



THE MARKET

Americans are constantly improving their homes: enhancing, remodeling, landscaping, decorating . . . and enjoying. Home improvement is a \$500 billion industry that is growing and flourishing.

A young company at 25 years but already among the most recognized and respected brands in North America, The Home Depot is not only a leader and innovator in home improvement products, services, and solutions, it also is a trusted resource for know-how and expertise for customers. With more than 300,000 dedicated associates, The Home Depot is the second largest retailer in the United States and the third largest retailer in the world, providing unparalleled access for every type of home improvement customer, from novice to expert.

"We have challenged ourselves to become the supplier of goods and services for every aspect of improving the home," explains Bob Nardelli, The Home Depot's chairman, president, and CEO. "We want our customers to know they can come to us for help—for product, advice, or to actually do the work for them."

ACHIEVEMENTS

The Home Depot is credited with revolutionizing the home improvement industry by offering expert advice, low pricing, and an extensive selection of products and services under one roof. Having raised more than a generation of do-it-yourselfers, the company continually looks for other opportunities to enhance the shopping experience.

"The power of the Home Depot brand begins with the unique and special relationships that associates cultivate with customers," says John Costello, executive vice president of merchandising and marketing. "Our challenge is to leverage the power of that brand leadership to drive value to our customers, associates, and shareholders."

In 25 years, The Home Depot has grown to become:

- The world's largest home improvement retailer
- The third largest retailer in the world
- The second largest retailer in America
- The largest home improvement retailer in Mexico
- The fastest-growing retailer in history; the first to reach \$30 billion, then \$40 billion, then \$50 billion, and now \$60 billion in sales
- The youngest retailer in the Fortune 50

As a community leader, The Home Depot is committed to making a difference. With help from vendor-partners, associates volunteer an average of 7 million hours annually giving back to their communities by building playgrounds, repairing and building homes, helping teens learn job skills, and assisting when disaster strikes.

The company also is a leader in the pursuit of environmental excellence, offering consumer



education programs, cutting in-store energy usage, and stocking certified "green" products. The Home Depot is committed to protecting endangered forests and today sells more Forest Stewardship Council-certified wood than anyone in North America. Certification by the FSC is the world's highest endorsement for environmentally and socially responsible forestry practices.

HISTORY

The do-it-yourself home improvement concept may not have been born 25 years ago, but few would dispute that it took flight with the opening of the first Home Depot stores in Atlanta on June 22, 1979. The bright orange warehouse opened an entirely new world to people wanting to do things for themselves, but without deep pockets or enough

confidence in their ability. The vision of Home Depot founders Bernie Marcus and Arthur M. Blank was to give customers everyday low prices with experienced tradespeople offering straight advice on how to get projects off the ground.

With an enormous success on its hands, the company went public in 1981 and today trades on the New York Stock Exchange under the ticker symbol "HD." It is included in the Dow Jones Industrial Average and the Standard & Poor's 500 Index.

PRODUCT

The Flagship Home Depot Store. The success of Home Depot core stores has fueled the company's growth. At the end of fiscal 2003, the \$64.8 billion company operated 1,508 stores in the United States, 102 in 8 Canadian provinces, 18 in Mexico, and 8 in Puerto Rico. Averaging 108,000 square feet with 35,000 different kinds of products, a new Home Depot store opens approximately every 43 hours.

The company strives to keep stores neighborhood friendly because every customer and each community has distinct, unique needs. A new urban format serves in-town customers, offering products and services in a compact store with a merchandise mix focused on local needs.

Proprietary and exclusive brands like Hampton Bay® fans and lighting, BEHR Premium Plus® paint, Ralph Lauren® paint, John Deere® lawn and garden equipment, Thomasville® cabinetry, and Husky® and RIDGID®

tools create customer loyalty at values that competitors cannot match. The in-store appliance showroom also features General Electric® and Maytag® products.

Other services and products include:

- A design center staffed by professional designers who offer free in-store consultations, including computer-assisted kitchen and bath design
- Tool and Equipment Rental Centers in more than 800 stores for those who want to try before they buy
- Load 'N Go™ truck rental to bring merchandise home
- More than 250,000 products available through special order



- A Commercial Desk staffed with associates whose top priority is to help get the job done on time and on budget
- The Home Depot At-Home Services® installation for the kitchen and bath, flooring, roofing and siding, among others, for customers who would rather have someone else do the work

EXPO® Design Center. Home Depot operated 54 EXPO Design Center stores in major markets in 17 states at the end of fiscal 2003. The one-stop interior design wonderland offers full design and installation services as well as leading-edge products for the whole house.

The Home Depot Supply™. With four U.S. locations, The Home Depot Supply serves professional contractors and builders with job-lot quantities, delivery, and will-call.

The Home Depot Landscape Supply™. Eleven stores in the Atlanta and Dallas markets cater to the pro customer and do-it-yourselfer with interior plants, chemicals, irrigation supplies, trees, shrubs, and tool rental services.

The Home Depot Floor Store. Appealing both to professional flooring contractors and the do-it-yourselfer, two locations feature a showroom and warehouse with a focus on special-order items, delivery, and installation.

Maintenance Warehouse®. The company supplies maintenance, repair, and operations products to owners and managers of multi-unit housing, hospitality, educational, and commercial properties, healthcare providers, and government installations.

The Home Depot Commercial Direct. The company supplies repair and operations products to facility maintenance professionals, property owners, and property managers in Canada.



Your "Other" Warehouse (YOW)®. One of the country's premier plumbing distributors, YOW focuses on special orders, with a wide variety of faucets and plumbing fixtures, door hardware, designer lighting, and ceiling fans.

Builder Solutions Group. Tapping into the residential homebuilders market, Builder Solutions Group coordinates the complete supply chain for flooring, window coverings, and countertops, from product selection through installation.

Georgia Lighting®. Decorative lighting fixtures, supplies, accents, and accessories are offered for commercial and retail customers in Georgia locations.

Apex Supply®. A wholesale distributor of plumbing, HVAC, industrial pipe, valves and fittings, and appliances, the company has made expansion of sales in programs like Trane® HVAC product sales possible. Apex serves residential and commercial plumbing and heating contractors, industrial customers, residential builders, and mechanical contractors in the Southeast.

RECENT DEVELOPMENTS

The "You can do it. We can help.™" advertising campaign, a Web site redesign, the introduction of a Home Depot holiday catalog, national Do-It-Yourself Workshops for women, and several high-profile television partnerships helped to round out a successful marketing campaign in 2003.

In-store cosmetic and system changes also have been ongoing as part of a significant investment in merchandising redesign, shopability, store signage, and information technology. The company has dedicated millions of hours to associate training and development programs like e-learning and leadership initiatives that help recruit and develop new and existing talent.

In addition to celebrating the opening of the 100th store in Canada in 2003, the company solidified its position as the number-one home improvement retailer in Mexico. This followed the acquisitions of Total HOME and the Del Norte home improvement chain, and construction of additional stores. The Home Depot also opened procurement offices in Shanghai and Shenzhen, China, in 2003.

PROMOTION

"Everything that touches the consumer defines the brand," says John Costello. "We want to reach our audience no matter where they are and what they're doing. If they're watching a sporting event, thumbing through a catalog for the perfect gift, or searching online for how-to home improvement advice, we want to be there."

Home Depot's 360-degree marketing campaign reaches customers in a variety of ways, including catalogs and traditional advertising vehicles as well as television programming like *ESPN College Game Day Built by The Home*

Depot and *Trading Spaces*, which serves up quirky décor tips on a budget.

Hom Depot.com is both an online store and a research tool for customers planning a home improvement project or a trip to their local store with step-by-step know-how on a wide variety of subjects.

Sporting relationships with NASCAR, college football, and amateur athletics help link the Home Depot brand and weekend activities. In addition, the qualities that propel athletes to greatness — dedication, hard work, and a commitment to excellence — mirror the passion found in Home Depot associates.

The Home Depot Center, a \$140 million development on the campus of California State University-Dominguez Hills in Carson, represents the largest investment in amateur athletics ever made. With stadiums for soccer, tennis, track and field, and an indoor velodrome, it is the United States' most complete training facility for Olympic, amateur, and professional athletes.

As the world's largest employer of Olympic and Paralympic hopefuls, Home Depot expects to hire 204 athlete associates leading up to the 2004 Games in Athens. During the 2002 Salt Lake City Games, the company's athlete associates brought home eight medals from the Winter Olympic and Paralympic Games. These wins would have placed the company 13th among the more than 70 nations who participated.

BRAND VALUES

Associates are central to Home Depot's success. Eight steadfast values are part of the fabric of the company:

- Taking care of The Home Depot's people
- Giving back to communities
- Doing the right thing
- Excellent customer service
- Creating shareholder value
- Building strong relationships
- Entrepreneurial spirit
- Respect for all people



THINGS YOU DIDN'T KNOW ABOUT HOME DEPOT

- More than 22,300,000 customers visit The Home Depot every week.
- Half of all ceiling fans in the United States are purchased at a Home Depot; most are its Hampton Bay brand.
- Associates will mix more than 100 million gallons of paint this year.
- Forty percent of all consumer power tools purchased in North America come from Home Depot.
- The Home Depot sold enough carpet last year to pave a two-lane road from Atlanta to Los Angeles to New York City and back to Atlanta again.
- Customers will buy 53,000 tons of grills from Home Depot this year.