Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Balance Sheets of The Home Depot, Inc. and Subsidiaries as of February 3, 2019 and January 28, 2018, and the related Consolidated Statements of Earnings, Comprehensive Income, Stockholders' Equity, and Cash Flows for each of the fiscal years in the three-year period ended February 3, 2019, and the related notes (collectively, the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of The Home Depot, Inc. and Subsidiaries as of February 3, 2019 and January 28, 2018, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 3, 2019, 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) ("PCAOB"), The Home Depot, Inc.'s internal control over financial reporting as of February 3, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 28, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the Consolidated Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Consolidated Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1979.

Atlanta, Georgia
March 28, 2019

THE HOME DEPOT, INC.
CONSOLIDATED BALANCE SHEETS

in millions, except per share data	February 3, 2019	January 28, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 1,778	$ 3,595
Receivables, net	1,936	1,952
Merchandise inventories	13,925	12,748
Other current assets	890	638
Total current assets	18,529	18,933
Net property and equipment	22,375	22,075
Goodwill	2,252	2,275
Other assets	847	1,246
Total assets	$ 44,003	$ 44,529
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	$ 1,339	$ 1,559
Accounts payable	7,755	7,244
Accrued salaries and related expenses	1,506	1,640
Sales taxes payable	656	520
Deferred revenue	1,782	1,805
Income taxes payable	11	54
Current installments of long-term debt	1,056	1,202
Other accrued expenses	2,611	2,170
Total current liabilities	16,716	16,194
Long-term debt, excluding current installments	26,807	24,267
Deferred income taxes	491	440
Other long-term liabilities	1,867	2,174
Total liabilities	45,881	43,075
Common stock, par value $0.05; authorized: 10,000 shares; issued: 1,782 at February 3, 2019 and 1,780 shares at January 28, 2018; outstanding: 1,105 shares at February 3, 2019 and 1,158 shares at January 28, 2018	89	89
Paid-in capital	10,578	10,192
Retained earnings	46,423	39,935
Accumulated other comprehensive loss	(772)	(566)
Treasury stock, at cost, 677 shares at February 3, 2019 and 622 shares at January 28, 2018	(58,196)	(48,196)
Total stockholders' (deficit) equity	(1,878)	1,454
Total liabilities and stockholders' equity	$ 44,003	$ 44,529

See accompanying notes to consolidated financial statements.

THE HOME DEPOT, INC.
CONSOLIDATED STATEMENTS OF EARNINGS

in millions, except per share data	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net sales	$ 108,203	$ 100,904	$ 94,595
Cost of sales	71,043	66,548	62,282
Gross profit	37,160	34,356	32,313
Operating expenses:			
Selling, general and administrative	19,513	17,864	17,132
Depreciation and amortization	1,870	1,811	1,754
Impairment loss	247	—	—
Total operating expenses	21,630	19,675	18,886
Operating income	15,530	14,681	13,427
Interest and other (income) expense:			
Interest and investment income	(93)	(74)	(36)
Interest expense	1,051	1,057	972
Other	16	—	—
Interest and other, net	974	983	936
Earnings before provision for income taxes	14,556	13,698	12,491
Provision for income taxes	3,435	5,068	4,534
Net earnings	$ 11,121	$ 8,630	$ 7,957
Basic weighted average common shares	1,137	1,178	1,229
Basic earnings per share	$ 9.78	$ 7.33	$ 6.47
Diluted weighted average common shares	1,143	1,184	1,234
Diluted earnings per share	$ 9.73	$ 7.29	$ 6.45

Fiscal 2018 includes 53 weeks. Fiscal 2017 and fiscal 2016 include 52 weeks.
See accompanying notes to consolidated financial statements.

THE HOME DEPOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

in millions		Fiscal 2018		Fiscal 2017		Fiscal 2016
Cash Flows from Operating Activities:						
Net earnings	$	11,121	$	8,630	$	7,957
Reconciliation of net earnings to net cash provided by operating activities:						
Depreciation and amortization		2,152		2,062		1,973
Stock-based compensation expense		282		273		267
Impairment loss		247		—		—
Changes in receivables, net		33		139		(138)
Changes in merchandise inventories		(1,244)		(84)		(769)
Changes in other current assets		(257)		(10)		(48)
Changes in accounts payable and accrued expenses		743		352		446
Changes in deferred revenue		80		128		99
Changes in income taxes payable		(42)		29		109
Changes in deferred income taxes		26		92		(117)
Other operating activities		(103)		420		4
Net cash provided by operating activities		13,038		12,031		9,783
Cash Flows from Investing Activities:						
Capital expenditures, net of non-cash capital expenditures		(2,442)		(1,897)		(1,621)
Payments for businesses acquired, net		(21)		(374)		—
Proceeds from sales of property and equipment		33		47		38
Other investing activities		14		(4)		—
Net cash used in investing activities		(2,416)		(2,228)		(1,583)
Cash Flows from Financing Activities:						
(Repayments of) proceeds from short-term debt, net		(220)		850		360
Proceeds from long-term debt, net of discounts		3,466		2,991		4,959
Repayments of long-term debt		(1,209)		(543)		(3,045)
Repurchases of common stock		(9,963)		(8,000)		(6,880)
Proceeds from sales of common stock		236		255		218
Cash dividends		(4,704)		(4,212)		(3,404)
Other financing activities		(26)		(211)		(78)
Net cash used in financing activities		(12,420)		(8,870)		(7,870)
Change in cash and cash equivalents		(1,798)		933		330
Effect of exchange rate changes on cash and cash equivalents		(19)		124		(8)
Cash and cash equivalents at beginning of year		3,595		2,538		2,216
Cash and cash equivalents at end of year	$	1,778	$	3,595	$	2,538
Supplemental Disclosures:						
Cash paid for income taxes	$	3,774	$	4,732	$	4,623
Cash paid for interest, net of interest capitalized		1,035		991		924
Non-cash capital expenditures		248		150		179

Fiscal 2018 includes 53 weeks. Fiscal 2017 and fiscal 2016 include 52 weeks.

See accompanying notes to consolidated financial statements.

THE HOME DEPOT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

The Home Depot, Inc., together with its subsidiaries (the "Company," "Home Depot," "we," "our" or "us"), is a home improvement retailer that sells a wide assortment of building materials, home improvement products, lawn and garden products, and décor items and provides a number of services, in stores and online. We operate in the U.S. (including the Commonwealth of Puerto Rico and the territories of the U.S. Virgin Islands and Guam), Canada, and Mexico.

Consolidation and Presentation

Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. Certain amounts in prior fiscal years have been reclassified to conform with the presentation adopted in the current fiscal year. Our fiscal year is a 52- or 53-week period ending on the Sunday nearest to January 31. Fiscal 2018 includes 53 weeks compared to fiscal 2017 and fiscal 2016 , both of which include 52 weeks.

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 revenues and expenses in preparing these financial statements in conformity with GAAP. Actual results could differ from these estimates.

Cash Equivalents

We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Our cash equivalents are carried at fair market value and consist primarily of money market funds.

Receivables

The components of receivables, net, follow.

in millions	February 3, 2019	January 28, 2018
Card receivables	$ 696	$ 734
Rebate receivables	660	609
Customer receivables	284	261
Other receivables	296	348
Receivables, net	$ 1,936	$ 1,952

Card receivables consist of payments due from financial institutions for the settlement of credit card and debit card transactions. Rebate receivables represent amounts due from vendors for volume and co-op advertising rebates. Receivables due from customers relate to credit extended directly to certain customers in the ordinary course of business. The valuation reserve related to accounts receivable was not material to our consolidated financial statements at the end of fiscal 2018 or fiscal 2017 .

Merchandise Inventories

The majority of our 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 and Mexico, and distribution centers, record merchandise inventories at the lower of cost or net realizable value, as determined by a cost method. These merchandise inventories represent approximately 29% of the total merchandise inventories balance. We evaluate 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 net realizable value. The valuation allowance for merchandise inventories valued under a cost method was not material to our consolidated financial statements at the end of fiscal 2018 or fiscal 2017 .

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 merchandise inventories are properly stated. Shrink (or in the case of excess inventory, "swell") is the difference between the recorded amount of inventory and the physical inventory. We calculate shrink based on actual inventory losses occurring as a result of physical inventory counts during each fiscal period and estimated inventory losses occurring between physical inventory counts. The estimate for shrink occurring in the interim period between physical inventory counts is calculated on a store-specific basis based on recent shrink results and current trends in the business.

Property and Equipment, including Capitalized Lease Assets

Buildings, furniture, fixtures, and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. 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 estimated useful lives of our property and equipment follow.

	Life
Buildings	5 – 45 years
Furniture, fixtures and equipment	2 – 20 years
Leasehold improvements	5 – 45 years

We capitalize certain costs related to the acquisition and development of software and amortize these costs using the straight-line method over the estimated useful life of the software, which is three to six years . Certain development costs not meeting the criteria for capitalization are expensed as incurred.

We evaluate our long-lived assets each quarter for indicators of potential impairment. Indicators of impairment include current period losses combined with a history of losses, our 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 for recoverability by comparing its undiscounted future cash flows with its carrying value. If the carrying value is greater than the undiscounted future cash flows, we then measure the asset's fair value to determine whether an impairment loss should be recognized. If the resulting fair value is less than the carrying value, an impairment loss is recognized for the difference between the carrying value and the estimated fair value. Impairment losses on property and equipment are recorded as a component of SG&A. When a leased location closes, we also recognize, in SG&A, the net present value of future lease obligations less estimated sublease income. Impairments and lease obligation costs on closings and relocations were not material to our consolidated financial statements in fiscal 2018 , fiscal 2017 , or fiscal 2016 .

Leases

We categorize leases at their inception as either operating or capital leases. Lease agreements include certain retail locations, office space, warehouse and distribution space, equipment, and vehicles. Most of these leases are operating leases. However, certain retail locations and equipment are leased under capital leases. Short-term and long-term obligations for capital leases are included in the applicable long-term debt category based on maturity. We expense rent related to operating leases on a straight-line basis over the lease term, which commences on the date we have the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in other accrued expenses and other long-term liabilities. Total rent expense for fiscal 2018, fiscal 2017, and fiscal 2016 is net of an immaterial amount of sublease income.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired. We do not amortize goodwill, but 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. Each fiscal year, we may assess qualitative factors to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to complete quantitative impairment assessments, with a quantitative assessment completed at least once every three years . We completed our last quantitative assessment in fiscal 2016 .

In fiscal 2018 , we completed our annual assessment of the recoverability of goodwill for the U.S., Canada, and Mexico reporting units. We performed qualitative assessments, concluding that the fair value of the reporting units substantially exceeded the respective reporting unit's carrying value, including goodwill. As a result, there were no impairment charges related to goodwill for fiscal 2018 , fiscal 2017 , or fiscal 2016 .

Changes in the carrying amount of our goodwill follow.

in millions	Fiscal 2018	Fiscal 2017	Fiscal 2016
Goodwill, balance at beginning of year	$ 2,275	$ 2,093	$ 2,102
Acquisitions [(1)]	4	164	—
Disposition	(15)	—	—
Other [(2)]	(12)	18	(9)
Goodwill, balance at end of year	$ 2,252	$ 2,275	$ 2,093

(1) Includes purchase price allocation adjustments.
(2) Primarily reflects the impact of foreign currency translation.

Other Intangible Assets

We amortize the cost of other finite-lived intangible assets over their estimated useful lives, which range up to 12 years . Intangible assets with indefinite lives are tested in the third quarter of each fiscal year for impairment, or more often if indicators warrant. Intangible assets other than goodwill are included in other assets.

In January 2019, we recognized a pretax impairment loss of $247 million for certain trade names as a result of a shift in strategy for our MRO business. Our remaining finite-lived and indefinite-lived intangibles were not material at February 3, 2019 .

Debt

We record any premiums or discounts associated with an issuance of long-term debt as a direct addition or deduction to the carrying value of the related senior notes. We also record debt issuance costs associated with an issuance of long-term debt as a direct deduction to the carrying value of the related senior notes. Premium, discount, and debt issuance costs are amortized over the term of the respective notes using the effective interest rate method.

Derivatives

We use derivative financial instruments in the management of our interest rate exposure on long-term debt and our exposure to foreign currency fluctuations. For derivatives that are designated as hedges, changes in their fair values that are considered effective are either accounted for in earnings or recognized in other comprehensive income or loss until the hedged item is recognized in earnings, depending on the nature of the hedge. Any ineffective portion of a derivative's change in fair value is immediately recognized in earnings. Financial instruments that do not qualify for hedge accounting are recorded at fair value with unrealized gains or losses reported in earnings. All qualifying derivative financial instruments are recognized at their fair values in either assets or liabilities at the balance sheet date and are reported on a gross basis. The fair values of our derivative financial instruments are discussed in Note 4 and Note 7 .

Insurance

We are self-insured for certain losses related to general liability (including product liability), workers' compensation, employee group medical, and automobile claims. We recognize the expected ultimate cost for claims incurred (undiscounted) at the balance sheet date as a liability. The expected ultimate cost for claims incurred is estimated based upon analysis of historical data and actuarial estimates. We also maintain network security and privacy liability insurance coverage to limit our exposure to losses such as those that may be caused by a significant compromise or breach of our data security. Insurance-related expenses are included in SG&A.

Treasury Stock

Treasury stock is reflected as a reduction of stockholders' equity at cost. We use the weighted-average purchase cost to determine the cost of treasury stock that is reissued, if any.

Net Sales

On January 29, 2018, we adopted ASU No. 2014-09 using the modified retrospective transition method which requires that we recognize revenue differently pre- and post-adoption. See "—Recently Adopted Accounting Pronouncements—ASU No. 2014-09" below for more information.

Fiscal 2018 and Subsequent Periods. We recognize revenue, net of expected returns and sales tax, at the time the customer takes possession of merchandise or when a service is performed. The liability for sales returns, including the impact to gross profit, is estimated based on historical return levels and recognized at the transaction price. We also recognize a return asset, and corresponding adjustment to cost of sales, for our right to recover the goods returned by the customer, measured at the former carrying amount of the goods, less any expected recovery cost. At each financial reporting date, we assess our estimates of expected returns, refund liabilities, and return assets.

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 we provide or arrange for professional installation. These programs are offered through our stores and in-home sales programs. Under certain programs, when we provide or arrange for 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. We recognize this revenue when the service for the customer is complete, which is not materially different from recognizing the revenue over the service period as the substantial majority of our services are completed within one week.

For product sold in stores or online, payment is typically due at the point of sale. For services, payment in full is due upon completion of the job. When we receive 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 until the sale or service is complete. Such performance obligations are part of contracts with expected original durations of three months or less. We further record deferred revenue for the sale of gift cards and recognize the associated revenue upon the redemption of those gift cards in net sales. Gift card breakage income, which is our estimate of the non-redeemed gift card balance, was immaterial in fiscal 2018.

We also have agreements with third-party service providers who directly extend credit to customers and manage our PLCC program. Deferred interest charges incurred for our deferred financing programs offered to these customers, interchange fees charged to us for their use of the cards, and any profit sharing with the third-party service providers are included in net sales.

Fiscal 2017 and Fiscal 2016. We recognize revenue, net of estimated returns and sales tax, at the time the customer takes possession of merchandise or when a service is performed. The liability for sales returns, including the impact to gross profit, is estimated based on historical return levels.

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 we provide or arrange professional installation. These programs are offered through our stores and in-home sales programs. Under certain programs, when we provide or arrange 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. We recognize this revenue when the service for the customer is complete.

When we receive 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 until the sale or service is complete. We also record deferred revenue for the sale of gift cards and recognize this revenue upon the redemption of gift cards in net sales. Gift card breakage income, which is our estimate of the non-redeemed gift card balance, was immaterial in fiscal 2017 and fiscal 2016.

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 our distribution network, stores, or customers; shipping and handling costs from our stores or distribution network to customers; and the operating cost and depreciation of our sourcing and distribution network and online fulfillment centers. In fiscal 2017 and fiscal 2016, cost of sales also included cost of deferred interest programs offered through our PLCC programs.

Cost of Credit

We have agreements with third-party service providers who directly extend credit to customers, manage our PLCC program, and own the related receivables. We have evaluated the third-party entities holding the receivables under the program and concluded that they should not be consolidated. The agreement with the primary third-party service provider for our PLCC program expires in 2028 , with us having the option, but no obligation, to purchase the receivables at the end of the agreement. The deferred interest charges we incur for our deferred financing programs offered to our customers are included in net sales in fiscal 2018 and subsequent periods and in cost of sales in fiscal 2017 and fiscal 2016. The interchange fees charged to us for our customers' use of the cards and any profit

3. PROPERTY AND LEASES

Net Property and Equipment

The components of net property and equipment follow.

in millions		February 3, 2019		January 28, 2018
Land	$	8,363	$	8,352
Buildings		18,199		18,073
Furniture, fixtures, and equipment		12,460		11,506
Leasehold improvements		1,705		1,637
Construction in progress		820		538
Capital leases		1,392		1,308
Property and equipment, at cost		42,939		41,414
Less accumulated depreciation and capital lease amortization		20,564		19,339
Net property and equipment	$	22,375	$	22,075

Depreciation and capital lease amortization expense, including depreciation expense included in cost of sales, follows.

in millions		Fiscal 2018		Fiscal 2017		Fiscal 2016
Depreciation and capital lease amortization expense	$	2,076	$	1,983	$	1,899

Leases

We lease certain retail locations, office space, warehouse and distribution space, equipment, and vehicles. While most of the leases are operating leases, certain locations and equipment are leased under capital leases. As leases approach maturity, we consider various factors such as market conditions and the terms of any renewal options that may exist to determine whether we will renew or replace the lease. Short-term and long-term obligations for capital leases are included in the applicable long-term debt category based on maturity.

Assets under capital leases (net of accumulated amortization) recorded in net property and equipment follow.

in millions		February 3, 2019		January 28, 2018
Capital leases, net	$	856	$	821

Certain lease agreements include escalating rents over the lease terms. Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased property are our obligations under the lease agreements.

Our total rent expense related to operating leases follows.

in millions		Fiscal 2018		Fiscal 2017		Fiscal 2016
Total rent expense	$	1,091	$	1,053	$	984

The approximate future minimum lease payments under capital and operating leases at February 3, 2019 follow.

in millions	Operating Leases	Capital Leases
Fiscal 2019	$ 976	$ 150
Fiscal 2020	912	167
Fiscal 2021	792	143
Fiscal 2022	682	142
Fiscal 2023	584	137
Thereafter	3,090	970
	$ 7,036	1,709
Less imputed interest		660
Net present value of capital lease obligations		1,049
Less current installments		57
Long-term capital lease obligations, excluding current installments		$ 992

4. DEBT AND DERIVATIVE INSTRUMENTS

Short-Term Debt

We have commercial paper programs with an aggregate borrowing capacity of $3.0 billion . All of our short-term borrowings in fiscal 2018 and fiscal 2017 were under these commercial paper programs. In connection with these programs, we have back-up credit facilities with a consortium of banks for borrowings up to $3.0 billion , which consist of a 364-day $1.0 billion credit facility and a five-year $2.0 billion credit facility. In December 2018, we completed the renewal of our 364-day $1.0 billion credit facility, extending the maturity from December 2018 to December 2019. In December 2017, we replaced our five-year $2.0 billion credit facility that was scheduled to expire in December 2019 , with a new, substantially identical five-year $2.0 billion credit facility that expires in December 2022 .

Certain information on our commercial paper programs follows.

dollars in millions	February 3, 2019	January 28, 2018
Weighted average interest rate	2.41%	1.45%
Balance outstanding at fiscal year-end	$ 1,339	$ 1,559
Maximum amount outstanding at any month-end	$ 2,264	$ 1,559
Average daily short-term borrowings	$ 621	$ 173