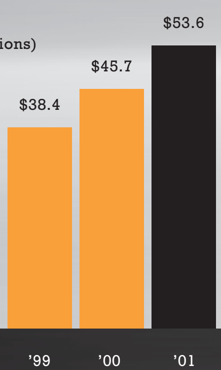
2001 Annual Report

FINANCIAL SUMMARY

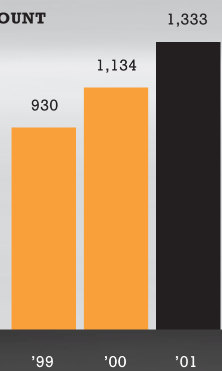
amounts in millions, except per share and store data	**2001**	**increase**	2000	increase	1999	increase
Net sales	**$53,553**	**17%**	$45,738	19%	$38,434	27%
Net earnings	**$ 3,044**	**18%**	$ 2,581	11%	$ 2,320	44%
Diluted earnings per share	**$ 1.29**	**17%**	$ 1.10	10%	$ 1.00	41%
Assets	**$26,394**	**23%**	$21,385	25%	$17,081	27%
Cash	**$ 2,477**	**1383%**	$ 167	–	$ 168	171%
Store count	**1,333**	**18%**	1,134	22%	930	22%

NET SALES
(amounts in billions)



NET EARNINGS
(amounts in billions)

STORE COUNT



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 2001 SALES OF $53.6 BILLION. AT THE CLOSE OF FISCAL 2001, THE HOME DEPOT OPERATED 1,333 RETAIL LOCATIONS, INCLUDING 1,201 HOME DEPOT STORES IN THE UNITED STATES, 78 HOME DEPOT STORES IN CANADA, AND EIGHT HOME DEPOT STORES IN MEXICO AND ARGENTINA. THE COMPANY ALSO OPERATED 41 EXPO DESIGN CENTERS®, FOUR VILLAGER'S® HARDWARE STORES, AND ONE HOME DEPOT FLOOR STORE℠. IN ADDITION, THE COMPANY OPERATED WHOLLY-OWNED SUBSIDIARIES APEX SUPPLY COMPANY, GEORGIA LIGHTING®, MAINTENANCE WAREHOUSE®, YOUR "OTHER" WAREHOUSE®, AND NATIONAL BLINDS AND WALLPAPER®. THE COMPANY EMPLOYED APPROXIMATELY 250,000 ASSOCIATES AT THE END OF FISCAL 2001. THE HOME DEPOT HAS BEEN PUBLICLY TRADED 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 AND POOR'S 500 INDEX.

BERNIE MARCUS, CO-FOUNDER

My mother taught me that every challenge brings an opportunity. Twenty-four years ago, I received a golden opportunity by being fired as president of what was then the nation's largest home improvement company. A door opened to a new vision of retailing, in which warehouse merchandising, contractor pricing and knowledgeable service would enable customers to take control of their home improvement needs. With the support of Ken Langone, our initial investors, and with the partnership of Arthur Blank, Pat Farrah, Ron Brill and countless others, this dream took shape as The Home Depot.

From the beginning, The Home Depot has marched under two standards. First, we set out to build a sound business, one that would create value for our customers, employees and shareholders while transforming the industry. I believe in the free enterprise system and am grateful that my parents settled in a country that makes it possible. The extent to which the company has achieved the first goal is a matter of financial record.

The second goal involves a different kind of value. One cannot see all that a company is by examining the bottom line. When we drew up our initial business plan, we talked about culture. Having seen a culture destroyed, we were determined to build our principles into the company's foundation and undergird it every step of the way.

Something special emerged, a culture in which employees were given the freedom, training and motivation to act as entrepreneurs, in which listening to customers improved us, in which vendors became partners in growth, and in which shareholders gained wealth by trusting in our abilities.

Behind these accomplishments, something more important has taken shape. The Home Depot gives back to the communities that support it. Most of this giving has been quiet, from employees building a wheelchair ramp for a disabled customer to clearing a park for inner city children. Some giving has involved corporate decisions, from refusing to raise prices in areas hit by natural disasters to sponsoring individual athletes in our Olympics program.

But the accomplishments of which we are most proud have come from spontaneous action in moments of need. When terrorists destroyed the World Trade Center, the only non-emergency vehicles permitted to enter the island of Manhattan were a stream of Home Depot trucks donating supplies and equipment to the rescue effort. Just as they did during the Oklahoma City tragedy several years earlier, our employees acted without seeking corporate approval. In them stands proof of the company's soul.

On January 1, 2002, I stepped down as company chairman, and in May of this year I will retire from the board to devote myself to philanthropic projects. The company finds itself in the excellent hands of Bob Nardelli, with whom I will continue a close relationship as mentor and friend. Bob and his staff have demonstrated during this past year that our culture is alive and well and that our business is running better than ever. I wish Bob and everyone involved with The Home Depot the best, and I have complete confidence in the company's future. Most importantly, I would like to thank all those who have helped make the Home Depot vision a reality. We could only have done it together.

Bernie

THANKS, BERNIE! HOME DEPOT WILL ALWAYS BEAR YOUR LIKENESS. This image is made up of 2,025 photographs of Home Depot associates gathered during the 2002 Home Depot Managers Road Show, a series of meetings between senior leaders, district and store managers from Home Depot stores across the country. The road show format was invented and perfected by co-founder Bernie Marcus, who made his final tour this spring.

TO OUR SHAREHOLDERS:

Having completed my first full year with this wonderful organization, I am more excited about this business and the opportunities for growth than ever before. In fact, I believe we have an infinite capacity for growth and value creation. My goal, when I arrived a year ago, was to build on this company's established tradition of growth, customer trust, corporate values, and brand recognition as the leader in home improvement retailing.

Since then, my confidence in the strength of The Home Depot has been confirmed and reconfirmed. Despite a turbulent economy that included massive corporate downsizings, consumer confidence hitting an eight-year low and the unthinkable disaster of September 11th, the 250,000 associates of The Home Depot delivered on our promise of improved performance in fiscal 2001. Not only did we stay on strategy, we embraced many new initiatives, accelerated existing programs, and delivered record results … all while implementing a seamless transition in executive leadership.

2001 IN REVIEW

In many ways, this year's performance speaks for itself:

- Sales reached record levels, growing 17% to $53.6 billion. In fiscal 2001, The Home Depot became the second-largest retailer in the U.S.
- Net earnings grew 18% to exceed $3 billion for the first time, reaching $1.29 per share. Fiscal 2001 results included the second highest return on sales in company history.
- Cash reached a record $2.5 billion at year-end. Taken together with a debt-to-equity ratio of 6.9%, The Home Depot has one of the strongest balance sheets in retail, funding our ability to reinvest and generate additional growth.
- The Home Depot share price increased by 12.4%, outperforming both the S&P 500 and the Dow Jones Industrial Average, and ranking sixth among the Dow 30.
- In the fourth quarter, we increased the annual dividend 25%, allowing stockholders to benefit from the strong cash flows we produce.
- We reinvested more than $3.3 billion into our business through new stores, systems enhancements, and other initiatives.
- The Home Depot opened 204 new stores and added 40,000 incremental associates to staff them at a time when many corporations were downsizing.

In addition, we achieved several new milestones:

- Our loyal customers came to us for more than 1 billion transactions in a year for the first time ever.
- The Home Depot became the youngest retailer ever to reach $50 billion in revenue.
- We were named "#1 Specialty Retailer" by *Fortune Magazine* for the ninth consecutive year and "#6 Most Admired" company in America for the second consecutive year. Among the Top Ten Most Admired, The Home Depot was ranked fourth in return to stockholders.

I am immensely proud of these achievements. They're evidence of the pride, competitive enthusiasm, and drive of our "orange-blooded" associates. Our corporate values have also placed the highest emphasis on "giving back" to the communities in which we live and work. In fiscal 2001, that included:

Building value…and values with Habitat for Humanity.

- Six million volunteer hours including:
  - 16 KaBoom playgrounds built and 18 playgrounds refurbished
  - 17 Habitat For Humanity® homes built
  - 2,000 home repair projects completed in cooperation with Rebuilding Together™
- $20 million in grants to more than 7,500 organizations

Our response to September 11th was proof positive of how thoroughly our values are engrained in every associate so that we "shine brightest during the darkest hours." Immediately following the attacks, our associates staffed our command center to coordinate delivering materials to the New York and Washington sites. Within hours, Home Depot trucks were on the road with supplies necessary for the rescue and recovery efforts. All told, as a company and as individuals, we contributed thousands of volunteer hours and more than $3 million in products, supplies and financial support.

In addition to driving record financial performance, 2001 was a year of driving change within the organization as we prepare to grow toward $100 billion in revenues. By introducing and implementing a Strategic Operating and Resource planning process or "SOAR", we focused the company on expanding our growth horizons. SOAR is a multi-step process focused on industry and economic data. SOAR allows us to see opportunities that otherwise might not have appeared, and in 2001 it validated our key initiatives, including:

Service Performance Improvement (SPI) – We implemented SPI across every division between June and October, the largest single shift in operating practice in Home Depot history. By receiving and processing inventory at night, SPI makes more hours available for associates to spend with customers during peak selling periods. SPI also provides us with a platform to improve store appearance, in-stock position, and operating efficiency. Perhaps the best part of SPI is that our associates can continue to improve their product knowledge and develop better customer service skills as SPI moves from an initiative to an everyday best practice … SPI is the way we do business.

Merchandising Reorganization – In September, we centralized our buying function, allowing us to drive purchasing efficiencies while stores increased their focus on sales and service. We saw immediate improvement in merchandise assortment, the launch of new promotional activities, and the ability to deliver great values that our customers love. At the same time, we sustained the strongest field merchandising force in retail, ensuring that our stores maintain their neighborhood-specific, family-friendly emphasis.

We believe our greatest competitive advantage is our people.

The Pro Initiative – We grew this initiative, which provides specialized products and services to smaller professional customers, to 535 stores during 2001 and will maintain that momentum in 2002 by expanding to more than 950 stores. By dedicating trained staff to better service professional customers, we are attracting a greater percentage of the professional business, which typically spends $3 for every $1 spent by our traditional do-it-yourself (DIY) customer.

At-Home Services – We invested in our installation and service businesses to capture the market opportunity presented by a maturing population that is increasingly seeking a do-it-for-me (DIFM) solution to home projects. By building on years of experience in the installation business, The Home Depot is leveraging its brand to capture a greater share in a fragmented $180 billion marketplace.

In short, 2001 was a year of tremendous change and achievement, which demonstrated the resilience and capacity of our associates to deliver value to our stockholders, protect our values as a company, and absorb a host of transformational changes. It was also a year of building for our exciting future.

OPPORTUNITIES FOR FUTURE GROWTH

While The Home Depot's roots have been and will continue to be in the DIY market, we see vast new opportunities to increase our business and become the "home aggregator" of the home improvement business. To do that, our strategy is focused on generating growth in three ways.

Enhancing the core business – By focusing on improving store productivity, we can grow comparable sales and leverage operating efficiencies. We are investing in "game-changing" opportunities, for example, by tripling our investment in new systems initiatives, by applying Six Sigma business process improvement practices across the enterprise, and by rolling out efficient crossdock transit facilities. We will also build on our merchandising success by enriching the vitality and velocity of our inventory through programs that identify opportunities like energy conservation, environmentally-friendly products, and home security.

Extending the business – In 2002, The Home Depot will add 200 new stores in a variety of formats and sizes, reflecting customer demographics, buying preferences, and geography. We will also reach for new relationships with homebuilders and commercial and industrial customers through initiatives like Home Depot Supply and its "pro" stores. Home Depot Supply is our first step in realizing the business-to-business selling opportunity available to The Home Depot.

Expanding the business – In 2001, The Home Depot expanded its business with the acquisition of Your "other" Warehouse, a Louisiana-based specialty plumbing fixtures company that supports our stores in the special order plumbing and accessory areas. Customer response to these enhanced assortments and delivery has been very strong and we continue to be excited about potential expansion across other product lines.

We also entered Mexico through the acquisition of TotalHOME, the second largest home improvement retailer in that country. In March 2002, we announced plans to acquire the four-store Del Norte home improvement chain and build two additional Home Depot stores, which further consolidates our position in the $12.5 billion home improvement market in Mexico.

By analyzing and identifying ever-increasing concentric rings of market opportunity, we can continue to develop new products, services, and markets, both in this country and globally.

With thousands of volunteer hours and millions of donations, we showed our heart in the wake of September 11th.

SETTING THE HIGHEST STANDARDS

Leadership means holding ourselves to the highest business standards. During 2001, we completed a comprehensive review of our business to ensure that across every operation and in every functional area, The Home Depot is complying with not only the letter, but the spirit of the law.

INVESTING IN OUR PEOPLE

We believe our greatest competitive advantage is our people. That's why in 2001, we launched human resources initiatives designed to attract, motivate, and retain the best employees in the industry. Through new learning programs for associates and leadership development of district and store managers, we will increasingly shift our store management focus from "operating a box" to "managing a business."

Every Home Depot associate received a special lesson in leadership this year from our Olympic Job Opportunity Program (OJOP) athletes who competed in the 2002 Olympic and Paralympic Winter Games. I'm sure you share our pride in our orange-blooded athletes, who brought home eight medals, and agree that expanding our unique commitment to this program from 140 to 204 OJOP associates for the 2004 games is a great way to sustain and develop leadership in our stores.

LEADERSHIP TRANSITION

I can't thank Bernie Marcus enough for his support and guidance during this management transition. Without question, it has been extraordinarily smooth. Bernie has been both constructive and instructive, and I am grateful for his enormous support, his coaching, and his confidence in our management team to lead this great organization.

In closing, let me reiterate how excited I am about the future of The Home Depot. We have arguably the healthiest balance sheet in retailing and an enviable brand that offers tremendous opportunity for future growth. Our commitment to you, and to ourselves, is always to be the best, and improve what we do every day.

Sincerely,

Bob

Bob Nardelli
Chairman, President & Chief Executive Officer

PAINT + DECOR

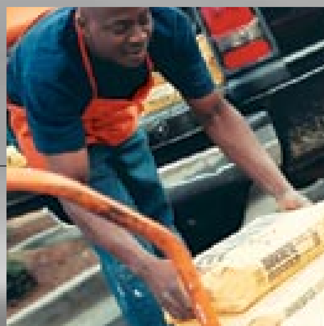
KITCHEN + BATH

FLOORING

LUMBER

PLUMBING

LIGHTING + FANS



BUILDING MATERIALS

LAWN + GARDEN

ELECTRICAL

MILLWORK

TOOL RENTAL

EVERYTHING YOU NEED...AND MORE Walk into a Home Depot store, and you enter a world of endless possibilities for improving and repairing your home. Throughout the store, knowledgeable associates in orange aprons help you find the items you need, then explain how to complete your project, small or large. No wonder our customers rang up more than a billion transactions in 2001. Yet, our stores give more than great customer service. Exploring the store, you see clearly printed signage, conveniently placed displays and wide, safe aisles. Our stores provide more than a great shopping experience...in every aisle, on every shelf, you find high quality products to repair or improve a home, all at great prices. And, our stores offer more than merchandise and value. Instead, our service, merchandise and shoppability all work together to give you what you need most – the confidence to take on almost any home improvement project.

so, what's in store?

Customers find more store associates helping with their home improvement needs as part of our intensive customer service effort called Service Performance Improvement, or SPI, which rolled out to all Home Depot stores in 2001.

SPI

The key: associates focus fully on serving customers while the store is open, and only after hours do they turn to tasks such as unloading trucks with forklifts and re-stocking the shelves. Now, associates spend even more time assisting and serving customers – going that "extra mile" to give customers a more personal, satisfying shopping experience. SPI also frees up associates to continually learn about products we carry, enabling them to serve more effectively as product knowledge experts.

To maintain customer service momentum, a "Racetrack Manager" continually cycles through the store to ensure that every customer is being helped, that products are in-stock and that aisles are easy to navigate, to ensure a pleasant and safe shopping environment.

The pro market continues to be a very attractive opportunity for The Home Depot. During 2001, we expanded the management team and resources to support a more aggressive rollout of our pro initiative. At the end of fiscal 2001, 535 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 400 additional stores in fiscal 2002. The professional contractor represents about 30% of our business today and, with the strength of our Pro program, is one of the fastest-growing customer segments for The Home Depot.

PRO

Because pro customers typically shop more frequently and buy larger quantities, they are a great source of consistent growth, building sales and margin in existing stores. Pro program stores generate higher comparable sales gains and profit performance.

High growth areas include appliances, where The Home Depot is developing its next generation of store layouts, offering more products and higher service levels in an improved shopping environment. Our Designplace℠ program concentrates our décor offerings in a shopper-friendly environment.

Merchandising

Price and product remain at the core of The Home Depot's appeal to our customers. Through nationally branded product at industry-leading prices, we offer the strongest assortments in home improvement. Through proprietary brands like Hampton Bay®, Husky®, Glacier Bay®, Ridgid®, Behr Premium Plus® or Thomasville®, we offer exclusive product at values that can't be matched by our competitors.

In 2001, we realigned our merchandising structure to leverage the buying power and scale of The Home Depot while improving our neighborhood product assortment, pricing, and service across all stores. While we centralized purchasing, our divisional offices retained responsibility for product presentation, store execution, and customer responsiveness.

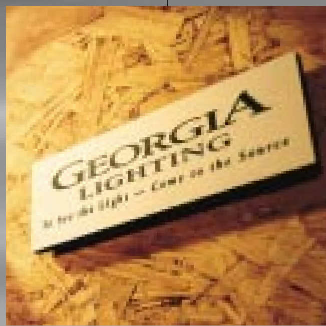
The Home Depot currently offers installation programs for products including carpet, hard flooring, kitchen cabinets, countertops, exterior doors, garage doors, appliances, window treatments, water heaters, roofing, windows, vinyl siding, HVAC, generators, and many more in all of our stores. Although we're currently the largest retailer of home improvement products in the industry, we have less than 2% of the home services market and a significant opportunity to accelerate our growth rate.

We expect At-Home Services[SM] to be a core growth vehicle for The Home Depot. Our At-Home Services business generated approximately $3 billion in sales in fiscal 2001, with a five-year compounded annual growth rate of 30%. That still leaves us plenty of room for growth in a $180 billion market. We continue to invest in ways to serve our project customers better, for example, through customer contact centers like this new facility in Tampa, FL.

At-Home Services

At-Home Services is a great way to extend our business from The Home Depot's core competencies and values while leveraging our existing assets. Providing products and services to the do-it-for-me customer is not only a growth opportunity, it is a logical extension, given this country's aging population and housing stock.


apex
supply company


GEORGIA
LIGHTING


MAINTENANCE
WAREHOUSE
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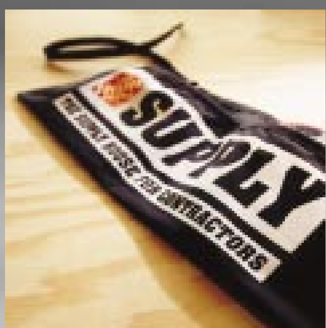
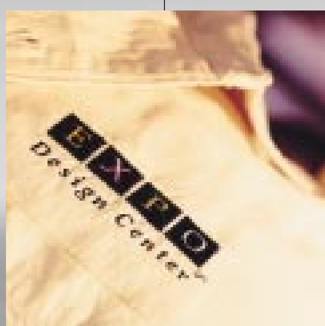
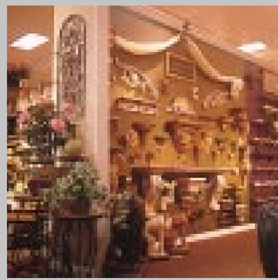
Warehouse


SUPPLY


EXPO
Design Center

EXTENDING ONE OF THE WORLD'S STRONGEST BRANDS The success of Home Depot stores has fueled this company's growth. But we've always recognized that retail longevity is based on the ability to change and adapt. That's why we think of ourselves as more than a store, and we are pursuing ways to take the strength of the Home Depot brand into new business areas. By identifying new customers, developing new store formats and building new product and sales capabilities, The Home Depot can extend its business into markets that go beyond the core retail format. Stores like EXPO Design Centers offer product and project growth opportunities. Our Urban Home Depot stores promise to build on the learnings of Villager's Hardware and offer convenient shopping to more densely-populated markets. Under Home Depot Supply, we are building a business around stores focused on the professional customer and business-to-business relationships, utilizing the abilities of Home Depot companies like Apex Supply, Georgia Lighting, Maintenance Warehouse and Your "other" Warehouse.

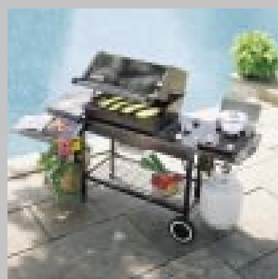
more than a store

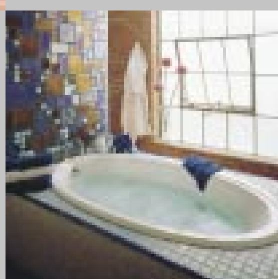


EXPO

THE COMPLETE ONE-STOP HOME DECORATING & REMODELING RESOURCE EXPO Design Centers offer eight specialty showrooms under one roof, including lighting, appliances, tile, wood flooring and carpeting, bath, home accessories, window treatment, seasonal and kitchen products, all combined with full design and installation services. Over the next year, EXPO will integrate with The Home Depot, extend its customer reach, and expand its geographic presence.

inspiration to installationSM





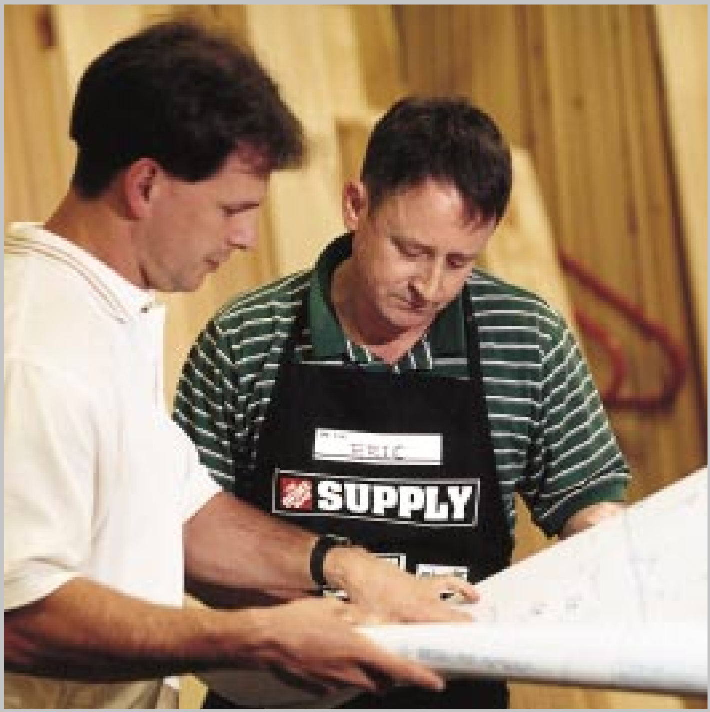
In 2002, EXPO will expand its assortment, for example, adding brand name product lines and small appliances, which are a natural extension of its kitchen business. EXPO will also be expanding its accessories business in order to complement the projects that form the foundation of its success. EXPO will grow its store count by approximately 25% in fiscal 2002 by focusing on growth in the top 100 metro markets.

LOCAL MERCHANDISING At The Home Depot, we strive to keep our stores "neighborhood friendly" because every customer and each community has distinct, unique needs. For that reason, we continually create innovative store designs and product and service assortments to serve do-it-yourselfers, tradespeople and large contractors in all types of markets. This attention to local preferences helped drive our company's growth to 1,333 stores by the end of fiscal year 2001, and it will become even sharper going forward.

family-friendly stores

Neighborhood

To serve in-town residents, for example, we have recently introduced a new store format in Brooklyn. This "urban store" design offers Home Depot products and services in a compact format, with a tighter product mix focused on local needs and convenience shopping. Of course, urban stores look and feel like The Home Depot, with competitive low prices, quality products and knowledgeable associates. It's just another way we show The Home Depot's commitment to serve our customers, whatever their calling and wherever they call home.



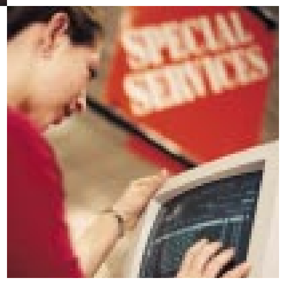
BUILDING BUSINESS-TO-BUSINESS RELATIONSHIPS
In 2001, The Home Depot began to aggregate and coordinate our ability to serve other business customers, from the professional remodeller to the largest companies in North America. Under the umbrella of Home Depot Supply, The Home Depot can gain growth through adjacencies while utilizing its asset base and leveraging its merchandise and service offerings.

Home Depot Supply

one-stop pro shop

Each of the Home Depot Supply businesses brings a different capability to The Home Depot. Apex Supply supports our plumbing product selection and distribution through the wholesale channel. Georgia Lighting provides us with expertise in lighting assortment, development, and pricing. Maintenance Warehouse utilizes a national sales force to offer a broad range of product to commercial and industrial customers. Your "other" Warehouse, which was acquired in November 2001, brings fast turnaround and broad product assortments to support our special order faucet business. In addition, The Home Depot continues to expand its stores serving primarily professional customers. Home Depot Supply stores in Colma, California and Phoenix, Arizona will be joined by additional stores in Texas, California, and Colorado over the coming year.

During 2001, we opened 11 stores in Canada, including several bilingual stores in Montreal.



FINDING NEW WAYS TO EXPAND OUR BUSINESS By growing our logistics capability through crossdock transit facilities, we bring new efficiency to our growing store base. Our first transit facility in Philadelphia has been joined by new facilities in California, Florida and Texas, and more sites are under development. By 2003, The Home Depot expects to be operating up to 15 of these facilities serving the majority of our stores and providing cost leverage across the business.

At The Home Depot, "e-commerce" stands for "efficient commerce." By routing web-based orders through existing stores, we can offer 20,000 items on a regional basis across the country. Each can be pulled from the shelves, packed, and delivered within 24 hours. From a small base, growth in e-commerce continues to grow.

Expanding

building our future

Even as we divested stores in Chile and Argentina due to limited markets and economic concerns, we concluded the acquisition of Total HOME in Mexico. We continue to see international markets as an attractive area for growth.

Habitat for Humanity The Home Depot has helped build more than 150 affordable homes as part of Habitat's self-help program of homeownership for low-income families. Early in 2001 four sponsors in our hometown of Atlanta joined with us to build seven energy-efficient Habitat homes which will result in heating and cooling bills as low as $300 per year.

The E+ Program A national energy alert sparked the company to roll out the E+ Program in the spring of 2001. The Home Depot's nationwide energy conservation initiative, this program includes clinics, signage, catalog pages and merchandise displays that demonstrate a variety of energy saving projects for homeowners. Our web site www.homedepot.com/energy contains over 200 tips and products to dramatically reduce energy bills.

Building Community

Safety Initiatives Our No. 1 priority is to ensure that every store is neighborhood family-friendly. To that end, our greatest responsibility in doing the right thing is to ensure that every customer and associate has a safe and satisfying experience in our stores.

Sustainable Forestry Under our guidance, our vendors are migrating to product lines certified by the Forest Stewardship Council (FSC), an independent, third party certification body that is recognized as the "global leader in responsible forestry." Our affiliation with the FSC allows us to maintain a chain of custody so that a product can be traced back to the forest of origin.

SELECTED CONSOLIDATED STATEMENTS OF EARNINGS DATA

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.

	Fiscal Year[1]			Percentage Increase (Decrease) In Dollar Amounts	
	2001	2000	1999	**2001 vs. 2000**	2000 vs. 1999
NET SALES	**100.0%**	100.0%	100.0%	**17.1%**	19.0%
Gross Profit	**30.2**	29.9	29.7	**18.0**	19.9
Operating Expenses:					
Selling and Store Operating	**19.0**	18.6	17.8	**19.4**	24.8
Pre-Opening	**0.2**	0.3	0.3	**(17.6)**	25.7
General and Administrative	**1.7**	1.8	1.7	**12.0**	24.4
Total Operating Expenses	**20.9**	20.7	19.8	**18.2**	24.8
OPERATING INCOME	**9.3**	9.2	9.9	**17.7**	10.1
Interest Income (Expense):					
Interest and Investment Income	**0.1**	0.1	0.1	**12.8**	27.0
Interest Expense	**(0.1)**	(0.1)	(0.1)	**33.3**	(48.8)
Interest, net	**–**	–	–	**(3.8)**	750.0
EARNINGS BEFORE INCOME TAXES	**9.3**	9.2	9.9	**17.5**	10.9
Income Taxes	**3.6**	3.6	3.9	**16.9**	10.2
NET EARNINGS	**5.7%**	5.6%	6.0%	**17.9%**	11.3%
SELECTED SALES DATA[2]					
Number of Transactions (000s)	**1,090,975**	936,519	797,229	**16.5%**	17.5%
Average Sale per Transaction	**$ 48.64**	$ 48.65	$ 47.87	**–**	1.6
Weighted Average Weekly Sales per Operating Store	**$ 812,000**	$ 864,000	$ 876,000	**(6.0)**	(1.4)
Weighted Average Sales per Square Foot[3]	**$ 387.93**	$ 414.68	$ 422.53	**(6.5)**	(1.9)

(1) Fiscal years 2001, 2000 and 1999 refer to the fiscal years ended February 3, 2002; January 28, 2001; and January 30, 2000, respectively.
(2) Excludes Apex Supply Company, Georgia Lighting, Maintenance Warehouse, Your "other" Warehouse and National Blinds and Wallpaper.
(3) Adjusted to reflect the first 52 weeks of the 53-week fiscal year in 2001.

FORWARD-LOOKING STATEMENTS Certain written and oral statements made by us or our authorized executive officers on our behalf 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 our historical experience and our 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. You should not place undue reliance on 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 our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K.

RESULTS OF OPERATIONS For an understanding of the significant factors that influenced our 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 February 3, 2002 compared to January 28, 2001

Fiscal year 2001 consisted of 53 weeks compared to 52 weeks in fiscal 2000. Net sales for fiscal 2001 increased 17.1% to $53.6 billion from $45.7 billion in fiscal 2000. This increase was attributable to, among other things, the 204 new stores opened during fiscal 2001 and full year sales from the 204 new stores opened during fiscal 2000. Approximately $880 million of the increase in sales was attributable to the additional week in fiscal 2001. Comparable store-for-store sales were flat in fiscal 2001 due to the weak economic environment resulting from certain factors including, but not limited to, low consumer confidence and high unemployment.

Gross profit as a percent of sales was 30.2% for fiscal 2001 compared to 29.9% for fiscal 2000. The rate increase was primarily attributable to a lower cost of merchandise resulting from product line reviews, purchasing synergies created by our newly centralized merchandising structure and an increase in the number of tool rental centers from 342 at the end of fiscal 2000 to 466 at the end of fiscal 2001. We expect to have tool rental centers in approximately 600 stores by the end of fiscal 2002.

Operating expenses as a percent of sales were 20.9% for fiscal 2001 compared to 20.7% for fiscal 2000. Selling and store operating expenses as a percent of sales increased to 19.0% in fiscal 2001 from 18.6% in fiscal 2000. The increase was primarily attributable to growth in store occupancy costs resulting from higher depreciation and property taxes due to our investment in new stores, combined with increased energy costs. Also, credit card transaction fees were higher than the prior year due to increased penetration of total credit sales. These increases were partially offset by a decrease in store payroll expense caused by an improvement in labor productivity resulting from initiatives inside the store and new systems enhancements.

Store initiatives include our Service Performance Improvement ("SPI") initiative which was implemented in every Home Depot store in fiscal 2001. Under SPI our stores receive and handle inventory at night, allowing our associates to spend more time with customers during peak selling hours. In addition, our Pro program was in 535 of our Home Depot stores at the end of fiscal 2001, providing dedicated store resources to serve the specific needs of professional customers. We expect to have our Pro initiative in more than 950 stores at the end of fiscal 2002. SPI and Pro have resulted in improved operational efficiency, safety and customer service.

Pre-opening expenses as a percent of sales were 0.2% for fiscal 2001 and 0.3% for fiscal 2000. We opened 204 new stores in both fiscal 2001 and 2000. Pre-opening expenses averaged $569,000 per store in fiscal 2001 compared to $671,000 per store in fiscal 2000. The decrease in the average expense per store was primarily due to shorter pre-opening periods as we reengineered our store opening process.

General and administrative expenses as a percent of sales were 1.7% for fiscal 2001 compared to 1.8% in fiscal 2000. This decrease was primarily due to cost savings associated with the reorganization of certain components of our general and administrative structure, such as the centralization of our merchandising organization, and our focus on expense control in areas such as travel.

Interest and investment income as a percent of sales was 0.1% for both fiscal 2001 and 2000. Interest expense as a percent of sales was 0.1% for both fiscal 2001 and 2000.

Our combined federal and state effective income tax rate decreased to 38.6% for fiscal 2001 from 38.8% for fiscal 2000. The decrease in fiscal 2001 was attributable to higher tax credits and a lower effective state income tax rate compared to fiscal 2000.

Net earnings as a percent of sales were 5.7% for fiscal 2001 compared to 5.6% for fiscal 2000, reflecting the increased gross profit rate, which was partially offset by higher store operating expenses, as described above. Diluted earnings per share were $1.29 for fiscal 2001 compared to $1.10 for fiscal 2000.

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 our medical plans, rising health care costs and higher prescription drug costs. Finally, store occupancy costs, including 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. We opened 204 new stores in fiscal 2000, compared to opening 169 new 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.

Our 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.

LIQUIDITY AND CAPITAL RESOURCES Cash flow generated from operations provides us with a significant source of liquidity. For fiscal 2001, cash provided by operations increased to $6.0 billion from $2.8 billion in fiscal 2000. The increase was primarily due to significant growth in days payable outstanding from 23 days at the end of fiscal 2000 to 34 days at the end of fiscal 2001, a 12.7% decrease in average inventory per store as of the end of fiscal 2001 and increased operating income. The growth in days payable and decrease in average inventory per store are the result of our efforts to improve our working capital position by extending our payment terms to industry standards and enhancing inventory assortments.

Cash used in investing activities, primarily comprised of capital expenditures, was $3.5 billion in both fiscal 2001 and 2000. We opened 204 new stores in both fiscal 2001 and 2000. We own 188 of the stores opened in 2001 and lease the remainder.

We plan to open 200 stores in fiscal 2002 and expect total capital expenditures to be approximately $3.6 billion.

Cash used in financing activities in fiscal 2001 was $173 million compared with cash provided by financing activities of $737 million in fiscal 2000. The increase in cash used was primarily due to the net effect of repaying $754 million of commercial paper and issuing $500 million of 5 3/8% Senior Notes during fiscal 2001.

We have a commercial paper program that allows borrowings up to a maximum of $1 billion. As of February 3, 2002, there were no borrowings outstanding under the program. In connection with the program, we have 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 are expected to impact our liquidity or capital resources.

We use capital, operating and other off-balance sheet leases to finance about 20% of our real estate. Off-balance sheet leases include three leases created under structured financing arrangements to fund the construction of certain stores, office buildings and distribution centers. Two of these lease agreements involve a special purpose entity which meets the criteria established by generally accepted accounting principles and is not owned by or affiliated with the Company, its management or officers. Operating and off-balance sheet leases are not reflected in our balance sheet in accordance with generally accepted accounting principles. The net present value of capital lease obligations is reflected in our balance sheet in long-term debt. As of the end of fiscal 2001, our debt to equity ratio was 6.9%. If the estimated present value of future payments under the operating and other off-balance sheet leases were capitalized, our debt to equity ratio would increase to approximately 30%.

The following table summarizes our significant contractual obligations and commercial commitments as of February 3, 2002 (amounts in millions):

	Payments Due By Period				
Contractual Obligations[1]	Total	2002	2003-2004	2005-2006	Thereafter
Long-Term Debt	$1,023	$ 1	$ 502	$ 502	$ 18
Capital Leases	$ 791	$ 41	$ 85	$ 88	$ 577
Operating Leases	$7,407	$ 517	$ 942	$ 809	$ 5,139

	Amount of Commitment Expiration Per Period				
Commercial Commitments[2]	Total	2002	2003-2004	2005-2006	Thereafter
Letters of Credit	$ 557	$ 551	$ 6	–	–
Guarantees	$ 799	–	$ 504	$ 72	$ 223

(1) Contractual obligations consist of long-term debt comprised primarily of $1 billion of Senior Notes further discussed in "Quantitative and Qualitative Disclosures about Market Risk" and future minimum lease payments under capital and operating leases, including off-balance sheet leases, used in the normal course of business.

(2) Commercial commitments include letters of credit for certain business transactions and guarantees provided under certain off-balance sheet leases. We issue letters of credit for insurance programs, import purchases and construction contracts. Under certain off-balance sheet leases for retail locations, office buildings and distribution centers, we have provided residual value guarantees. The estimated maximum amount of the residual value guarantees at the end of the lease terms is $799 million. The leases expire at various terms from 2004 through 2008 with some carrying renewal options through 2025. The expiration date of the residual value guarantees in the table above is based on the original lease terms; however, the expiration period will change if the leases are renewed.

As of February 3, 2002, we had $2.5 billion in cash and cash equivalents. We believe that our current cash position, internally generated funds, funds available from the $1 billion commercial paper program and the ability to obtain alternate sources of financing should be sufficient to enable us to complete our capital expenditure programs through the next several fiscal years.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Our exposure to market risks results primarily from fluctuations in interest rates. Although we have international operating entities, our exposure to foreign currency rate fluctuations is not significant to our financial condition and results. Our objective for holding derivative instruments is to decrease the volatility of earnings and cash flow associated with fluctuations in these rates.

We have financial instruments that are sensitive to changes in interest rates. These instruments include fixed rate debt and other contractual arrangements. We issued $500 million of 5 3/8% Senior Notes in fiscal 2001 maturing on April 1, 2006 and $500 million of 6 1/2% Senior Notes in fiscal 1999 maturing on September 15, 2004. As of February 3, 2002, the market values of the publicly traded 5 3/8% and 6 1/2% Senior Notes were approximately $511 million and $531 million, respectively. We have two interest rate swap agreements, both designed to hedge the market risk associated with interest rate volatility. We have one agreement in the notional amount of $300 million that swaps fixed rate interest on $300 million of our $500 million 5 3/8% Senior Notes for a variable interest rate equal to LIBOR plus 30 basis points and expires on April 1, 2006. We have another agreement expiring January 31, 2003 in the notional amount of $690 million that swaps a variable interest rate for a fixed rate of 6 3/4%, designed to mitigate the interest rate risk related to the portfolio of our proprietary credit card, which is serviced by a third party.

IMPACT OF INFLATION AND CHANGING PRICES Although we cannot accurately determine the precise effect of inflation on operations, we do not believe inflation has had a material effect on sales or results of operations.

CRITICAL ACCOUNTING POLICIES Our significant accounting policies are disclosed in Note 1 to our consolidated financial statements. The following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results, and that require judgment.

REVENUE RECOGNITION We recognize revenue, net of estimated returns, at the time the customer takes possession of the merchandise or receives services. We estimate the liability for sales returns based on the historical return levels. The methodology used is consistent with other retailers. We believe that our estimate for sales returns is an accurate reflection of future returns. When we collect payment from customers before ownership of the merchandise has passed or the service has been performed, the amount received is recorded as a deferred revenue liability.

INVENTORY Our inventory is stated at the lower of cost (first-in, first-out) or market, with approximately 94% valued under the retail method and the remainder under the cost method. Under the retail method, inventory is stated at cost which is determined by applying a cost-to-retail ratio to the ending retail value of inventory. As our inventory retail value is adjusted regularly to reflect market conditions, our inventory methodology approximates the lower of cost or market. Retailers with many different types of merchandise at low unit cost with a large number of transactions frequently use this method. In addition, we reduce our ending inventory value for estimated losses related to shrink. This estimate is determined based upon analysis of historical shrink losses and recent shrink trends.

SELF INSURANCE We are self-insured for certain losses related to general liability, product liability and workers' compensation. We maintain stop loss coverage with third party insurers to limit our total exposure. Our liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates, and is reviewed by management and third party actuaries on a quarterly basis to ensure that the liability is appropriate. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity or frequency of claims or fluctuations in premiums, differ from our estimates, our financial results could be impacted. In an attempt to mitigate our risks of workers' compensation and general liability claims, we have significantly enhanced our store safety procedures with SPI and other safety awareness programs.

USE OF ESTIMATES We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenue and expenses in preparing our financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

RECENT ACCOUNTING PRONOUNCEMENTS In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 142, "Goodwill and Other Intangible Assets." Under SFAS 142, which we will adopt on February 4, 2002, goodwill will no longer be amortized and will instead be evaluated for impairment at least annually. Without this change, amortization expense for goodwill in fiscal 2002 would have been approximately $11 million. We have reviewed our goodwill and completed our impairment analysis and, accordingly, have determined that the adoption of SFAS 142 will not have a material impact on our consolidated financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which amends Accounting Principles Board Opinion No. 30 ("APB 30"), "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 retains the fundamental provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while resolving significant implementation issues. SFAS 144 retains the basic provisions of APB 30 on the presentation of discontinued operations in the income statement, but expands the scope to include all distinguishable components of an entity that will be eliminated from ongoing operations in a disposal transaction. We plan to adopt SFAS 144 on February 4, 2002 and do not expect the adoption to have a material impact on our consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

amounts in millions, except per share data	Fiscal Year Ended February 3, 2002	January 28, 2001	January 30, 2000
NET SALES	**$ 53,553**	$ 45,738	$ 38,434
Cost of Merchandise Sold	**37,406**	32,057	27,023
Gross Profit	**16,147**	13,681	11,411
Operating Expenses:			
Selling and Store Operating	**10,163**	8,513	6,819
Pre-Opening	**117**	142	113
General and Administrative	**935**	835	671
Total Operating Expenses	**11,215**	9,490	7,603
OPERATING INCOME	**4,932**	4,191	3,808
Interest Income (Expense):			
Interest and Investment Income	**53**	47	37
Interest Expense	**(28)**	(21)	(41)
Interest, net	**25**	26	(4)
EARNINGS BEFORE INCOME TAXES	**4,957**	4,217	3,804
Income Taxes	**1,913**	1,636	1,484
NET EARNINGS	**$ 3,044**	$ 2,581	$ 2,320
BASIC EARNINGS PER SHARE	**$ 1.30**	$ 1.11	$ 1.03
Weighted Average Number of Common Shares Outstanding	**2,335**	2,315	2,244
DILUTED EARNINGS PER SHARE	**$ 1.29**	$ 1.10	$ 1.00
Weighted Average Number of Common Shares Outstanding Assuming Dilution	**2,353**	2,352	2,342

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

amounts in millions, except share data	**February 3, 2002**	January 28, 2001
ASSETS		
Current Assets:		
Cash and Cash Equivalents	**$ 2,477**	$ 167
Short-Term Investments, including current maturities of long-term investments	**69**	10
Receivables, net	**920**	835
Merchandise Inventories	**6,725**	6,556
Other Current Assets	**170**	209
Total Current Assets	**10,361**	7,777
Property and Equipment, at cost:		
Land	**4,972**	4,230
Buildings	**7,698**	6,167
Furniture, Fixtures and Equipment	**3,403**	2,877
Leasehold Improvements	**750**	665
Construction in Progress	**1,049**	1,032
Capital Leases	**257**	261
	18,129	15,232
Less Accumulated Depreciation and Amortization	**2,754**	2,164
Net Property and Equipment	**15,375**	13,068
Notes Receivable	**83**	77
Cost in Excess of the Fair Value of Net Assets Acquired, net of accumulated amortization of $49 at February 3, 2002 and $41 at January 28, 2001	**419**	314
Other	**156**	149
	$26,394	$21,385
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	**$ 3,436**	$ 1,976
Accrued Salaries and Related Expenses	**717**	627
Sales Taxes Payable	**348**	298
Other Accrued Expenses	**933**	752
Deferred Revenue	**851**	650
Income Taxes Payable	**211**	78
Current Installments of Long-Term Debt	**5**	4
Total Current Liabilities	**6,501**	4,385
Long-Term Debt, excluding current installments	**1,250**	1,545
Other Long-Term Liabilities	**372**	249
Deferred Income Taxes	**189**	195
Minority Interest	**–**	7
STOCKHOLDERS' EQUITY		
Common Stock, par value $0.05. Authorized: 10,000,000,000 shares; issued and outstanding – 2,345,888,000 shares at February 3, 2002 and 2,323,747,000 shares at January 28, 2001	**117**	116
Paid-In Capital	**5,412**	4,810
Retained Earnings	**12,799**	10,151
Accumulated Other Comprehensive Loss	**(220)**	(67)
	18,108	15,010
Less Unearned Compensation	**26**	6
Total Stockholders' Equity	**18,082**	15,004
	$26,394	$21,385

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

amounts in millions, except per share data	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Other	Total Stockholders' Equity	Comprehensive Income(1)
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 3 1/4% Convertible Subordinated Notes, net	72	3	1,097	–	–	–	1,100	
Net Earnings	–	–	–	2,320	–	–	2,320	$ 2,320
Translation Adjustments	–	–	–	–	34	–	34	34
Unearned Compensation	–	–	–	–	–	(4)	(4)	
Cash Dividends ($0.11 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	
Unearned Compensation	–	–	–	–	–	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)	$15,004	
Shares Issued Under Employee Stock Purchase and Option Plans	**22**	**1**	**448**	**–**	**–**	**–**	**449**	
Tax Effect of Sale of Option Shares by Employees	**–**	**–**	**138**	**–**	**–**	**–**	**138**	
Net Earnings	**–**	**–**	**–**	**3,044**	**–**	**–**	**3,044**	**$ 3,044**
Translation Adjustments	**–**	**–**	**–**	**–**	**(124)**	**–**	**(124)**	**(124)**
Unrealized Loss on Derivatives	**–**	**–**	**–**	**–**	**(29)**	**–**	**(29)**	**(18)**
Stock Compensation Expense	**–**	**–**	**16**	**–**	**–**	**–**	**16**	
Unearned Compensation	**–**	**–**	**–**	**–**	**–**	**(20)**	**(20)**	
Cash Dividends ($0.17 per share)	**–**	**–**	**–**	**(396)**	**–**	**–**	**(396)**	
Comprehensive Income for Fiscal 2001								**$ 2,902**
BALANCE, FEBRUARY 3, 2002	**2,346**	**$117**	**$5,412**	**$12,799**	**$(220)**	**$(26)**	**$18,082**	

(1) Components of comprehensive income are reported net of related taxes.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

amounts in millions	Fiscal Year Ended February 3, 2002	January 28, 2001	January 30, 2000
CASH FLOWS FROM OPERATIONS:			
Net Earnings	**$ 3,044**	$ 2,581	$ 2,320
Reconciliation of Net Earnings to Net Cash Provided by Operations:			
Depreciation and Amortization	**764**	601	463
Increase in Receivables, net	**(119)**	(246)	(85)
Increase in Merchandise Inventories	**(166)**	(1,075)	(1,142)
Increase in Accounts Payable and Accrued Liabilities	**2,078**	754	820
Increase in Income Taxes Payable	**272**	151	93
Other	**90**	30	(23)
Net Cash Provided by Operations	**5,963**	2,796	2,446
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures, net of $5, $16 and $37 of non-cash capital expenditures in fiscal 2001, 2000 and 1999, respectively	**(3,393)**	(3,558)	(2,581)
Payments for Businesses Acquired, net	**(190)**	(26)	(101)
Proceeds from Sale of Business, net	**64**	–	–
Proceeds from Sales of Property and Equipment	**126**	95	87
Purchases of Investments	**(85)**	(39)	(32)
Proceeds from Maturities of Investments	**25**	30	30
Other	**(13)**	(32)	(25)
Net Cash Used in Investing Activities	**(3,466)**	(3,530)	(2,622)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayments) Issuance of Commercial Paper Obligations, net	**(754)**	754	(246)
Proceeds from Long-Term Debt	**532**	32	522
Repayments of Long-Term Debt	**–**	(29)	(14)
Proceeds from Sale of Common Stock, net	**445**	351	267
Cash Dividends Paid to Stockholders	**(396)**	(371)	(255)
Minority Interest Contributions to Partnership	**–**	–	7
Net Cash (Used In) Provided by Financing Activities	**(173)**	737	281
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(14)**	(4)	1
Increase (Decrease) in Cash and Cash Equivalents	**2,310**	(1)	106
Cash and Cash Equivalents at Beginning of Year	**167**	168	62
Cash and Cash Equivalents at End of Year	**$ 2,477**	$ 167	$ 168
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS MADE FOR:			
Interest, net of interest capitalized	**$ 18**	$ 16	$ 26
Income Taxes	**$ 1,685**	$ 1,386	$ 1,396

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Home Depot, Inc. and subsidiaries (the "Company") operates Home Depot stores, which are full-service, warehouse-style stores averaging approximately 109,000 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, and Villager's Hardware 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 2001, the Company was operating 1,333 stores, including 1,201 Home Depot stores, 41 EXPO Design Center stores, 4 Villager's Hardware stores and 1 Home Depot Floor Store in the United States; 78 Home Depot stores in Canada; 4 Home Depot stores in Argentina, which were sold on February 18, 2002; and 4 Home Depot stores in Mexico. Included in the Company's Consolidated Balance Sheet at February 3, 2002, were $946 million of net assets of the Canada, Argentina and Mexico operations. Also included in consolidated results are several wholly-owned subsidiaries. The Company offers facilities maintenance and repair products, as well as wallpaper and custom window treatments via direct shipment through subsidiaries Maintenance Warehouse and National Blinds and Wallpaper, Inc. Georgia Lighting is a specialty lighting designer, distributor and retailer to both commercial and retail customers. The Company offers plumbing, HVAC and other professional plumbing products through wholesale plumbing distributors Apex Supply Company and Your "other" Warehouse.

FISCAL YEAR The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to January 31. Fiscal year 2001, which ended February 3, 2002, consisted of 53 weeks. Fiscal years 2000 and 1999, which ended January 28, 2001 and January 30, 2000, 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, The Home Depot Chile S.A. In October 2001, the Company sold its interest in The Home Depot Chile S.A. 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.

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 The majority of the Company's inventory is stated at the lower of cost (first-in, first-out) or market, as determined by the retail inventory method.

Certain subsidiaries and distribution centers value inventories at the lower of cost (first-in, first-out) or market, as determined by the cost method. These inventories represent approximately 6% of total inventory.

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. 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

REVENUES The Company recognizes revenue, net of estimated returns, at the time the customer takes possession of merchandise or receives services. When the Company collects payment from customers before ownership of the merchandise has passed or the service has been performed, the amount received is recorded as a deferred revenue liability.

SELF INSURANCE The Company is self-insured for certain losses related to general liability, product liability and workers' compensation. The Company has stop loss coverage to limit the exposure arising from these claims. The expected ultimate cost for claims incurred as of the balance sheet date is not discounted and is recognized as a liability. The expected ultimate cost of claims is estimated based upon analysis of historical data and actuarial estimates.

ADVERTISING Television and radio advertising production costs along with media placement costs are expensed when the advertisement appears. Included in current assets are $15 million and $20 million at the end of fiscal years 2001 and 2000, respectively, relating to prepayments of production costs for print and broadcast advertising.

SHIPPING AND HANDLING COSTS The Company accounts for certain shipping and handling costs related to the shipment of product to customers from vendors as cost of goods sold. However, costs of shipments to customers by the Company are classified as selling and store operating expenses. The costs of shipments included in selling and store operating expenses amounted to $122 million, $73 million and $40 million in fiscal years 2001, 2000 and 1999, respectively.

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 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 sublease 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 exceeds the exercise price. The Company complies with the disclosure requirements of SFAS 123.

DERIVATIVES On January 29, 2001, the Company adopted Statement of Financial Accounting Standards Nos. 133, 137, and 138 (collectively "SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires an entity to measure derivatives at fair value and recognize these assets or liabilities on the balance sheet. Recognition of changes in the fair value of a derivative in the income statement or other accumulated comprehensive income (loss) depends on the intended use of the derivative and its designation. The Company designates its derivatives based upon criteria established by SFAS 133. The Company's objective for holding derivative instruments is to decrease the volatility of earnings and cash flow associated with fluctuations in interest rates and foreign currencies.

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 certain hedge transactions.

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 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, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses in preparing 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 2001 and fiscal 2000 consisted of the following (amounts in millions):

	February 3, 2002	January 28, 2001
Commercial Paper; weighted average interest rate of 6.1% at January 28, 2001	**$ –**	$ 754
6 1/2% Senior Notes; due September 15, 2004; interest payable semi-annually on March 15 and September 15	**500**	500
5 3/8% Senior Notes; due April 1, 2006; interest payable semi-annually on April 1 and October 1	**500**	–
Capital Lease Obligations; payable in varying installments through January 31, 2027	**232**	230
Other	**23**	65
Total long-term debt	**1,255**	1,549
Less current installments	**5**	4
Long-term debt, excluding current installments	**$1,250**	$1,545

The Company has a commercial paper program with maximum available borrowings up 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 are 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 finance this obligation on a long-term basis.

The Company issued $500 million of 5 3/8% Senior Notes in fiscal 2001 and $500 million of 6 1/2% Senior Notes in fiscal 1999, collectively referred to as "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.

Interest expense in the accompanying Consolidated Statements of Earnings is net of interest capitalized of $84 million, $73 million and $45 million in fiscal 2001, 2000 and 1999, respectively.

Maturities of long-term debt are $5 million for fiscal 2002, $6 million for fiscal 2003, $507 million for fiscal 2004, $8 million for fiscal 2005 and $509 million for fiscal 2006.

As of February 3, 2002, the market values of the publicly traded 5 3/8% and 6 1/2% Senior Notes were approximately $511 million and $531 million, respectively. The estimated fair value of all other long-term borrowings, excluding capital lease obligations, approximated the carrying value of $23 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		
	February 3, 2002	January 28, 2001	January 30, 2000
Current:			
U.S.	**$ 1,594**	$ 1,267	$ 1,209
State	**265**	216	228
Foreign	**60**	45	45
	1,919	1,528	1,482
Deferred:			
U.S.	**(12)**	98	9
State	**(1)**	9	(4)
Foreign	**7**	1	(3)
	(6)	108	2
Total	**$ 1,913**	$ 1,636	$ 1,484

The Company's combined federal, state and foreign effective tax rates for fiscal years 2001, 2000 and 1999, net of offsets generated by federal, state and foreign tax incentive credits, were approximately 38.6%, 38.8%, and 39.0%, respectively. A reconciliation of income tax expense at the federal statutory rate of 35% to actual tax expense for the applicable fiscal years is as follows (in millions):

	Fiscal Year Ended		
	February 3, 2002	January 28, 2001	January 30, 2000
Income taxes at U.S. statutory rate	**$ 1,735**	$ 1,476	$ 1,331
State income taxes, net of federal income tax benefit	**172**	146	145
Foreign rate differences	**4**	5	2
Other, net	**2**	9	6
Total	**$ 1,913**	$ 1,636	$ 1,484

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of February 3, 2002 and January 28, 2001 were as follows (in millions):

	February 3, 2002	January 28, 2001
Deferred Tax Assets:		
Accrued self-insurance liabilities	**$ 220**	$ 151
Other accrued liabilities	**138**	118
Net loss on disposition	**31**	–
Total gross deferred tax assets	**389**	269
Valuation allowance	**(31)**	–
Deferred tax assets, net of valuation allowance	**358**	269
Deferred Tax Liabilities:		
Accelerated depreciation	**(492)**	(389)
Other	**(55)**	(75)
Total gross deferred tax liabilities	**(547)**	(464)
Net deferred tax liability	**$ (189)**	$ (195)

A valuation allowance was established in fiscal 2001 for a deferred tax asset generated from the net loss on disposition of a business. Company management believes the existing net deductible temporary differences comprising the deferred tax assets, net of the valuation allowance, 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 February 3, 2002, there were 121 million shares available for future grants under the 1997 Plan.

Under the 1997 Plan, the Company has granted incentive and non-qualified options for 143 million shares, net of cancellations (of which 76 million had been exercised). Incentive stock options typically 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 but typically commence vesting on the second anniversary of the date of grant.

Under the 1997 Plan, 712,000 shares of restricted stock have been issued, net of cancellations (the restrictions on 4,600 shares have lapsed). Generally, the restrictions on 25% of the restricted shares lapse upon the third and sixth year anniversaries of the date of issuance with the restrictions on the remaining 50% of the restricted shares lapsing upon attainment of age 62. The fair value of the restricted shares is expensed over the period during which the restrictions lapse. The Company recorded compensation expense related to restricted stock in the amount of $3 million and $455,000 in fiscal 2001 and 2000, respectively.

Under the Non-Qualified Stock Option and Deferred Stock Unit Plans and Agreements, the Company issued 2.5 million non-qualified stock options with an exercise price of $40.75 per share in fiscal 2000. In addition, the Company granted 629,000 deferred stock units and 750,000 deferred stock units in fiscal years 2001 and 2000, respectively, to several key officers vesting at various dates. Each deferred stock unit entitles the officer to one share of common stock to be received up to five years after the vesting date of the deferred stock unit, subject to certain deferral rights of the officer. The fair value of the deferred stock units on the grant dates was $27 million and $31 million for deferred units granted in fiscal 2001 and 2000, respectively. These amounts are being amortized based upon the vesting dates. The Company recorded stock compensation expense related to deferred stock units in the amount of $16 million and $6 million in fiscal 2001 and 2000, respectively.

The per share weighted average fair value of stock options granted during fiscal years 2001, 2000 and 1999 was $20.51,

$31.96 and $18.86, 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:

	Fiscal Year Ended		
	February 3, 2002	January 28, 2001	January 30, 2000
Risk-free interest rate	**5.1%**	6.4%	5.1%
Expected volatility of common stock	**48.1%**	54.6%	51.6%
Dividend yield	**0.4%**	0.3%	0.3%
Expected option term	**6 years**	7 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		
	February 3, 2002	January 28, 2001	January 30, 2000
Net Earnings			
As reported	**$3,044**	$2,581	$2,320
Pro forma	**$2,800**	$2,364	$2,186
Basic Earnings per Share			
As reported	**$ 1.30**	$ 1.11	$ 1.03
Pro forma	**$ 1.20**	$ 1.02	$ 0.97
Diluted Earnings per Share			
As reported	**$ 1.29**	$ 1.10	$ 1.00
Pro forma	**$ 1.19**	$ 1.01	$ 0.94

The following table summarizes options outstanding at February 3, 2002, January 28, 2001 and January 30, 2000 and changes during the fiscal years ended on these dates (shares in thousands):

	Number of Shares	Weighted Average Option Price
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
Granted	25,330	40.33
Exercised	(16,614)	15.03
Cancelled	(5,069)	39.20
Outstanding at February 3, 2002	**69,448**	**$33.33**
Exercisable	26,777	$ 22.68

The following table summarizes information regarding stock options outstanding as of February 3, 2002 (shares in thousands):

Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Life (Yrs)	Weighted Average Outstanding Option Price	Options Exercisable	Weighted Average Exercisable Option Price
$ 6.00 to 12.00	11,999	4.1	$ 10.10	11,631	$10.00
12.00 to 20.00	1,732	5.6	17.10	1,560	17.30
20.00 to 30.00	9,714	6.1	21.80	5,456	21.70
30.00 to 42.00	34,271	8.8	39.30	6,037	38.90
42.00 to 54.00	11,732	8.3	51.70	2,093	52.80
	69,448	7.0	$ 33.33	26,777	$22.68

In addition, the Company had 48 million shares available for future grants under the Employee Stock Purchase Plan ("ESPP") at February 3, 2002. The ESPP enables the Company to grant substantially all full-time associates options to purchase up to 152 million shares of common stock, of which 104 million 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.

During fiscal 2001, 5.5 million shares were purchased under the ESPP at an average price of $35.87 per share. At February 3, 2002, there were 2.8 million options outstanding, net of cancellations, at an average price of $37.26 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 off-balance sheet lease agreements totaling $882 million comprised of an initial lease agreement of $600 million and a subsequent agreement of $282 million. Off-balance sheet leases include leases created under structured financing arrangements. These lease agreements totaling $882 million involve a special purpose entity which meets the criteria established by generally accepted accounting principles and is not owned by or affiliated with the Company, its management or officers. The Company financed a portion of its new stores opened in fiscal 1997 through 2001, as well as a distribution center and office buildings, under these 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 term 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 off-balance sheet lease arrangement totaling $85 million. 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 off-balance sheet 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 February 3, 2002, January 28, 2001 and January 30, 2000, was $522 million, $479 million and $389 million, respectively. Real estate taxes, insurance, maintenance and operating expenses applicable to the leased property are obligations of the Company under the lease agreements. Certain store leases provide for contingent rent payments based on percentages of sales in excess of specified minimums. Contingent rent expense for the fiscal years ended February 3, 2002, January 28, 2001, and January 30, 2000 was approximately $10 million, $9 million and $11 million, respectively.

The approximate future minimum lease payments under capital and operating leases, including off-balance sheet leases, at February 3, 2002 were as follows (in millions):

Fiscal Year	Capital Leases	Operating Leases
2002	$ 41	$ 517
2003	42	495
2004	43	447
2005	44	415
2006	44	394
Thereafter	577	5,139
	791	$7,407
Less imputed interest	559	
Net present value of capital lease obligations	232	
Less current installments	4	
Long-term capital lease obligations, excluding current installments	$ 228	

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 $199 million and $213 million at February 3, 2002 and January 28, 2001, 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 2001, 2000 and 1999 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 Company's combined contributions to the 401(k) and ESOP were $97 million, $84 million and $57 million for fiscal years 2001, 2000 and 1999, respectively. At February 3, 2002, the 401(k) and the ESOP held a total of 33 million 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 2001, 2000 and 1999 were as follows (amounts in millions, except per share data):

	Fiscal Year Ended		
	February 3, 2002	January 28, 2001	January 30, 2000
Calculation of Basic Earnings Per Share:			
Net earnings	**$ 3,044**	$ 2,581	$ 2,320
Weighted average number of common shares outstanding	**2,335**	2,315	2,244
Basic Earnings Per Share	**$ 1.30**	$ 1.11	$ 1.03
Calculation of Diluted Earnings Per Share:			
Net earnings	**$ 3,044**	$ 2,581	$ 2,320
Tax-effected interest expense attributable to $3^1/_4$% Notes	**–**	–	17
Net earnings assuming dilution	**$ 3,044**	$ 2,581	$ 2,337
Weighted average number of common shares outstanding	**2,335**	2,315	2,244
Effect of potentially dilutive securities:			
$3^1/_4$% Notes	**–**	–	51
Employee Stock Plans	**18**	37	47
Weighted average number of common shares outstanding assuming dilution	**2,353**	2,352	2,342
Diluted Earnings Per Share	**$ 1.29**	$ 1.10	$ 1.00

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 year 1999, shares issuable upon conversion of the Company's $3\frac{1}{4}$% Notes, issued in October 1996 and converted in 1999, were included in weighted average shares outstanding 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 $3\frac{1}{4}$% Notes (prior to conversion to equity in October 1999) and divided by weighted average shares outstanding assuming dilution.

NOTE 8. COMMITMENTS AND CONTINGENCIES

At February 3, 2002, the Company was contingently liable for approximately $557 million under outstanding letters of credit issued for certain business transactions, including insurance programs, import inventory purchases and construction contracts.

In addition, the Company has certain off-balance sheet leases that include residual value guarantees contingent on the value of underlying assets at the end of the lease term. The estimated maximum amount of the residual value guarantees at the end of the lease terms is $799 million. These leases expire at various terms from 2004 through 2008 with some containing renewal options through 2025.

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 AND DISPOSITIONS

In 2001, the Company acquired Your "other" Warehouse and TotalHOME de Mexico, S.A. de C.V. These acquisitions were accounted for under the purchase method of accounting.

In October 2001, the Company sold all of the assets of The Home Depot Chile S.A., resulting in a gain of $31 million included in selling and store operating expenses.

On February 18, 2002, the Company sold all of the assets of The Home Depot Argentina S.R.L. In connection with the sale, the Company received proceeds comprised of cash and secured notes. An impairment charge of $45 million was recorded in selling and store operating expenses in fiscal 2001 to write down the net assets of The Home Depot Argentina S.R.L. to fair value.

During fiscal 2000, Maintenance Warehouse, a wholly-owned subsidiary of the Company, 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 2001, 2000 and 1999 would not be materially different as a result of the acquisitions discussed above and therefore are not presented.

NOTE 10. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the quarterly results of operations for the fiscal years ended February 3, 2002 and January 28, 2001 (dollars in millions, except per share data):

	Net Sales	Increase (Decrease) In Comparable Store Sales	Gross Profit	Net Earnings	Basic Earnings Per Share	Diluted Earnings Per Share
Fiscal year ended February 3, 2002:						
First quarter	**$ 12,200**	**(3)%**	**$ 3,655**	**$ 632**	**$ 0.27**	**$ 0.27**
Second quarter	**14,576**	**1%**	**4,326**	**924**	**0.40**	**0.39**
Third quarter	**13,289**	**0%**	**4,010**	**778**	**0.33**	**0.33**
Fourth quarter	**13,488**	**5%**	**4,156**	**710**	**0.30**	**0.30**
Fiscal year	**$ 53,553**	**0%**	**$16,147**	**$3,044**	**$ 1.30**	**$ 1.29**
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

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 accounting principles generally accepted in the United States of America 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 five times a year 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.

Carol B. Tomé
Executive Vice President and
Chief Financial Officer

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 February 3, 2002 and January 28, 2001 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 February 3, 2002. 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 February 3, 2002 and January 28, 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended February 3, 2002 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
February 26, 2002

10-YEAR SUMMARY OF FINANCIAL AND OPERATING RESULTS

amounts in millions, except where noted	5 -Year Compound Annual Growth Rate	10 -Year Compound Annual Growth Rate	**2001[1]**
STATEMENT OF EARNINGS DATA			
Net sales	22.3%	26.4%	**$ 53,553**
Net sales increase (%)	–	–	**17.1**
Earnings before income taxes[2]	26.4	28.8	**4,957**
Net earnings[2]	26.5	28.4	**3,044**
Net earnings increase (%)[2]	–	–	**17.9**
Diluted earnings per share ($)[2,3]	24.6	25.8	**1.29**
Diluted earnings per share increase (%)[2]	–	–	**17.3**
Weighted average number of common shares outstanding assuming dilution	1.4	1.7	**2,353**
Gross margin – % of sales	–	–	**30.2**
Store selling and operating expense – % of sales	–	–	**19.0**
Pre-opening expense – % of sales	–	–	**0.2**
General and administrative expense – % of sales	–	–	**1.7**
Net interest income (expense) – % of sales	–	–	**–**
Earnings before income taxes – % of sales[2]	–	–	**9.3**
Net earnings – % of sales[2]	–	–	**5.7**
BALANCE SHEET DATA AND FINANCIAL RATIOS			
Total assets	23.1%	26.5%	**$ 26,394**
Working capital	15.6	20.0	**3,860**
Merchandise inventories	20.0	26.1	**6,725**
Net property and equipment	23.1	28.5	**15,375**
Long-term debt	0.1	16.5	**1,250**
Stockholders' equity	24.9	26.7	**18,082**
Book value per share ($)	22.9	24.1	**7.71**
Long-term debt to equity (%)	–	–	**6.9**
Current ratio	–	–	**1.59:1**
Inventory turnover	–	–	**5.4x**
Return on invested capital (%)[2]	–	–	**18.3**
STATEMENT OF CASH FLOWS DATA			
Depreciation and amortization	26.9%	30.8%	**$ 764**
Capital expenditures[5]	22.2	22.9	**3,398**
Cash dividends per share ($)	27.7	32.8	**0.17**
STORE DATA[4]			
Number of stores	21.1%	22.6%	**1,333**
Square footage at year-end	22.0	24.7	**146**
Increase in square footage (%)	–	–	**18.5**
Average square footage per store (in thousands)	0.8	1.4	**109**
STORE SALES AND OTHER DATA			
Comparable store sales increase (%)[6]	–	–	**–**
Weighted average weekly sales per operating store (in thousands)[4]	0.2%	2.5%	**$ 812**
Weighted average sales per square foot ($)[4,6]	(0.5)	1.1	**388**
Number of customer transactions[4]	18.6	22.3	**1,091**
Average sale per transaction ($)[4]	2.9	3.3	**48.64**
Number of associates at year-end (actual)	21.2	24.8	**256,300**

(1) Fiscal years 2001 and 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.

2000	1999	1998	1997	1996(1)	1995	1994	1993	1992
$ 45,738	$ 38,434	$ 30,219	$ 24,156	$ 19,535	$ 15,470	$ 12,477	$ 9,239	$ 7,148
19.0	27.2	25.1	23.7	26.3	24.0	35.0	29.2	39.2
4,217	3,804	2,654	2,002	1,535	1,195	980	737	576
2,581	2,320	1,614	1,224	938	732	605	457	363
11.3	43.7	31.9	30.5	28.2	21.0	32.2	26.1	45.6
1.10	1.00	0.71	0.55	0.43	0.34	0.29	0.22	0.18
10.0	40.8	29.1	27.9	26.5	17.2	31.8	22.2	38.5
2,352	2,342	2,320	2,287	2,195	2,151	2,142	2,132	2,096
29.9	29.7	28.5	28.1	27.8	27.7	27.9	27.7	27.6
18.6	17.8	17.7	17.8	18.0	18.0	17.8	17.6	17.4
0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
1.8	1.7	1.7	1.7	1.7	1.7	1.8	2.0	2.1
–	–	–	–	0.1	0.1	(0.1)	0.3	0.4
9.2	9.9	8.8	8.3	7.9	7.7	7.8	8.0	8.1
5.6	6.0	5.3	5.1	4.8	4.7	4.8	5.0	5.1
$ 21,385	$ 17,081	$ 13,465	$ 11,229	$ 9,342	$ 7,354	$ 5,778	$ 4,701	$ 3,932
3,392	2,734	2,076	2,004	1,867	1,255	919	994	807
6,556	5,489	4,293	3,602	2,708	2,180	1,749	1,293	940
13,068	10,227	8,160	6,509	5,437	4,461	3,397	2,371	1,608
1,545	750	1,566	1,303	1,247	720	983	874	844
15,004	12,341	8,740	7,098	5,955	4,988	3,442	2,814	2,304
6.46	5.36	3.95	3.23	2.75	2.32	1.69	1.39	1.15
10.3	6.1	17.9	18.4	20.9	14.4	28.6	31.1	36.6
1.77:1	1.75:1	1.73:1	1.82:1	2.01:1	1.89:1	1.76:1	2.02:1	2.07:1
5.1x	5.4x	5.4x	5.4x	5.6x	5.5x	5.7x	5.9x	6.3x
19.6	22.5	19.3	17.0	16.3	16.3	16.5	13.9	17.6
$ 601	$ 463	$ 373	$ 283	$ 232	$ 181	$ 130	$ 90	$ 70
3,574	2,618	2,094	1,464	1,248	1,308	1,220	900	437
0.16	0.11	0.08	0.06	0.05	0.04	0.03	0.02	0.02
1,134	930	761	624	512	423	340	264	214
123	100	81	66	54	44	35	26	21
22.6	23.5	22.8	23.1	21.6	26.3	33.2	26.3	26.8
108	108	107	106	105	105	103	100	98
4	10	7	7	7	3	8	7	15
$ 864	$ 876	$ 844	$ 829	$ 803	$ 787	$ 802	$ 764	$ 724
415	423	410	406	398	390	404	398	387
937	797	665	550	464	370	302	236	189
48.65	47.87	45.05	43.63	42.09	41.78	41.29	39.13	37.72
227,300	201,400	156,700	124,400	98,100	80,800	67,300	50,600	38,900

(4) Excludes Apex Supply Company, Georgia Lighting, Maintenance Warehouse, Your "other" Warehouse and National Blinds and Wallpaper.
(5) Excludes payments for businesses acquired (net, in millions) for fiscal 2001 ($190), fiscal 2000 ($26), fiscal 1999 ($101), fiscal 1998 ($6) and fiscal 1997 ($61).
(6) Adjusted to reflect the first 52 weeks of the 53-week fiscal years in 2001 and 1996.

STORE SUPPORT CENTER

The Home Depot, Inc.
2455 Paces Ferry Road, NW
Atlanta, GA 30339-4024
Telephone: 770-433-8211

THE HOME DEPOT WEB SITE

www.homedepot.com

TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company, N.A.
P.O. Box 43010
Providence, RI 02940-3010
Telephone:
1-800-577-0177 (Voice)
1-800-952-9245
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 29, 2002, at Cobb Galleria Centre, 2 Galleria Parkway, Atlanta, GA 30339.

NUMBER OF STOCKHOLDERS

As of April 1, 2002, there were approximately 206,988 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 2001	**$0.040**	**$0.040**	**$0.050**	**$0.050**
Fiscal 2000	$0.040	$0.040	$0.040	$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

To request a copy of the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2002, as filed with the Securities and Exchange Commission, to be mailed to you at no cost, please contact:

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 2001 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 2001				
High	**$49.00**	**$53.73**	**$50.90**	**$52.04**
Low	**$38.11**	**$44.60**	**$30.30**	**$37.15**
Fiscal 2000				
High	$70.00	$58.75	$60.00	$52.50
Low	$51.00	$44.13	$34.69	$35.44

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Consistent with The Home Depot's commitment to the environment, this report is printed on paper that is certified in accordance with the Principles and Criteria of the Forest Stewardship Council (FSC). This certification ensures that the fiber from which the paper is manufactured comes partially from certified forests that are managed in a way that is socially beneficial, environmentally responsible and economically viable. The paper used in this report consists of at least 26% FSC fiber and at least 11% post consumer fiber.

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President and Chief
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Claudio X. Gonzalez [1,4]
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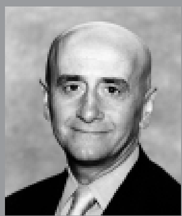

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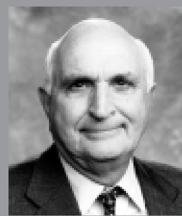

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Chief Executive Officer
and President
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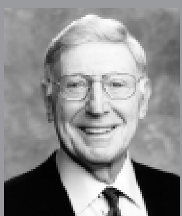
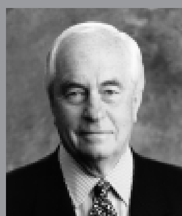


Bernard Marcus [3*]
Co-Founder
The Home Depot, Inc.

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



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Penske Corporation

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2 Compensation
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4 Human Resources
5 Nominating & Corporate Governance
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