



THE MARKET

For 30 years, The Home Depot has been a leader in providing innovative products, services, and expertise to general consumers and professional customers alike. The company is the world's largest home improvement retailer and one of the most recognized and respected brands in the global marketplace. The retailer employs more than 300,000 associates and operates more than 2,000 retail stores in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, 10 Canadian provinces, Mexico,

and China. In fiscal 2008, The Home Depot had sales of \$71.3 billion and earnings of \$2.3 billion.

The company's operating strategy is to offer a broad assortment of high-quality merchandise and services at competitive prices using knowledgeable, service-oriented associates and strong marketing and credit promotions. The company believes that its associates' knowledge of products and home improvement techniques is very important to its marketing approach and its ability to maintain and enhance customer satisfaction.

The Home Depot stores serve three primary customer groups:

- **Do-It-Yourself ("D-I-Y") Customers:**

These customers are typically homeowners who purchase products and complete their own projects and installations. To complement the expertise of its associates, The Home Depot stores offer "how-to" clinics taught by associates.

- **Do-It-For-Me ("D-I-F-M") Customers:**

These customers are typically homeowners who purchase materials themselves and hire third parties to complete the project and/or installation. The company arranges for the installation of a variety of its products through qualified independent contractors.

- **Professional Customers:** These customers are professional remodelers, general contractors, repair people, and tradespeople. The company offers a variety of programs to these customers, including delivery and will-call services, dedicated staff, extensive merchandise selections, and expanded credit programs.



ACHIEVEMENTS

In 30 years, The Home Depot has grown to become:

- The world's largest home improvement retailer
- One of the largest retailers in the world
- The fifth-largest retailer in America
- The largest home improvement retailer in Mexico
- The youngest retailer in the Fortune 50

Some of The Home Depot's values include: "Giving back. Taking care of our people. Doing the right thing. Respect for all people. Building strong relationships." Since 1979, these values have driven volunteer and philanthropic efforts in The Home

Depot's communities. Giving back is a fundamental value of The Home Depot and a passion for its associates. Volunteerism is embraced collectively and individually, as associate-volunteers collaborate to build community. Programs bring together volunteerism, do-it-yourself expertise, product donations, and monetary grants to meet critical needs and build affordable communities. Building community is the foundation upon which The Home Depot was built and what differentiates the company from the rest of the field. Working side-by-side, The Home Depot

believes in the power of unity — lifelong relationships that are created between The Home Depot store associates and the neighbors who shop in its stores.

The Home Depot Foundation is a 501(c)(3) organization that was established in 2002 to further the community-building goals of The Home Depot by providing additional resources to assist nonprofit organizations.

The Home Depot Foundation is dedicated to building for working families affordable homes that are healthy to live in and affordable to own. To make homes healthy and affordable, the foundation encourages developers to incorporate responsible design and use durable materials to ensure that homes are more energy and water efficient, have good indoor air quality, and provide a safe and healthy space to live.

In 2007, The Home Depot Foundation committed to investing \$400 million in grants over the next

10 years, which will result in the development of 100,000 affordable, healthy homes for working families and the planting and preservation of more than 3 million community trees in urban areas.

HISTORY

The do-it-yourself home improvement concept may not have been born 30 years ago, but few would dispute that it took flight with the opening of The Home Depot 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 in-depth "how to" knowledge.

The vision of The Home Depot's 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. Consumers immediately warmed to the idea, and the concept quickly took off.

The Home Depot has always been dedicated to customer service and committed to having experienced associates on its store's floors. From online tips, tools, and product recommendations to in-store clinics, The Home Depot continues to look for new ways to make home improvement more accessible to the average homeowner.

THE PRODUCT

The inventory in the company's stores consists of 40,000 to 50,000 different kinds of building materials, home improvement supplies, and lawn and garden products, as well as 250,000 products that can be special ordered. In addition to basics, ranging from lumber to lightbulbs, The Home Depot offers a range of proprietary and exclusive brands in its



stores, including Hampton Bay® fans and lighting; BEHR Premium Plus® paint; Thomasville® cabinetry; Pegasus faucets; Vigoro® lawn and garden products; Veranda™ composite decking, fencing and railing; and Husky® and RIDGID® tools. The in-store appliance showroom also features General Electric® and Maytag® products.

In April 2007, The Home Depot expanded its long-term commitment to the environment and sustainability with the launch of its Eco Options program in the United States. Eco Options is a classification that allows customers to easily identify products that have less of an impact on the environment and empowers them to help make a difference in their own homes. The Home Depot has identified more than 3,700 Eco Options products — The Freshaire Choice™, the first and only tinted paint system that contains no volatile organic compounds (VOCs); all-natural insect repellents; cellulose insulation; front-load washing machines; organic plant food; and vegetables in biodegradable pots. The wide array of Eco Options also includes compact fluorescent light (CFL) bulbs, programmable thermostats, and certified wood. As The Home Depot works with vendors and independent experts, the identified Eco Options products will be continuously expanded to include scores of innovative products that reduce the impact on the environment.

Other services and products available in the company's retail stores include the following:

- 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 1,000 stores for those who want to try before they buy.
- Load 'N Go™ truck rental to bring merchandise home.
- Licensed plumbers and electricians in most stores. These Master Trades Specialists bring extensive professional expertise and know-how to the aisles of The Home Depot stores across the country. Many have owned their own electrical or plumbing businesses and bring decades of experience to their local stores.
- Certified Nursery Consultants in each store to help consumers with gardening questions and concerns.
- The Home Depot offers installation services through its stores for the "Do-It-For-Me" customer, for products such as flooring, kitchen cabinets and countertops, baths, roofing, windows, doors, and more.

A dedicated Contractor Services Desk is available in each store, designed and staffed to help contractors get what they need. The desk offers professionals expanded services including a Bid Room for processing large competitive quotes, larger inventory, on-time pickup and delivery, extended hours, fast contractor check-outs, and commercial credit accounts.

RECENT DEVELOPMENTS

In 2006, The Home Depot entered China with its acquisition of The Home Way, a chain of 12 home improvement stores. The Home Way is a

strong brand already established as a value and price leader among Chinese consumers. The company believes that The Home Way provides the right entry platform upon which to build a business model that meets the needs of Chinese home improvement customers, while delivering profitable and sustainable growth. China is one of the fastest-growing economies in the world, and



its home improvement market holds similar growth potential for the company.

In 2008, the company launched a free CFL recycling program in all U.S. Home Depot stores to offer an added convenience to consumers to make it easy for them to recycle the energy-efficient bulbs. The company also expanded its store recycling program to include shrink wrap and mixed plastics, diverting more waste from landfills each year.

As the world's largest home improvement retailer, The Home Depot recognizes it is in a unique position to help consumers save money and energy as they make improvements and repairs to their homes. Many energy-saving products available at the retailer are affordable and help consumers save money on their energy bills. To help customers save money and save energy, the company recently introduced new products, including exclusive Eco-Smart® dimmable CFL lightbulbs, WaterSense® water-saving faucets and toilets, and an innovative, wall-flush-mount programmable thermostat from RiteTemp®. In addition, the company continues to be an Energy Star partner, offering energy-saving product options such as appliances, windows, furnaces, and water heaters.

PROMOTION

Sports Sponsorships. Sports sponsorships like NASCAR (primary sponsor of The #20 Home Depot Toyota), college football (ESPN College GameDay Built by The Home Depot), and Major League Soccer (Official Home Improvement Warehouse) — including four team deals with the Los Angeles Galaxy, Los Angeles Chivas, Houston Dynamo, and Chicago Fire — help link The Home Depot brand with weekend activities.

Marketing Alliances. The company sponsors numerous home-improvement television programs, including *This Old House*, *The Weather Channel's Project of the Week*, *Housecalls with Ron Hazelton*, and *Today's Homeowner with Danny Lipford*, which empower customers to tackle home

improvement projects themselves while saving money and adding value to their home.

Digital Marketing. Homedepot.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 instructions on a wide variety of subjects. The company also offers its popular free DIY videos on its YouTube channel, <http://homedepot.com/youtube>. Project tips and home improvement ideas are also available through RSS feeds on the retailer's ecommerce site.

Customers today have more choice in the products and services they buy, more choices in how and where to purchase those products and services, and more choices in the media they consume. The Home Depot believes that the key to success lies in understanding those needs better than anyone else and then delivering on those needs through great customer service.

BRAND VALUES

The Home Depot is a company built on a strong set of core values. The company is working to empower its associates to be their best and to provide its customers great products with excellent service and earn their loyalty. The company makes sure those core values thrive so that customers know The Home Depot is best place to shop for home improvement products, the associates know it is the best place to work, and the shareholders know it is the best place to invest.

The Home Depot has hundreds of thousands of associates who understand, believe, and live these values. That is The Home Depot's competitive advantage.

To continue to unlock that competitive advantage, The Home Depot has invested in its retail business and will continue to invest around five key priorities:

- **Associate Engagement:** Staffing stores with available, knowledgeable, and helpful associates.
- **Product Excitement:** Providing innovative products and everyday low pricing.
- **Product Availability:** Keeping the right quantities of merchandise on the store shelves.
- **Shopping Environment:** Providing a welcoming shopping environment in safe, clean, and uncluttered stores.
- **Own the Pro:** Becoming the number-one destination for pro customers, primarily repair and remodel professionals.

THINGS YOU DIDN'T KNOW ABOUT THE HOME DEPOT

- The Home Depot has a successful track record of international expansion. The company entered Canada in 1994 and Mexico in 2001, and today holds the number-one position in Mexico. The company successfully entered the Chinese market in 2006.
- The professional contractor has been an important customer of The Home Depot since its early days. Many local contractors begin each day at their local store, picking up the supplies they need for the job site.