Report of Independent Registered Public Accounting Firm

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

We have audited The Home Depot, Inc.'s internal control over financial reporting as of February 2, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Home Depot, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, The Home Depot, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 2, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheets of The Home Depot, Inc. and subsidiaries as of February 2, 2014 and February 3, 2013, 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 2, 2014, and our report dated March 27, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Atlanta, Georgia
March 27, 2014

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 February 2, 2014 and February 3, 2013, 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 2, 2014. 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 February 2, 2014 and February 3, 2013, and the results of their operations and their cash flows for each of the fiscal years in the three-year period ended February 2, 2014, 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 February 2, 2014, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 27, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
March 27, 2014

THE HOME DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

amounts in millions, except share and per share data	February 2, 2014	February 3, 2013
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,929	$ 2,494
Receivables, net	1,398	1,395
Merchandise Inventories	11,057	10,710
Other Current Assets	895	773
Total Current Assets	15,279	15,372
Property and Equipment, at cost	39,064	38,491
Less Accumulated Depreciation and Amortization	15,716	14,422
Net Property and Equipment	23,348	24,069
Goodwill	1,289	1,170
Other Assets	602	473
Total Assets	$ 40,518	$ 41,084
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 5,797	$ 5,376
Accrued Salaries and Related Expenses	1,428	1,414
Sales Taxes Payable	396	472
Deferred Revenue	1,337	1,270
Income Taxes Payable	12	22
Current Installments of Long-Term Debt	33	1,321
Other Accrued Expenses	1,746	1,587
Total Current Liabilities	10,749	11,462
Long-Term Debt, excluding current installments	14,691	9,475
Other Long-Term Liabilities	2,042	2,051
Deferred Income Taxes	514	319
Total Liabilities	27,996	23,307
STOCKHOLDERS' EQUITY		
Common Stock, par value $0.05; authorized: 10 billion shares; issued: 1.761 billion shares at February 2, 2014 and 1.754 billion shares at February 3, 2013; outstanding: 1.380 billion shares at February 2, 2014 and 1.484 billion shares at February 3, 2013	88	88
Paid-In Capital	8,402	7,948
Retained Earnings	23,180	20,038
Accumulated Other Comprehensive Income	46	397
Treasury Stock, at cost, 381 million shares at February 2, 2014 and 270 million shares at February 3, 2013	(19,194)	(10,694)
Total Stockholders' Equity	12,522	17,777
Total Liabilities and Stockholders' Equity	$ 40,518	$ 41,084

See accompanying Notes to Consolidated Financial Statements.

THE HOME DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

amounts in millions, except per share data	Fiscal Year Ended(1) February 2, 2014	February 3, 2013	January 29, 2012
NET SALES	**$ 78,812**	$ 74,754	$ 70,395
Cost of Sales	**51,422**	48,912	46,133
GROSS PROFIT	**27,390**	25,842	24,262
Operating Expenses:			
Selling, General and Administrative	**16,597**	16,508	16,028
Depreciation and Amortization	**1,627**	1,568	1,573
Total Operating Expenses	**18,224**	18,076	17,601
OPERATING INCOME	**9,166**	7,766	6,661
Interest and Other (Income) Expense:			
Interest and Investment Income	**(12)**	(20)	(13)
Interest Expense	**711**	632	606
Other	**—**	(67)	—
Interest and Other, net	**699**	545	593
EARNINGS BEFORE PROVISION FOR INCOME TAXES	**8,467**	7,221	6,068
Provision for Income Taxes	**3,082**	2,686	2,185
NET EARNINGS	**$ 5,385**	$ 4,535	$ 3,883
Weighted Average Common Shares	**1,425**	1,499	1,562
BASIC EARNINGS PER SHARE	**$ 3.78**	$ 3.03	$ 2.49
Diluted Weighted Average Common Shares	**1,434**	1,511	1,570
DILUTED EARNINGS PER SHARE	**$ 3.76**	$ 3.00	$ 2.47

(1) Fiscal years ended February 2, 2014 and January 29, 2012 include 52 weeks. Fiscal year ended February 3, 2013 includes 53 weeks.

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) February 2, 2014	February 3, 2013	January 29, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Earnings	$ 5,385	$ 4,535	$ 3,883
Reconciliation of Net Earnings to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,757	1,684	1,682
Stock-Based Compensation Expense	228	218	215
Goodwill Impairment	—	97	—
Changes in Assets and Liabilities, net of the effects of acquisitions and disposition:			
Receivables, net	(15)	(143)	(170)
Merchandise Inventories	(455)	(350)	256
Other Current Assets	(5)	93	159
Accounts Payable and Accrued Expenses	605	698	422
Deferred Revenue	75	121	(29)
Income Taxes Payable	119	87	14
Deferred Income Taxes	(31)	107	170
Other Long-Term Liabilities	13	(180)	(2)
Other	(48)	8	51
Net Cash Provided by Operating Activities	7,628	6,975	6,651
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures, net of $46, $98 and $25 of non-cash capital expenditures in fiscal 2013, 2012 and 2011, respectively	(1,389)	(1,312)	(1,221)
Proceeds from Sale of Business, net	—	—	101
Payments for Businesses Acquired, net	(206)	(170)	(65)
Proceeds from Sales of Property and Equipment	88	50	56
Net Cash Used in Investing Activities	(1,507)	(1,432)	(1,129)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Long-Term Borrowings, net of discount	5,222	—	1,994
Repayments of Long-Term Debt	(1,289)	(32)	(1,028)
Repurchases of Common Stock	(8,546)	(3,984)	(3,470)
Proceeds from Sales of Common Stock	241	784	306
Cash Dividends Paid to Stockholders	(2,243)	(1,743)	(1,632)
Other Financing Activities	(37)	(59)	(218)
Net Cash Used in Financing Activities	(6,652)	(5,034)	(4,048)
Change in Cash and Cash Equivalents	(531)	509	1,474
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(34)	(2)	(32)
Cash and Cash Equivalents at Beginning of Year	2,494	1,987	545
Cash and Cash Equivalents at End of Year	$ 1,929	$ 2,494	$ 1,987
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS MADE FOR:			
Interest, net of interest capitalized	$ 639	$ 617	$ 580
Income Taxes	$ 2,839	$ 2,482	$ 1,865

(1) Fiscal years ended February 2, 2014 and January 29, 2012 include 52 weeks. Fiscal year ended February 3, 2013 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 104,000 square feet of enclosed space, with approximately 24,000 additional square feet of outside garden area. 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. The Company also offers over 700,000 products through its Home Depot and Home Decorators Collection websites. At the end of fiscal 2013, the Company was operating 2,263 The Home Depot stores, which included 1,977 stores in the United States, including the Commonwealth of Puerto Rico and the territories of the U.S. Virgin Islands and Guam ("U.S."), 180 stores in Canada and 106 stores in Mexico. 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 year ended February 2, 2014 ("fiscal 2013") includes 52 weeks, fiscal year ended February 3, 2013 ("fiscal 2012") includes 53 weeks and fiscal year ended January 29, 2012 ("fiscal 2011") includes 52 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 Long-Term Debt is discussed in Note 10.

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 money market funds.

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. The Company 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 any profit sharing with the third-party service provider 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 $57 million and $42 million as of February 2, 2014 and February 3, 2013, 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 2013 or 2012.

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 and Mexico, and distribution centers, record Merchandise Inventories at the lower of cost or market, as determined by a cost method. These Merchandise Inventories represent approximately 26% 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 2013 or 2012.

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

Income taxes are accounted for under the asset and liability method. 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 recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

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	2 – 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 as discussed further in Note 2. 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 2013, 2012 and 2011, the Company recognized $30 million, $33 million and $42 million, respectively, of gift card breakage income. This income 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 and in-home sales programs. 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 $3.5 billion, $3.2 billion and $2.9 billion for fiscal 2013, 2012 and 2011, respectively.

Self-Insurance

The Company is self-insured for certain losses related to general liability (including product liability), workers' compensation, employee group medical and automobile 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 2013 and 2012.

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 2013, 2012 and 2011, gross advertising expense was $865 million, $831 million and $846 million, respectively, and is included in SG&A. Specific, incremental and identifiable advertising co-op allowances were $114 million, $85 million and $94 million for fiscal 2013, 2012 and 2011, respectively, and are 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 $477 million, $435 million and $430 million in fiscal 2013, 2012 and 2011, 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. The Company recorded impairments and lease obligation costs on closings and relocations in the ordinary course of business, as well as for the closing of seven stores in China in fiscal 2012, which were not material to the Consolidated Financial Statements in fiscal 2013, 2012 or 2011.

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. Each year the Company 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. In fiscal 2013, the Company elected to estimate the fair values of its identified reporting units using the present value of expected future discounted cash flows.

The reporting units assessed for impairment during fiscal 2013 were U.S., Canada and Mexico. During fiscal 2013, the Company determined that its goodwill balances for each of these reporting units were not impaired, as the Company determined the fair value of each of these reporting units was substantially above its carrying value. In fiscal 2012, the Company recorded a charge of $97 million to impair all of the goodwill associated with the former China reporting unit. There were no impairment charges related to the remaining goodwill for fiscal 2013, 2012 or 2011.

The Company amortizes the cost of other intangible assets over their estimated useful lives, which range up to ten 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. There were no impairment charges related to other intangible assets for fiscal 2013, 2012 or 2011.

Stock-Based Compensation

The per share weighted average fair value of stock options granted during fiscal 2013, 2012 and 2011 was $13.10, $9.86 and $7.42, respectively. The fair value of these options was determined at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	February 2, 2014	**February 3, 2013**	**January 29, 2012**
Risk-free interest rate	**0.8%**	1.2%	2.0%
Assumed volatility	**26.3%**	27.0%	27.3%
Assumed dividend yield	**2.2%**	2.3%	2.7%
Assumed lives of options	**5 years**	5 years	5 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") Subtopic 815-10. The fair value of the Company's derivative financial instruments is discussed in Note 10.

2. PROPERTY AND LEASES

Property and Equipment as of February 2, 2014 and February 3, 2013 consisted of the following (amounts in millions):

	February 2, 2014	February 3, 2013
Property and Equipment, at cost:		
Land	**$ 8,375**	$ 8,485
Buildings	**17,950**	17,981
Furniture, Fixtures and Equipment	**10,107**	9,338
Leasehold Improvements	**1,388**	1,382
Construction in Progress	**548**	647
Capital Leases	**696**	658
	39,064	38,491
Less Accumulated Depreciation and Amortization	**15,716**	14,422
Net Property and Equipment	**$ 23,348**	$ 24,069

The Company leases 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 expire, it can be expected that in the normal course of business certain leases will be renewed or replaced.

Certain lease agreements include escalating rents over the lease terms. The Company expenses rent on a straight-line basis over the lease term, which commences on the date the Company has 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 in the accompanying Consolidated Balance Sheets.

Total rent expense, net of minor sublease income, for fiscal 2013, 2012 and 2011 was $905 million, $849 million and $823 million, respectively. Certain store leases also provide for contingent rent payments based on percentages of sales in excess of specified minimums. Contingent rent expense for fiscal 2013, 2012 and 2011 was approximately $5 million, $4 million and $4 million, respectively. Real estate taxes, insurance, maintenance and operating expenses applicable to the leased property are obligations of the Company under the lease agreements.

The approximate future minimum lease payments under capital and all other leases at February 2, 2014 were as follows (amounts in millions):

Fiscal Year	Capital Leases	Operating Leases
2014	$ 99	$ 895
2015	94	843
2016	92	754
2017	89	674
2018	83	574
Thereafter through 2097	723	4,456
	1,180	$ 8,196
Less imputed interest	681	
Net present value of capital lease obligations	499	
Less current installments	31	
Long-term capital lease obligations, excluding current installments	$ 468	

Short-term and long-term obligations for capital leases are included in the accompanying Consolidated Balance Sheets in Current Installments of Long-Term Debt and Long-Term Debt, respectively. The assets under capital leases recorded in Property and Equipment, net of amortization, totaled $ 374 million and $368 million at February 2, 2014 and February 3, 2013, respectively.

3. DEBT

The Company has commercial paper programs that allow for borrowings up to $2.0 billion. In connection with the programs, the Company has a back-up credit facility with a consortium of banks for borrowings up to $2.0 billion. The credit facility expires in July 2017 and contains various restrictive covenants. At February 2, 2014, the Company was in compliance with all of the covenants, and they are not expected to impact the Company's liquidity or capital resources. There were no borrowings under the commercial paper programs or the related credit facility in fiscal 2013 and 2012.

The Company's Long-Term Debt at the end of fiscal 2013 and 2012 consisted of the following (amounts in millions):

	February 2, 2014	February 3, 2013
5.25% Senior Notes; due December 16, 2013; interest payable semi-annually on June 16 and December 16	**$ —**	$ 1,286
5.40% Senior Notes; due March 1, 2016; interest payable semi-annually on March 1 and September 1	**3,042**	3,058
2.25% Senior Notes; due September 10, 2018; interest payable semi-annually on March 10 and September 10	**1,148**	—
3.95% Senior Notes; due September 15, 2020; interest payable semi-annually on March 15 and September 15	**501**	499
4.40% Senior Notes; due April 1, 2021; interest payable semi-annually on April 1 and October 1	**999**	998
2.70% Senior Notes; due April 1, 2023; interest payable semi-annually on April 1 and October 1	**998**	—
3.75% Senior Notes; due February 15, 2024; interest payable semi-annually on February 15 and August 15	**1,094**	—
5.875% Senior Notes; due December 16, 2036; interest payable semi-annually on June 16 and December 16	**2,962**	2,962
5.40% Senior Notes; due September 15, 2040; interest payable semi-annually on March 15 and September 15	**499**	499
5.95% Senior Notes; due April 1, 2041; interest payable semi-annually on April 1 and October 1	**996**	996
4.20% Senior Notes; due April 1, 2043; interest payable semi-annually on April 1 and October 1	**996**	—
4.875% Senior Notes; due February 15, 2044; interest payable semi-annually on February 15 and August 15	**985**	—
Capital Lease Obligations; payable in varying installments through January 31, 2055	**499**	492
Other	**5**	6
Total debt	**14,724**	10,796
Less current installments	**33**	1,321
Long-Term Debt, excluding current installments	**$ 14,691**	$ 9,475

In September 2013, the Company issued $1.15 billion of 2.25% senior notes due September 10, 2018 (the "2018 notes") at a discount of $1 million, $1.1 billion of 3.75% senior notes due February 15, 2024 (the "2024 notes") at a discount of $6 million and $1.0 billion of 4.875% senior notes due February 15, 2044 (the "2044 notes") at a discount of $15 million (together, the "September 2013 issuance"). Interest on the 2018 notes is due semi-annually on March 10 and September 10 of each year, beginning March 10, 2014. Interest on the 2024 notes and the 2044 notes is due semi-annually on February 15 and August 15 of each year, beginning February 15, 2014. The net proceeds of the September 2013 issuance were used for general corporate purposes, including repayment of the Company's $1.25 billion 5.25% senior notes that matured December 16, 2013 and repurchases of shares of the Company's common stock. The $22 million discount associated with the September 2013 issuance is being amortized over the term of the notes using the effective interest rate method. Issuance costs associated with the September 2013 issuance were approximately $19 million and are being amortized over the term of the notes.

The Company's combined federal, state and foreign effective tax rates for fiscal 2013, 2012 and 2011 were approximately 36.4%, 37.2% and 36.0%, respectively.

The reconciliation of the Provision for Income Taxes at the federal statutory rate of 35% to the actual tax expense for the applicable fiscal years was as follows (amounts in millions):

	Fiscal Year Ended		
	February 2, 2014	February 3, 2013	January 29, 2012
Income taxes at federal statutory rate	$ **2,964**	$ 2,527	$ 2,125
State income taxes, net of federal income tax benefit	**227**	197	175
Other, net	**(109)**	(38)	(115)
Total	$ **3,082**	$ 2,686	$ 2,185

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of February 2, 2014 and February 3, 2013 were as follows (amounts in millions):

	February 2, 2014	February 3, 2013
Assets:		
Deferred compensation	$ **252**	$ 265
Accrued self-insurance liabilities	**447**	459
State income taxes	**117**	97
Non-deductible reserves	**275**	285
Capital loss carryover	**104**	104
Net operating losses	**66**	71
Impairment of investment	**120**	120
Other	**281**	174
Total Deferred Tax Assets	**1,662**	1,575
Valuation Allowance	**(26)**	(27)
Total Deferred Tax Assets after Valuation Allowance	**1,636**	1,548
Liabilities:		
Inventory	**(97)**	(92)
Property and equipment	**(1,236)**	(1,194)
Goodwill and other intangibles	**(150)**	(112)
Other	**(138)**	(128)
Total Deferred Tax Liabilities	**(1,621)**	(1,526)
Net Deferred Tax Assets	$ **15**	$ 22

Current deferred tax assets and current deferred tax liabilities are netted by tax jurisdiction and noncurrent deferred tax assets and noncurrent deferred tax liabilities are netted by tax jurisdiction, and are included in the accompanying Consolidated Balance Sheets as follows (amounts in millions):

	February 2, 2014	February 3, 2013
Other Current Assets	$ **482**	$ 313
Other Assets	**49**	30
Other Accrued Expenses	**(2)**	(2)
Deferred Income Taxes	**(514)**	(319)
Net Deferred Tax Assets	$ **15**	$ 22

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities of the Company that are measured at fair value on a recurring basis as of February 2, 2014 and February 3, 2013 were as follows (amounts in millions):

	Fair Value at February 2, 2014 Using			Fair Value at February 3, 2013 Using		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative agreements - assets	$ —	$ 30	$ —	$ —	$ 64	$ —
Derivative agreements - liabilities	—	(10)	—	—	(15)	—
Total	$ —	$ 20	$ —	$ —	$ 49	$ —

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 fair value of the Company's derivative financial instruments was measured using level 2 inputs. The Company's derivative agreements are discussed further in Note 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Upon announcement in fiscal 2012 of its intention to close seven stores in China, the Company completed an assessment on the recoverability of Goodwill for its China reporting unit. The fair value of the China reporting unit was estimated using the present value of expected future discounted cash flows through unobservable inputs (level 3). As a result of this analysis, the Company recorded a $97 million impairment charge to Goodwill in fiscal 2012. See Note 8 for further discussion of the China store closings.

Long-lived assets, the remaining goodwill and other intangible assets were also analyzed for impairment on a nonrecurring basis using fair value measurements with unobservable inputs (level 3). Impairment charges related to long-lived assets, the remaining goodwill and other intangible assets in fiscal 2013 and 2012 were not material, as further discussed in Note 1 under the captions "Impairment of Long-Lived Assets" and "Goodwill and Other Intangible Assets," respectively.

The aggregate fair value of the Company's senior notes, based on quoted market prices, was $15.6 billion and $12.2 billion at February 2, 2014 and February 3, 2013, respectively, compared to a carrying value of $14.2 billion and $10.3 billion at February 2, 2014 and February 3, 2013, respectively.

11. BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES

The reconciliation of basic to diluted weighted average common shares for fiscal 2013, 2012 and 2011 was as follows (amounts in millions):

	Fiscal Year Ended		
	February 2, 2014	February 3, 2013	January 29, 2012
Weighted average common shares	**1,425**	1,499	1,562
Effect of potentially dilutive securities:			
Stock plans	**9**	12	8
Diluted weighted average common shares	**1,434**	1,511	1,570

Stock plans consist of shares granted under the Company's employee stock plans as described in Note 6 to the Consolidated Financial Statements. Options to purchase 1 million, 1 million and 23 million shares of common stock at February 2, 2014, February 3, 2013 and January 29, 2012, respectively, were excluded from the computation of Diluted Earnings per Share because their effect would have been anti-dilutive.

12. COMMITMENTS AND CONTINGENCIES

At February 2, 2014, the Company was contingently liable for approximately $372 million under outstanding letters of credit and open accounts issued for certain business transactions, including insurance programs, trade contracts and construction contracts. The Company's letters of credit are primarily performance-based and are not based on changes in variable components, a liability or an equity security of the other party.

The Company is involved in litigation arising from the normal course of business. In management's opinion, this litigation is not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the quarterly consolidated results of operations for the fiscal years ended February 2, 2014 and February 3, 2013 (amounts in millions, except per share data):

	Net Sales	Gross Profit	Net Earnings	Basic Earnings per Share	Diluted Earnings per Share
Fiscal Year Ended February 2, 2014:					
First Quarter	**$ 19,124**	**$ 6,679**	**$ 1,226**	**$ 0.84**	**$ 0.83**
Second Quarter	**22,522**	**7,721**	**1,795**	**1.25**	**1.24**
Third Quarter	**19,470**	**6,798**	**1,351**	**0.96**	**0.95**
Fourth Quarter	**17,696**	**6,192**	**1,013**	**0.73**	**0.73**
Fiscal Year	**$ 78,812**	**$ 27,390**	**$ 5,385**	**$ 3.78**	**$ 3.76**
Fiscal Year Ended February 3, 2013:					
First Quarter	$ 17,808	$ 6,183	$ 1,035	$ 0.68	$ 0.68
Second Quarter	20,570	7,026	1,532	1.02	1.01
Third Quarter	18,130	6,267	947	0.64	0.63
Fourth Quarter[1]	18,246	6,366	1,021	0.69	0.68
Fiscal Year	$ 74,754	$ 25,842	$ 4,535	$ 3.03	$ 3.00

Note: The quarterly data may not sum to fiscal year totals.

(1) The fourth quarter of fiscal 2012 includes 14 weeks; all other quarters of fiscal 2012 and all quarters of fiscal 2013 include 13 weeks.