APPENDIX A

# Home Depot 2009 Financial Statements

Home Depot Financial Statements Contents

## Item 8. Financial Statements and Supplementary Data.

### 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 U.S. generally accepted accounting principles and properly reflect certain estimates and judgments based upon the best available information.

The financial statements of the Company have been audited by KPMG LLP, an independent registered public accounting firm. Their accompanying report is based upon an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors, consisting solely of independent directors, meets five times a year with the independent registered public accounting firm, the internal auditors and representatives of management to discuss auditing and financial reporting matters. In addition, a telephonic meeting is held prior to each quarterly earnings release. The Audit Committee retains the independent registered public accounting firm and regularly reviews the internal accounting controls, the activities of the independent registered public accounting firm and internal auditors and the financial condition of the Company. Both the Company's independent registered public accounting firm and the internal auditors have free access to the Audit Committee.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f ) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2010 based on the framework in *Internal Control —Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of January 31, 2010 in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The effectiveness of our internal control over financial reporting as of January 31, 2010 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included on page 30 in this Form 10-K.

/s/ FRANCIS S. BLAKE
**Francis S. Blake**
**Chairman &**
**Chief Executive Officer**

/s/ CAROL B. TOMÉ
**Carol B. Tomé**
**Chief Financial Officer &**
**Executive Vice President – Corporate Services**

## Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying Consolidated Balance Sheets of The Home Depot, Inc. and subsidiaries as of January 31, 2010 and February 1, 2009, and the related Consolidated Statements of Earnings, Stockholders' Equity and Comprehensive Income, and Cash Flows for each of the fiscal years in the three-year period ended January 31, 2010. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of The Home Depot, Inc. and subsidiaries as of January 31, 2010 and February 1, 2009, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended January 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Home Depot, Inc.'s internal control over financial reporting as of January 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 25, 2010 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
March 25, 2010

## THE HOME DEPOT, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

| | Fiscal Year Ended[1] | | |
|---|---|---|---|
| *amounts in millions, except per share data* | **January 31, 2010** | **February 1, 2009** | **February 3, 2008** |
| **NET SALES** | **$ 66,176** | $ 71,288 | $ 77,349 |
| Cost of Sales | **43,764** | 47,298 | 51,352 |
| **GROSS PROFIT** | **22,412** | 23,990 | 25,997 |
| Operating Expenses: | | | |
| Selling, General and Administrative | **15,902** | 17,846 | 17,053 |
| Depreciation and Amortization | **1,707** | 1,785 | 1,702 |
| Total Operating Expenses | **17,609** | 19,631 | 18755 |
| **OPERATING INCOME** | **4,803** | 4,359 | 7,242 |
| Interest and Other (Income) Expense: | | | |
| Interest and Investment Income | **(18)** | (18) | (74) |
| Interest Expense | **676** | 624 | 696 |
| Other | **163** | 163 | — |
| Interest and Other, net | **821** | 769 | 622 |
| **EARNINGS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES** | **3,982** | 3,590 | 6,620 |
| Provision for Income Taxes | **1,362** | 1,278 | 2,410 |
| **EARNINGS FROM CONTINUING OPERATIONS** | **2,620** | 2,312 | 4,210 |
| **EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX** | **41** | (52) | 185 |
| **NET EARNINGS** | **$ 2,661** | $ 2,260 | $ 4,395 |
| Weighted Average Common Shares | **1,683** | 1,682 | 1,849 |
| **BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | **$ 1.56** | $ 1.37 | $ 2.28 |
| **BASIC EARNINGS (LOSS) PER SHARE FROM DISCONTINUED OPERATIONS** | **$ 0.02** | $ (0.03) | $ 0.10 |
| **BASIC EARNINGS PER SHARE** | **$ 1.58** | $ 1.34 | $ 2.38 |
| Diluted Weighted Average Common Shares | **1,692** | 1,686 | 1,856 |
| **DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS** | **$ 1.55** | $ 1.37 | $ 2.27 |
| **DILUTED EARNINGS (LOSS) PER SHARE FROM DISCONTINUED OPERATIONS** | **$ 0.02** | $ (0.03) | $ 0.10 |
| **DILUTED EARNINGS PER SHARE** | **$ 1.57** | $ 1.34 | $ 2.37 |

*(1) Fiscal years ended January 31, 2010 and February 1, 2009 include 52 weeks. Fiscal year ended February 3, 2008 includes 53 weeks.*

*See accompanying Notes to Consolidated Financial Statements.*

## THE HOME DEPOT, INC. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS

| *amounts in millions, except share and per share data* | January 31, 2010 | February 1, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | **$ 1,421** | $ 519 |
| Short-Term Investments | **6** | 6 |
| Receivables, net | **964** | 972 |
| Merchandise Inventories | **10,188** | 10,673 |
| Other Current Assets | **1,321** | 1,192 |
| Total Current Assets | **13,900** | 13,362 |
| Property and Equipment, at cost: | | |
| Land | **8,451** | 8,301 |
| Buildings | **17,391** | 16,961 |
| Furniture, Fixtures and Equipment | **9,091** | 8,741 |
| Leasehold Improvements | **1,383** | 1,359 |
| Construction in Progress | **525** | 625 |
| Capital Leases | **504** | 490 |
| | **37,345** | 36,477 |
| Less Accumulated Depreciation and Amortization | **11,795** | 10,243 |
| Net Property and Equipment | **25,550** | 26,234 |
| Notes Receivable | **33** | 36 |
| Goodwill | **1,171** | 1,134 |
| Other Assets | **223** | 398 |
| **Total Assets** | **$ 40,877** | $ 41,164 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts Payable | **$ 4,863** | $ 4,822 |
| Accrued Salaries and Related Expenses | **1,263** | 1,129 |
| Sales Taxes Payable | **362** | 337 |
| Deferred Revenue | **1,158** | 1,165 |
| Income Taxes Payable | **108** | 289 |
| Current Installments of Long-Term Debt | **1,020** | 1,767 |
| Other Accrued Expenses | **1,589** | 1,644 |
| Total Current Liabilities | **10,363** | 11,153 |
| Long-Term Debt, excluding current installments | **8,662** | 9,667 |
| Other Long-Term Liabilities | **2,140** | 2,198 |
| Deferred Income Taxes | **319** | 369 |
| Total Liabilities | **21,484** | 23,387 |
| **STOCKHOLDERS' EQUITY** | | |
| Common Stock, par value $0.05; authorized: 10 billion shares; issued: 1.716 billion shares at January 31, 2010 and 1.707 billion shares at February 1, 2009; outstanding: 1.698 billion shares at January 31, 2010 and 1.696 billion shares at February 1, 2009 | **86** | 85 |
| Paid-In Capital | **6,304** | 6,048 |
| Retained Earnings | **13,226** | 12,093 |
| Accumulated Other Comprehensive Income (Loss) | **362** | (77) |
| Treasury Stock, at cost, 18 million shares at January 31, 2010 and 11 million shares at February 1, 2009 | **(585)** | (372) |
| Total Stockholders' Equity | **19,393** | 17,777 |
| **Total Liabilities and Stockholders' Equity** | **$ 40,877** | $ 41,164 |

*See accompanying Notes to Consolidated Financial Statements.*

## THE HOME DEPOT, INC. AND SUBSIDIARIES

## 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) | Treasury Stock Shares | Treasury Stock Amount | Stockholders' Equity | Total Comprehensive Income |
|---|---|---|---|---|---|---|---|---|---|
| **BALANCE, JANUARY 28, 2007** | **2,421** | **$ 121** | **$ 7,930** | **$ 33,052** | **$ 310** | **(451)** | **$(16,383)** | **$ 25,030** | |
| Cumulative Effect of the Adoption of FIN 48 | — | — | — | (111) | — | — | — | (111) | |
| Net Earnings | — | — | — | 4,395 | — | — | — | 4,395 | $ 4,395 |
| Shares Issued Under Employee Stock Plans | 12 | 1 | 239 | — | — | — | — | 240 | |
| Tax Effect of Sale of Option Shares by Employees | — | — | 4 | — | — | — | — | 4 | |
| Translation Adjustments | — | — | — | — | 455 | — | — | 455 | 455 |
| Cash Flow Hedges, net of tax | — | — | — | — | (10) | — | — | (10) | (10) |
| Stock Options, Awards and Amortization of Restricted Stock | — | — | 206 | — | — | — | — | 206 | |
| Repurchase of Common Stock | — | — | — | — | — | (292) | (10,815) | (10,815) | |
| Retirement of Treasury Stock | (735) | (37) | (2,608) | (24,239) | — | 735 | 26,884 | — | |
| Cash Dividends ($0.90 per share) | — | — | — | (1,709) | — | — | — | (1,709) | |
| Other | — | — | 29 | — | — | — | — | 29 | |
| Comprehensive Income | | | | | | | | | $ 4,840 |
| **BALANCE, FEBRUARY 3, 2008** | **1,698** | **$ 85** | **$ 5,800** | **$ 11,388** | **$ 755** | **(8)** | **$ (314)** | **$ 17,714** | |
| Net Earnings | — | — | — | 2,260 | — | — | — | 2,260 | $ 2,260 |
| Shares Issued Under Employee Stock Plans | 9 | — | 68 | — | — | — | — | 68 | |
| Tax Effect of Sale of Option Shares by Employees | — | — | 7 | — | — | — | — | 7 | |
| Translation Adjustments | — | — | — | — | (831) | — | — | (831) | (831) |
| Cash Flow Hedges, net of tax | — | — | — | — | (1) | — | — | (1) | (1) |
| Stock Options, Awards and Amortization of Restricted Stock | — | — | 176 | — | — | — | — | 176 | |
| Repurchase of Common Stock | — | — | — | — | — | (3) | (70) | (70) | |
| Cash Dividends ($0.90 per share) | — | — | — | (1,521) | — | — | — | (1,521) | |
| Other | — | — | (3) | (34) | — | — | 12 | (25) | |
| Comprehensive Income | | | | | | | | | $ 1,428 |
| **BALANCE, FEBRUARY 1, 2009** | **1,707** | **$ 85** | **$ 6,048** | **$ 12,093** | **$ (77)** | **(11)** | **$ (372)** | **$ 17,777** | |
| Net Earnings | — | — | — | 2,661 | — | — | — | 2,661 | $ 2,661 |
| Shares Issued Under Employee Stock Plans | 9 | 1 | 57 | — | — | — | — | 58 | |
| Tax Effect of Sale of Option Shares by Employees | — | — | (2) | — | — | — | — | (2) | |
| Translation Adjustments | — | — | — | — | 426 | — | — | 426 | 426 |
| Cash Flow Hedges, net of tax | — | — | — | — | 11 | — | — | 11 | 11 |
| Stock Options, Awards and Amortization of Restricted Stock | — | — | 201 | — | — | — | — | 201 | |
| Repurchase of Common Stock | — | — | — | — | — | (7) | (213) | (213) | |
| Cash Dividends ($0.90 per share) | — | — | — | (1,525) | — | — | — | (1,525) | |
| Other | — | — | — | (3) | 2 | — | — | (1) | 2 |
| Comprehensive Income | | | | | | | | | $ 3,100 |
| **BALANCE, JANUARY 31, 2010** | **1,716** | **$ 86** | **$ 6,304** | **$ 13,226** | **$ 362** | **(18)** | **$ (585)** | **$ 19,393** | |

*See accompanying Notes to Consolidated Financial Statements.*

**THE HOME DEPOT, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| *amounts in millions* | Fiscal Year Ended(1) January 31, 2010 | February 1, 2009 | February 3, 2008 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net Earnings | **$ 2,661** | $ 2,260 | $ 4,395 |
| Reconciliation of Net Earnings to Net Cash Provided by Operating Activities: | | | |
| Depreciation and Amortization | **1,806** | 1,902 | 1,906 |
| Impairment Related to Rationalization Charges | **—** | 580 | — |
| Impairment of Investment | **163** | 163 | — |
| Stock-Based Compensation Expense | **201** | 176 | 207 |
| Changes in Assets and Liabilities, net of the effects of acquisitions and disposition: | | | |
| (Increase) Decrease in Receivables, net | **(23)** | 121 | 116 |
| Decrease (Increase) in Merchandise Inventories | **625** | 743 | (491) |
| Decrease (Increase) in Other Current Assets | **4** | (7) | 109 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | **59** | (646) | (465) |
| Decrease in Deferred Revenue | **(21)** | (292) | (159) |
| (Decrease) Increase in Income Taxes Payable | **(174)** | 262 | — |
| Decrease in Deferred Income Taxes | **(227)** | (282) | (348) |
| (Decrease) Increase in Other Long-Term Liabilities | **(19)** | 306 | 186 |
| Other | **70** | 242 | 271 |
| Net Cash Provided by Operating Activities | **5,125** | 5,528 | 5,727 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Capital Expenditures, net of $10, $37 and $19 of non-cash capital expenditures in fiscal 2009, 2008 and 2007, respectively | **(966)** | (1,847) | (3,558) |
| Proceeds from Sale of Business, net | **—** | — | 8,337 |
| Payments for Businesses Acquired, net | **—** | — | (13) |
| Proceeds from Sales of Property and Equipment | **178** | 147 | 318 |
| Purchases of Investments | **—** | (168) | (11,225) |
| Proceeds from Sales and Maturities of Investments | **33** | 139 | 10,899 |
| Net Cash (Used in) Provided by Investing Activities | **(755)** | (1,729) | 4,758 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| (Repayments of) Proceeds from Short-Term Borrowings, net | **—** | (1,732) | 1,734 |
| Repayments of Long-Term Debt | **(1,774)** | (313) | (20) |
| Repurchases of Common Stock | **(213)** | (70) | (10,815) |
| Proceeds from Sales of Common Stock | **73** | 84 | 276 |
| Cash Dividends Paid to Stockholders | **(1,525)** | (1,521) | (1,709) |
| Other Financing Activities | **(64)** | (128) | (105) |
| Net Cash Used in Financing Activities | **(3,503)** | (3,680) | (10,639) |
| Increase (Decrease) in Cash and Cash Equivalents | **867** | 119 | (154) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | **35** | (45) | (1) |
| Cash and Cash Equivalents at Beginning of Year | **519** | 445 | 600 |
| Cash and Cash Equivalents at End of Year | **$ 1,421** | $ 519 | $ 445 |
| **SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS MADE FOR:** | | | |
| Interest, net of interest capitalized | **$ 664** | $ 622 | $ 672 |
| Income Taxes | **$ 2,082** | $ 1,265 | $ 2,524 |

*(1) Fiscal years ended January 31, 2010 and February 1, 2009 include 52 weeks. Fiscal year ended February 3, 2008 includes 53 weeks.*

*See accompanying Notes to Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Business, Consolidation and Presentation

The Home Depot, Inc. and its subsidiaries (the "Company") operate The Home Depot stores, which are full-service, warehouse-style stores averaging approximately 105,000 square feet in size. The stores stock approximately 30,000 to 40,000 different kinds of building materials, home improvement supplies and lawn and garden products that are sold to do-it-yourself customers, do-it-for-me customers and professional customers. At the end of fiscal 2009, the Company was operating 2,244 stores, which included 1,976 The Home Depot stores in the United States, including the Commonwealth of Puerto Rico and the territories of the U.S. Virgin Islands and Guam ("U.S."), 179 The Home Depot stores in Canada, 79 The Home Depot stores in Mexico and 10 The Home Depot stores in China. The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

#### Fiscal Year

The Company's fiscal year is a 52- or 53-week period ending on the Sunday nearest to January 31. Fiscal years ended January 31, 2010 ("fiscal 2009") and February 1, 2009 ("fiscal 2008") include 52 weeks. The fiscal year ended February 3, 2008 ("fiscal 2007") includes 53 weeks.

#### 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 U.S. generally accepted accounting principles. Actual results could differ from these estimates.

#### Fair Value of Financial Instruments

The carrying amounts of Cash and Cash Equivalents, Receivables and Accounts Payable approximate fair value due to the short-term maturities of these financial instruments. The fair value of the Company's investments is discussed under the caption "Short-Term Investments" in this Note 1. The fair value of the Company's Long-Term Debt is discussed in Note 11.

#### Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company's Cash Equivalents are carried at fair market value and consist primarily of high-grade commercial paper, money market funds and U.S. government agency securities.

#### Short-Term Investments

Short-Term Investments are recorded at fair value based on current market rates and are classified as available-for-sale.

#### Accounts Receivable

The Company has an agreement with a third-party service provider who directly extends credit to customers, manages the Company's private label credit card program and owns the related receivables. We evaluated the third-party entities holding the receivables under the program and concluded that they should not be consolidated by the Company. The agreement with the third-party service provider expires in 2018, with the Company having the option, but no obligation, to purchase the receivables at the end of the agreement. The deferred interest charges incurred by the Company for its deferred financing programs offered to its customers are included in Cost of Sales. The interchange fees charged to the Company for the customers' use of the cards and the profit sharing with the third-party administrator are included in Selling, General and Administrative expenses ("SG&A"). The sum of the three is referred to by the Company as "the cost of credit" of the private label credit card program.

In addition, certain subsidiaries of the Company extend credit directly to customers in the ordinary course of business. The receivables due from customers were $38 million and $37 million as of January 31, 2010 and February 1, 2009, respectively. The Company's valuation reserve related to accounts receivable was not material to the Consolidated Financial Statements of the Company as of the end of fiscal 2009 or 2008.

### Merchandise Inventories

The majority of the Company's Merchandise Inventories are stated at the lower of cost (first-in, first-out) or market, as determined by the retail inventory method. As the inventory retail value is adjusted regularly to reflect market conditions, the inventory valued using the retail method approximates the lower of cost or market. Certain subsidiaries, including retail operations in Canada, Mexico and China, and distribution centers, record Merchandise Inventories at the lower of cost or market, as determined by a cost method. These Merchandise Inventories represent approximately 18% of the total Merchandise Inventories balance. The Company evaluates the inventory valued using a cost method at the end of each quarter to ensure that it is carried at the lower of cost or market. The valuation allowance for Merchandise Inventories valued under a cost method was not material to the Consolidated Financial Statements of the Company as of the end of fiscal 2009 or 2008.

Independent physical inventory counts or cycle counts are taken on a regular basis in each store and distribution center to ensure that amounts reflected in the accompanying Consolidated Financial Statements for Merchandise Inventories are properly stated. During the period between physical inventory counts in stores, the Company accrues for estimated losses related to shrink on a store-by-store basis based on historical shrink results and current trends in the business. Shrink (or in the case of excess inventory, "swell") is the difference between the recorded amount of inventory and the physical inventory. Shrink may occur due to theft, loss, inaccurate records for the receipt of inventory or deterioration of goods, among other things.

### Income Taxes

The Company provides for federal, state and foreign income taxes currently payable, as well as for those deferred due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary 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 income 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 income 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 and certain U.S. subsidiaries, which are consolidated for financial reporting purposes, are not eligible to be included in the Company's consolidated U.S. federal income tax return. Separate provisions for income taxes have been determined for these entities. The Company intends to reinvest substantially all of the unremitted earnings of its non-U.S. subsidiaries and postpone their remittance indefinitely. Accordingly, no provision for U.S. income taxes for these non-U.S. subsidiaries was recorded in the accompanying Consolidated Statements of Earnings.

### Depreciation and Amortization

The Company's Buildings, Furniture, Fixtures and Equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold Improvements are amortized using the straight-line method over the original term 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 | 5–45 years |
| Furniture, Fixtures and Equipment | 3–20 years |
| Leasehold Improvements | 5–45 years |

### Capitalized Software Costs

The Company capitalizes certain costs related to the acquisition and development of software and amortizes these costs using the straight-line method over the estimated useful life of the software, which is three to six years. These costs are included in Furniture, Fixtures and Equipment in the accompanying Consolidated Balance Sheets. Certain development costs not meeting the criteria for capitalization are expensed as incurred.

### Revenues

The Company recognizes revenue, net of estimated returns and sales tax, at the time the customer takes possession of merchandise or receives services. The liability for sales returns is estimated based on historical return levels. When the Company receives payment from customers before the customer has taken possession of the merchandise or the service has been performed, the amount received is recorded as Deferred Revenue in the accompanying Consolidated Balance Sheets until the sale or service is complete. The Company also records Deferred Revenue for the sale of gift cards and recognizes this revenue upon the redemption of gift cards in Net Sales. Gift card breakage income is recognized based upon historical redemption patterns and represents the balance of gift cards for which the Company believes the likelihood of redemption by the customer is remote. During fiscal 2009, 2008 and 2007, the Company recognized $40 million, $37 million and $36 million, respectively, of gift card breakage income. This income is recorded as other income and is included in the accompanying Consolidated Statements of Earnings as a reduction in SG&A.

### Services Revenue

Net Sales include services revenue generated through a variety of installation, home maintenance and professional service programs. In these programs, the customer selects and purchases material for a project and the Company provides or arranges professional installation. These programs are offered through the Company's stores. Under certain programs, when the Company provides or arranges the installation of a project and the subcontractor provides material as part of the installation, both the material and labor are included in services revenue. The Company recognizes this revenue when the service for the customer is complete.

All payments received prior to the completion of services are recorded in Deferred Revenue in the accompanying Consolidated Balance Sheets. Services revenue was $2.6 billion, $3.1 billion and $3.5 billion for fiscal 2009, 2008 and 2007, respectively.

### Self-Insurance

The Company is self-insured for certain losses related to general liability, product liability, automobile, workers' compensation and medical 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.

### Prepaid Advertising

Television and radio advertising production costs, along with media placement costs, are expensed when the advertisement first appears. Amounts included in Other Current Assets in the accompanying Consolidated Balance Sheets relating to prepayments of production costs for print and broadcast advertising as well as sponsorship promotions were not material at the end of fiscal 2009 and 2008.

### Vendor Allowances

Vendor allowances primarily consist of volume rebates that are earned as a result of attaining certain purchase levels and advertising co-op allowances for the promotion of vendors' products that are typically based on guaranteed minimum amounts with additional amounts being earned for attaining certain purchase levels. These vendor allowances are accrued as earned, with those allowances received as a result of attaining certain purchase levels accrued over the incentive period based on estimates of purchases.

Volume rebates and certain advertising co-op allowances earned are initially recorded as a reduction in Merchandise Inventories and a subsequent reduction in Cost of Sales when the related product is sold. Certain advertising co-op allowances that are reimbursements of specific, incremental and identifiable costs incurred to promote vendors' products are recorded as an offset against advertising expense. In fiscal 2009, 2008 and 2007, gross advertising expense was $897 million, $1.0 billion and $1.2 billion, respectively, and is included in SG&A. Specific, incremental and identifiable advertising co-op allowances were $105 million, $107 million and $120 million for fiscal 2009, 2008 and 2007, respectively, and were recorded as an offset to advertising expense in SG&A.

### Cost of Sales

Cost of Sales includes the actual cost of merchandise sold and services performed, the cost of transportation of merchandise from vendors to the Company's stores, locations or customers, the operating cost of the Company's sourcing and distribution network and the cost of deferred interest programs offered through the Company's private label credit card program.

The cost of handling and shipping merchandise from the Company's stores, locations or distribution centers to the customer is classified as SG&A. The cost of shipping and handling, including internal costs and payments to third parties, classified as SG&A was $426 million, $501 million and $571 million in fiscal 2009, 2008 and 2007, respectively.

### Impairment of Long-Lived Assets

The Company evaluates its long-lived assets each quarter for indicators of potential impairment. Indicators of impairment include current period losses combined with a history of losses, management's decision to relocate or close a store or other location before the end of its previously estimated useful life, or when changes in other circumstances indicate the carrying amount of an asset may not be recoverable. The evaluation for long-lived assets is performed at the lowest level of identifiable cash flows, which is generally the individual store level.

The assets of a store with indicators of impairment are evaluated by comparing its undiscounted cash flows with its carrying value. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of those assets in operations, including gross margin on Net Sales, payroll and related items, occupancy costs, insurance allocations and other costs to operate a store. If the carrying value is greater than the undiscounted cash flows, an impairment loss is recognized for the difference between the carrying value and the estimated fair market value. Impairment losses are recorded as a component of SG&A in the accompanying Consolidated Statements of Earnings. When a leased location closes, the Company also recognizes in SG&A the net present value of future lease obligations less estimated sublease income.

As part of its Rationalization Charges, the Company recorded no asset impairment and $84 million of lease obligation costs in fiscal 2009 compared to $580 million of asset impairments and $252 million of lease obligation costs in fiscal 2008. See Note 2 for more details on the Rationalization Charges. The Company also recorded impairments on other closings and relocations in the ordinary course of business, which were not material to the Consolidated Financial Statements in fiscal 2009, 2008 and 2007.

### Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired. The Company does not amortize goodwill, but does assess the recoverability of goodwill in the third quarter of each fiscal year, or more often if indicators warrant, by determining whether the fair value of each reporting unit supports its carrying value. The fair values of the Company's identified reporting units were estimated using the present value of expected future discounted cash flows.

The Company amortizes the cost of other intangible assets over their estimated useful lives, which range from 1 to 20 years, unless such lives are deemed indefinite. Intangible assets with indefinite lives are tested in the third quarter of each fiscal year for impairment, or more often if indicators warrant. The Company recorded no impairment charges for goodwill or other intangible assets for fiscal 2009, 2008 or 2007.

### Stock-Based Compensation

The per share weighted average fair value of stock options granted during fiscal 2009, 2008 and 2007 was $6.61, $6.46 and $9.45, 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 | | |
|---|---|---|---|
| | **January 31, 2010** | **February 1, 2009** | **February 3, 2008** |
| Risk-free interest rate | **2.3%** | 2.9% | 4.4% |
| Assumed volatility | **41.5%** | 33.8% | 25.5% |
| Assumed dividend yield | **3.9%** | 3.5% | 2.4% |
| Assumed lives of option | **6 years** | 6 years | 6 years |

### Derivatives

The Company uses derivative financial instruments from time to time in the management of its interest rate exposure on long-term debt and its exposure on foreign currency fluctuations. The Company accounts for its derivative financial instruments in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 815-10. The fair value of the Company's derivative financial instruments is discussed in Note 5.

### Comprehensive Income

Comprehensive Income includes Net Earnings adjusted for certain revenues, expenses, gains and losses that are excluded from Net Earnings under U.S. generally accepted accounting principles. Adjustments to Net Earnings and Accumulated Other Comprehensive Income consist primarily of foreign currency translation adjustments.

### Foreign Currency Translation

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 generally translated using average exchange rates for the period and equity transactions are translated using the actual rate on the day of the transaction.

### Segment Information

The Company operates within a single reportable segment primarily within North America. Net Sales for the Company outside of the U.S. were $7.0 billion for fiscal 2009 and were $7.4 billion for fiscal 2008 and 2007. Long-lived assets outside of the U.S. totaled $3.0 billion and $2.8 billion as of January 31, 2010 and February 1, 2009, respectively.

## 10-Year Summary of Financial and Operating Results
## The Home Depot, Inc. and Subsidiaries

| *amounts in millions, except where noted* | 10-Year Compound Annual Growth Rate | 2009 | 2008 | 2007[1] |
|---|---|---|---|---|
| *STATEMENT OF EARNINGS DATA[2]* | | | | |
| Net sales | 5.6% | **$ 66,176** | $ 71,288 | $ 77,349 |
| Net sales increase (decrease) (%) | — | **(7.2)** | (7.8) | (2.1) |
| Earnings before provision for income taxes | 0.5 | **3,982** | 3,590 | 6,620 |
| Net earnings | 1.2 | **2,620** | 2,312 | 4,210 |
| Net earnings increase (decrease) (%) | — | **13.3** | (45.1) | (20.1) |
| Diluted earnings per share ($) | 4.5 | **1.55** | 1.37 | 2.27 |
| Diluted earnings per share increase (decrease) (%) | — | **13.1** | (39.6) | (11.0) |
| Diluted weighted average number of common shares | (3.2) | **1,692** | 1,686 | 1,856 |
| Gross margin – % of sales | — | **33.9** | 33.7 | 33.6 |
| Total operating expenses – % of sales | — | **26.6** | 27.5 | 24.3 |
| Interest and other, net – % of sales | — | **1.2** | 1.1 | 0.8 |
| Earnings before provision for income taxes – % of sales | — | **6.0** | 5.0 | 8.6 |
| Net earnings – % of sales | — | **4.0** | 3.2 | 5.4 |
| *BALANCE SHEET DATA AND FINANCIAL RATIOS[3]* | | | | |
| Total assets | 9.1% | **$ 40,877** | $ 41,164 | $ 44,324 |
| Working capital | 2.6 | **3,537** | 2,209 | 1,968 |
| Merchandise inventories | 6.4 | **10,188** | 10,673 | 11,731 |
| Net property and equipment | 9.6 | **25,550** | 26,234 | 27,476 |
| Long-term debt | 27.7 | **8,662** | 9,667 | 11,383 |
| Stockholders' equity | 4.6 | **19,393** | 17,777 | 17,714 |
| Book value per share ($) | 7.9 | **11.42** | 10.48 | 10.48 |
| Long-term debt-to-equity (%) | — | **44.7** | 54.4 | 64.3 |
| Total debt-to-equity (%) | — | **49.9** | 64.3 | 75.8 |
| Current ratio | — | **1.34:1** | 1.20:1 | 1.15:1 |
| Inventory turnover[2] | — | **4.1x** | 4.0x | 4.2x |
| Return on invested capital (%)[2] | — | **10.7** | 9.5 | 13.9 |
| *STATEMENT OF CASH FLOWS DATA* | | | | |
| Depreciation and amortization | 14.6% | **$ 1,806** | $ 1,902 | $ 1,906 |
| Capital expenditures | (9.5) | **966** | 1,847 | 3,558 |
| Payments for businesses acquired, net | (100.0) | **—** | — | 13 |
| Cash dividends per share ($) | 23.3 | **0.900** | 0.900 | 0.900 |
| *STORE DATA* | | | | |
| Number of stores | 9.2% | **2,244** | 2,274 | 2,234 |
| Square footage at fiscal year-end | 8.9 | **235** | 238 | 235 |
| (Decrease) increase in square footage (%) | — | **(1.3)** | 1.3 | 4.9 |
| Average square footage per store (in thousands) | (0.3) | **105** | 105 | 105 |
| *STORE SALES AND OTHER DATA* | | | | |
| Comparable store sales increase (decrease) (%)[4][5] | — | **(6.6)** | (8.7) | (6.7) |
| Weighted average weekly sales per operating store (in thousands) | (4.3)% | **$ 563** | $ 601 | $ 658 |
| Weighted average sales per square foot ($) | (4.1) | **279** | 298 | 332 |
| Number of customer transactions | 4.8 | **1,274** | 1,272 | 1,336 |
| Average ticket ($) | 0.8 | **51.76** | 55.61 | 57.48 |
| Number of associates at fiscal year-end[3] | 4.6 | **317,000** | 322,000 | 331,000 |

(1) *Fiscal years 2007 and 2001 include 53 weeks; all other fiscal years reported include 52 weeks.*

(2) *Fiscal years 2003 through 2009 include Continuing Operations only. The discontinued operations in fiscal years prior to 2003 were not material. See Note 4 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data."*

(3) *Amounts for fiscal years 2009, 2008 and 2007 include Continuing Operations only. All amounts in other fiscal years reported include discontinued operations. See Note 4 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data."*

***amounts in millions, except where noted***

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001[1] | 2000 |
|---|---|---|---|---|---|---|---|
| *STATEMENT OF EARNINGS DATA*[2] | | | | | | | |
| Net sales | $ 79,022 | $ 77,019 | $ 71,100 | $ 63,660 | $ 58,247 | $ 53,553 | $ 45,738 |
| Net sales increase (decrease) (%) | 2.6 | 8.3 | 11.7 | 9.3 | 8.8 | 17.1 | 19.0 |
| Earnings before provision for income taxes | 8,502 | 8,967 | 7,790 | 6,762 | 5,872 | 4,957 | 4,217 |
| Net earnings | 5,266 | 5,641 | 4,922 | 4,253 | 3,664 | 3,044 | 2,581 |
| Net earnings increase (decrease) (%) | (6.6) | 14.6 | 15.7 | 16.1 | 20.4 | 17.9 | 11.3 |
| Diluted earnings per share ($) | 2.55 | 2.63 | 2.22 | 1.86 | 1.56 | 1.29 | 1.10 |
| Diluted earnings per share increase (decrease) (%) | (3.0) | 18.5 | 19.4 | 19.2 | 20.9 | 17.3 | 10.0 |
| Diluted weighted average number of common shares | 2,062 | 2,147 | 2,216 | 2,289 | 2,344 | 2,353 | 2,352 |
| Gross margin – % of sales | 33.6 | 33.7 | 33.4 | 31.7 | 31.1 | 30.2 | 29.9 |
| Total operating expenses – % of sales | 22.4 | 21.9 | 22.4 | 21.1 | 21.1 | 20.9 | 20.7 |
| Interest and other, net – % of sales | 0.5 | 0.1 | — | — | (0.1) | — | — |
| Earnings before provision for income taxes – % of sales | 10.8 | 11.6 | 11.0 | 10.6 | 10.1 | 9.3 | 9.2 |
| Net earnings – % of sales | 6.7 | 7.3 | 6.9 | 6.7 | 6.3 | 5.7 | 5.6 |
| *BALANCE SHEET DATA AND FINANCIAL RATIOS*[3] | | | | | | | |
| Total assets | $ 52,263 | $ 44,405 | $ 39,020 | $ 34,437 | $ 30,011 | $ 26,394 | $ 21,385 |
| Working capital | 5,069 | 2,563 | 3,818 | 3,774 | 3,882 | 3,860 | 3,392 |
| Merchandise inventories | 12,822 | 11,401 | 10,076 | 9,076 | 8,338 | 6,725 | 6,556 |
| Net property and equipment | 26,605 | 24,901 | 22,726 | 20,063 | 17,168 | 15,375 | 13,068 |
| Long-term debt | 11,643 | 2,672 | 2,148 | 856 | 1,321 | 1,250 | 1,545 |
| Stockholders' equity | 25,030 | 26,909 | 24,158 | 22,407 | 19,802 | 18,082 | 15,004 |
| Book value per share ($) | 12.71 | 12.67 | 11.06 | 9.93 | 8.38 | 7.71 | 6.46 |
| Long-term debt-to-equity (%) | 46.5 | 9.9 | 8.9 | 3.8 | 6.7 | 6.9 | 10.3 |
| Total debt-to-equity (%) | 46.6 | 15.2 | 8.9 | 6.1 | 6.7 | 6.9 | 10.3 |
| Current ratio | 1.39:1 | 1.20:1 | 1.37:1 | 1.40:1 | 1.48:1 | 1.59:1 | 1.77:1 |
| Inventory turnover[2] | 4.5x | 4.7x | 4.9x | 5.0x | 5.3x | 5.4x | 5.1x |
| Return on invested capital (%)[2] | 16.8 | 20.4 | 19.9 | 19.2 | 18.8 | 18.3 | 19.6 |
| *STATEMENT OF CASH FLOWS DATA* | | | | | | | |
| Depreciation and amortization | $ 1,886 | $ 1,579 | $ 1,319 | $ 1,076 | $ 903 | $ 764 | $ 601 |
| Capital expenditures | 3,542 | 3,881 | 3,948 | 3,508 | 2,749 | 3,393 | 3,574 |
| Payments for businesses acquired, net | 4,268 | 2,546 | 727 | 215 | 235 | 190 | 26 |
| Cash dividends per share ($) | 0.675 | 0.400 | 0.325 | 0.26 | 0.21 | 0.17 | 0.16 |
| *STORE DATA* | | | | | | | |
| Number of stores | 2,147 | 2,042 | 1,890 | 1,707 | 1,532 | 1,333 | 1,134 |
| Square footage at fiscal year-end | 224 | 215 | 201 | 183 | 166 | 146 | 123 |
| (Decrease) increase in square footage (%) | 4.2 | 7.0 | 9.8 | 10.2 | 14.1 | 18.5 | 22.6 |
| Average square footage per store (in thousands) | 105 | 105 | 106 | 107 | 108 | 109 | 108 |
| *STORE SALES AND OTHER DATA* | | | | | | | |
| Comparable store sales increase (decrease) (%)[4][5] | (2.8) | 3.1 | 5.1 | 3.7 | (0.5) | — | 4 |
| Weighted average weekly sales per operating store (in thousands) | $ 723 | $ 763 | $ 766 | $ 763 | $ 772 | $ 812 | $ 864 |
| Weighted average sales per square foot ($) | 358 | 377 | 375 | 371 | 370 | 394 | 415 |
| Number of customer transactions | 1,330 | 1,330 | 1,295 | 1,246 | 1,161 | 1,091 | 937 |
| Average ticket ($) | 58.90 | 57.98 | 54.89 | 51.15 | 49.43 | 48.64 | 48.65 |
| Number of associates at fiscal year-end[3] | 364,400 | 344,800 | 323,100 | 298,800 | 280,900 | 256,300 | 227,300 |

*(4) Includes Net Sales at locations open greater than 12 months, including relocated and remodeled stores. Stores become comparable on the Monday following their 365th day of operation. Comparable store sales is intended only as supplemental information and is not a substitute for Net Sales or Net Earnings presented in accordance with generally accepted accounting principles.*

*(5) Comparable store sales in fiscal years prior to 2002 were reported to the nearest percent.*