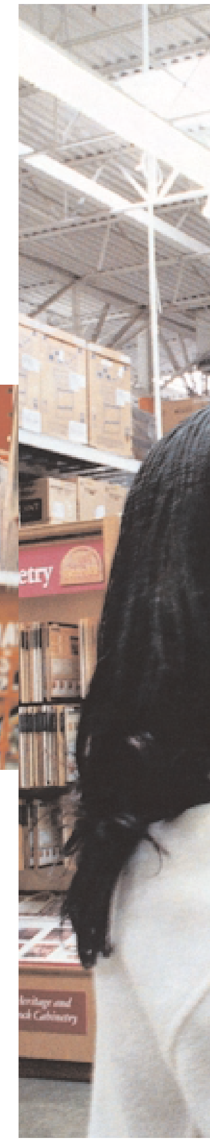
PRO CUSTOMERS ARE ALREADY

SHOPPING OUR STORES. WE CAN GROW THEIR BUSINESS BY BETTER MEETING THEIR NEEDS IN PRODUCTS, QUANTITIES AND SERVICE LEVELS.

GEOFF HIGHFIELD HAS BEEN A HOME DEPOT ASSOCIATE FOR 13 YEARS. HE WORKS THE PRO DESK IN ORLANDO, FLORIDA. "I was chosen to work the pro desk because I've been cross-trained in several departments and I have strong knowledge in products that are key to the pro business. Service is the most important part of the relationship. Contractors are always asking questions. We advise, walk them back to the product, and help them get back to their job sites quickly. We get their sales and loyalty because we earn their confidence every day."

> BUY-IT-YOURSELF

"A customer's basement flooded after a huge storm. Her flooring was ruined and it was one-and-a-half weeks before her bridal shower. Friends and relatives were coming to her home and she needed her house to be perfect. I called the vendor and told them how important it was that this flooring job be done quickly and properly. One of our people drove up to the mill to personally pick up the carpet. We installed it the third day after she called. The customer could not believe we got it done." – *Vicki Brown*



Growth at The Home Depot means finding new ways to meet our customers' needs. Providing products and services to the buy-it-yourself (BIY) customer is not only a growth opportunity for our Company, it makes great sense given this country's aging population. Our installed sales businesses provided approximately $2 billion in sales in fiscal 2000, with an annual growth rate of 40%. By offering services from kitchen and bath installations to flooring, roofing and siding, The Home Depot can tap into new sales opportunities in the home improvement channel.

The Home Depot offers eight core installation programs in all of our stores. We're currently the largest retailer of products in the industry, but we have less than 2% of the product installation market and a significant opportunity to continue to grow at a rapid rate.

BIY sales are supported by new product introductions, like our line of Thomasville™ cabinets. Our appliance program offers General Electric® and Maytag® products through every Home Depot store, with quick delivery and installation service. More than 2,000 major appliances are available either in the store or through an online kiosk. Following a five-fold expansion in fiscal 2000, we expect to double our appliance sales volume again in fiscal 2001. We are supporting this growth with new products, investment in associate training and product knowledge, and enhanced signing and advertising.

On the horizon? We are expanding our test of Trane® HVAC product sales in the Southeast. Our acquisition of Apex Supply Company in fiscal 1999 made this product extension possible.

FROM CREDIT

TO PRODUCT SELECTION AND INSTALLATION, THE HOME DEPOT PROVIDES A COMPLETE PROJECT SOLUTION TO THE BIY CUSTOMER.

VICKI BROWN HAS BEEN A HOME DEPOT ASSOCIATE FOR 16 YEARS. SHE WORKS IN THE KITCHEN INSTALLATION AND DÉCOR DEPARTMENTS AS AN EXPEDITER IN ATLANTA, GEORGIA. "Expediting is a very personal part of the business. In my role, you deal with so many people, from vendors to installers to customers. These customers have saved a long time to make big purchases. When we go into customers' homes to re-do a kitchen or lay some flooring, it's a big deal to them. Nothing is more rewarding than helping customers with projects that can change their lives."

"A customer visited EXPO to consider updating lighting in her kitchen. A walk to the kitchen design center to match cabinet types led to a discussion with a designer, which in turn led to a complete kitchen design proposal. The customer renovated her entire kitchen and went on to remodel all of her children's rooms." *– Chris Pepple*

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CHRIS PEPPLE HAS BEEN A HOME DEPOT ASSOCIATE FOR FIVE AND ONE-HALF YEARS AND WORKS IN THE LIGHTING DEPARTMENT AT THE EXPO DESIGN CENTER IN UNION, NEW JERSEY. "At EXPO we have everything you need for room remodeling. You don't have to go to five different stores to get it done. In fact, there are so many choices that making a final decision can take extra time. It's not unusual for us to spend several hours with each customer bringing their visions to life. Most don't make a decision right away. They go home to think about the possibilities. When they come back to EXPO, we have designers and installers who can take the project to completion."

EXPO IS A PLACE WHERE CUSTOMERS CAN DREAM. OUR JOB IS TO MAKE THEIR DREAMS COME TRUE.

EXPO Design Centers offer dozens of showrooms under one roof, including lighting, carpeting, flooring, décor and kitchen and bath products, all combined with complete design and installation capability. EXPO designers can take a dream "from inspiration to installation." Each EXPO project is developed and tracked through systems that provide on-line product information and work flow management.

Complementing the projects that form the core of EXPO's success is a broad selection of in-store products that support the Home Depot philosophy of high quality and low prices. By identifying a new customer niche and building a business to suit, EXPO has provided access to exciting new products and brands for customers who previously didn't consider their dream within reach.

With 26 stores and a growth rate of approximately 70% during fiscal 2001, EXPO Design Center is the fastest-growing new concept for The Home Depot. EXPO Design Center stores opened to standing room only crowds in New Jersey, Boston, San Francisco, Chicago and New York during fiscal 2000, and will create excitement in Denver, St. Louis and other new markets during fiscal 2001.

After Reuben Santos dropped out of high school, a counselor referred him to Casa Verde YouthBuild®, where he has rediscovered his sense of direction. He enjoyed the construction work opportunities that YouthBuild offered and quickly became a leader and peer trainer within the organization. Associates like Leslee Gooding are working with Reuben and hundreds of YouthBuild students across the country to prepare them for careers in the home improvement industry. As Reuben put it, "This is the best thing that could have happened to me."

HELPING OTHERS DOESN'T END AT THE FOUR WALLS OF THE STORE.

Giving back to those in need is one of the core values of The Home Depot. The Casa Verde YouthBuild program of Austin, Texas, is just one of the thousands of community-based programs The Home Depot supports through our Team Depot program. Building a Habitat for Humanity house in Minneapolis and constructing a playground in Seattle are two more examples of the many ways we give back to the communities where we live and work.

It has often been said that The Home Depot is in the business of helping customers solve problems. Team Depot is focused on doing the same by helping communities solve some of the challenges they face. We do it by using our resources – product and monetary donations and a lot of hard work by thousands of committed Team Depot volunteers – to make us part of the communities we serve.

Since our community relations program began in 1989, The Home Depot has contributed over $100 million in cash and products and millions of volunteer hours to programs in the areas of affordable housing, at-risk youth, the environment and disaster preparedness and relief. On any day in countless communities across the country, you will find Team Depot at work. It is one of the common threads that binds our diverse associates together to make us one company.

LESLEE GOODING HAS BEEN A HOME DEPOT ASSOCIATE FOR FOUR YEARS IN AUSTIN, TEXAS. Looking for a new direction, in 1997, Leslee Gooding enrolled in the Casa Verde YouthBuild Americorps Program, an Austin, Texas-based program that allows young people to earn a high school diploma while learning construction skills. After 12 months of training, Leslee took her new-found skills, diploma and self-confidence to Home Depot, applying for a job with a Home Depot store manager who strongly supported the Casa Verde program. Today, Leslee is a valued member of The Home Depot team, giving back part of her time and experience to other YouthBuild students.

The data below reflect 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.

SELECTED CONSOLIDATED STATEMENTS OF EARNINGS DATA

	Fiscal Year(1)			Percentage Increase (Decrease) In Dollar Amounts	
	2000	**1999**	**1998**	**2000 VS. 1999**	**1999 VS. 1998**
Net Sales	**100.0%**	100.0%	100.0%	**19.0%**	27.2%
Gross Profit	**29.9**	29.7	28.5	**19.9**	32.6
Operating Expenses:					
Selling and Store Operating	**18.6**	17.8	17.7	**24.8**	27.9
Pre-Opening	**0.3**	0.3	0.3	**25.7**	28.4
General and Administrative	**1.8**	1.7	1.7	**24.4**	30.3
Total Operating Expenses	**20.7**	19.8	19.7	**24.8**	28.1
Operating Income	**9.2**	9.9	8.8	**10.1**	42.6
Interest Income (Expense):					
Interest and Investment Income	**0.1**	0.1	0.1	**27.0**	23.3
Interest Expense	**(0.1)**	(0.1)	(0.1)	**(48.8)**	(10.9)
Interest, net	–	–	–	**750.0**	(75.0)
Earnings Before Income Taxes	**9.2**	9.9	8.8	**10.9**	43.3
Income Taxes	**3.6**	3.9	3.5	**10.2**	42.7
Net Earnings	**5.6%**	6.0%	5.3%	**11.3%**	43.7%
Selected Sales Data(2)					
Number of Transactions (000s)	**936,519**	797,229	665,125	**17.5%**	19.9%
Average Sale per Transaction	**$ 48.65**	$ 47.87	$ 45.05	**1.6**	6.3
Weighted Average Weekly Sales per Operating Store	**$ 864,000**	$ 876,000	$ 844,000	**(1.4)**	3.8
Weighted Average Sales per Square Foot	**$ 414.68**	$ 422.53	$ 409.79	**(1.9)**	3.1

(1) Fiscal years 2000, 1999 and 1998 refer to the fiscal years ended January 28, 2001; January 30, 2000; and January 31, 1999, respectively.
(2) Excludes wholly-owned subsidiaries: Apex Supply Company, Georgia Lighting, Maintenance Warehouse, and National Blinds and Wallpaper.

FORWARD-LOOKING STATEMENTS Certain written and oral statements made by The Home Depot, Inc. and subsidiaries (the "Company") or with the approval of an authorized executive officer of the Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. Words or phrases such as "should result," "are expected to," "we anticipate," "we estimate," "we project" or similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections. These risks and uncertainties include, but are not limited to, unanticipated weather conditions; stability of costs and availability of sourcing channels; the ability to attract, train and retain highly-qualified associates; conditions affecting the availability, acquisition, development and ownership of real estate; general economic conditions; the impact of competition; and regulatory and litigation matters. Caution should be taken not to place undue reliance on any such forward-looking statements, since such statements speak only as of the date of the making of such statements. Additional information concerning these risks and uncertainties is contained in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K.

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 and the notes to consolidated financial statements presented in this annual report.

Fiscal Year ended January 28, 2001 compared to January 30, 2000 Net sales for fiscal 2000 increased 19.0% to $45.7 billion from $38.4 billion in fiscal 1999. This increase was attributable to, among other things, full year sales from the 169 new stores opened during fiscal 1999, a 4% comparable store-for-store sales increase and 204 new store openings.

Gross profit as a percent of sales was 29.9% for fiscal 2000 compared to 29.7% for fiscal 1999. The rate increase was primarily attributable to a lower cost of merchandise resulting from product line reviews, benefits from global sourcing programs and an increase in the number of tool rental centers from 150 at the end of fiscal 1999 to 342 at the end of fiscal 2000.

Operating expenses as a percent of sales were 20.7% for fiscal 2000 compared to 19.8% for fiscal 1999. Selling and store operating expenses as a percent of sales increased to 18.6% in fiscal 2000 from 17.8% in fiscal 1999. The increase was primarily attributable to higher store selling payroll expenses resulting from market wage pressures and an increase in employee longevity. In addition, medical costs increased due to higher family enrollment in the Company's medical plans, rising health care costs and higher prescription drug costs. Finally, store occupancy costs, such as property taxes, property rent, depreciation and utilities, increased due to new store growth and energy rate increases.

Pre-opening expenses as a percent of sales were 0.3% for both fiscal 2000 and 1999. The Company opened 204 new stores and relocated 8 stores in fiscal 2000, compared to opening 169 new stores and relocating 6 stores in fiscal 1999. Pre-opening expenses averaged $671,000 per store in fiscal 2000 compared to $643,000 per store in fiscal 1999. The higher average expense was primarily due to the opening of more EXPO Design Center stores and expansion of Home Depot stores into certain new markets including international locations, which involved longer pre-opening periods and higher training, travel and relocation costs.

General and administrative expenses as a percent of sales were 1.8% for fiscal 2000 compared to 1.7% for fiscal 1999. The increase was primarily due to investments in Internet development and international operations, as well as a full year of payroll and other costs associated with operating four new divisional offices, which opened during the fourth quarter of fiscal 1999.

Interest and investment income as a percent of sales was 0.1% for both fiscal 2000 and 1999. Interest expense as a percent of sales was 0.1% for both comparable periods.

The Company's combined federal and state effective income tax rate decreased to 38.8% for fiscal 2000 from 39.0% for fiscal 1999. The decrease was attributable to higher tax credits in fiscal 2000 compared to fiscal 1999.

Net earnings as a percent of sales were 5.6% for fiscal 2000 compared to 6.0% for fiscal 1999, reflecting higher selling and store operating expenses as a percent of sales partially offset by a higher gross profit rate as described above. Diluted earnings per share were $1.10 for fiscal 2000 compared to $1.00 for fiscal 1999.

Fiscal Year ended January 30, 2000 compared to January 31, 1999 Net sales for fiscal 1999 increased 27.2% to $38.4 billion from $30.2 billion in fiscal 1998. This increase was attributable to, among other things, full year sales from the 138 new stores opened during fiscal 1998, a 10% comparable store-for-store sales increase, and 169 new store openings and 6 store relocations during fiscal 1999.

Gross profit as a percent of sales was 29.7% for fiscal 1999 compared to 28.5% for fiscal 1998. The rate increase was primarily attributable to a lower cost of merchandise resulting from product line reviews and increased sales of imported products, and other merchandising initiatives begun in prior years and continued during fiscal 1999, as well as to sales mix shifts to higher gross margin product categories and assortments. In addition, inventory and refund systems improvements and more effective training resulted in better inventory shrink results and lower product markdowns.

Operating expenses as a percent of sales were 19.8% for fiscal 1999 compared to 19.7% for fiscal 1998. Selling and store operating expenses as a percent of sales increased to 17.8% in fiscal 1999 from 17.7% in fiscal 1998. The increase was primarily attributable to higher store selling payroll expenses resulting from market wage pressures and an increase in employee longevity, as well as by the Company's continued investment in new customer service initiatives. In addition, medical costs increased due to higher family enrollment in the Company's medical plans, increased claims and higher prescription drug costs. The Company's strong financial performance during fiscal 1999 also resulted in higher bonus expenses as a percent of sales. Credit card discounts increased as a result of higher penetrations of credit card sales and increases in non-private label discount rates. Partially offsetting these increases were lower net advertising expenses resulting from higher cooperative advertising participation by vendors and economies realized from the increased use of national advertising.

Pre-opening expenses as a percent of sales were 0.3% for both fiscal 1999 and 1998. The Company opened 169 new stores and relocated 6 stores in fiscal 1999, compared to 138 new stores and 4 store relocations in fiscal 1998. Pre-opening expenses averaged $643,000 per store in fiscal 1999 compared to $618,000 per store in fiscal 1998. The higher average expense was primarily due to the opening of more EXPO Design Center stores and expansion of Home Depot stores into certain new markets, which involved longer pre-opening periods and higher training, travel and relocation costs.

General and administrative expenses as a percent of sales were 1.7% for both fiscal 1999 and 1998. Incremental expenses related to long-term growth and business planning initiatives, including Internet development, international operations and the opening of four new divisional offices during the fourth quarter of fiscal 1999, were offset by efficiencies realized from increased sales.

Interest and investment income as a percent of sales was 0.1% for both fiscal 1999 and 1998. Interest expense as a percent of sales was 0.1% for both comparable periods.

The Company's combined federal and state effective income tax rate decreased to 39.0% for fiscal 1999 from 39.2% for fiscal 1998. The decrease was attributable to higher tax credits in fiscal 1999 compared to fiscal 1998.

Net earnings as a percent of sales were 6.0% for fiscal 1999 compared to 5.3% for fiscal 1998, reflecting a higher gross profit rate partially offset by higher operating expenses as a percent of sales as described above. Diluted earnings per share were $1.00 for fiscal 1999 compared to $0.71 for fiscal 1998.

LIQUIDITY AND CAPITAL RESOURCES Cash flow generated from store operations provides the Company with a significant source of liquidity. Additionally, a portion of the Company's inventory is financed under vendor credit terms.

The Company currently plans to open approximately 200 new stores and relocate 9 existing stores during fiscal 2001. It is anticipated that approximately 92% of these locations will be owned, and the remainder will be leased.

The Company has two operating lease agreements totaling $882 million for the purpose of financing construction costs of certain new stores. Under the operating lease agreements, the lessor purchases the properties, pays for the construction costs and subsequently leases the facilities to the Company. The leases provide for substantial residual value guarantees and include purchase options at original cost on each property. The Company financed a portion of its new stores opened from fiscal 1997 through fiscal 2000, as well as office buildings in fiscal 1999 and 2000, under the operating lease agreements.

The cost of new stores to be constructed and owned by the Company varies widely, principally due to land costs, and is currently estimated to average approximately $14.1 million per location. The cost to remodel and/or fixture stores to be leased is expected to average approximately $4.9 million per store. In addition, each new store will require approximately $3.5 million to finance inventories, net of vendor financing.

During fiscal 1999, the Company issued $500 million of 6½% Senior Notes ("Senior Notes"). The Senior Notes are due on September 15, 2004 and pay interest semi-annually. The Senior Notes may be redeemed by the Company at any time, in whole or in part, at a defined redemption price plus accrued interest up to the redemption date. The net proceeds from the offering were used to finance a portion of the Company's capital expenditure program, including store expansions and renovations, for working capital needs and for general corporate purposes.

The Company has a commercial paper program that allows borrowings up to a maximum of $1 billion. As of January 28, 2001, there were $754 million of borrowings outstanding under the program. In connection with the program, the Company has a back-up credit facility with a consortium of banks for up to $800 million. The credit facility, which expires in September 2004, contains various restrictive covenants, none of which is expected to impact the Company's liquidity or capital resources.

As of January 28, 2001, the Company had $167 million in cash and cash equivalents. Management believes that its current cash position, internally generated funds, funds available from its $1 billion commercial paper program and the ability to obtain alternate sources of financing should enable the Company to complete its capital expenditure programs, including store openings and renovations, through the next several fiscal years.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK The Company uses derivative financial instruments at various times to manage the risk associated with foreign currency and interest rate fluctuations. These contracts are insignificant to the Company's operations and financial position.

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.

RECENT ACCOUNTING PRONOUNCEMENTS In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires all derivatives to be carried on the balance sheet at fair value. Changes in the fair value of derivatives must be recognized in the Company's statements of earnings when they occur; however, there is an exception for derivatives that qualify as hedges as defined by SFAS 133. If a derivative qualifies as a hedge, a company can elect to use "hedge accounting" to eliminate or reduce the income statement volatility that would arise from reporting changes in a derivative's fair value. The Company will adopt SFAS 133 in the quarter ending April 29, 2001 and will record its derivatives at fair value. Based on the Company's derivative positions at January 28, 2001, the adoption of SFAS 133 will not have a material impact on the Company's financial results.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. As of January 28, 2001, the Company was in compliance with SAB 101.

CONSOLIDATED STATEMENTS OF EARNINGS

The Home Depot, Inc. and Subsidiaries

amounts in millions, except per share data	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Net Sales	$ 45,738	$ 38,434	$ 30,219
Cost of Merchandise Sold	32,057	27,023	21,614
Gross Profit	13,681	11,411	8,605
Operating Expenses:			
Selling and Store Operating	8,513	6,819	5,332
Pre-Opening	142	113	88
General and Administrative	835	671	515
Total Operating Expenses	9,490	7,603	5,935
Operating Income	4,191	3,808	2,670
Interest Income (Expense):			
Interest and Investment Income	47	37	30
Interest Expense	(21)	(41)	(46)
Interest, net	26	(4)	(16)
Earnings Before Income Taxes	4,217	3,804	2,654
Income Taxes	1,636	1,484	1,040
Net Earnings	$ 2,581	$ 2,320	$ 1,614
Basic Earnings Per Share	$ 1.11	$ 1.03	$ 0.73
Weighted Average Number of Common Shares Outstanding	2,315	2,244	2,206
Diluted Earnings Per Share	$ 1.10	$ 1.00	$ 0.71
Weighted Average Number of Common Shares Outstanding Assuming Dilution	2,352	2,342	2,320

See accompanying notes to consolidated financial statements.

amounts in millions, except share data

	JANUARY 28, 2001	JANUARY 30, 2000
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 167	$ 168
Short-Term Investments, including current maturities of long-term investments	10	2
Receivables, net	835	587
Merchandise Inventories	6,556	5,489
Other Current Assets	209	144
Total Current Assets	7,777	6,390
Property and Equipment, at cost:		
Land	4,230	3,248
Buildings	6,167	4,834
Furniture, Fixtures and Equipment	2,877	2,279
Leasehold Improvements	665	493
Construction in Progress	1,032	791
Capital Leases	261	245
	15,232	11,890
Less Accumulated Depreciation and Amortization	2,164	1,663
Net Property and Equipment	13,068	10,227
Long-Term Investments	15	15
Notes Receivable	77	48
Cost in Excess of the Fair Value of Net Assets Acquired, net of accumulated amortization of $41 at January 28, 2001 and $33 at January 30, 2000	314	311
Other	134	90
	$ 21,385	$ 17,081
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	$ 1,976	$ 1,993
Accrued Salaries and Related Expenses	627	541
Sales Taxes Payable	298	269
Other Accrued Expenses	1,402	763
Income Taxes Payable	78	61
Current Installments of Long-Term Debt	4	29
Total Current Liabilities	4,385	3,656
Long-Term Debt, excluding current installments	1,545	750
Other Long-Term Liabilities	245	237
Deferred Income Taxes	195	87
Minority Interest	11	10
Stockholders' Equity		
Common Stock, par value $0.05. Authorized: 10,000,000,000 shares; issued and outstanding – 2,323,747,000 shares at January 28, 2001 and 2,304,317,000 shares at January 30, 2000	116	115
Paid-In Capital	4,810	4,319
Retained Earnings	10,151	7,941
Accumulated Other Comprehensive Income	(67)	(27)
	15,010	12,348
Less Shares Purchased for Compensation Plans	6	7
Total Stockholders' Equity	15,004	12,341
	$ 21,385	$ 17,081

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

The Home Depot, Inc. and Subsidiaries

amounts in millions, except per share data	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Other	Total Stockholders' Equity	Comprehensive Income[1]
Balance, February 1, 1998	2,196	$ 110	$ 2,589	$ 4,430	$ (28)	$ (3)	$ 7,098	
Shares Issued Under Employee Stock Purchase and Option Plans	17	1	165	–	–	–	166	
Tax Effect of Sale of Option Shares by Employees	–	–	63	–	–	–	63	
Net Earnings	–	–	–	1,614	–	–	1,614	$ 1,614
Translation Adjustments	–	–	–	–	(33)	–	(33)	(33)
Cash Dividends ($0.077 per share)	–	–	–	(168)	–	–	(168)	
Comprehensive Income for Fiscal 1998								$ 1,581
Balance, January 31, 1999	2,213	$ 111	$ 2,817	$ 5,876	$ (61)	$ (3)	$ 8,740	
Shares Issued Under Employee Stock Purchase and Option Plans	19	1	273	–	–	–	274	
Tax Effect of Sale of Option Shares by Employees	–	–	132	–	–	–	132	
Conversion of 3¼% Convertible Subordinated Notes, net	72	3	1,097	–	–	–	1,100	
Net Earnings	–	–	–	2,320	–	–	2,320	2,320
Translation Adjustments	–	–	–	–	34	–	34	34
Shares Purchased for Compensation Plans	–	–	–	–	–	(4)	(4)	
Cash Dividends ($0.113 per share)	–	–	–	(255)	–	–	(255)	
Comprehensive Income for Fiscal 1999								$ 2,354
Balance, January 30, 2000	2,304	$ 115	$ 4,319	$ 7,941	$ (27)	$ (7)	$ 12,341	
Shares Issued Under Employee Stock Purchase and Option Plans	20	1	348	–	–	–	349	
Tax Effect of Sale of Option Shares by Employees	–	–	137	–	–	–	137	
Net Earnings	–	–	–	2,581	–	–	2,581	2,581
Translation Adjustments	–	–	–	–	(40)	–	(40)	(40)
Stock Compensation Expense	–	–	6	–	–	–	6	
Shares Purchased for Compensation Plans	–	–	–	–	–	1	1	
Cash Dividends ($0.16 per share)	–	–	–	(371)	–	–	(371)	
Comprehensive Income for Fiscal 2000								$ 2,541
Balance, January 28, 2001	2,324	$ 116	$ 4,810	$ 10,151	$ (67)	$ (6)	$ 15,004	

[1]Components of comprehensive income are reported net of related taxes.

See accompanying notes to consolidated financial statements.

amounts in millions	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Cash Provided from Operations:			
Net Earnings	$ 2,581	$ 2,320	$ 1,614
Reconciliation of Net Earnings to Net Cash Provided by Operations:			
Depreciation and Amortization	601	463	373
(Increase) Decrease in Receivables, net	(246)	(85)	85
Increase in Merchandise Inventories	(1,075)	(1,142)	(698)
Increase in Accounts Payable and Accrued Expenses	754	820	423
Increase in Income Taxes Payable	151	93	59
Other	30	(23)	61
Net Cash Provided by Operations	2,796	2,446	1,917
Cash Flows from Investing Activities:			
Capital Expenditures, net of $16, $37 and $41 of non-cash capital expenditures in fiscal 2000, 1999 and 1998, respectively	(3,558)	(2,581)	(2,053)
Purchase of Remaining Interest in The Home Depot Canada	–	–	(261)
Payments for Businesses Acquired, net	(26)	(101)	(6)
Proceeds from Sales of Property and Equipment	95	87	45
Purchases of Investments	(39)	(32)	(2)
Proceeds from Maturities of Investments	30	30	4
Advances Secured by Real Estate, net	(32)	(25)	2
Net Cash Used in Investing Activities	(3,530)	(2,622)	(2,271)
Cash Flows from Financing Activities:			
Issuance (Repayments) of Commercial Paper Obligations, net	754	(246)	246
Proceeds from Long-Term Borrowings	32	522	–
Repayments of Long-Term Debt	(29)	(14)	(8)
Proceeds from Sale of Common Stock, net	351	267	167
Cash Dividends Paid to Stockholders	(371)	(255)	(168)
Minority Interest Contributions to Partnership	–	7	11
Net Cash Provided by Financing Activities	737	281	248
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(4)	1	(4)
(Decrease) Increase in Cash and Cash Equivalents	(1)	106	(110)
Cash and Cash Equivalents at Beginning of Year	168	62	172
Cash and Cash Equivalents at End of Year	$ 167	$ 168	$ 62
Supplemental Disclosure of Cash Payments Made for:			
Interest, net of interest capitalized	$ 16	$ 26	$ 36
Income Taxes	$ 1,386	$ 1,396	$ 940

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company operates Home Depot stores, which are full-service, warehouse-style stores averaging approximately 108,000 square feet in size. The stores stock approximately 40,000 to 50,000 different kinds of building materials, home improvement supplies and lawn and garden products that are sold primarily to do-it-yourselfers, but also to home improvement contractors, tradespeople and building maintenance professionals. In addition, the Company operates EXPO Design Center stores, which offer products and services primarily related to design and renovation projects. The Company is currently testing Villager's Hardware with four stores, which offer products and services for home enhancement and smaller project needs in a convenience hardware store format. Additionally, the Company operates one Home Depot Floor Store, a test store that offers only flooring products and installation services. At the end of fiscal 2000, the Company was operating 1,134 stores, including 1,027 Home Depot stores, 26 EXPO Design Center stores, 4 Villager's Hardware stores and 1 Home Depot Floor Store in the United States; 67 Home Depot stores in Canada; 5 Home Depot stores in Chile; 2 Home Depot stores in Argentina; and 2 Home Depot stores in Puerto Rico. Included in the Company's Consolidated Balance Sheet at January 28, 2001 were $871 million of net assets of the Canada, Chile and Argentina operations.

Fiscal Year The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to January 31. Fiscal years 2000, 1999 and 1998, which ended January 28, 2001, January 30, 2000 and January 31, 1999, respectively, consisted of 52 weeks.

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

Stockholders' equity, share and per share amounts for all periods presented have been adjusted for a three-for-two stock split effected in the form of a stock dividend on December 30, 1999 and a two-for-one stock split effected in the form of a stock dividend on July 2, 1998.

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 carried at fair market value and consist primarily of commercial paper, money market funds, U.S. government agency securities and tax-exempt notes and bonds.

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

Investments The Company's investments, consisting primarily of high-grade debt securities, are recorded at fair value and are classified as available-for-sale.

Income Taxes The Company provides for federal, state and foreign income taxes currently payable, as well as for those deferred because of timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal, state and foreign incentive tax credits are recorded as a reduction of income taxes. 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. The effect of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company and its eligible subsidiaries file a consolidated U.S. federal income tax return. Non-U.S. subsidiaries, which are consolidated for financial reporting, are not eligible to be included in consolidated U.S. federal income tax returns, and separate provisions for income taxes have been determined for these entities. The Company intends to reinvest the unremitted earnings of its non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for non-U.S. subsidiaries was required for any year presented.

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 using 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	5 – 30 years
Computer software	3 – 5 years

Advertising Television and radio advertising production costs are amortized over the fiscal year in which the advertisements first appear. All media placement costs are expensed in the month the advertisement appears. Included in current assets are $20.2 million and $24.4 million at the end of fiscal 2000 and 1999, respectively, relating to prepayments of production costs for print and broadcast advertising.

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 40 years. 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.

Impairment of Long-Lived Assets The Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized to the extent the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. Accordingly, when the Company commits to relocate or close a store, the estimated unrecoverable costs are charged to selling and store operating expense. Such costs include the estimated loss on the sale of land and buildings, the book value of abandoned fixtures, equipment and leasehold improvements and a provision for the present value of future lease obligations, less estimated sub-lease income.

Stock Compensation Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," encourages the use of a fair-value-based method of accounting. As allowed by SFAS 123, the Company has elected to account for its stock-based compensation plans under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." Under APB 25, compensation expense is recorded on the date of grant if the current market price of the underlying stock exceeded the exercise price. The Company complies with the disclosure requirements of SFAS 123.

Comprehensive Income Comprehensive income includes net earnings adjusted for certain revenues, expenses, gains and losses that are excluded from net earnings under generally accepted accounting principles. Examples include foreign currency translation adjustments and unrealized gains and losses on investments.

Foreign Currency Translation The assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting period, revenues and expenses are translated at the average monthly exchange rates, and all other equity transactions are translated using the actual rate on the day of the transaction.

Use of Estimates Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

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

NOTE 2. LONG-TERM DEBT

The Company's long-term debt at the end of fiscal 2000 and 1999 consisted of the following (amounts in millions):

	JANUARY 28, 2001	JANUARY 30, 2000
Commercial Paper; weighted average interest rate of 6.1% at January 28, 2001	$ 754	$ –
6½% Senior Notes; due September 15, 2004; interest payable semi-annually on March 15 and September 15	500	500
Capital Lease Obligations; payable in varying installments through January 31, 2027 (see note 5)	230	216
Installment Notes Payable; interest imputed at rates between 7.2% and 10.0%; payable in varying installments through 2018	41	45
Other	24	18
Total long-term debt	1,549	779
Less current installments	4	29
Long-term debt, excluding current installments	$ 1,545	$ 750

In January 2001, the Company replaced its existing commercial paper program with a new program that increases the maximum available borrowings to $1 billion. In connection with the program, the Company has a back-up credit facility with a consortium of banks for up to $800 million. The credit facility, which expires in September 2004, contains various restrictive covenants, none of which is expected to materially impact the Company's liquidity or capital resources. Commercial paper borrowings of $754 million outstanding at January 28, 2001 were classified as non-current pursuant to the Company's intent and ability to continue to finance this obligation on a long-term basis, as necessary, through the commercial paper program and the back-up credit facility.

During fiscal 1999, the Company issued $500 million of 6½% Senior Notes ("Senior Notes"). The Senior Notes may be redeemed by the Company at any time, in whole or in part, at a redemption price plus accrued interest up to the redemption date. The redemption price is equal to the greater of (1) 100% of the principal amount of the Senior Notes to be redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest to maturity. The Senior Notes are not subject to sinking fund requirements.

During 1999, the Company redeemed its 3¼% Convertible Subordinated Notes ("3¼% Notes"). A total principal amount of $1.1 billion was converted into 72 million shares of the Company's common stock.

Interest expense in the accompanying Consolidated Statements of Earnings is net of interest capitalized of $73 million in fiscal 2000, $45 million in fiscal 1999 and $31 million in fiscal 1998.

Maturities of long-term debt are $4 million for fiscal 2001, $42 million for fiscal 2002, $5 million for fiscal 2003, $507 million for fiscal 2004 and $761 million for fiscal 2005.

As of January 28, 2001, the market value of the publicly traded Senior Notes was approximately $515 million. The estimated fair value of commercial paper borrowings approximates their carrying value. The estimated fair value of all other long-term borrowings, excluding capital lease obligations, was approximately $67 million compared to the carrying value of $65 million. These fair values were estimated using a discounted cash flow analysis based on the Company's incremental borrowing rate for similar liabilities.

NOTE 3. INCOME TAXES

The provision for income taxes consisted of the following (in millions):

	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Current:			
U.S.	$ 1,267	$ 1,209	$ 823
State	216	228	150
Foreign	45	45	20
	1,528	1,482	993
Deferred:			
U.S.	98	9	46
State	9	(4)	(1)
Foreign	1	(3)	2
	108	2	47
Total	$ 1,636	$ 1,484	$ 1,040

The Company's combined federal, state and foreign effective tax rates for fiscal years 2000, 1999 and 1998, net of offsets generated by federal, state and foreign tax incentive credits, were approximately 38.8%, 39.0% and 39.2%, respectively. A reconciliation of income tax expense at the federal statutory rate of 35% to actual tax expense for the applicable fiscal years follows (in millions):

	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Income taxes at U.S. statutory rate	$ 1,476	$ 1,331	$ 929
State income taxes, net of federal income tax benefit	146	145	96
Foreign rate differences	5	2	–
Other, net	9	6	15
Total	$ 1,636	$ 1,484	$ 1,040

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of January 28, 2001 and January 30, 2000 were as follows (in millions):

	JANUARY 28, 2001	JANUARY 30, 2000
Deferred Tax Assets:		
Accrued self-insurance liabilities	$ 151	$ 154
Other accrued liabilities	118	142
Total gross deferred tax assets	269	296
Deferred Tax Liabilities:		
Accelerated depreciation	(389)	(321)
Other	(75)	(62)
Total gross deferred tax liabilities	(464)	(383)
Net deferred tax liability	$ (195)	$ (87)

No valuation allowance was recorded against the deferred tax assets at January 28, 2001 and January 30, 2000. Company 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.

NOTE 4. EMPLOYEE STOCK PLANS

The 1997 Omnibus Stock Incentive Plan ("1997 Plan") provides that incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and deferred shares may be issued to selected associates, officers and directors of the Company. The maximum number of shares of the Company's common stock available for issuance under the 1997 Plan is the lesser of 225 million shares or the number of shares carried over from prior plans plus one-half percent of the total number of outstanding shares as of the first day of each fiscal year. In addition, restricted shares issued under the 1997 Plan may not exceed 22.5 million shares. As of January 28, 2001, there were 130,691,447 shares available for future grants under the 1997 Plan.

Under the 1997 Plan and prior plans, the Company has granted incentive and non-qualified options for 126,219,271 shares, net of cancellations (of which 62,918,031 had been exercised). Incentive stock options vest at the rate of 25% per year commencing on the first anniversary date of the grant and expire on the tenth anniversary date of the grant. The non-qualified options have similar terms; however, vesting does not generally begin until the second anniversary date of the grant.

Under the 1997 Plan and prior plans, 92,495 shares of restricted stock, net of cancellations (of which 2,268 had been exercised) have been granted. The restricted shares vest over varying terms and are generally based on the attainment of certain performance goals. The expected fair value of the restricted shares on the vesting dates will be charged to expense ratably over the vesting periods unless it is determined that the performance goals will not be met.

In December 2000, the Company entered into an agreement with a key officer. Under the Non-Qualified Stock Option and Deferred Stock Units Plan and Agreement, the Company issued 2,500,000 non-qualified stock options with an exercise price of $40.75 per share and also issued 750,000 deferred stock units. Both the non-qualified options and deferred units vest 20% per year commencing on the grant date. The non-qualified options expire on the tenth anniversary of the vesting date. Each deferred stock unit entitles the officer to one share of common stock to be received approximately two years after the vesting date of the deferred stock unit, subject to certain deferral rights of the officer. The fair value of the 750,000 deferred stock units granted is being amortized based upon the vesting dates. The Company recorded stock compensation expense of approximately $6 million in fiscal 2000.

The per share weighted average fair value of stock options granted during fiscal years 2000, 1999 and 1998 was $31.96, $18.86 and $9.94, respectively. The fair value of these options was determined at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Stock Options Granted in Fiscal Year		
	2000	1999	1998
Risk-free interest rate	6.4%	5.1%	5.6%
Expected volatility of common stock	54.6%	51.6%	45.7%
Dividend yield	0.3%	0.3%	0.4%
Expected option term	7 years	5 years	5 years

The Company applies APB 25 in accounting for its stock plans and, accordingly, no compensation costs have been recognized in the Company's financial statements for incentive or non-qualified stock options granted. If, under SFAS 123, the Company determined compensation costs based on the fair value at the grant date for its stock options, net earnings and earnings per share would have been reduced to the pro forma amounts below (in millions, except per share data):

	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Net Earnings			
As reported	$ 2,581	$ 2,320	$ 1,614
Pro forma	$ 2,364	$ 2,186	$ 1,527
Basic Earnings per Share			
As reported	$ 1.11	$ 1.03	$ 0.73
Pro forma	$ 1.02	$ 0.97	$ 0.69
Diluted Earnings per Share			
As reported	$ 1.10	$ 1.00	$ 0.71
Pro forma	$ 1.01	$ 0.94	$ 0.67

The following table summarizes options outstanding under the various stock option plans at January 28, 2001, January 30, 2000 and January 31, 1999 and changes during the fiscal years ended on these dates (shares in thousands):

	Number of Shares	Weighted Average Option Price
Outstanding at February 1, 1998	65,727	$ 10.08
Granted	21,041	21.63
Exercised	(11,640)	9.07
Cancelled	(3,536)	13.89
Outstanding at January 31, 1999	71,592	13.45
Granted	14,006	37.81
Exercised	(13,884)	10.88
Cancelled	(3,295)	18.88
Outstanding at January 30, 2000	68,419	18.79
Granted	14,869	49.78
Exercised	(14,689)	13.15
Cancelled	(2,798)	30.51
Outstanding at January 28, 2001	**65,801**	**$ 26.46**
Exercisable	27,856	$ 15.80

The following table summarizes information regarding stock options outstanding as of January 28, 2001 (shares in thousands):

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Outstanding Option Price	Options Exercisable	Weighted Average Exercisable Option Price
$ 6.00 to 10.00	12,814	3.9	$ 8.80	12,073	$ 8.80
10.00 to 16.00	10,919	6.0	11.50	5,876	11.50
16.00 to 24.00	15,170	7.0	21.00	6,329	20.40
24.00 to 40.00	12,457	8.1	37.30	2,021	36.90
40.00 to 60.00	14,441	9.6	49.80	1,557	41.20
	65,801	7.0	$ 26.46	27,856	$ 15.80

In addition, the Company had 30,856,904 shares available for future grants under the Employee Stock Purchase Plan ("ESPP") at January 28, 2001. The ESPP enables the Company to grant substantially all full-time associates options to purchase up to 129,618,750 shares of common stock, of which 98,761,846 shares have been exercised from inception of the plan, at a price equal to the lower of 85% of the stock's fair market value on the first day or the last day of the purchase period. Shares purchased may not exceed the lesser of 20% of the associate'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. Associates 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 associate elects not to exercise such options, the full amount withheld is refundable. During fiscal 2000, options for 5,395,900 shares were exercised at an average price of $34.33 per share. At January 28, 2001, there were 2,924,541 options outstanding, net of cancellations, at an average price of $42.57 per share.

NOTE 5. 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.

The Company has two operating lease agreements totaling $882 million comprised of an initial lease agreement of $600 million and a follow-on agreement of $282 million. The Company financed a portion of its new stores opened from fiscal 1997 through 2000, as well as office buildings in fiscal 1999 and 2000, under the operating lease agreements. Under both agreements, the lessor purchases the properties, pays for the construction costs and subsequently leases the facilities to the Company. The lease term for the $600 million agreement expires in 2004 and includes four 2-year renewal options. The lease for the $282 million agreement expires in 2008 with no renewal options. Both lease agreements provide for substantial residual value guarantees and include purchase options at original cost on each property.

The Company also leases an import distribution facility, including its related equipment, under an operating lease arrangement. The lease for the import distribution facility expires in 2005 and has four 5-year renewal options. The lease agreement provides for substantial residual value guarantees and includes purchase options at the higher of the cost or fair market value of the assets.

The maximum amount of the residual value guarantees relative to the assets under the lease agreements described above is projected to be $799 million. As the leased assets are placed into service, the Company estimates its liability under the residual value guarantees and records additional rent expense on a straight-line basis over the remaining lease terms.

Total rent expense, net of minor sublease income for the fiscal years ended January 28, 2001, January 30, 2000 and January 31, 1999 was $479 million, $389 million and $321 million, 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 the fiscal years ended January 28, 2001, January 30, 2000 and January 31, 1999 were approximately $9 million, $11 million and $11 million, respectively.

The approximate future minimum lease payments under capital and operating leases at January 28, 2001 were as follows (in millions):

Fiscal Year	Capital Leases	Operating Leases
2001	$ 38	$ 512
2002	38	512
2003	38	478
2004	38	440
2005	39	411
Thereafter	519	5,132
	710	$ 7,485
Less imputed interest	480	
Net present value of capital lease obligations	230	
Less current installments	3	
Long-term capital lease obligations, excluding current installments	$ 227	

Short-term and long-term obligations for capital leases are included in the Company's Consolidated Balance Sheets in Current Installments of Long-Term Debt and Long-Term Debt, respectively. The assets under capital leases recorded in Net Property and Equipment, net of amortization, totaled $213 million and $208 million at January 28, 2001 and January 30, 2000, respectively.

NOTE 6. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution plan ("401(k)") that covers substantially all associates meeting certain service requirements. The Company makes weekly matching cash contributions to purchase shares of the Company's common stock, up to specified percentages of associates' contributions as approved by the Board of Directors.

The Company also maintains a 401(k) Restoration Plan to provide certain associates deferred compensation that they would have received under the 401(k) matching contribution if not for the maximum compensation limits under the Internal Revenue Code. The Company funds the 401(k) Restoration Plan through contributions made to a "rabbi trust," which are then used to purchase shares of the Company's common stock in the open market. Compensation expense related to this plan for fiscal years 2000, 1999 and 1998 was not material.

During February 1999, the Company made its final contribution to the Employee Stock Ownership Plan and Trust ("ESOP"), which was originally established during fiscal 1988. The ESOP covered substantially all full-time associates and purchased shares of the Company's common stock in the open market through a combination of contributions and loans made by the Company. All loans made from the Company have been repaid.

The Company's combined contributions to the 401(k) and ESOP were $84 million, $57 million and $41 million for fiscal years 2000, 1999 and 1998, respectively. At January 28, 2001, the 401(k) and the ESOP held a total of 33,144,570 shares of the Company's common stock in trust for plan participants.

NOTE 7. BASIC AND DILUTED EARNINGS PER SHARE

The calculations of basic and diluted earnings per share for fiscal years 2000, 1999 and 1998 were as follows (amounts in millions, except per share data):

	Fiscal Year Ended		
	JANUARY 28, 2001	JANUARY 30, 2000	JANUARY 31, 1999
Calculation of Basic Earnings Per Share:			
Net earnings	$ 2,581	$ 2,320	$ 1,614
Weighted average number of common shares outstanding	2,315	2,244	2,206
Basic Earnings Per Share	$ 1.11	$ 1.03	$ 0.73
Calculation of Diluted Earnings Per Share:			
Net earnings	$ 2,581	$ 2,320	$ 1,614
Tax-effected interest expense attributable to 3¼% Notes	–	17	23
Net earnings assuming dilution	$ 2,581	$ 2,337	$ 1,637
Weighted average number of common shares outstanding	2,315	2,244	2,206
Effect of potentially dilutive securities:			
3¼% Notes	–	51	72
Employee stock plans	37	47	42
Weighted average number of common shares outstanding assuming dilution	2,352	2,342	2,320
Diluted Earnings Per Share	$ 1.10	$ 1.00	$ 0.71

Employee stock plans represent shares granted under the Company's employee stock purchase plan and stock option plans, as well as shares issued for deferred compensation stock plans. For fiscal years 1999 and 1998, shares issuable upon conversion of the Company's 3¼% Notes, issued in October 1996, were included in weighted average shares assuming dilution for purposes of calculating diluted earnings per share. To calculate diluted earnings per share, net earnings are adjusted for tax-effected net interest and issue costs on the 3¼% Notes (prior to conversion to equity in October 1999) and divided by weighted average shares assuming dilution.

NOTE 8. COMMITMENTS AND CONTINGENCIES

At January 28, 2001, the Company was contingently liable for approximately $442 million under outstanding letters of credit issued in connection with purchase commitments.

The Company is involved in litigation arising from the normal course of business. In management's opinion, this litigation is not expected to materially impact the Company's consolidated results of operations or financial condition.

NOTE 9. ACQUISITIONS

During fiscal 2000, Maintenance Warehouse, a wholly-owned subsidiary of The Home Depot, acquired N-E Thing Supply Company, Inc. The Company acquired Apex Supply Company, Inc. and Georgia Lighting, Inc. in fiscal 1999. These acquisitions were recorded under the purchase method of accounting. Pro forma results of operations for fiscal years 2000, 1999 and 1998 would not be materially different as a result of the acquisitions of N-E Thing Supply Company, Inc., Apex Supply Company, Inc. and Georgia Lighting, Inc. and are therefore not presented.

During the first quarter of fiscal 1998, the Company purchased, for $261 million, the remaining 25% partnership interest in The Home Depot Canada held by The Molson Companies. The excess purchase price over the estimated fair value of net assets of $117 million as of the acquisition date was recorded as goodwill and is being amortized over 40 years.

NOTE 10. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the quarterly results of operations for the fiscal years ended January 28, 2001 and January 30, 2000 (dollars in millions, except per share data):

	Net Sales	Increase In Comparable Store Sales	Gross Profit	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
Fiscal year ended January 28, 2001:						
First quarter	$ 11,112	7%	$ 3,274	$ 629	$ 0.27	$ 0.27
Second quarter	12,618	6%	3,739	838	0.36	0.36
Third quarter	11,545	4%	3,450	650	0.28	0.28
Fourth quarter	10,463	0%	3,217	465	0.20	0.20
Fiscal year	$ 45,738	4%	$ 13,681	$ 2,581	$ 1.11	$ 1.10
Fiscal year ended January 30, 2000:						
First quarter	$ 8,952	9%	$ 2,566	$ 489	$ 0.22	$ 0.21
Second quarter	10,431	11%	3,029	679	0.30	0.29
Third quarter	9,877	10%	2,894	573	0.26	0.25
Fourth quarter	9,174	9%	2,922	579	0.25	0.25
Fiscal year	$ 38,434	10%	$ 11,411	$ 2,320	$ 1.03	$ 1.00

Note: The quarterly data may not sum to fiscal year totals due to rounding.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 LLP, independent auditors. Their accompanying report is based upon an audit conducted in accordance with auditing standards generally accepted in the United States of America, 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 quarterly 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.

Dennis J. Carey
Executive Vice President and
Chief Financial Officer

Carol B. Tomé
Senior Vice President,
Finance and Accounting

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Home Depot, Inc. and subsidiaries as of January 28, 2001 and January 30, 2000 and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended January 28, 2001. 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 auditing standards generally accepted in the United States of America. 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 28, 2001 and January 30, 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended January 28, 2001 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
February 19, 2001

10-YEAR SUMMARY OF FINANCIAL AND OPERATING RESULTS

The Home Depot, Inc. and Subsidiaries

amounts in millions, except where noted	5-Year Compound Annual Growth Rate	10-Year Compound Annual Growth Rate	2000
Statement of Earnings Data			
Net sales	24.2%	28.2%	$ 45,738
Net sales increase (%)	–	–	19.0
Earnings before income taxes[2]	28.7	32.1	4,217
Net earnings[2]	28.7	31.8	2,581
Net earnings increase (%)[2]	–	–	11.3
Diluted earnings per share ($)[2,3]	26.5	27.1	1.10
Diluted earnings per share increase (%)[2]	–	–	10.0
Weighted average number of common shares outstanding assuming dilution	1.8	2.6	2,352
Gross margin – % of sales	–	–	29.9
Store selling and operating expense – % of sales	–	–	18.6
Pre-opening expense – % of sales	–	–	0.3
General and administrative expense – % of sales	–	–	1.8
Net interest income (expense) – % of sales	–	–	–
Earnings before income taxes – % of sales[2]	–	–	9.2
Net earnings – % of sales[2]	–	–	5.6
Balance Sheet Data and Financial Ratios			
Total assets	23.8%	29.3%	$ 21,385
Working capital	22.0	27.4	3,392
Merchandise inventories	24.6	29.1	6,556
Net property and equipment	24.0	31.0	13,068
Long-term debt	16.5	11.3	1,545
Stockholders' equity	24.6	36.2	15,004
Book value per share ($)	22.7	31.1	6.46
Long-term debt to equity (%)	–	–	10.3
Current ratio	–	–	1.77:1
Inventory turnover	–	–	5.1x
Return on invested capital (%)[2]	–	–	19.6
Statement of Cash Flows Data			
Depreciation and amortization	27.1%	33.3%	$ 601
Capital expenditures	22.3	24.5	3,574
Cash dividends per share ($)	32.0	32.0	0.16
Store Data[4]			
Number of stores	21.8%	22.8%	1,134
Square footage at year-end	22.8	25.2	123
Increase in square footage (%)	–	–	22.6
Average square footage per store (in thousands)	0.6	1.6	108
Store Sales and Other Data[4]			
Comparable store sales increase (%)[5]	–	–	4
Weighted average weekly sales per operating store (in thousands)	1.9%	4.3%	$ 864
Weighted average sales per square foot ($)[5]	1.3	2.6	415
Number of customer transactions	20.4	23.7	937
Average sale per transaction ($)	3.1	3.7	48.65
Number of associates at year-end (actual)	23.0	26.6	227,300

[1] Fiscal year 1996 consisted of 53 weeks; all other fiscal years reported consisted of 52 weeks.
[2] Excludes the effect of a $104 million non-recurring charge in fiscal 1997.
[3] Diluted earnings per share for fiscal 1997, including a $104 million non-recurring charge, were $0.52.

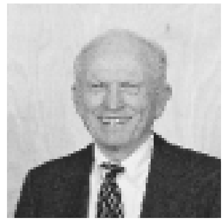
1999	1998	1997	1996[1]	1995	1994	1993	1992	1991
$ 38,434	$ 30,219	$ 24,156	$ 19,535	$ 15,470	$ 12,477	$ 9,239	$ 7,148	$ 5,137
27.2	25.1	23.7	26.3	24.0	35.0	29.2	39.2	34.6
3,804	2,654	2,002	1,535	1,195	980	737	576	396
2,320	1,614	1,224	938	732	605	457	363	249
43.7	31.9	30.5	28.2	21.0	32.2	26.1	45.6	52.5
1.00	0.71	0.55	0.43	0.34	0.29	0.22	0.18	0.13
40.8	29.1	27.9	26.5	17.2	31.8	22.2	38.5	30.0
2,342	2,320	2,287	2,195	2,151	2,142	2,132	2,096	1,985
29.7	28.5	28.1	27.8	27.7	27.9	27.7	27.6	28.1
17.8	17.7	17.8	18.0	18.0	17.8	17.6	17.4	18.1
0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.3
1.7	1.7	1.7	1.7	1.7	1.8	2.0	2.1	2.3
–	–	–	0.1	0.1	(0.1)	0.3	0.4	0.3
9.9	8.8	8.3	7.9	7.7	7.8	8.0	8.1	7.7
6.0	5.3	5.1	4.8	4.7	4.8	5.0	5.1	4.8
$ 17,081	$ 13,465	$ 11,229	$ 9,342	$ 7,354	$ 5,778	$ 4,701	$ 3,932	$ 2,510
2,734	2,076	2,004	1,867	1,255	919	994	807	624
5,489	4,293	3,602	2,708	2,180	1,749	1,293	940	662
10,227	8,160	6,509	5,437	4,461	3,397	2,371	1,608	1,255
750	1,566	1,303	1,247	720	983	874	844	271
12,341	8,740	7,098	5,955	4,988	3,442	2,814	2,304	1,691
5.36	3.95	3.23	2.75	2.32	1.69	1.39	1.15	0.89
6.1	17.9	18.4	20.9	14.4	28.6	31.1	36.6	16.0
1.75:1	1.73:1	1.82:1	2.01:1	1.89:1	1.76:1	2.02:1	2.07:1	2.17:1
5.4x	5.4x	5.4x	5.6x	5.5x	5.7x	5.9x	6.3x	6.1x
22.5	19.3	17.0	16.3	16.3	16.5	13.9	17.6	19.8
$ 463	$ 373	$ 283	$ 232	$ 181	$ 130	$ 90	$ 70	$ 52
2,618	2,094	1,464	1,248	1,308	1,220	900	437	432
0.11	0.08	0.06	0.05	0.04	0.03	0.02	0.02	0.01
930	761	624	512	423	340	264	214	174
100	81	66	54	44	35	26	21	16
23.5	22.8	23.1	21.6	26.3	33.2	26.3	26.8	24.1
108	107	106	105	105	103	100	98	95
10	7	7	7	3	8	7	15	11
$ 876	$ 844	$ 829	$ 803	$ 787	$ 802	$ 764	$ 724	$ 633
423	410	406	398	390	404	398	387	348
797	665	550	464	370	302	236	189	146
47.87	45.05	43.63	42.09	41.78	41.29	39.13	37.72	35.13
201,400	156,700	124,400	98,100	80,800	67,300	50,600	38,900	28,000

[4]Excludes Apex Supply Company, Georgia Lighting, Maintenance Warehouse, and National Blinds and Wallpaper.
[5]Adjusted to reflect the first 52 weeks of the 53-week fiscal year in 1996.

DIRECTORS

The Home Depot, Inc. and Subsidiaries

Arthur M. Blank[1,3]
Co-Chairman of the Board,
The Home Depot, Inc.



Frank Borman[2,4]
Retired Chairman of the Board and Chief Executive Officer,
Eastern Airlines, Inc.;
Chairman of the Board,
DBT Online Inc.,
online data services

Gregory D. Brenneman[6]
President,
Continental Airlines, Inc.,
international airline

Richard H. Brown[2]
Chairman and
Chief Executive Officer,
Electronic Data Systems Corporation,
information technology

John L. Clendenin[4*,5]
Retired Chairman, President and Chief Executive Officer,
BellSouth Corporation,
communications

Berry R. Cox[1,2*,4]
Chairman,
Berry R. Cox, Inc.,
private investment

William S. Davila[2,4]
President Emeritus,
Vons Companies, Inc.,
retailing

Milledge A. Hart, III[1,2,5]
Chairman of the Board,
Hart Group, Inc.,
private management services

Bonnie G. Hill[5,6*]
Vice President,
The Times Mirror Company,
a newspaper and publishing company;
President and
Chief Executive Officer,
The Times Mirror Foundation

Kenneth G. Langone[1,3,5*,6]
Lead Director; Chairman of the Board, Chief Executive Officer and President,
Invemed Associates, Inc.,
investment banking

Bernard Marcus[1*,3*]
Co-Chairman of the Board,
The Home Depot, Inc.

Robert L. Nardelli[1,3]
President and
Chief Executive Officer,
The Home Depot, Inc.

M. Faye Wilson[6]
Senior Vice President –
Risk Management,
The Home Depot, Inc.

Committee membership:

1 Executive
2 Audit
3 Stock option
4 Compensation
5 Nominating and corporate governance
6 Human resources
* Chair

EXECUTIVE OFFICERS

Arthur M. Blank
Co-Chairman of the Board

Bernard Marcus
Co-Chairman of the Board

Robert L. Nardelli
President and
Chief Executive Officer

Mark R. Baker
Executive Vice President,
Chief Merchandising Officer

Dennis J. Carey
Executive Vice President,
Chief Financial Officer

Dennis M. Donovan
Executive Vice President,
Human Resources

Frank L. Fernandez
Executive Vice President,
Secretary and General Counsel

Larry M. Mercer
Executive Vice President,
Operations

DIVISION PRESIDENTS

Anthony C. Brown
Southern

Jeffrey W. Cohen
Service Business

Joe C. Izganics
Southwest

Vern D. Joslyn
Midwest

Dan R. Kneip
New England

Lynn Martineau
New Growth Businesses

Bruce A. Merino
Western

Anders C. Moberg
International

Barry L. Silverman
EXPO Design Center

Thomas V. Taylor, Jr.
Northwest

Gregory H. Turner
Mid-South

John R. Wicks
Mid-Atlantic

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Argentina & Chile

John Herbert
EXPO Design Center – West

Bryant Scott
EXPO Design Center – East

Annette Verschuren
Canada

Harry L. Gilham, Jr.
Georgia Lighting

Lawrence J. Marmon
Maintenance Warehouse

Clyde A. Rodbell
Apex Supply Company

SENIOR VICE PRESIDENTS

Laurence B. Appel
Legal

Bryan J. Fields
Real Estate

Wayne Gibson
Global Sourcing and Logistics

Ramon K. Gregory
Customer Service Operations

Ronald B. Griffin
Information Services

Steven L. Mahurin
Merchandising

Dennis J. Ryan
Merchandising

Lawrence A. Smith
Executive Services

Steven O. Smith
Merchandising –
EXPO Design Center

Richard L. Sullivan
Marketing

Carol B. Tomé
Finance and Accounting

Kenneth W. Ubertino
Merchandising

M. Faye Wilson
Risk Management

Robert J. Wittman
Business Development –
Villager's Hardware

STORE SUPPORT CENTER

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1-800-577-0177 (Voice)
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Internet address: www.equiserve.com

INDEPENDENT AUDITORS

KPMG LLP
Suite 2000
303 Peachtree Street, NE
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., May 30, 2001, at Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, Georgia 30339.

NUMBER OF STOCKHOLDERS

As of March 29, 2001, there were approximately 212,077 stockholders of record. This number excludes individual stockholders holding stock under nominee security position listings.

DIVIDENDS PER COMMON SHARE

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Fiscal 2000	**$0.040**	**$0.040**	**$0.040**	**$0.040**
Fiscal 1999	$0.020	$0.027	$0.027	$0.040

DIRECT STOCK PURCHASE/DIVIDEND REINVESTMENT PLAN

New investors may make an initial investment and stockholders of record may acquire additional shares of The Home Depot common stock through the Company's direct stock purchase and dividend reinvestment plan. Subject to certain requirements, initial cash investments, cash dividends and/or additional optional cash purchases may be invested through this plan.

To obtain enrollment materials, including the prospectus, access the Company's Web site, or call 1-877-HD-SHARE. For all other communications regarding these services, contact the Transfer Agent and Registrar.

FINANCIAL AND OTHER COMPANY INFORMATION

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2001, as filed with the Securities and Exchange Commission, will be mailed upon request to:

The Home Depot, Inc.
Investor Relations
2455 Paces Ferry Road, NW
Atlanta, GA 30339-4024
Telephone: 770-384-4388

In addition, financial reports, recent filings with the Securities and Exchange Commission (including Form 10-K), store locations, news releases and other Company information are available on The Home Depot Web site.

For a copy of the 2000 Home Depot Corporate Social Responsibility Report, which also includes guidelines for applying for philanthropic grants, contact the Community Affairs Department at the Store Support Center, or access the Company's Web site.

QUARTERLY STOCK PRICE RANGE

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Fiscal 2000				
High	**$68.50**	**$58.06**	**$59.00**	**$51.69**
Low	**$52.31**	**$46.00**	**$34.88**	**$36.25**
Fiscal 1999				
High	$45.29	$46.63	$52.33	$69.75
Low	$35.88	$36.75	$35.75	$49.92

INNOVATING

ON THE COVER Among the new ideas we are pursuing at The Home Depot in fiscal 2001 is our Service Performance Improvement initiative, or SPI, which will be implemented in all Home Depot stores this year. By changing the way our stores receive and handle inventory, we are able to enhance the shopping environment, offer better customer service and improve efficiency. The Home Depot associates on our cover include store associates, store managers and district managers who successfully launched our SPI program in the Atlanta market in January 2001.

ABOUT THIS REPORT Consistent with The Home Depot's commitment to preserving the environment, this annual report is printed on paper made from 100% post-consumer waste, otherwise known as recycled content. Of course, the most environmentally friendly solution is not to print this report at all, and our stockholders can demonstrate their support of this concept by electing to receive all stockholder materials electronically over the Internet. To receive future materials on-line, visit the financial section of our Web site. By stepping out to create new solutions, we can all lead the marketplace to a better world.

Design: Critt Graham + Associates, Atlanta/NYC/Boston Photography: Tom Feiler Photography, Toronto Printing: QuebecorWorld Acme Printing, Boston

THE HOME DEPOT
2455 PACES FERRY ROAD, NW ATLANTA, GA 30339-4024 USA 770-433-8211 WWW.HOMEDEPOT.COM