ABERDEEN GLOBAL INCOME FUND INC
Form N-CSRS
July 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number:	811-06342
Exact name of registrant as specified in charter:	Aberdeen Global Income Fund, Inc.
Address of principal executive offices:	800 Scudders Mill Road
	Plainsboro, New Jersey 08536
Name and address of agent for service:	Ms. Megan Kennedy
	Aberdeen Asset Management Inc.
	1735 Market Street
	37th Floor
	Philadelphia, PA 19103
Registrant s telephone number, including area code:	866-839-5233
Date of fiscal year end:	October 31
Date of reporting period:	4/30/09

Item 1 Reports to Stockholders

09

Invests primarily in global fixed-income securities.

Aberdeen Global Income Fund, Inc.

Semi-Annual Report

April 30, 2009

Letter to Shareholders (unaudited)

June 11, 2009

Dear Shareholder,

We present this Semi-Annual Report which covers the activities of Aberdeen Global Income Fund, Inc. (the Fund) for the six months ended April 30, 2009. The Fund s principal investment objective is to provide high current income by investing primarily in fixed income securities. As a secondary investment objective, the Fund seeks capital appreciation, but only when consistent with its principal investment objective.

Net Asset Value Performance

The Fund s total return based on net asset value (NAV) was 15.42% for the six months ended April 30, 2009 and 6.75% per annum since inception, assuming the reinvestment of distributions.

Share Price Performance

The Fund s share price increased by 10.5% over the six months, from $8.20 on October 31, 2008 to $9.06 on April 30, 2009. The Fund s share price on April 30, 2009 represented a discount of 7.4% to the NAV per share of $9.78 on that date, compared with a discount of 14.7% to the NAV per share of $9.61 on October 31, 2008. At the date of this letter, the share price was $10.89, representing a premium of 3.2% to the NAV per share of $10.55.

Credit Quality: 68.4% of Securities Rated or Deemed Equivalent to A or Better

As of April 30, 2009, 68.4% of the Fund s portfolio was invested in securities where either the issue or the issuer was rated A or better, or judged by Aberdeen Asset Management Asia Limited (the Investment Manager) to be of equivalent quality.

Distributions

Distributions to common shareholders for the twelve months ended April 30, 2009 totaled $1.59 per share (including a special distribution of 75 cents per share). Based on the share price of $9.06 on April 30, 2009, the distribution rate over the twelve months then ended was 17.5% (9.3% excluding the special distribution). Since all distributions are paid after deducting applicable withholding taxes, the effective distribution rate may be higher for those U.S. investors who are able to claim a tax credit.

On June 9, 2009, the Board of Directors (Board) authorized a monthly distribution of 7.0 cents per share, payable on July 10, 2009 to common shareholders of record as of June 30, 2009.

The Board s policy is to provide investors with a stable monthly distribution out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in-capital. It is the Board s intention that a monthly distribution of at least 7.0 cents per share be maintained for twelve months, beginning with the July 10, 2009 distribution payment. This policy is subject to regular review at the Board s quarterly meetings, unless market conditions require an earlier evaluation. The next review is scheduled to take place in September 2009.

Share Repurchase Policy

The Board s policy is generally to buy back Fund shares on the open market when the Fund trades at certain discounts to NAV. During the six months ended April 30, 2009 and the fiscal year ended October 31, 2008, the Fund repurchased 31,000 and 283,400 shares, respectively, through this program.

Revolving Credit Facility and Leverage

The Fund has entered into a $30 million loan facility with The Bank of Nova Scotia. The loan facility with the Bank of Nova Scotia was renewed for another 364 day term on March 5, 2009. The Fund s Board continues to evaluate the use of leverage for the Fund. In December 2008, the Fund s Board authorized the Fund to use reverse repurchase agreements as another form of leverage. The Fund may implement a reverse repurchase agreement program if the Board determines it would be advantageous for the Fund and stockholders to do so.

Portfolio Holdings Disclosure

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the SEC s website at http://www.sec.gov and may be reviewed and copied at the SEC s Public Reference Room in Washington, D.C. Information about the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund makes the information on Form N-Q available to shareholders on the Fund s website or upon request and without charge by calling Investor Relations toll-free at 1-866-839-5233.

Proxy Voting

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities, and

Letter to Shareholders (unaudited) (concluded)

information regarding how the Fund voted proxies related to portfolio securities during the twelve months ended June 30, 2008, is available: (i) upon request and without charge by calling Investor Relations toll-free at 1-866-839-5233; and (ii) on the SEC s website at http://www.sec.gov.

Investor Relations Information

For information about the Fund, daily updates of share price, NAV, and details of recent distributions, contact Aberdeen Asset Management Inc. by:

calling toll free at 1-866-839-5233 in the United States,
emailing InvestorRelations@aberdeen-asset.com, or
visiting the website at www.aberdeenfco.com.

For information about the Aberdeen Group, visit the Aberdeen website at www.aberdeen-asset.com.

Yours sincerely,

Christian Pittard

President

All amounts are U.S. dollars unless otherwise stated.

Distribution Disclosure Classification (unaudited)

Your Board s policy is to provide investors with a stable monthly distribution out of current income, supplemented by realized capital gains and, to the extent necessary, paid-in capital.

The Fund is subject to U.S. corporate, tax and securities laws. Under U.S. tax accounting rules, the amount of distributable income for each fiscal period depends on the actual exchange rates during the entire year between the U.S. dollar and the currencies in which Fund assets are denominated and on the aggregate gains and losses realized by the Fund during the entire year.

Therefore, the exact amount of distributable income for each fiscal year can only be determined as of the end of the Fund s fiscal year, October 31. However, under the U.S. Investment Company Act of 1940, as amended (the 1940 Act), the Fund may be required to indicate the sources of certain distributions to shareholders.

The Fund estimates that distributions for the fiscal year commencing November 1, 2008, including the distribution paid on June 12, 2009 are comprised of 90% net investment income and 10% return of paid-in capital.

This estimated distribution composition may vary from month to month because it may be materially impacted by future realized gains and losses on securities and fluctuations in the value of the currencies in which Fund assets are denominated.

In January 2010, a Form 1099-DIV will be sent to shareholders, which will state the amount and composition of distributions and provide information with respect to their appropriate tax treatment for the 2009 calendar year.

Automatic Dividend Reinvestment and Cash Purchase Plan (unaudited)

Common shareholders are automatically enrolled in the Fund s Automatic Dividend Reinvestment and Cash Purchase Plan (the Plan), which allows you to automatically reinvest your distributions in shares of the Fund s common stock at favorable commission rates, unless an election is made to receive distributions in cash. Distributions made under the Plan are taxable to the same extent as are cash distributions. The Plan also enables you to make additional cash investments in shares of at least $100 per transaction, with a maximum of $10,000 per month, and an aggregate annual limit of $120,000. Under this arrangement, The Bank of New York Mellon Corporation (the Plan Agent) will purchase shares for you on the New York Stock Exchange or otherwise on the open market on or before the investment date. The investment date is the 15th day of each month, but if such date is not a business day, the preceding business day.

As a participant in the Plan you will benefit from:

Automatic reinvestment the Plan Agent will automatically reinvest your distributions, allowing you to gradually grow your holdings in the Fund;
Lower costs shares are purchased on your behalf under the Plan at low brokerage rates. Brokerage on share purchases is currently 2 cents per share;
Convenience the Plan Agent will hold your shares in non-certificated form and will provide a detailed plan account statement of your holdings at the end of each month.

To request a brochure containing information on the Plan, please contact the Plan Agent;

The Bank of New York Mellon Corporation

Shareholder Relations Department

480 Washington Blvd.

Jersey City, NJ 07310

or call toll free at **1-866-221-1606.**

Report of the Investment Manager (unaudited)

Share Price Performance

On April 30, 2009, the Fund s share price was $9.06, which represented a discount of 7.4% to the NAV per share of $9.78. As of June 11, 2009, the share price was $10.89, representing a premium of 3.2% to the NAV per share of $10.55.

Loan Facility and the Use of Leverage

The Fund utilizes leverage to seek to increase the yield for its common stockholders. Until March 13, 2008, the Fund had issued AMPS for its leverage. The AMPS were redeemed and the leverage for investment purposes now involves borrowing under a loan facility. The amounts borrowed from the line of credit may be invested at higher rates in the Fund s portfolio. However, the cost of leverage could exceed the income earned by the Fund on the proceeds of such leverage. To the extent that the Fund is unable to invest the proceeds from the use of leverage in assets which pay interest at a rate which exceeds the rate paid on the leverage, the yield on the Fund s common stock will decrease. In addition, in the event of a general market decline in the value of assets in which the Fund invests, the effect of that decline will be magnified in the Fund because of the additional assets purchased with the proceeds of the leverage. Non-recurring expenses in connection with the implementation of the loan facility and the redemption of the AMPS will reduce the Fund s performance.

The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The funds borrowed pursuant to the loan facility may constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. The Fund is not permitted to declare dividends or other distributions in the event of default under the loan facility. In the event of a default under the credit agreement, the lenders have the right to cause a liquidation of the collateral (i.e., sell portfolio securities and other assets of the Fund) and, if any such default is not cured, the lenders may be able to control the liquidation as well. The loan facility has a term of 364 days and is not a perpetual form of leverage; there can be no assurance that the loan facility will be available for renewal on acceptable terms, if at all.

The credit agreement governing the loan facility includes usual and customary covenants for this type of transaction. These covenants

Report of the Investment Manager (unaudited) (continued)

impose on the Fund asset coverage requirements, fund composition requirements and limits on certain investments, such as illiquid investments, which are more stringent than those imposed on the Fund by the 1940 Act. The covenants or guidelines could impede the Investment Manager or Investment Adviser from fully managing the Fund s portfolio in accordance with the Fund s investment objective and policies. Furthermore, non-compliance with such covenants or the occurrence of other events could lead to the cancellation of the loan facility. The covenants also included a requirement that the Fund maintain an NAV of no less than $90 million.

Prices and availability of leverage are extremely volatile in the current market environment. The Fund s Board continues to evaluate the use of leverage for the Fund and will explore other forms of leverage. In December 2008, the Fund s Board authorized the Fund to use reverse repurchase agreements as another form of leverage. The Fund may implement a reverse repurchase agreement program if the Board determines it would be advantageous for the Fund and stockholders to do so. A reverse repurchase agreement involves the sale of a security, with an agreement to repurchase the same or substantially similar securities at an agreed upon price and date. Whether such a transaction produces a gain for a Fund depends upon the costs of the agreements and the income and gains of the securities purchased with the proceeds received from the sale of the security. If the income and gains on the securities purchased fail to exceed the costs, the Fund s NAV will decline faster than otherwise would be the case. Reverse repurchase agreements, as with any leveraging techniques, may increase the Fund s return; however, such transactions also increase the Fund s risks in down markets.

Interest Rate Swaps

The Fund previously entered into interest rate swap agreements, based on an aggregate notional amount of $12.0 million, which represented 40% of the total borrowings. On April 17, 2009, the Fund unwound two previously held interest rate swap agreements and entered into two new interest rate swap agreements with an aggregate notional amount of $14 million. As of April 30, 2009, the Fund held interest rate swap agreements with an aggregate notional amount of $21 million which represented 70% of the total borrowings. Under the terms of the agreements currently in effect, the Fund receives a floating rate of interest (three month USD-LIBOR BBA rate) and pays fixed rates of interest for the terms and based upon the notional amounts set forth below:

Remaining Term as of April 30, 2009	**Amount (in $ million)**	**Fixed Rate Payable (%)**
36 months	7.0	1.817
24 months	7.0	1.470
2 months	7.0	3.370

A significant risk associated with interest rate swaps is the risk that the counterparty may default or file for bankruptcy, in which case the Fund would bear the risk of loss of the amount expected to be received under the swap agreements. There can be no assurance that the Fund will have an interest rate swap in place at any given time nor can there be any assurance that, if an interest rate swap is in place, it will be successful in hedging the Fund s interest rate risk with respect to the loan facility. The implementation of this strategy is at the discretion of the Leverage Committee of the Board.

Economic Review

Economic weakness continued into 2009 with even worse economic data releases around the world, coupled with an increased pace of official rate cuts with most major countries reaching rates of sub 1%. The European Central Bank (ECB) continues to be a notable exception with a slower pace of easing to their concerns over the level of inflation. Fiscal expansion plans were announced globally and the U.S. continued to use Troubled Asset Relief Program (TARP) funds widely. Economic data in March, while still weak, implied a moderation in the pace of contraction. There were improvements in forward looking survey data in the U.S., UK, Europe and China although Japanese data remained very weak on all fronts, as did employment data everywhere.

The Bank of England were the first to announce the Quantitative Easing (QE) program with the initial purchase of £75bn of gilts, with permission to increase this to £150bn if required, sparking a significant rally in UK gilt yields. In the U.S., the Federal Reserve announced that it is to buy $300bn in U.S. Treasuries, an additional $750bn of mortgage debt and an extra $100bn in agency debt. The U.S. Treasury also announced the much anticipated Public Private Investment Program (PPIP), which provide financial support to encourage the private sector to take problem loans and legacy assets (toxic assets) off banks balance sheets.

Report of the Investment Manager (unaudited) (concluded)

After having had a very strong fourth quarter, government bond yields rose over the quarter, although the QE programs announced in the U.S. and UK did help yields fall back in those markets towards the end of the quarter and rally in April. Euro bonds lagged given the official rate differential. Short-dated yields were helped by the rate cuts seen. Yield curves broadly steepened. Emerging market and high yield spreads narrowed sharply after the severe sell off seen through the fourth quarter and outperformed investment grade bonds. The dollar was generally stronger during the first quarter posting gains against the euro and yen, although the euro staged a partial recovery during March. The oil price saw greatly reduced volatility compared with recent quarters, improving to around $50 a barrel from around $45 at the end of 2008.

The weakness of the Japanese economy was the main reason for the decline in the yen against most currencies. The euro which had rallied strongly against the dollar in December reversed.

Looking ahead, the fixed income market will be torn between the near term disinflationary pull expected to arise from the slack in the labor and product markets (bullish for bonds on a real yield basis) and ongoing concerns that the fiscal deterioration and Fed bond buying program will undermine the non-domestic investors perceptions of the U.S. government s credit worthiness and inflation credentials (clearly negative). Against this backdrop, we expect yields to remain highly volatile in the coming months.

In emerging markets, we remain cautiously optimistic that emerging market debt can extend the recent gains. Market technicals remain favorable, coupled with renewed inflows into the asset class being supportive. Commodity prices are ticking higher, which will improve the balance of payments position of the major exporters, notably in Latin America. In addition, a continued improvement in risk appetite should bode well for emerging market debt, with renewed weakness of the U.S. dollar resulting in further emerging market foreign currency appreciation.

Portfolio Composition (unaudited)

Quality of Investments

As of April 30, 2009, 68.4% of the Fund s total investments were invested in securities where either the issue or the issuer was rated at least A by Standard & Poor s Corporation or Moody s Investors Service, Inc. or, if unrated, judged to be of equivalent quality by the Investment Manager. The table below shows the asset quality of the Fund s portfolio as of April 30, 2009, compared with the previous six and twelve months:

Date	AAA/Aaa %	AA/Aa %	A %	BBB/Baa %	BB/Ba* %	B* %	CCC* %
April 30, 2009	41.4	12.5	14.5	10.3	18.1	2.9	0.3
October 31, 2008	48.9	15.6	11.6	9.3	11.5	3.1	
April 30, 2008	43.3	15.3	12.0	7.5	16.0	5.9	

* Below investment grade

Geographic Composition

The Fund s investments are divided into three categories: Developed Markets, Investment Grade Developing Markets and Sub-Investment Grade Developing Markets. The table below shows the geographic composition (i.e., with U.S. dollar denominated bonds issued by foreign issuers allocated into country of issuance) of the Fund s total investments as of April 30, 2009, compared with the previous six and twelve months:

Date	Developed Markets %	Investment Grade Developing Markets %	Sub-Investment Grade Developing Markets %
April 30, 2009	70.2	8.3	21.5
October 31, 2008	75.9	4.5	19.6
April 30, 2008	70.4	5.6	24.0

Currency Composition

The table below shows the currency composition of the Fund s total investments as of April 30, 2009, compared with the previous six and twelve months:

Date	Developed Markets %	Investment Grade Developing Markets %	Sub-Investment Grade Developing Markets %

April 30, 2009	96.6	1.4	2.0
October 31, 2008	96.7	0.4	2.9
April 30, 2008	82.6	11.8	5.6

Maturity Composition

As of April 30, 2009, the average maturity of the Fund s total investments was 10.3 years, compared with 7.1 years on October 31, 2008. The table below shows the maturity composition of the Fund s investments as of April 30, 2009, compared with the previous six and twelve months:

Date	Under 3 Years %	3 to 5 Years %	5 to 10 Years %	10 Years & Over %
April 30, 2009	25.0	17.8	32.1	25.1
October 31, 2008	27.9	18.5	37.3	16.3
April 30, 2008	23.9	21.2	37.4	17.5

Summary of Key Rates (unaudited)

The following table summarizes the movements of key interest rates and currencies from the previous six and twelve month periods.

	April 30, 2009	October 31, 2008	April 30, 2008
Australia			
90 day bank bills	3.08%	5.81%	7.80%
10 year bonds	4.57%	5.17%	6.29%
Australian Dollar	$0.73	$0.66	$0.94
Canada			
90 day bank bills	0.28%	1.90%	2.64%
10 year bonds	3.10%	3.76%	3.59%
Canadian Dollar	$0.84	$0.82	$0.99
Malaysia			
90 day T-bills	1.83%	3.59%	3.34%
10 year bonds	3.96%	4.35%	3.75%
Malaysian Ringgit*	R3.56	R3.55	R3.16
New Zealand			
90 day bank bills	2.87%	7.16%	8.85%
10 year bonds	5.31%	6.03%	6.54%
New Zealand Dollar	$0.57	$0.58	$0.78
Philippines			
90 day T-bills	4.51%	6.84%	N/A
10 year bonds	8.13%	9.48%	N/A
Philippines Peso*	₱48.36	₱48.92	₱42.27
Singapore			
90 day T-bills	0.20%	0.87%	0.95%
10 year bonds	2.04%	2.95%	2.44%
Singapore Dollar*	S$1.48	S$1.48	S$1.36
South Korea			
90 day T-bills	1.96%	5.01%	4.99%
10 year bonds	4.69%	5.50%	5.14%
South Korean Won*	₩1,283.00	₩1,290.95	₩1,002.65
Thailand			
90 day deposits	0.75%	2.38%	2.25%
10 year bonds	2.92%	3.77%	4.74%
Thai Baht*	฿35.26	฿35.08	฿31.71
United Kingdom			
90 day bank bills	1.45%	5.84%	4.85%
10 year bonds	3.50%	4.52%	4.67%
British Pound	£1.48	£1.62	£1.98
U.S.$ Bonds**			
Malaysia	2.73%	2.83%	3.45%
Philippines	7.03%	8.24%	6.16%
South Korea	5.85%	7.39%	4.79%

* These currencies are quoted Asian currency per U.S. dollar. The Australian, Canadian and New Zealand dollars and British pound are quoted U.S. dollars per currency.

** Sovereign issues.

Portfolio of Investments (unaudited)

As of April 30, 2009

Principal Amount (000)		Description	Value (US$)
		LONG-TERM FIXED INCOME INVESTMENTS 125.7%	
		ARGENTINA 1.5%	
USD	450	Republic of Argentina, 7.00%, 3/28/11	$ 208,590
USD	2,660	Republic of Argentina, 7.00%, 4/17/17	1,070,177
			1,278,767
		AUSTRALIA 25.5%	
AUD	500	ABN Amro Bank NV, 6.50%, 5/17/13 (a)(b)	288,379
AUD	500	ASIF II, 3.4133%, 5/27/09 (a)	358,387
AUD	500	Australia and New Zealand Banking Group, Ltd., 6.25%, 5/23/11 (a)(b)	347,267
AUD	500	AXA SA, 7.50%, 10/26/16 (a)(b)	175,662
AUD	1,000	Brisbane Airport Corporation, Ltd., 7.30%, 6/30/10	729,201
AUD	1,200	Caisse d Amortissement de la Dette Sociale, 7.50%, 2/28/13	949,729
AUD	500	CFS Retail Property Trust, 6.25%, 12/22/14	295,279
AUD	500	Cie de Financement Foncier, 6.25%, 1/30/17	341,242
AUD	250	Commonwealth of Australia, 5.75%, 6/15/11	191,322
AUD	500	Deutsche Bank AG, 7.50%, 10/19/12	374,123
AUD	200	Eurofima, 6.00%, 1/28/14	149,702
AUD	500	FGL Finance Australia, Ltd., 6.25%, 3/17/10	366,383
AUD	600	General Electric Capital Australia Funding Pty, 6.00%, 4/15/15	333,139
AUD	500	Goldman Sachs Group, Inc., 6.35%, 4/12/16	286,971
AUD	500	HBOS PLC, 6.75%, 5/01/12 (a)(b)	301,137
AUD	2,000	HSBC Bank Australia, 4.77%, 5/20/11 (a)(b)	1,288,078
AUD	1,000	ING Bank Australia, Ltd., 7.00%, 4/24/12	737,541
AUD	750	International Finance Corp., 7.50%, 2/28/13	594,406
AUD	500	Kommunalbanken AS, 6.375%, 3/30/12	378,152
AUD	500	Kreditanstalt fuer Wiederaufbau, 6.25%, 1/30/12	379,210
AUD	1,700	Kreditanstalt fuer Wiederaufbau, 7.50%, 8/26/11	1,323,079
AUD	500	Macquarie Bank, Ltd., 5.0%, 2/25/14 (a)	357,397
AUD	500	Macquarie Bank, Ltd., 6.50%, 5/31/12 (a)(b)	261,049
AUD	500	Merrill Lynch & Co., Inc., 6.50%, 7/28/09	361,391
AUD	200	Merrill Lynch & Co., Inc., 6.75%, 3/12/14	117,441
AUD	500	Monumental Global Funding, 6.50%, 11/08/11	349,672
AUD	1,000	National Australia Bank, 5.75%, 12/19/13	748,945
AUD	500	National Capital Trust III, 4.088%, 9/30/16 (a)(b)	215,252
AUD	1,000	New South Wales Treasury Corporation, 7.00%, 12/01/10	765,408
AUD	400	Queensland Treasury Corporation, 6.00%, 10/14/15	301,030
AUD	750	Queensland Treasury Corporation, 6.00%, 6/14/21	551,515
AUD	500	RWH Finance Pty. Limited, 6.20%, 3/26/17 (a)	341,081
AUD	500	SLM Corp., 6.50%, 5/18/09	361,938
AUD	600	SPI Electricity & Gas, 6.50%, 11/03/11	442,279
AUD	1,000	St. George Bank, Ltd., 10.00% 5/09/13 (a)(b)	738,731
AUD	1,000	Suncorp Metway Insurance, Ltd., 5.75%, 4/15/12	749,540
AUD	1,000	Sydney Airport Finance, 6.25%, 11/21/11	712,363
AUD	500	Telstra Corporation, Ltd., 7.25%, 3/30/10	371,659
AUD	1,550	Western Australia Treasury Corporation, 8.00%, 6/15/13	1,258,673

AUD	2,550	Western Australia Treasury Corporation, 8.00%, 7/15/17	2,147,028
AUD	750	Westpac Banking Corp., 4.75%, 3/05/14	538,179
AUD	700	Westpac Banking Corp., 8.25%, 4/18/11	545,640
			22,424,600
	BRAZIL 4.1%		
USD	470	Dasa Finance Corp., 8.75%, 5/29/13 (b)	394,800
BRL	500	Electropaulo Metropolitian, 19.125%, 6/28/10	239,476

See Notes to Financial Statements.

Portfolio of Investments (unaudited) (continued)

As of April 30, 2009

Principal Amount (000)		Description		Value (US$)
	LONG-TERM FIXED INCOME INVESTMENTS (continued)			
	BRAZIL (continued)			
USD	400	Federal Republic of Brazil, 5.875%, 1/15/19	$	396,920
USD	410	Federal Republic of Brazil, 10.00%, 8/07/11		469,450
BRL	2,600	Federal Republic of Brazil, 10.00%, 1/01/17		1,014,544
USD	210	ISA Capital do Brasil SA, 8.80%, 1/30/17		197,400
BRL	470	Nota Do Tesouro Nacional, 10.0%, 1/01/14		196,582
USD	370	Odebrecht Finance Ltd., 9.625%, 4/09/14		384,800
USD	270	Telemar Norte Leste SA, 9.olor:#cceeff;">		

DILUTED EARNINGS PER SHARE	$	1.67	$	1.44
Dividends Declared per Share	$	0.89	$	0.69

See accompanying Notes to Consolidated Financial Statements.

4

Table of Contents

THE HOME DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

amounts in millions	Three Months Ended April 30, 2017	May 1, 2016
Net Earnings	$2,014	$1,803
Other Comprehensive (Loss) Income:		
Foreign Currency Translation Adjustments	(30)	309
Cash Flow Hedges, net of tax	(25)	11
Other	(1)	—
Total Other Comprehensive (Loss) Income	(56)	320
COMPREHENSIVE INCOME	$1,958	$2,123

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

THE HOME DEPOT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

amounts in millions	Three Months Ended April 30, 2017	Three Months Ended May 1, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Earnings	$ 2,014	$ 1,803
Reconciliation of Net Earnings to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	505	486
Stock-Based Compensation Expense	81	72
Changes in Assets and Liabilities:		
Receivables, net	(145)	(57)
Merchandise Inventories	(1,051)	(1,319)
Other Current Assets	51	44
Accounts Payable and Accrued Expenses	2,062	1,828
Deferred Revenue	166	30
Income Taxes Payable	877	844
Deferred Income Taxes	(65)	(78)
Other	69	(17)
Net Cash Provided by Operating Activities	4,564	3,636
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(458)	(325)
Proceeds from Sales of Property and Equipment	13	4
Net Cash Used in Investing Activities	(445)	(321)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of Short-Term Debt, net	(710)	(350)
Proceeds from Long-Term Debt, net of discounts	—	2,989
Repayments of Long-Term Debt	(11)	(3,012)
Repurchases of Common Stock	(1,289)	(1,157)
Proceeds from Sales of Common Stock	31	29
Cash Dividends Paid to Stockholders	(1,069)	(862)
Other Financing Activities	(33)	25
Net Cash Used in Financing Activities	(3,081)	(2,338)
Change in Cash and Cash Equivalents	1,038	977
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(11)	64
Cash and Cash Equivalents at Beginning of Period	2,538	2,216
Cash and Cash Equivalents at End of Period	$ 3,565	$ 3,257

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

THE HOME DEPOT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Consolidated Financial Statements of The Home Depot, Inc. and Subsidiaries (the "Company") have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for interim periods are not necessarily indicative of results for the entire year. As a result, these statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 29, 2017, as filed with the Securities and Exchange Commission on March 23, 2017 (the "2016 Form 10-K").

Valuation Reserves

As of April 30, 2017 and January 29, 2017, the valuation allowances for Merchandise Inventories and uncollectible Receivables were not material.

Recent Accounting Pronouncements

There have been no material changes to the Company’s position regarding recent accounting pronouncements pending adoption as disclosed in the 2016 Form 10-K, except as set forth below.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In addition, ASU No. 2014-09 requires disclosures of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU No. 2014-09 supersedes most existing U.S. GAAP revenue recognition principles, and it permits the use of either the retrospective or modified retrospective transition method. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods.

The Company continues to evaluate the effect that ASU No. 2014-09 will have on its Consolidated Financial Statements and related disclosures and controls. Based on its preliminary assessment, the Company has determined that the adoption of ASU No. 2014-09 could impact the timing of revenue recognition through its services, gift card and various incentive programs. ASU No. 2014-09 will impact the Company’s method of recognizing gift card breakage income, which is currently recognized based upon historical redemption patterns. ASU No. 2014-09 requires gift card breakage income to be recognized in proportion to the pattern of rights exercised by the customer when the Company expects to be entitled to breakage. The Company is also evaluating the principal versus agent considerations as it relates to certain arrangements with third parties that could impact the presentation of gross or net revenue reporting. Other areas which could be impacted may be identified as the Company continues its evaluation of ASU No. 2014-09. The Company plans to adopt ASU No. 2014-09 on January 29, 2018 using the modified retrospective transition method.

Recent accounting pronouncements pending adoption not discussed above or in the 2016 Form 10-K are either not applicable or will not have or are not expected to have a material impact on the Company.

2. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

On January 30, 2017, the Company adopted ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". Upon adoption of this update, all excess tax benefits or deficiencies related to share-based payment awards are recognized in the provision for income taxes in the period in which they occur. Previously these amounts were reflected in paid-in capital. In addition, upon adoption these amounts are classified as an operating activity in the consolidated statements of cash flows in the period in which they occur. Previously, these amounts were reflected as a financing activity. Cash paid by the Company to tax authorities when directly withholding shares for tax withholding purposes will continue to be classified as a financing activity in the consolidated statements of cash flows. Stock-based compensation expense will continue to reflect estimated forfeitures of share-based awards. The Company has adopted the applicable provisions of ASU No. 2016-09 prospectively.

Table of Contents

THE HOME DEPOT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As a result of the adoption of ASU No. 2016-09, the Company recognized $65 million of excess tax benefits related to share-based payment awards in its provision for income taxes during the first quarter of fiscal 2017. The recognition of these benefits contributed $0.05 to Diluted Earnings per Share.

3. FAIR VALUE MEASUREMENTS

The carrying amount of Cash and Cash Equivalents, Receivables and Accounts Payable reported in the Company's Consolidated Balance Sheets approximates fair value due to their short-term maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the assets and liabilities, if any, of the Company that are measured at fair value on a recurring basis (amounts in millions):

	Fair Value at April 30, 2017 Using			Fair Value at January 29, 2017 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative agreements - assets	$ —	$ 221	$ —	$ —	$ 271	$ —

The Company uses derivative financial instruments from time to time in the management of its interest rate exposure on certain Long-Term Debt and its exposure to foreign currency fluctuations.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-lived assets were analyzed for impairment on a nonrecurring basis using fair value measurements with unobservable inputs (level 3). Impairment charges related to long-lived assets in the first three months of fiscal 2017 and 2016 were not material.

The aggregate fair and carrying values of the Company's senior notes were as follows (amounts in billions):

	April 30, 2017		January 29, 2017	
	Fair Value (Level 1)	Carrying Value	Fair Value (Level 1)	Carrying Value
Senior notes	$24.0	$ 22.0	$23.6	$ 22.0

4. BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES

The following table present the reconciliation of basic to diluted weighted average common shares as well as the effect of anti-dilutive securities excluded from diluted weighted average common shares (amounts in millions):

	Three Months Ended	
	April 30, 2017	May 1, 2016
Basic Weighted Average Common Shares	1,198	1,247
Effect of potentially dilutive securities - stock plans	6	5
Diluted Weighted Average Common Shares	1,204	1,252
Effect of anti-dilutive securities excluded from diluted weighted average common shares	1	1

8

Table of Contents
THE HOME DEPOT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

5. COMMITMENTS AND CONTINGENCIES

Data Breach

As previously reported, in the third quarter of fiscal 2014, the Company confirmed that its payment data systems were breached, which potentially impacted customers who used payment cards at self-checkout systems in the Company’s U.S. and Canadian stores (the "Data Breach"). Since the end of fiscal 2016, there have been no material changes with respect to the Data Breach, except as discussed below.

As reported in the 2016 Form 10-K, in the first quarter of fiscal 2017, the Company agreed to settlement terms that, upon approval of the court, will resolve and dismiss the claims asserted in the financial institutions class actions. In addition, in the first quarter of fiscal 2017, the parties to the two purported shareholder derivative actions agreed to settlement terms that, upon approval of the court, will resolve and dismiss the claims asserted in those actions.

As of the end of the first quarter of fiscal 2017, the Company has resolved the most significant claims relating to the Data Breach, and there were no material changes during the first quarter to the Company’s loss contingency assessment relating to any remaining matters. The Company does not believe that the ultimate amounts paid with respect to any remaining matters will have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows in future periods.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the Consolidated Balance Sheet of The Home Depot, Inc. and subsidiaries as of April 30, 2017, and the related Consolidated Statements of Earnings, Comprehensive Income, and Cash Flows for the three-month periods ended April 30, 2017 and May 1, 2016. These Consolidated Financial Statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the Consolidated Financial Statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet of The Home Depot, Inc. and subsidiaries as of January 29, 2017, and the related Consolidated Statements of Earnings, Comprehensive Income, Stockholders' Equity, and Cash Flows for the year then ended (not presented herein); and in our report dated March 23, 2017, we expressed an unqualified opinion on those Consolidated Financial Statements. In our opinion, the information set forth in the accompanying Consolidated Balance Sheet as of January 29, 2017, is fairly stated, in all material respects, in relation to the Consolidated Balance Sheet from which it has been derived.

/s/ KPMG LLP
Atlanta, Georgia
May 22, 2017

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Certain statements contained herein regarding our future performance constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements may relate to, among other things, the demand for our products and services; net sales growth; comparable store sales; effects of competition; state of the economy; state of the residential construction, housing and home improvement markets; state of the credit markets, including mortgages, home equity loans and consumer credit; demand for credit offerings; inventory and in-stock positions; implementation of store, interconnected retail, supply chain and technology initiatives; management of relationships with our suppliers and vendors; the impact and expected outcome of investigations, inquiries, claims and litigation, including those related to the data breach we discovered in the third quarter of fiscal 2014 (the "Data Breach"); issues related to the payment methods we accept; continuation of share repurchase programs; net earnings performance; earnings per share; dividend targets; capital allocation and expenditures; liquidity; return on invested capital; expense leverage; stock-based compensation expense; commodity price inflation and deflation; the ability to issue debt on terms and at rates acceptable to us; the effect of accounting charges; the effect of adopting certain accounting standards; store openings and closures; financial outlook; and the integration of Interline Brands, Inc. ("Interline") into our organization and the ability to recognize the anticipated synergies and benefits of the acquisition.

Forward-looking statements are based on currently available information and our current assumptions, expectations and projections about future events. You should not rely on our forward-looking statements. These statements are not guarantees of future performance and are subject to future events, risks and uncertainties – many of which are beyond our control or are currently unknown to us – as well as potentially inaccurate assumptions that could cause actual results to differ materially from our expectations and projections. These risks and uncertainties include, but are not limited to, those described in Part II, Item 1A, "Risk Factors" and elsewhere in this report. You should read such information in conjunction with our Consolidated Financial Statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. There also may be other factors that we cannot anticipate or that are not described in this report, generally because we do not currently perceive them to be material. Such factors could cause results to differ materially from our expectations.

Forward-looking statements speak only as of the date they are made, and we do not undertake to update these statements other than as required by law. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the Securities and Exchange Commission ("SEC").

EXECUTIVE SUMMARY AND SELECTED FINANCIAL AND OPERATING DATA

Net Sales increased 4.9% to $23.9 billion for the first quarter of fiscal 2017 from $22.8 billion for the first quarter of fiscal 2016. Our total comparable store sales increased 5.5% in the first quarter of fiscal 2017, driven by a 3.9% increase in our comparable store average ticket and a 1.5% increase in our comparable store customer transactions. Comparable store sales for our U.S. stores increased 6.0% in the first quarter of fiscal 2017.

For the first quarter of fiscal 2017, we reported Net Earnings of $2.0 billion and Diluted Earnings per Share of $1.67 compared to Net Earnings of $1.8 billion and Diluted Earnings per Share of $1.44 for the first quarter of fiscal 2016. The results for the first quarter of fiscal 2017 included a $65 million benefit to our Provision for Income Taxes for share-based payment awards resulting from the adoption of ASU No. 2016-09 in the first quarter of fiscal 2017. This benefit contributed $0.05 to Diluted Earnings per Share for the first quarter of fiscal 2017. See Note 2 to the Consolidated Financial Statements included in this report.

In the first quarter of fiscal 2017, we continued to focus on the following:

Customer Experience – Customer experience is anchored on the principles of putting customers first and taking care of our associates, and our commitment to customer service remains strong. In the first quarter of fiscal 2017, we continued to connect our associates to the needs of our customers by empowering our associates to deliver excellent customer service, enabled by differentiated staffing models, tools and organizational support. We also continued to connect our stores to our online properties, and our online properties to our stores, to provide a frictionless customer experience across all channels. In the first quarter of fiscal 2017, we continued the roll out of Interline's product catalog to our stores, which is now operational in over 1,500 U.S. stores, and the capability to accept payment that is linked to existing Interline customer accounts.

We also leveraged our digital assets to better understand our customers and meet their needs through targeted online offerings and localized online experiences. We simplified and expedited our online checkout process, effectively reducing our customers'

11

Table of Contents

checkout time, and we are seeing increased sales, conversion rates and customer satisfaction scores. Sales from our online channels increased 22.8% for the first quarter of fiscal 2017 compared to the same period last year, and represented 6.6% of our total Net Sales for the first quarter of fiscal 2017.

Product Authority – Product authority is facilitated by our merchandising transformation and portfolio strategy, which is focused on delivering product innovation, assortment and value. We strive to be the leader in product authority, connecting products and services to the needs of our customers. In the first quarter of fiscal 2017, our merchants continued to collaborate with our suppliers to introduce a wide range of innovative new products to our do-it-yourself, do-it-for-me and professional customers, while remaining focused on offering everyday values in our stores and online.

Productivity and Efficiency Driven by Capital Allocation – We drive productivity and efficiency through continuous operational improvement in our stores and supply chain. Further, our disciplined capital allocation builds shareholder value through higher returns on invested capital and total value returned to shareholders in the form of dividends and share repurchases. In the first quarter of fiscal 2017, we continued to optimize the flow of products from suppliers to shelves and to our customers' locations through Project Sync. This multi-year supply chain program is designed to create an end-to-end solution that will benefit all participants in our supply chain. We plan to continue to innovate our business model and value chain to support our productivity cycle and enhance overall value for customers throughout the year.

In February 2017, our Board of Directors authorized a new $15.0 billion share repurchase program that replaced the previous authorization. Under the program, we repurchased a total of 8.5 million shares of our common stock for $1.2 billion through the open market during the first quarter of fiscal 2017. Also in February 2017, our Board of Directors increased our targeted dividend payout ratio to 55% of Diluted Earnings per Share for fiscal 2016.

We opened two new stores in the U.S. and one new store in Mexico during the first quarter of fiscal 2017, for a total store count of 2,281 at the end of the quarter. As of the end of the first quarter of fiscal 2017, a total of 302 of our stores, or 13.2%, were located in Canada and Mexico.

We generated $4.6 billion of cash flow from operations in the first quarter of fiscal 2017. This cash flow was used to fund cash payments of $1.3 billion for share repurchases, pay $1.1 billion of dividends, repay $710 million of short-term debt and fund $458 million in capital expenditures.

Our inventory turnover ratio was 4.8 times at the end of the first quarter of both fiscal 2017 and 2016. Our return on invested capital (defined as net operating profit after tax, a non-GAAP financial measure, for the most recent twelve-month period, divided by the average of beginning and ending long-term debt, including current installments, and equity for the most recent twelve-month period) was 32.3% for the first quarter of fiscal 2017 compared to 29.2% for the first quarter of fiscal 2016. For a reconciliation of net operating profit after tax to Net Earnings, the most comparable GAAP financial measure, and our calculation of return on invested capital, see "Non-GAAP Financial Measures" below.

Table of Contents

We believe the percentage relationship between Net Sales and the major categories in the Consolidated Statements of Earnings and the percentage change in the dollar amounts of each of these items as well as the selected sales data presented below are important in evaluating the performance of our business operations.

	% of Net Sales Three Months Ended		
	April 30, 2017	May 1, 2016	% Increase (Decrease) in Dollar Amounts
NET SALES	100.0 %	100.0 %	4.9 %
GROSS PROFIT	34.1	34.2	4.7
Operating Expenses:			
Selling, General and Administrative	18.3	18.8	1.9
Depreciation and Amortization	1.9	1.9	2.5
Total Operating Expenses	20.1	20.7	1.9
OPERATING INCOME	14.0	13.5	8.8
Interest and Other (Income) Expense:			
Interest and Investment Income	(0.1)	—	85.7
Interest Expense	1.1	1.1	4.1
Interest and Other, net	1.0	1.0	1.7
EARNINGS BEFORE PROVISION FOR INCOME TAXES	13.0	12.5	9.4
Provision for Income Taxes	4.6	4.6	5.5
NET EARNINGS	8.4 %	7.9 %	11.7 %
SELECTED SALES DATA[(1)]			
Number of Customer Transactions (in millions)	380.8	374.8	1.6 %
Average Ticket	$62.39	$60.03	3.9 %
Sales per Square Foot	$394.17	$376.73	4.6 %
Comparable Store Sales Increase (%)[(2)]	5.5 %	6.5 %	N/A
Online Sales (% of Net Sales)[(3)]	6.6 %	5.7 %	22.8 %

Note: Certain percentages may not sum to totals due to rounding.

(1) Selected Sales Data does not include results for Interline, which was acquired in the third quarter of fiscal 2015.

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

(3) Consists of sales generated online through our websites for products picked up in stores or delivered to customer locations.

N/A – Not Applicable

Table of Contents

RESULTS OF OPERATIONS

Net Sales for the first quarter of fiscal 2017 increased 4.9% to $23.9 billion from $22.8 billion for the first quarter of fiscal 2016. The increase in Net Sales for the first quarter of fiscal 2017 primarily reflects the impact of positive comparable store sales driven by average ticket growth and increased customer transactions. The increase in Net Sales was partially offset by pressure from foreign currency fluctuations, which negatively impacted total sales growth by $71 million in the first quarter of fiscal 2017.

Total comparable store sales increased 5.5% for the first quarter of fiscal 2017, which reflects a number of factors, including the execution of our strategy and broad-based growth across our stores. All of our departments posted positive comparable store sales for the first quarter of fiscal 2017. Comparable store sales for our Appliances, Lumber, Flooring, Tools, Electrical, Plumbing, Décor, Kitchen and Bath, and Indoor Garden product categories were above or at the Company average for the first quarter of fiscal 2017. Further, our comparable store average ticket increased 3.9% for the first quarter of fiscal 2017, due in part to strong sales in big ticket purchases such as appliances, flooring and roofing, offset in part by pressure from foreign currency fluctuations. Our comparable store customer transactions increased 1.5% for the first quarter of fiscal 2017.

Gross Profit increased 4.7% to $8.2 billion for the first quarter of fiscal 2017 from $7.8 billion for the first quarter of fiscal 2016. Gross Profit as a percent of Net Sales, or gross profit margin, was 34.1% for the first quarter of fiscal 2017 compared to 34.2% for the first quarter of fiscal 2016. The decrease in gross profit margin for the first quarter of fiscal 2017 reflects the impact of product mix changes.

Selling, General and Administrative expenses ("SG&A") increased 1.9% to $4.4 billion for the first quarter of fiscal 2017 from $4.3 billion for the first quarter of fiscal 2016. As a percent of Net Sales, SG&A was 18.3% for the first quarter of fiscal 2017 compared to 18.8% for the first quarter of fiscal 2016. The decrease in SG&A as a percent of Net Sales for the first quarter of fiscal 2017 reflects expense leverage resulting from the positive comparable store sales environment and continued expense control.

Depreciation and Amortization increased 2.5% to $444 million for the first quarter of fiscal 2017 from $433 million for the first quarter of fiscal 2016. Depreciation and Amortization as a percent of Net Sales was 1.9% for the first quarter of both fiscal 2017 and 2016. Depreciation and Amortization as a percent of Net Sales for the first quarter of fiscal 2017 reflects expense leverage resulting from the positive comparable store sales environment.

Operating Income increased 8.8% to $3.3 billion for the first quarter of fiscal 2017 from $3.1 billion for the first quarter of fiscal 2016. Operating Income as a percent of Net Sales was 14.0% for the first quarter of fiscal 2017 compared to 13.5% for the first quarter of fiscal 2016.

For the first quarter of fiscal 2017, we recognized $241 million of Interest and Other, net, compared to $237 million for the first quarter of fiscal 2016. Interest and Other, net, as a percent of Net Sales was 1.0% for the first quarter of both fiscal 2017 and 2016.

Our combined effective income tax rate was 35.2% for the first quarter of fiscal 2017 compared to 36.5% for the first quarter of fiscal 2016. The effective income tax rate for the first quarter of fiscal 2017 included a $65 million benefit to our Provision for Income Taxes for share-based payment awards as a result of the adoption of ASU No. 2016-09.

Diluted Earnings per Share were $1.67 for the first quarter of fiscal 2017 compared to $1.44 for the first quarter of fiscal 2016. Diluted Earnings per Share for the first quarter of fiscal 2017 included $0.05 of benefit as a result of the adoption of ASU No. 2016-09.

Non-GAAP Financial Measures

To provide clarity, internally and externally, about our operating performance, we supplement our reporting with certain non-GAAP financial measures. However, this supplemental information should not be considered in isolation or as a substitute for the related GAAP measures. Non-GAAP financial measures presented herein may differ from similar measures used by other companies.

Return on Invested Capital

We believe return on invested capital ("ROIC") is meaningful for investors and management because it measures how effectively we deploy our capital base. We define ROIC as net operating profit after tax ("NOPAT"), a non-GAAP financial measure, for the most recent twelve-month period, divided by the average of beginning and ending long-term debt, including current installments, and equity for the most recent twelve-month period.

Table of Contents

The following table provides our ROIC calculation and reconciles NOPAT to Net Earnings, the most comparable GAAP financial measure, for the twelve months ended April 30, 2017 and May 1, 2016 (amounts in millions):

	For the Twelve Months Ended	
	April 30, 2017	May 1, 2016
Net Earnings	$8,168	$7,233
Add:		
Interest and Other, net	940	797
Provision for Income Taxes	4,591	4,224
Operating Income	13,699	12,254
Subtract:		
Income Tax Adjustment (1)	4,936	4,464
Net Operating Profit After Tax	$8,763	$7,790
Average Debt and Equity (2)	$27,091	$26,639
Return on Invested Capital (NOPAT / Average Debt and Equity)	32.3 %	29.2 %

(1) Income Tax Adjustment is defined as Operating Income multiplied by the Company's effective tax rate.
(2) Average Debt and Equity is defined as the average of beginning and ending long-term debt, including current installments, and equity for the most recent twelve-month period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operations provides us with a significant source of liquidity. For the first quarter of fiscal 2017, Net Cash Provided by Operating Activities was $4.6 billion compared to $3.6 billion for the same period in fiscal 2016. This increase was primarily due to $268 million more in cash provided by the effective management of Merchandise Inventories, a $234 million increase in cash flows from Accounts Payable and Accrued Expenses related to the timing of purchases and payments, and a $211 million increase in Net Earnings resulting from higher comparable store sales and expense leverage.

Net Cash Used in Investing Activities for the first quarter of fiscal 2017 was $445 million compared to $321 million for the same period in fiscal 2016. This change was primarily due to a $133 million increase in Capital Expenditures in the first quarter of fiscal 2017 compared to the same period in fiscal 2016.

Net Cash Used in Financing Activities for the first quarter of fiscal 2017 was $3.1 billion compared to $2.3 billion for the same period of fiscal 2016. This change was primarily the result of $360 million more in Repayments of Short-Term Debt, $207 million more in Cash Dividends Paid to Stockholders and $132 million more in Repurchases of Common Stock in the first quarter of fiscal 2017 compared to the same period in fiscal 2016.

We have commercial paper programs that allow for borrowings up to $2.0 billion. In connection with these programs, we have a back-up credit facility with a consortium of banks for borrowings up to $2.0 billion. The credit facility expires in December 2019 and contains various restrictive covenants. At April 30, 2017, we were in compliance with all of the covenants, and they are not expected to impact our liquidity or capital resources. During the first quarter of fiscal 2017, all of our short-term borrowings were under these commercial paper programs, and the maximum amount outstanding at any time during the first quarter of fiscal 2017 was $1.0 billion. As of April 30, 2017, there were no borrowings outstanding under the commercial paper programs or the related credit facility.

As of April 30, 2017, we had $3.6 billion in Cash and Cash Equivalents. We believe that our current cash position, access to the long-term debt capital markets and cash flow generated from operations should be sufficient not only for our operating requirements but also to enable us to complete our capital expenditure programs and fund dividend payments, share repurchases and any required long-term debt payments through the next several fiscal years. In addition, we have funds available from our commercial paper programs and the ability to obtain alternative sources of financing.

15

Table of Contents

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recently issued accounting pronouncements which may be applicable to us, see Note 1 to the Consolidated Financial Statements included in this report.

On January 30, 2017, we adopted ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". See Note 2 to the Consolidated Financial Statements included in this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risks results primarily from fluctuations in interest rates. We are also exposed to risks from foreign currency exchange rate fluctuations on the translation of our foreign operations into U.S. dollars and on the purchase of goods by these foreign operations that are not denominated in their local currencies. There have been no material changes to our exposure to market risks from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017 as filed with the SEC on March 23, 2017 (the "2016 Form 10-K").

Item 4. Controls and Procedures

Under the direction and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) and concluded that its disclosure controls and procedures were effective as of April 30, 2017. There has been no change in the Company's internal control over financial reporting during the fiscal quarter ended April 30, 2017, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth below, there were no material changes during the first quarter of fiscal 2017 to our disclosure in Item 3 of our 2016 Form 10-K.

For a description of the matters related to the Data Breach, see Note 5 to the Consolidated Financial Statements included in Part I, Item 1, "Financial Statements", which description is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed under Item 1A, "Risk Factors" and elsewhere in our 2016 Form 10-K. These risks and uncertainties could materially and adversely affect our business, financial condition and results of operations. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business. There have been no material changes in the risk factors discussed in our 2016 Form 10-K.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

1. During the first quarter of fiscal 2017, the Company issued 547 deferred stock units under The Home Depot, Inc. Non-Employee Directors' Deferred Stock Compensation Plan pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of the SEC's Regulation D thereunder. The deferred stock units were credited to the accounts of those non-employee directors who elected to receive all or a portion of board retainers in the form of deferred stock units instead of cash during the first quarter of fiscal 2017. The deferred stock units convert to shares of common stock on a one-for-one basis following a termination of service as described in this plan.

2. During the first quarter of fiscal 2017, the Company credited 1,283 deferred stock units to participant accounts under The Home Depot FutureBuilder Restoration Plan pursuant to an exemption from the registration requirements of the Securities Act for involuntary, non-contributory plans. The deferred stock units convert to shares of common stock on a one-for-one basis following the termination of service as described in this plan.

(b) Purchases of Equity Securities

In the first quarter of fiscal 2017, the Board of Directors authorized a $15.0 billion share repurchase program. Through the end of the first quarter of fiscal 2017, the Company has repurchased shares of its common stock having a value of approximately $1.2 billion under this program. The number and average price of shares purchased in each fiscal month of the first quarter of fiscal 2017 are set forth in the table below:

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Program(2)	Dollar Value of Shares that May Yet Be Purchased Under the Program(2)
January 30, 2017 – February 26, 2017	663,078	$ 145.06	522,500	$ 14,924,133,239
February 27, 2017 – March 26, 2017	3,932,835	$ 147.21	3,609,685	$ 14,392,857,295
March 27, 2017 – April 30, 2017	4,619,924	$ 148.54	4,324,537	$ 13,750,000,298
	9,215,837	$ 147.72	8,456,722	

(1) These amounts include repurchases pursuant to the Company's 1997 and Amended and Restated 2005 Omnibus Stock Incentive Plans (the "Plans"). Under the Plans, participants may surrender shares as payment of applicable tax withholding on the vesting of restricted stock and deferred share awards. Participants in the Plans may also exercise stock options by surrendering shares of common stock that the participants already own as payment of the exercise price. Shares so surrendered by participants in the Plans are repurchased pursuant to the terms of the Plans and applicable award agreement and not pursuant to publicly announced share repurchase programs.

(2) In the first quarter of fiscal 2017, the Board of Directors authorized a $15.0 billion share repurchase program that replaced the previous authorization. The program does not have a prescribed expiration date.

Table of Contents

Item 6. Exhibits

Exhibits marked with an asterisk (*) are incorporated by reference to exhibits or appendices previously filed with the SEC, as indicated by the references in brackets. All other exhibits are filed or furnished herewith.

*3.1	Amended and Restated Certificate of Incorporation of The Home Depot, Inc. [Form 10-Q filed on September 1, 2011, Exhibit 3.1]
*3.2	By-Laws of The Home Depot, Inc. (Amended and Restated Effective March 3, 2016). [Form 8-K filed on March 8, 2016, Exhibit 3.2]
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.
15.1	Acknowledgment of Independent Registered Public Accounting Firm, dated May 22, 2017.
31.1	Certification of the Chief Executive Officer and President pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Chief Financial Officer and Executive Vice President – Corporate Services pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and President furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer and Executive Vice President – Corporate Services furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2017, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE HOME DEPOT, INC.
(Registrant)

By: /s/ CRAIG A. MENEAR
Craig A. Menear
Chairman, Chief Executive Officer and
President

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

May 22, 2017
(Date)

19

Table of Contents

INDEX TO EXHIBITS

Exhibit	Description
	Exhibits marked with an asterisk (*) are incorporated by reference to exhibits or appendices previously filed with the SEC, as indicated by the references in brackets. All other exhibits are filed or furnished herewith.
*3.1	Amended and Restated Certificate of Incorporation of The Home Depot, Inc. [Form 10-Q filed on September 1, 2011, Exhibit 3.1]
*3.2	By-Laws of The Home Depot, Inc. (Amended and Restated Effective March 3, 2016). [Form 8-K filed on March 8, 2016, Exhibit 3.2]
12.1	Statement of Computation of Ratio of Earnings to Fixed Charges.
15.1	Acknowledgment of Independent Registered Public Accounting Firm, dated May 22, 2017.
31.1	Certification of the Chief Executive Officer and President pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2	Certification of the Chief Financial Officer and Executive Vice President – Corporate Services pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer and President furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer and Executive Vice President – Corporate Services furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2017, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Earnings; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to the Consolidated Financial Statements.

20