HP INC
Form 10-K
December 15, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 2016
Or

o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number 1-4423

HP INC.
(Exact name of registrant as specified in its charter)

Delaware	94-1081436
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1501 Page Mill Road, Palo Alto, California	94304
(Address of principal executive offices)	(Zip code)

Registrant’s telephone number, including area code: (650) 857-1501
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the registrant’s common stock held by non-affiliates was $20,976,115,846 based on the last sale price of common stock on April 30, 2016.

The number of shares of HP Inc. common stock outstanding as of November 30, 2016 was 1,705,451,042 shares.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	10-K PART
Portions of the Registrant’s proxy statement related to its 2016 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant’s fiscal year end of October 31, 2016 are incorporated by reference into Part III of this Report.	III

HP INC. AND SUBSIDIARIES
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In this report on Form 10-K, for all periods presented, “we”, “us”, “our”, “company”, “HP” and “HP Inc.” refer to HP Inc. and subsidiaries (formerly Hewlett-Packard Company).

Forward-Looking Statements

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, contains forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of HP Inc. and its consolidated subsidiaries ("HP") may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of net revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, deferred tax assets, share repurchases, currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring and other charges; any statements of the plans, strategies and objectives of management for future operations, including, the execution of restructuring plans and any resulting cost savings, net revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief, including with respect to the timing and expected benefits of acquisitions and other business combination and investment transactions; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the need to address the many challenges facing HP's businesses; the competitive pressures faced by HP's businesses; risks associated with executing HP's strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of HP's products and the delivery of HP's services effectively; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; risks associated with HP's international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers, clients and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the results of the restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of the restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including but not limited to the items discussed in "Risk Factors" in Item 1A of Part I of this report and that are otherwise described or updated from time to time in HP's other filings with the Securities and Exchange Commission ("the SEC"). HP assumes no obligation and does not intend to update these forward-looking statements.

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PART I

ITEM 1. Business.

Business Overview

We are a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses ("SMBs") and large enterprises, including customers in the government, health and education sectors.

HP was incorporated in 1947 under the laws of the state of California as the successor to a partnership founded in 1939 by William R. Hewlett and David Packard. Effective in May 1998, we changed our state of incorporation from California to Delaware.

HP Inc. Separation Transaction

On November 1, 2015 (the "Distribution Date"), we completed the separation of Hewlett Packard Enterprise Company ("Hewlett Packard Enterprise"), Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses (the "Separation"). In connection with the Separation, Hewlett-Packard Company changed its name to HP Inc. ("HP").

On the Distribution Date, each of our stockholders of record as of the close of business on October 21, 2015 (the "Record Date") received one share of Hewlett Packard Enterprise common stock for every one share of our common stock held as of the Record Date. We distributed a total of approximately 1.8 billion shares of Hewlett Packard Enterprise common stock to our stockholders. Hewlett Packard Enterprise is an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "HPE". After the Separation, we do not beneficially own any shares of Hewlett Packard Enterprise common stock.

In connection with the Separation, we and Hewlett Packard Enterprise have entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between the parties going forward, including among others a tax matters agreement, an employee matters agreement, a transition service agreement, a real estate matters agreement, a master commercial agreement and an information technology service agreement.

HP Products and Services; Segment Information

We are a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions and services. We sell to individual consumers, small- and medium-sized businesses and large enterprises, including customers in the government, health and education sectors. We have three segments for financial reporting purposes: Personal Systems, Printing and Corporate Investments. The Personal Systems segment offers Commercial personal computers ("PCs"), Consumer PCs, workstations, thin clients, Commercial tablets and mobility devices, retail point-of-sale ("POS") systems, displays and other related accessories, software, support, and services for the commercial and consumer markets. The Printing segment provides consumer and commercial printer hardware, supplies, media, solutions and services, as well as scanning devices. Corporate Investments includes HP Labs and certain business incubation projects.

In each of the past three fiscal years, notebook PCs, printing supplies, printing Commercial Hardware and desktop PCs each accounted for more than 10% of our consolidated net revenue.

A summary of our net revenue, earnings from operations and assets for our segments can be found in Note 3, "Segment Information" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. A discussion of factors potentially affecting our operations is set forth in "Risk Factors" in Item 1A, which is incorporated herein by reference.

Personal Systems

Personal Systems provides Commercial PCs, Consumer PCs, workstations, thin clients, Commercial tablets and mobility devices, retail POS systems, displays and other related accessories, software, support and services for the commercial and consumer markets. We group Commercial notebooks, Commercial desktops, Commercial services, Commercial tablets and mobility devices, Commercial detachables, workstations, retail POS systems and thin clients into Commercial clients and Consumer notebooks, Consumer desktops, Consumer services and Consumer detachables into Consumer clients when describing performance in these markets. Both Commercial and Consumer PCs and Commercial tablets and mobility devices are based predominately on Microsoft Windows operating systems and use processors from Intel Corporation ("Intel") and Advanced Micro Devices, Inc. ("AMD"). Personal Systems also maintains a multi-operating system, multi-architecture strategy using the Google Chrome and Android operating systems among others for notebooks and tablets.

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Commercial PCs are optimized for use by customers including enterprise and SMB customers, with a focus on robust designs, security, serviceability, connectivity, reliability and manageability in networked environments. Commercial PCs include the HP ProBook and HP EliteBook lines of notebooks and hybrids (detachable tablets), the HP Pro and HP Elite lines of business desktops and all-in-ones, retail POS systems, HP Thin Clients, HP ElitePad, HP Pro Tablet PCs and HP Chromebook. Commercial PCs also include workstations that are designed and optimized for high-performance and demanding application environments including Z desktop workstations, Z all-in-ones and Z mobile workstations. Additionally, we offer a range of services and solutions to enterprise and SMB customers to help them manage the lifecycle of their PC and mobility installed base.

Consumer PCs are notebooks, desktops and hybrids that are optimized for consumer usage, focusing on multi-media consumption, online browsing and light productivity and include the HP Spectre, HP Envy, HP Pavilion, HP Chromebook, Omen by HP, hybrids and all-in-one desktops.

Printing

Printing provides consumer and commercial printer hardware, supplies, media, solutions and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial markets. HP groups LaserJet, Graphics and PageWide printers into Commercial Hardware and Consumer and Inkjet printers into Consumer Hardware when describing performance in these markets. Described below are our global business capabilities within Printing.

LaserJet and Enterprise Solutions delivers our LaserJet printers, supplies and solutions to SMBs and large enterprises. We go to market through our extensive channel network and directly with HP sales. Ongoing key initiatives include design and deployment of A3 products and solutions for the copier and multifunction printer market, printer security solutions, PageWide Enterprise solutions and award-winning JetIntelligence products.

Inkjet and Printing Solutions delivers our consumer, SMB and PageWide Inkjet solutions (hardware, supplies, media, and web-connected hardware and services). Ongoing initiatives and programs such as Instant Ink and newer initiatives such as Continuous Ink Supply System provide innovative printing solutions to consumers and SMBs.

Graphics Solutions delivers large format printers (DesignJet, Large Format Production and Scitex Industrial), specialty printing, digital press solutions (Indigo and PageWide Presses), supplies and services to print service providers and design and rendering customers.

Print Solutions provides end-to-end services, as well as core platforms to develop and deploy services across printing systems. HP’s focus includes driving customer value through managed print services and providing support solutions for new and existing customers.

3D Printing delivers HP’s Multi-Jet Fusion 3D Printing Solution designed for prototyping and production of functional parts and functioning on an open platform facilitating the development of new 3D printing materials.

Corporate Investments

Corporate Investments includes HP Labs and certain business incubation projects.

Sales, Marketing and Distribution

We manage our business and report our financial results based on the business segments described above. Our customers are organized by consumer and commercial groups, and purchases of HP products, solutions and services may be fulfilled directly by HP or indirectly through a variety of partners, including:

- retailers that sell our products to the public through their own physical or Internet stores;
- resellers that sell our products and services, frequently with their own value-added products or services, to targeted customer groups;
- distribution partners that supply our solutions to resellers; and
- system integrators and other advisory firms that provide various levels of management and IT consulting, including some systems integration work, and typically partner with us on client solutions that require our unique products and services.

The mix of our business conducted by direct sales or channel differs substantially by business and region. We believe that customer buying patterns and different regional market conditions require us to tailor our sales, marketing and distribution efforts accordingly. We are focused on driving the depth and breadth of our coverage, in addition to identifying efficiencies and productivity gains, in both our direct and indirect businesses. While each of our key business segments manage the execution of its own go-to-market and distribution strategy, our business segments also collaborate to ensure strategic and process alignment

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where appropriate. For example, we typically assign an account manager to manage relationships across our business with large enterprise customers. The account manager is supported by a team of specialists with product and services expertise. For other customers and for consumers, we typically manage direct online sales as well as channel relationships with retailers, while our business segments collaborate to manage relationships with commercial resellers targeting SMBs where appropriate.

Manufacturing and Materials

We utilize a significant number of outsourced manufacturers (“OMs”) around the world to manufacture HP-designed products. The use of OMs is intended to generate cost efficiencies and reduce time to market for HP-designed products. We use multiple OMs to maintain flexibility in our supply chain and manufacturing processes. In some circumstances, third-party suppliers produce products that we purchase and resell under the HP brand. In addition to our use of OMs, we currently manufacture a limited number of finished products from components and subassemblies that we acquire from a wide range of vendors.

We utilize two primary methods of fulfilling demand for products: building products to order and configuring products to order. We build products to order to maximize manufacturing and logistics efficiencies by producing high volumes of basic product configurations. Alternatively, configuring products to order enables units to match a customer’s particular hardware and software customization requirements. Our inventory management and distribution practices in both building products to order and configuring products to order seek to minimize inventory holding periods by taking delivery of the inventory and manufacturing shortly before the sale or distribution of products to our customers.

We purchase materials, supplies and product subassemblies from a substantial number of vendors. For most of our products, we have existing alternate sources of supply or such alternate sources of supply are readily available. However, we do rely on sole sources for laser printer engines, LaserJet supplies, certain customized parts and parts for products with short life cycles (although some of these sources have operations in multiple locations in the event of a disruption). For instance, we source laser printer engines and laser toner cartridges from Canon. Any non-renewal, or limitation or reduction of the scope of our agreement with Canon could adversely affect our net revenue from LaserJet products; however, we have a long-standing business relationship with Canon and do not anticipate non-renewal of this agreement.

We are dependent upon Intel and AMD as suppliers of x86 processors and Microsoft for various software products; however, we believe that disruptions with these suppliers would result in industry-wide ramifications and therefore would not disproportionately disadvantage us relative to our competitors. See “Risk Factors—We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers effectively,” in Item 1A, which is incorporated herein by reference.

Like other participants in the information technology (“IT”) industry, we ordinarily acquire materials and components through a combination of blanket and scheduled purchase orders to support our demand requirements for periods averaging 90 to 120 days. From time to time, we may experience significant price volatility or supply constraints for certain components that are not available from multiple sources. We also may acquire component inventory in anticipation of supply constraints or enter into longer-term pricing commitments with vendors to improve the priority, price and availability of supplies. See “Risk Factors—We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers effectively,” in Item 1A, which is incorporated herein by reference.

Sustainability also plays a role in the manufacturing and sourcing of materials and components for our products. Some customer segments expect that our products are made in an ethical and sustainable manner, which we strive to ensure through our sustainability programs. We have committed to building an efficient and sustainable supplier network, and we collaborate with our suppliers to improve their labor practices and working conditions, and to reduce the environmental impact of their operations. These actions, together with our broader sustainability program, help us in our effort to meet customer sustainability requirements and comply with regulations, for example, regarding supplier labor practices and conflict minerals disclosure. For more information on our sustainability goals, programs, and performance, we refer you to our annual sustainability report, available on our website (which is not incorporated by reference herein).

International

Our products and services are available worldwide. We believe this geographic diversity allows us to meet demand on a worldwide basis for both consumer and enterprise customers, draws on business and technical expertise from a worldwide workforce, provides stability to our operations, provides revenue streams that may offset geographic economic trends and offers us an opportunity to access new markets for maturing products. In addition, we believe that future growth is dependent in part on our ability to develop products and sales models that target developing countries. In this regard, we believe that our broad geographic presence gives us a solid base on which to build such future growth.

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A summary of our domestic and international net revenue and net property, plant and equipment is set forth in Note 3, “Segment Information” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Approximately 63% of our overall net revenue in fiscal year 2016 came from outside the United States.

For a discussion of risks attendant to HP’s international operations, see “Risk Factors—Due to the international nature of our business, political or economic changes or other factors could harm our business and financial performance,” in Item 1A, “Quantitative and Qualitative Disclosure about Market Risk,” in Item 7A and Note 12, “Borrowings” to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Research and Development

Innovation is a key element of our culture. Our development efforts are focused on designing and developing products, services and solutions that anticipate customers’ changing needs and desires, and emerging technological trends. Our efforts also are focused on identifying the areas where we believe we can make a unique contribution and the areas where partnering with other leading technology companies will leverage our cost structure and maximize our customers’ experiences.

HP Labs, together with the various research and development groups within our business segments, is responsible for our research and development efforts. HP Labs is part of our Corporate Investments segment.

Expenditures for research and development were $1.2 billion in fiscal year 2016, $1.2 billion in fiscal year 2015 and $1.3 billion in fiscal year 2014. We anticipate that we will continue to have significant research and development expenditures in the future to support the design and development of innovative, high-quality products and services to maintain and enhance our competitive position.

For a discussion of risks attendant to our research and development activities, see “Risk Factors—If we cannot successfully execute our go-to-market strategy and continue to develop, manufacture and market innovative products and services, our business and financial performance may suffer,” in Item 1A, which is incorporated herein by reference.

Patents

Our general policy has been to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. At October 31, 2016, our worldwide patent portfolio included over 18,000 patents.

Patents generally have a term of twenty years from the date they are filed. As our patent portfolio has been built over time, the remaining terms of the individual patents across our patent portfolio vary. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our products and services, enhancing our freedom of action to sell our products and services in markets in which we choose to participate, and maximizing our return on research and development investments. No single patent is in itself essential to HP as a whole or to any of HP’s business segments.

In addition to developing our patent portfolio, we license intellectual property (“IP”) from third parties as we deem appropriate. We have also granted and continue to grant to others licenses, and other rights, under our patents when we consider these arrangements to be in our interest. These license arrangements include a number of cross-licenses with third parties.

For a discussion of risks attendant to IP rights, see “Risk Factors—Our financial performance may suffer if we cannot continue to develop, license or enforce the intellectual property rights on which our businesses depend,” in Item 1A, which is incorporated herein by reference.

Backlog

We believe that backlog is not a meaningful indicator of future business prospects due to our diverse products and services portfolio, including the large volume of products delivered from finished goods or channel partner inventories and the shortening of product life cycles. Therefore, we believe that backlog information is not material to an understanding of our overall business.

Seasonality

General economic conditions have an impact on our business and financial results. From time to time, the markets in which we sell our products and services experience weak economic conditions that may negatively affect sales. We experience some seasonal trends in the sale of our products and services. For example, European sales are often weaker in the summer months and consumer sales are often stronger in the fourth calendar quarter. Demand during the spring and early summer months also may be adversely impacted by market anticipation of seasonal trends. See “Risk Factors—Our uneven sales cycle makes planning and inventory management difficult and future financial results less predictable,” in Item 1A, which is incorporated herein by reference.

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Competition

We encounter strong competition in all areas of our business activity. We compete on the basis of technology, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support, security, availability of application software and internet infrastructure offerings, and our sustainability performance.

The markets for each of our key business segments are characterized by strong competition among major corporations with long-established positions and a large number of new and rapidly growing firms. Most product life cycles are short, and to remain competitive we must develop new products and services, periodically enhance our existing products and services and compete effectively on the basis of the factors listed above. In addition, we compete with many of our current and potential partners, including OEMs that design, manufacture and often market their products under their own brand names. Our successful management of these competitive partner relationships will be critical to our future success. Moreover, we anticipate that we will have to continue to adjust prices on many of our products and services to stay competitive.

We have a broad technology portfolio spanning personal computing and other access devices, imaging and printing-related products and services. We are the leader or among the leaders in each of our key business segments. The competitive environment in which each key segment operates is described below:

Personal Systems. The markets in which Personal Systems operates are highly competitive and are characterized by price competition. The decline in the PC market has moderated, though the PC market still faces uncertainty. Our primary competitors are Lenovo Group Limited, Dell Inc., Acer Inc., ASUSTeK Computer Inc., Apple Inc., Toshiba Corporation and Samsung Electronics Co., Ltd. In particular regions, we also experience competition from local companies and from generically-branded or “white box” manufacturers. Our competitive advantages include our broad product portfolio, our innovation and research and development capabilities, our brand and procurement leverage, our ability to cross-sell our portfolio of offerings, our extensive service and support offerings and the accessibility of our products through a broad-based distribution strategy from retail and commercial channels to direct sales.

Printing. The markets for printer hardware and associated supplies are highly competitive. Printing’s key customer segments each face competitive market pressures in pricing and the introduction of new products. Our primary competitors include Canon Inc., Lexmark International, Inc., Xerox Corporation Ltd., Seiko Epson Corporation, The Ricoh Company Ltd. and Brother Industries, Ltd. In addition, independent suppliers offer refill and remanufactured alternatives for HP original inkjet and toner supplies, which are often available for lower prices but generally offer lower print quality and reliability. Other competitors also have developed and marketed new compatible cartridges for HP’s laser and inkjet products, particularly outside of the United States where IP protection is inadequate or ineffective. Our competitive advantages include our comprehensive solutions for the home, office and publishing environments, our innovation and research and development capabilities, our brand, and the accessibility of our products through a broad-based distribution strategy from retail and commercial channels to direct sales.

For a discussion of risks attendant to these competitive factors, see “Risk Factors—We operate in an intensely competitive industry and competitive pressures could harm our business and financial performance,” in Item 1A, which is incorporated herein by reference

Sustainability

Our approach to sustainability covers a broad range of sustainability issues across three pillars: environment, society and integrity. We prioritize issues to address based on their relative importance to our business success and sustainable development.

Environment. We are focused on reinventing the way that products are designed, manufactured, used and recovered as we shift our business model and operations toward a materials and energy-efficient circular economy that promotes greater resource productivity and aims to reduce waste. Working with our supply chain partners, we strive to reduce the environmental impact of our products at every stage of the value chain.

Society. We strive to empower workers and ensure protections for the people who make our products. Our agreements with our suppliers require that workers receive fair treatment, safe working conditions and freely chosen employment. We work to enforce these requirements with suppliers through proactive engagement and training, and corrective action plans when needed.

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Integrity. We are committed to acting with integrity, fairness, and accountability, which we believe are fundamental to an inclusive society and a thriving business. We also expect ethical behavior by our employees, partners and suppliers, and we have structures, programs, and processes in place to safeguard human rights across our value chain.

Goals. Our current long-term sustainability goals are:

- Commit to 100% renewable electricity in our global operations with 40% by 2020;
- Achieve zero deforestation associated with HP brand paper and paper-based product packaging (which is the box that comes with the product and all paper inside the box) by 2020; and
- Reduce the greenhouse gas emissions intensity of HP's product portfolio (which refers to tonnes CO_2e/net revenue arising from the use of more than 95% of HP product units shipped each year) by 25% by 2020, compared to 2010.

For more information on our sustainability goals, programs, and performance, we refer you to our annual sustainability report, available on our website (which is not incorporated by reference herein).

Environment

Our operations are subject to regulation under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. We could incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws.

Many of our products are subject to various federal, state, local and foreign laws governing chemical substances in products and their safe use, including laws regulating the manufacture and distribution of chemical substances and laws restricting the presence of certain substances in electronics products. Most of our products also are subject to requirements applicable to their energy consumption. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the chemical and materials composition of our products, and their safe use.

We proactively evaluate and at times replace materials in our products and supply chain, taking into account published lists of substances of concern, new and upcoming legal requirements, customer preferences and scientific analysis that indicates a potential impact to human health or the environment.

We are also subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including computers and printers, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as “product take-back legislation”). We intend for our products to be easily reused and re-cycled, and we provide many of our customers with reuse and recycling programs.

In the event our products become non-compliant with these laws, our products could be restricted from entering certain jurisdictions and we could face other sanctions, including fines.

Our operations, and ultimately our products, are expected to become increasingly subject to federal, state, local and foreign laws, regulations and international treaties relating to climate change. We strive to continually improve the energy efficiency of our product portfolio and deliver more cost-effective and less greenhouse gas-intensive technology solutions to our customers. As these and other new laws, regulations, treaties and similar initiatives and programs are adopted and implemented throughout the world, we will be required to comply or potentially face market access limitations or other sanctions, including fines. However, we believe that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and we are collaborating with industry, business groups and governments to find and promote ways that HP technology can be used to address climate change and to facilitate compliance with related laws, regulations and treaties.

We are committed to maintaining compliance with all environmental laws applicable to our operations, products and services and to reducing our environmental impact across all aspects of our business. We meet this commitment with our sustainability policy, our comprehensive environmental, health and safety policy, strict environmental management of our operations and worldwide environmental programs and services.

A liability for environmental remediation and other environmental costs is accrued when we consider it probable that a liability has been incurred and the amount of loss can be reasonably estimated. Environmental costs and accruals are presently not material to our operations, cash flows or financial position. Although there is no assurance that existing or future environmental laws applicable to our operations or products will not have a material adverse effect on our operations, cash flows or financial condition, we do not currently anticipate material capital expenditures for environmental control facilities.

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For a discussion of risks attendant to these environmental factors, see “Risk Factors—Our business is subject to various federal, state, local and foreign laws and regulations that could result in costs or other sanctions that adversely affect our business and results of operations,” in Item 1A, which is incorporated herein by reference. In addition, for a discussion of our environmental contingencies see Note 15, “Litigation and Contingencies” to the Consolidated Financial Statements in Item 8, which is also incorporated herein by reference.

Executive Officers

The following are our current executive officers:

Ron Coughlin; age 50; President, Personal Systems

Mr. Coughlin has served as President, Personal Systems since November 2015. Mr. Coughlin joined Hewlett-Packard Company from PepsiCo in June 2007 as the senior vice president of the Imaging and Printing Group Worldwide Strategy and Marketing team. In 2010, Mr. Coughlin transitioned to lead the LaserJet and Enterprise Solutions global business unit at Hewlett-Packard Company and later ran Consumer Personal Systems at Hewlett-Packard Company.

Jon Flaxman; age 59; Chief Operating Officer

Mr. Flaxman has served as Chief Operating Officer since November 2015. Previously, Mr. Flaxman served as Senior Vice President and Chief Financial Officer for Hewlett-Packard Company’s Printing and Personal Systems Group. Prior to such role, he was Senior Vice President of Finance for Hewlett-Packard Company’s Imaging and Printing Group for four years. From March 2007 to November 2008, Mr. Flaxman was Chief Administrative Officer and Executive Vice President of Hewlett-Packard Company. Mr. Flaxman joined Hewlett-Packard Company in 1981.

Tracy S. Keogh; age 55; Chief Human Resources Officer

Ms. Keogh has served as Chief Human Resources Officer since November 2015. Previously, Ms. Keogh served as Executive Vice President, Human Resources of Hewlett-Packard Company from April 2011 to November 2015. Prior to joining Hewlett-Packard Company, Ms. Keogh served as Senior Vice President of Human Resources at Hewitt Associates, a provider of human resources consulting services, from May 2007 until March 2011.

Catherine A. Lesjak; age 57; Chief Financial Officer

Ms. Lesjak has served as Chief Financial Officer since November 2015. Previously, Ms. Lesjak served as Executive Vice President and Chief Financial Officer of Hewlett-Packard Company from 2007 to November 2015. Ms. Lesjak also served as Hewlett-Packard Company’s interim Chief Executive Officer from August 2010 until November 2010. She also serves as a director of SunPower Corporation.

Enrique Lores; age 51; President, Printing, Solutions and Services

Mr. Lores has served as President, Printing, Solutions and Services since November 2015. Throughout his 26-year tenure with Hewlett-Packard Company, Mr. Lores held leadership positions across the organization, most recently leading the Separation Management Office for HP Inc. Previously, Mr. Lores was the Senior Vice President and General Manager for Business Personal Systems. Before his Business Personal Systems role, Mr. Lores was Senior Vice President of Customer Support and Services.

Marie Myers; age 48; Global Controller and Head of Finance Services

Ms. Myers has served as Global Controller and Head of Finance Services since November 2015. Prior to that from October 2014 to October 2015, Ms. Myers was in the Separation Management Office at Hewlett-Packard Company and held other key leadership roles at Hewlett-Packard Company, including Vice President for PPS HQ and Finance from May 2012 to October 2015 and Vice President of Finance for PSG Americas from March 2010 to May 2012.

Kim Rivera; age 48; Chief Legal Officer and General Counsel

Ms. Rivera has served as Chief Legal Officer and General Counsel since November 2015. Prior to joining us, at DaVita Health Care Partners she served as the Chief Legal Officer from July 2011 to October 2015, as Corporate Secretary from January 2010 to December 2013 and as Vice President and General Counsel from January 2010 to July 2011. From February 2006 to November 2009, she served as Vice President and Associate General Counsel at The Clorox Company. Prior to that, Ms. Rivera served as Vice President Law and Chief Litigation Counsel to Rockwell Automation as well as General Counsel for its Automation Controls and Information Group.

Dion J. Weisler; age 49; President and Chief Executive Officer

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Mr. Weisler has served as President and Chief Executive Officer since November 2015. Previously, he served as Executive Vice President of the Printing and Personal Systems Group of Hewlett-Packard Company from June 2013 to November 2015 and as Senior Vice President and Managing Director, Printing and Personal Systems, Asia Pacific and Japan from January 2012 to June 2013. Prior to joining Hewlett-Packard Company, he was Vice President and Chief Operating Officer of the Product and Mobile Internet Digital Home Groups at Lenovo Group Ltd., a technology company, from January 2008 to December 2011.

Employees

We had approximately 49,000 employees worldwide as of October 31, 2016.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at http://www.hp.com/investor/home, as soon as reasonably practicable after HP electronically files such reports with, or furnishes those reports to, the Securities and Exchange Commission. HP’s Corporate Governance Guidelines, Board of Directors’ committee charters (including the charters of the Audit Committee, Finance, Investment and Technology Committee, HR and Compensation Committee, and Nominating, Governance and Social Responsibility Committee) and code of ethics entitled “Standards of Business Conduct” (none of which are incorporated by reference herein) are also available at that same location on our website. Stockholders may request free copies of these documents from:

HP Inc.
Attention: Investor Relations
1501 Page Mill Road,
Palo Alto, CA 94304
http://www.hp.com/investor/informationrequest

Additional Information

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ITEM 1A. Risk Factors.

The following discussion of risk factors contains forward-looking statements. These risk factors may be important for understanding any statement in this Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and the Consolidated Financial Statements and related notes in Part II, Item 8, “Financial Statements and Supplementary Data” of this Form 10-K.

Because of the following factors, as well as other variables affecting our results of operations, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Risks related to our business

If we are unsuccessful at addressing our business challenges, our business and results of operations may be adversely affected and our ability to invest in and grow our business could be limited.

We are in the process of addressing many challenges facing our business. One set of challenges relates to dynamic and accelerating market trends, such as the declines in the PC market and home printing. A second set of challenges relates to changes in the competitive landscape. Our primary competitors are exerting increased competitive pressure in targeted areas and are entering new markets; our emerging competitors are introducing new technologies and business models; and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution. For example, we may fail to develop innovative products and services, maintain the manufacturing quality of our products, manage our distribution network or successfully market new products and services, any of which could adversely affect our business and financial condition.

In addition, we are facing a series of significant macroeconomic challenges, including weakness across many geographic regions, particularly in emerging markets and Europe, and certain countries and businesses in Asia. We may experience delays in the anticipated timing of activities related to our efforts to address these challenges and higher than expected or unanticipated execution costs. In addition, we are vulnerable to increased risks associated with our efforts to address these challenges given the markets in which we compete, the broad range of geographic regions in which we and our customers and partners operate, and the ongoing integration of acquired businesses. If we do not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business.

We operate in an intensely competitive industry and competitive pressures could harm our business and financial performance.

We encounter aggressive competition from numerous and varied competitors in all areas of our business, and our competitors have targeted and are expected to continue targeting our key market segments. We compete on the basis of our technology, innovation, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support and security. If our products, services, support and cost structure do not enable us to compete successfully, our results of operations and business prospects could be harmed.

We have a large portfolio of products and must allocate our financial, personnel and other resources across all of our products while competing with companies that have smaller portfolios or specialize in one or more of our product lines. As a result, we may invest less in certain areas of our business than our competitors do, and our competitors may have greater financial, technical and marketing resources available to them compared to the resources allocated to our products and services that compete against their products.

Companies with whom we have alliances in certain areas may be or may become our competitors in other areas. In addition, companies with whom we have alliances also may acquire or form alliances with our competitors, which could reduce their business with us. If we are unable to effectively manage these complicated relationships with alliance partners, our business and results of operations could be adversely affected.

We face aggressive price competition and may have to continue lowering the prices of many of our products and services to stay competitive, while at the same time trying to maintain or improve our revenue and gross margin. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions, or more favorable allocations of products and components during periods of limited supply, may be able to offer lower prices than we are able to offer. Our cash flows, results of operations and financial condition may be adversely affected by these and other industry-wide pricing pressures.

Industry consolidation may also affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which we operate. Additionally, our competitors may affect our business by entering into exclusive arrangements with our existing or potential customers or suppliers.

Because our business model is based on providing innovative and high-quality products, we may spend a proportionately greater amount of our revenues on research and development than some of our competitors. If we cannot proportionately decrease our cost structure (apart from research and development expenses) on a timely basis in response to competitive price pressures, our gross margin and, therefore, our profitability could be adversely affected. In addition, if our pricing and other facets of our offerings are not sufficiently competitive, or if there is an adverse reaction to our product decisions, we may lose market share in certain areas, which could adversely affect our financial performance and business prospects.

Even if we are able to maintain or increase market share for a particular product, its financial performance could decline because the product is in a maturing industry or market segment or contains technology that is becoming obsolete. Financial performance could decline due to increased competition from other types of products. For example, growing demand for an increasing array of mobile computing devices has reduced demand for some of our existing hardware products. In addition, refill and remanufactured alternatives for some of our LaserJet toner and inkjet cartridges compete with our printing supplies business.

If we cannot successfully execute our go-to-market strategy and continue to develop, manufacture and market innovative products and services, our business and financial performance may suffer.

Our strategy is focused on leveraging our existing portfolio of products and services to meet the demands of a continually changing technological landscape and to offset certain areas of industry decline. To successfully execute this strategy, we must emphasize the aspects of our core business where demand remains strong, identify and capitalize on natural areas of growth, and innovate and develop new products and services that will enable us to expand beyond our existing technology categories. Any failure to successfully execute this strategy, including any failure to invest sufficiently in strategic growth areas, could adversely affect our business, results of operations and financial condition.

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The process of developing new high-technology products and services and enhancing existing products and services is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share, results of operations and financial condition. For example, to offset industry declines in some of our businesses, we must successfully grow in adjacencies such as copier printers, maintain our strong position in graphics, develop and introduce 3D printers and execute on our strategy to grow commercial mobility by providing specialized products and services to address the needs of our customers. We must make long-term investments, develop or acquire and protect appropriate intellectual property, and commit significant research and development and other resources before knowing whether our predictions will accurately reflect customer demand for our products and services. Any failure to accurately predict technological and business trends, control research and development costs or execute our innovation strategy could harm our business and financial performance. Our research and development initiatives may not be successful in whole or in part, including research and development projects which we have prioritized with respect to funding and/or personnel.

Our industry is subject to rapid and substantial innovation and technological change. Even if we successfully develop new products and technologies, future products and technologies may eventually supplant ours if we are unable to keep pace with technological advances and end-user requirements and preferences and timely enhance our existing products and technologies or develop new ones. Our competitors may also create products that replace ours. As a result, any of our products and technologies may be rendered obsolete or uneconomical.

After we develop a product, we must be able to manufacture appropriate volumes quickly while also managing costs and preserving margins. To accomplish this, we must accurately forecast volumes, mixes of products and configurations that meet customer requirements, and we may not succeed at doing so within a given product's lifecycle or at all. Any delay in the development, production or marketing of a new product, service or solution could result in us not being among the first to market, which could further harm our competitive position.

If we cannot continue to produce quality products and services, our reputation, business and financial performance may suffer.

In the course of conducting our business, we must adequately address quality issues associated with our products and services, including defects in our engineering, design and manufacturing processes and unsatisfactory performance under service contracts, as well as defects in third-party components included in our products and unsatisfactory performance or even malicious acts by third-party contractors or subcontractors or their employees. In order to address quality issues, we work extensively with our customers and suppliers and engage in product testing to determine the causes of problems and to develop and implement appropriate solutions. However, the products and services that we offer are complex, and our regular testing and quality control efforts may not be effective in controlling or detecting all quality issues or errors, particularly with respect to faulty components manufactured by third-parties. If we are unable to determine the cause or find an appropriate solution to address quality issues with our products, we may delay shipment to customers, which would delay revenue recognition and receipt of customer payments and could adversely affect our net revenue, cash flows and profitability. In addition, after products are delivered, quality issues may require us to repair or replace such products. Addressing quality issues can be expensive and may result in additional warranty, repair, replacement and other costs, adversely affecting our financial performance. If new or existing customers have difficulty operating our products or are dissatisfied with our services, our results of operations could be adversely affected, and we could face possible claims if we fail to meet our customers' expectations. In addition, quality issues can impair our relationships with new or existing customers and adversely affect our brand and reputation, which could, in turn, adversely affect our results of operations.

We are exposed to fluctuations in foreign currency exchange rates, which could adversely impact our results.

Currencies other than the U.S. dollar, including the euro, the British pound, Chinese yuan (renminbi) and the Japanese yen, can have an impact on our results as expressed in U.S. dollars. In particular, the economic uncertainties relating to European sovereign and other debt obligations and the related European financial restructuring efforts may cause the value of the euro to fluctuate. In addition, the United Kingdom's June 2016 vote to leave the European Union (commonly known as "Brexit") caused significant volatility in currency exchange rates, especially between the U.S.

dollar and the British pound. Global economic events and uncertainty may cause currencies to fluctuate and currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in foreign currency exchange rates, such as the strengthening of the U.S. dollar against the euro or the British pound or the weakness of the Japanese yen, could adversely affect our net revenue growth in future periods. In addition, currency variations can adversely affect margins on sales of our products in countries outside of the United States and margins on sales of products that include components obtained from suppliers located outside of the United States.

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From time to time, we may use forward contracts and options designated as cash flow hedges to protect against foreign currency exchange rate risks. The effectiveness of our hedges depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and services and highly volatile exchange rates. We may incur significant losses from our hedging activities due to factors such as demand volatility and currency variations. In addition, certain or all of our hedging activities may be ineffective, may expire and not be renewed or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Losses associated with hedging activities also may impact our revenue, financial condition and, to a lesser extent, our cost of sales.

Recent global, regional and local economic weakness and uncertainty could adversely affect our business and financial performance.

Our business and financial performance depend significantly on worldwide economic conditions and the demand for technology products and services in the markets in which we compete. Recent economic weakness and uncertainty in various markets throughout the world have resulted, and may result in the future, in decreased net revenue, gross margin, earnings or growth rates and in increased expenses and difficulty in managing inventory levels. For example, we are continuing to experience macroeconomic weakness across many geographic regions, particularly in the Europe, the Middle East and Africa region, China and certain other high-growth markets. Ongoing U.S. federal government spending limits may continue to reduce demand for our products and services from organizations that receive funding from the U.S. government, and could negatively affect macroeconomic conditions in the United States, which could further reduce demand for our products and services. Brexit and the uncertainty surrounding the United Kingdom’s exit from the European Union has also begun to negatively impact markets and cause weaker macroeconomic conditions that could continue for the foreseeable future.

Economic weakness and uncertainty may adversely affect demand for our products and services, may result in increased expenses due to higher allowances for doubtful accounts and potential goodwill and asset impairment charges, and may make it more difficult for us to make accurate forecasts of revenue, gross margin, cash flows and expenses.

We also have experienced, and may experience in the future, gross margin declines in certain businesses, reflecting the effect of items such as competitive pricing pressures and increases in component and manufacturing costs resulting from higher labor and material costs borne by our manufacturers and suppliers that, as a result of competitive pricing pressures or other factors, we are unable to pass on to our customers. In addition, our business may be disrupted if we are unable to obtain equipment, parts or components from our suppliers—and our suppliers from their suppliers—due to the insolvency of key suppliers or the inability of key suppliers to obtain credit.

Economic weakness and uncertainty could cause our expenses to vary materially from our expectations. Any financial turmoil affecting the banking system and financial markets or any significant financial services institution failures could negatively impact our treasury operations, as the financial condition of such parties may deteriorate rapidly and without notice in times of market volatility and disruption. Poor financial performance of asset markets combined with lower interest rates and the adverse effects of fluctuating currency exchange rates could lead to higher pension and post-retirement benefit expenses. Interest and other expenses could vary materially from expectations depending on changes in interest rates, borrowing costs, currency exchange rates, costs of hedging activities and the fair value of derivative instruments. Economic downturns also may lead to future restructuring actions and associated expenses.

The net revenue and profitability of our operations have historically varied, which makes our future financial results less predictable.

Our net revenue, gross margin and profit vary among our diverse products and services, customer groups and geographic markets and therefore will likely be different in future periods than our current results. Our net revenue depends on the overall demand for our products and services. Delays or reductions in hardware and related services spending by our customers or potential customers could have a material adverse effect on demand for our products and services, which could result in a significant decline in net revenue. In addition, net revenue declines in some of our businesses may affect net revenue in our other businesses as we may lose cross-selling opportunities. Overall gross margins and profitability in any given period are dependent partially on the product, service, customer and geographic mix reflected in that period’s net revenue. Competition, lawsuits, investigations, increases in component and manufacturing costs that we are unable to pass on to our customers, component supply disruptions and other risks affecting those businesses therefore may have a significant impact on our overall gross margin and profitability. In addition, newer geographic markets may be relatively less profitable due to our investments associated with entering those markets and local pricing pressures, and we may have difficulty establishing and maintaining the operating infrastructure necessary to support the high growth rate associated with some of those markets. Market trends, industry shifts, competitive pressures, commoditization of products, increased component or shipping costs, regulatory impacts and other factors may result in reductions in revenue or pressure on gross margins in a given period, which may lead to adjustments to our operations. Moreover, our efforts to address the challenges facing our business could increase the level of variability in our financial results because the rate at which we are able to realize the benefits from those efforts may vary from period to period.

If we fail to manage the distribution of our products and services properly, our business and financial performance could suffer.

We use a variety of distribution methods to sell our products and services around the world, including third-party resellers and distributors and both direct and indirect sales to enterprise accounts and consumers. Successfully managing the interaction of our direct and indirect channel efforts to reach various potential customer segments for our products and services is a complex process. Moreover, since each distribution method has distinct risks and gross margins, our failure to implement the most advantageous balance in the delivery model for our products and services could adversely affect our net revenue and gross margins and therefore our profitability.

Our financial results could be materially adversely affected due to distribution channel conflicts or if the financial conditions of our channel partners were to weaken. Our results of operations may be adversely affected by any conflicts that might arise between our various distribution channels or the loss or deterioration of any alliance or distribution arrangement or the loss of retail shelf space. Moreover, some of our wholesale and retail distributors may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness, industry consolidation and market trends. Many of our significant distributors operate on narrow margins and have been negatively affected by business pressures in the past. Considerable trade receivables that are not covered by collateral or credit insurance are outstanding with our distribution and retail channel partners. Net revenue from indirect sales could suffer, and we could experience disruptions in distribution, if our distributors' financial conditions, abilities to borrow funds in the credit markets or operations weaken.

Our inventory management is complex, as we continue to sell a significant mix of products through distributors. We must manage both owned and channel inventory effectively, particularly with respect to sales to distributors, which involves forecasting demand and pricing challenges. Distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high or delay orders in anticipation of new products. Distributors also may adjust their orders in response to the supply of our products and the products of our competitors and seasonal fluctuations in end-user demand. Our reliance upon indirect distribution methods may reduce our visibility into demand and pricing trends and issues, and therefore make forecasting more difficult. If we have excess or obsolete inventory, we may have to reduce our prices and write down inventory. Moreover, our use of indirect distribution channels may limit our willingness or ability to adjust prices quickly and otherwise to respond to pricing changes by competitors.

We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers effectively.

Our operations depend on our ability to anticipate our needs for components, products and services, as well as our suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices and in time for us to meet critical schedules for the delivery of our own products and services. Given the wide variety of systems, products and services that we offer, the large number of our suppliers and contract manufacturers that are located around the world, and the long lead times required to manufacture, assemble and deliver certain components and products, problems could arise in production, planning and inventory management that could seriously harm our business. In addition, our ongoing efforts to optimize the efficiency of our supply chain could cause supply disruptions and be more expensive, time-consuming and resource intensive than expected. Furthermore, certain of our suppliers may decide to discontinue conducting business with us. Other supplier problems that we could face include component shortages, excess supply, risks related to the terms of our contracts with suppliers, risks associated with contingent workers and risks related to our relationships with single source suppliers, each of which is described below.

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- Component shortages. We may experience a shortage of, or a delay in receiving, certain components as a result of strong demand, capacity constraints, supplier financial weaknesses, the inability of suppliers to borrow funds in the credit markets, disputes with suppliers (some of whom are also our customers), disruptions in the operations of component suppliers, other problems experienced by suppliers or problems faced during the transition to new suppliers. For example, our PC business relies heavily upon OMs to manufacture its products and is therefore dependent upon the continuing operations of those OMs to fulfill demand for our PC products. We represent a substantial portion of the business of some of these OMs, and any changes to the nature or volume of our business transactions with a particular OM could adversely affect the operations and financial condition of the OM and lead to shortages or delays in receiving products from that OM. If shortages or delays persist, the price of certain components may increase, we may be exposed to quality issues or the components may not be available at all. We may not be able to secure enough components at reasonable prices or of acceptable quality to build products or provide services in a timely manner in the quantities needed or according to our specifications. Accordingly, our business and financial performance could suffer if we lose time-sensitive sales, incur additional freight costs or are unable to pass on price increases to our customers. If we cannot adequately address supply issues, we might have to reengineer some product or service offerings, which could result in further costs and delays.
- Excess supply. In order to secure components for our products or services, at times we may make advance payments to suppliers or enter into non-cancelable commitments with vendors. In addition, we may purchase components strategically in advance of demand to take advantage of favorable pricing or to address concerns about the availability of future components. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components, which could adversely affect our business and financial performance.
- Contractual terms. As a result of binding long-term price or purchase commitments with vendors, we may be obligated to purchase components or services at prices that are higher than those available in the current market and be limited in our ability to respond to changing market conditions. If we commit to purchasing components or services for prices in excess of the then-current market price, we may be at a disadvantage to competitors who have access to components or services at lower prices, our gross margin could suffer, and we could incur additional charges relating to inventory obsolescence. In addition, many of our competitors obtain products or components from the same OMs and suppliers that we utilize. Our competitors may obtain better pricing, more favorable contractual terms and conditions, and more favorable allocations of products and components during periods of limited supply, and our ability to engage in relationships with certain OMs and suppliers could be limited. The practice employed by our PC business of purchasing product components and transferring those components to its OMs may create large supplier receivables with the OMs that, depending on the financial condition of the OMs, may create collectability risks. In addition, certain of our OMs and suppliers may decide to discontinue conducting business with us. Any of these developments could adversely affect our future results of operations and financial condition.
- Contingent workers. We also rely on third-party suppliers for the provision of contingent workers, and our failure to manage our use of such workers effectively could adversely affect our results of operations. We have been exposed to various legal claims relating to the status of contingent workers in the past and could face similar claims in the future. We may be subject to shortages, oversupply or fixed contractual terms relating to contingent workers. Our ability to manage the size of, and costs associated with, the contingent workforce may be subject to additional constraints imposed by local laws.
- Single-source suppliers. We obtain a significant number of components from single sources due to technology, availability, price, quality or other considerations. For example, we rely on Canon for certain laser printer engines and laser toner cartridges. We also rely on Intel to provide us with a sufficient supply of processors for many of our PCs and workstations, and we rely on AMD to provide us with a sufficient supply of processors for other products. Some of those processors are customized for our products. New products that we introduce may utilize custom components obtained from only one source initially until we have evaluated whether there is a need for additional suppliers. Replacing a single-source supplier could delay production of some products as replacement suppliers may be subject to capacity constraints or other output limitations. For some components, such as customized components and some of the processors that we obtain from Intel, or the laser printer engines and toner cartridges that we obtain from Canon,

alternative sources either may not exist or may be unable to produce the quantities of those components necessary to satisfy our production requirements. In addition, we sometimes purchase components from single-source suppliers under short-term agreements that contain favorable pricing and other terms but that may be unilaterally modified or terminated by the supplier with limited notice and with little or no penalty. The performance of such single-source suppliers under those agreements (and the renewal or extension of those agreements upon similar terms) may affect the quality, quantity and price of our components. The loss of a single-source supplier, the deterioration of our relationship with a single-source supplier, or any

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unilateral modification to the contractual terms under which we are supplied components by a single source supplier could adversely affect our business and financial performance.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or manmade disasters or catastrophic events, for which we are predominantly self-insured. The occurrence of any of these business disruptions could result in significant losses, seriously harm our revenue, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters and a portion of our research and development activities are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults known for seismic activity. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations. We also rely on major logistics hubs primarily in Asia to manufacture and distribute our products, and primarily in the southwestern United States to import products into the Americas region. Our operations could be adversely affected if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, IT system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near locations more vulnerable to the occurrence of the aforementioned business disruptions, such as near major earthquake faults, and being consolidated in certain geographical areas is unknown and remains uncertain.

Our uneven sales cycle makes planning and inventory management difficult and future financial results less predictable.

Our quarterly sales often have reflected a pattern in which a disproportionate percentage of each quarter’s total sales occurs towards the end of the quarter. This uneven sales pattern makes predicting net revenue, earnings, cash flow from operations and working capital for each financial period difficult, increases the risk of unanticipated variations in our quarterly results and financial condition and places pressure on our inventory management and logistics systems. If predicted demand is substantially greater than orders, there may be excess inventory. Alternatively, if orders substantially exceed predicted demand, we may not be able to fulfill all of the orders received in each quarter and such orders may be cancelled. Depending on when they occur in a quarter, developments such as a systems failure, component pricing movements, component shortages or global logistics disruptions could adversely impact our inventory levels and results of operations in a manner that is disproportionate to the number of days in the quarter affected.

We experience some seasonal trends in the sale of our products that also may produce variations in our quarterly results and financial condition. For example, sales to governments (particularly sales to the U.S. government) are often stronger in the third calendar quarter, and many customers whose fiscal year is the calendar year spend their remaining capital budget authorizations in the fourth calendar quarter prior to new budget constraints in the first calendar quarter of the following year. Consumer sales are often higher in the fourth calendar quarter compared to other quarters due in part to seasonal holiday demand. European sales are often weaker during the summer months. Demand during the spring and early summer also may be adversely impacted by market anticipation of seasonal trends. Moreover, to the extent that we introduce new products in anticipation of seasonal demand trends, our discounting of existing products may adversely affect our gross margin prior to or shortly after such product launches. Typically, our third fiscal quarter is our weakest and our fourth fiscal quarter is our strongest. Many of the factors that create and affect seasonal trends are beyond our control.

Due to the international nature of our business, political or economic changes or other factors could harm our business and financial performance.

Sales outside the United States made up approximately 63% of our net revenue for fiscal year 2016. In addition, a portion of our business activity is being conducted in emerging markets. Our future business and financial performance could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country’s or region’s economic, regulatory or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts or any other change resulting from Brexit;
- longer collection cycles and financial instability among customers, the imposition by governments of additional taxes, tariffs or other restrictions on foreign trade or changes in restrictions on trade between the United States and other countries;
- trade regulations and procedures and actions affecting production, shipping, pricing and marketing of products, including policies adopted by the United States or other countries that may champion or otherwise favor domestic companies and technologies over foreign competitors;

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- local labor conditions and regulations, including local labor issues faced by specific suppliers and OEMs;
- managing a geographically dispersed workforce;
- changes or uncertainty in the international, national or local regulatory and legal environments;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase our cost of doing business in certain jurisdictions, prevent us from shipping products to particular countries or markets, affect our ability to obtain favorable terms for components, increase our operating costs or lead to penalties or restrictions;
- stringent privacy and data protection policies in some foreign countries;
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

The factors described above also could disrupt our product and component manufacturing and key suppliers located outside of the United States. For example, we rely on manufacturers in Taiwan for the production of notebook computers and other suppliers in Asia for product assembly and manufacture.

In many foreign countries, particularly in those with developing economies, there are companies that engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”). Although we implement policies, procedures and training designed to facilitate compliance with these laws, our employees, contractors and agents, as well as those of the companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have an adverse effect on our business and reputation.

Any failure by us to identify, manage and complete acquisitions, divestitures and other significant transactions successfully could harm our financial results, business and prospects.

As part of our business strategy, we may acquire companies or businesses, divest businesses or assets, enter into strategic alliances and joint ventures and make investments to further our business (collectively, “business combination and investment transactions”). Risks associated with business combination and investment transactions include the following, any of which could adversely affect our revenue, gross margin, profitability and financial results:

- Managing business combination and investment transactions requires varying levels of management resources, which may divert our attention from other business operations.
- We may not fully realize all of the anticipated benefits of any particular business combination and investment transaction, and the timeframe for realizing the benefits of a particular business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers, other third-parties or market trends.
- Certain prior business combination and investment transactions entered into by Hewlett-Packard Company resulted, and in the future any such transactions by us may result, in significant costs and expenses, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, asset impairment charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.
- Any increased or unexpected costs, unanticipated delays or failure to meet contractual obligations could make business combination and investment transactions less profitable or unprofitable.
- Our ability to conduct due diligence with respect to business combination and investment transactions, and our ability to evaluate the results of such due diligence, is dependent upon the veracity and completeness of statements and disclosures made or actions taken by third-parties or their representatives.
- The pricing and other terms of our contracts for business combination and investment transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate accurately our costs, timing and other matters or we may incur

costs if a business combination is not consummated.

- In order to complete a business combination and investment transaction, we may issue common stock, potentially creating dilution for our existing stockholders.

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- We may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect our liquidity and financial condition.
- Our effective tax rate on an ongoing basis is uncertain, and business combination and investment transactions could adversely impact our effective tax rate.
- Any announced business combination and investment transaction may not close on the expected timeframe or at all, which may cause our financial results to differ from expectations in a given quarter.
- Business combination and investment transactions may lead to litigation, which could impact our financial condition and results of operations.
- If we fail to identify and successfully complete and integrate business combination and investment transactions that further our strategic objectives, we may be required to expend resources to develop products, services and technology internally, which may put us at a competitive disadvantage.

We have incurred and will incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with business combination and investment transactions, and, to the extent that the value of goodwill or intangible assets acquired in connection with a business combination and investment transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. If there are future decreases in our stock price or significant changes in the business climate or results of operations of our reporting units, we may incur additional charges, which may include goodwill impairment or intangible asset charges.

As part of our business strategy, we regularly evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are less desirable than we had anticipated. In addition, we may experience greater dis-synergies than expected, and the impact of the divestiture on our revenue growth may be larger than projected. After reaching an agreement with a buyer or seller for the acquisition or disposition of a business, we are subject to satisfaction of pre-closing conditions as well as necessary regulatory and governmental approvals on acceptable terms, which, if not satisfied or obtained, may prevent us from completing the transaction. Such regulatory and governmental approvals may be required in diverse jurisdictions around the world, including jurisdictions with opaque regulatory frameworks, and any delays in the timing of such approvals could materially delay the transaction or prevent it from closing. For example, our acquisition of Samsung's printer business is subject to regulatory review in numerous jurisdictions, including South Korea and the European Union, as well as customary closing conditions. Dispositions may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of our control could affect our future financial results.

Integrating acquisitions may be difficult and time-consuming. Any failure by us to integrate acquired companies, products or services into our overall business in a timely manner could harm our financial results, business and prospects.

In order to pursue our strategy successfully, we must identify candidates for and successfully complete business combination and investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees. Integration issues are often time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business and the acquired business. The challenges involved in integration include:

- successfully combining product and service offerings and entering or expanding into markets in which we are not experienced or are developing expertise;
- convincing both our customers and distributors and those of the acquired business that the transaction will not diminish client service standards or business focus;
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persuading both our customers and distributors and those of the acquired business not to defer purchasing decisions or switch to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and expanding and coordinating sales, marketing and distribution efforts;

- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;
- minimizing the diversion of management attention from ongoing business concerns;

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- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, engaging with employee works councils representing an acquired company's non-U.S. employees, integrating employees, correctly estimating employee benefit costs and implementing restructuring programs;
- coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third-parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;
- achieving savings from supply chain integration; and
- managing integration issues shortly after or pending the completion of other independent transactions.

We may not achieve some or all of the expected benefits of our restructuring plan and our restructuring may adversely affect our business.

We announced a restructuring plan in October 2016 to realign our cost structure due to the changing nature of our business and to achieve operating efficiencies that we expect to reduce costs. Implementation of the restructuring plan may be costly and disruptive to our business, and we may not be able to obtain the cost savings and benefits that were initially anticipated in connection with our restructuring. Additionally, as a result of our restructuring, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our October 2016 restructuring plan, see Note 4 to our Consolidated Financial Statements in Item 8.

Our financial performance may suffer if we cannot continue to develop, license or enforce the intellectual property rights on which our businesses depend.

We rely upon patent, copyright, trademark, trade secret and other intellectual property laws in the United States, similar laws in other countries, and agreements with our employees, customers, suppliers and other parties, to establish and maintain intellectual property ("IP") rights in the products and services we sell, provide or otherwise use in our operations. However, any of our intellectual property rights could be challenged, invalidated, infringed or circumvented, or such intellectual property rights may not be sufficient to permit us to take advantage of current market trends or to otherwise provide competitive advantages, either of which could result in costly product redesign efforts, discontinuance of certain product offerings or other harm to our competitive position. For example, our enforcement of inkjet printer supplies IP against infringers may be successfully challenged or our IP may be successfully circumvented. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use; this, too, could adversely affect our ability to sell products or services and our competitive position.

Our products and services depend in part on intellectual property and technology licensed from third parties.

Some of our business and some of our products rely on key technologies developed or licensed by third parties. We may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms, or such third parties may demand cross-licenses to our intellectual property. Third-party components may become obsolete, defective or incompatible with future versions of our products, or our relationship with the third party may deteriorate, or our agreements with the third party may expire or be terminated. We may face legal or business disputes with licensors that may threaten or lead to the disruption of inbound licensing relationships. In order to remain in compliance with the terms of our licenses, we must carefully monitor and manage our use of third-party components, including both proprietary and open source license terms that may require the licensing or public disclosure of our intellectual property without compensation or on undesirable terms. Additionally, some of these licenses may not be available to us in the future on terms that are acceptable or that allow our product offerings to remain competitive. Our inability to obtain licenses or rights on favorable terms could have a material effect on our business, including our financial condition and results of operations. In addition, it is possible that as a consequence of a merger or acquisition, third parties may obtain licenses to some of our intellectual property rights or our business may be subject to certain restrictions that were not in place prior to such transaction. Because the availability and cost of licenses from third parties depends upon the willingness of third parties to deal with us on the terms we request, there is a risk that third parties who license to our competitors will either refuse to license to us at all, or refuse to license to us on terms equally favorable to those granted to our competitors. Consequently, we may lose a competitive advantage with respect to these intellectual property rights or we may be required to enter into costly arrangements in order to terminate or limit these rights.

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Third-party claims of intellectual property infringement are commonplace in our industry and successful third-party claims may limit or disrupt our ability to sell our products and services.

Third parties also may claim that we or customers indemnified by us are infringing upon their intellectual property rights. For example, patent assertion entities may purchase intellectual property assets for the purpose of asserting claims of infringement and attempting to extract settlements from companies such as us and our customers. If we cannot or do not license allegedly infringed intellectual property at all or on reasonable terms, or if we are required to substitute similar technology from another source, our operations could be adversely affected. Even if we believe that intellectual property claims are without merit, they can be time-consuming and costly to defend against and may divert management's attention and resources away from our business. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us from importing, marketing or selling certain of our products. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable or unwilling to uphold its contractual obligations to us.

Further, our results of operations and cash flows have been and could continue to be affected in certain periods and on an ongoing basis by the imposition, accrual and payment of copyright levies or similar fees. In certain countries (primarily in Europe), proceedings are ongoing or have been concluded in which groups representing copyright owners have sought or are seeking to impose upon and collect from us levies upon equipment (such as PCs, MFDs and printers) alleged to be copying devices under applicable laws. Other such groups have also sought to modify existing levy schemes to increase the amount of the levies that can be collected from us. Other countries that have not imposed levies on these types of devices are expected to extend existing levy schemes, and countries that do not currently have levy schemes may decide to impose copyright levies on these types of devices. The total amount of the copyright levies will depend on the types of products determined to be subject to the levy, the number of units of those products sold during the period covered by the levy, and the per unit fee for each type of product, all of which are affected by several factors, including the outcome of ongoing litigation involving us and other industry participants and possible action by the legislative bodies in the applicable countries, and could be substantial. Consequently, the ultimate impact of these copyright levies or similar fees, and our ability to recover such amounts through increased prices, remains uncertain.

The allocation of intellectual property rights between Hewlett Packard Enterprise and HP as part of the Separation, and the shared use of certain intellectual property rights following the Separation, could adversely impact our reputation, our ability to enforce certain intellectual property rights that are important to us and our competitive position.

In connection with the Separation, Hewlett-Packard Company allocated to each of Hewlett Packard Enterprise and HP the intellectual property assets relevant to their respective businesses. The terms of the Separation include cross-licenses and other arrangements to provide for certain ongoing use of intellectual property in the existing operations of both businesses. For example, through a joint brand holding structure, both Hewlett Packard Enterprise and HP will retain the ability to make ongoing use of certain variations of the legacy Hewlett-Packard and HP branding, respectively. There is a risk that the joint brand holding structure may impair the enforcement of HP's trademark rights against third parties that infringe them. Furthermore, as a result of this shared use of the legacy branding there is a risk that conduct or events adversely affecting the reputation of Hewlett Packard Enterprise could also adversely affect the reputation of HP. In addition, as a result of the allocation of intellectual property as part of the Separation, we no longer own intellectual property allocated to Hewlett Packard Enterprise and our resulting intellectual property ownership position could adversely affect our position and options relating to patent enforcement, patent licensing and cross-licensing, our ability to sell our products or services, our competitive position in the industry and our ability to enter new product markets.

Our business and financial performance could suffer if we do not manage the risks associated with our services business properly.

The risks that accompany our services business differ from those of our other businesses and include the following:

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The success of our services business is to a significant degree dependent on our ability to retain our significant services clients and maintain or increase the level of revenues from these clients. We may lose clients due to their merger or acquisition, business failure, contract expiration or their selection of a competing service provider or decision to in-source services. In addition, we may not be able to retain or renew relationships with our significant clients. As a result of business downturns or for other business reasons, we are also vulnerable to reduced business from our clients, which can reduce the scope of services provided and the prices for those services. We may not be able to replace the revenue and earnings from any such lost clients or reductions in services. In addition, our contracts may allow a client to terminate the contract for convenience, and we may not be able to fully recover our investments in such circumstances.

- The pricing and other terms of some of our service agreements require us to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. Any increased or unexpected costs or

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unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could make these agreements less profitable or unprofitable, which could have an adverse effect on the profit margin of our services business.

- Some of our service agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements may involve the development and deployment of new technologies. Varying degrees of performance risk exist in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development and deployment phases. Any failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers and harm our reputation, which could harm the financial performance of our services business.
- If we do not hire, train, motivate and effectively utilize employees with the right mix of skills and experience in the right geographic regions to meet the needs of our services clients, our financial performance could suffer. For example, if our employee utilization rate is too low, our profitability and the level of engagement of our employees could suffer. If that utilization rate is too high, it could have an adverse effect on employee engagement and attrition and the quality of the work performed, as well as our ability to staff projects. If we are unable to hire and retain a sufficient number of employees with the skills or backgrounds to meet current demand, we might need to redeploy existing personnel, increase our reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect our profitability. In addition, if we have more employees than we need with certain skill sets or in certain geographies, we may incur increased costs as we work to rebalance our supply of skills and resources with client demand in those geographies.

Failure to comply with our customer contracts or government contracting regulations could adversely affect our business and results of operations.

Our contracts with our customers may include unique and specialized performance requirements. In particular, our contracts with federal, state, provincial and local governmental customers are subject to various procurement regulations, contract provisions and other requirements relating to their formation, administration and performance. Any failure by us to comply with the specific provisions in our customer contracts or any violation of government contracting regulations could result in the imposition of various civil and criminal penalties, which may include termination of contracts, forfeiture of profits, suspension of payments and, in the case of our government contracts, fines and suspension from future government contracting. Such failures could also cause reputational damage to our business. In addition, Hewlett-Packard Company has in the past been, and we may in the future be, subject to qui tam litigation brought by private individuals on behalf of the government relating to our government contracts, which could include claims for treble damages. Further, any negative publicity related to our customer contracts or any proceedings surrounding them, regardless of its accuracy, may damage our business by affecting our ability to compete for new contracts. If our customer contracts are terminated, if we are suspended or disbarred from government work, or if our ability to compete for new contracts is adversely affected, our financial performance could suffer.

Our stock price has historically fluctuated and may continue to fluctuate, which may make future prices of our stock difficult to predict.

Our stock price, like that of other technology companies, can be volatile. Some of the factors that could affect our stock price are:

- speculation, coverage or sentiment in the media or the investment community about, or actual changes in, our business, strategic position, market share, organizational structure, operations, financial condition, financial reporting and results, effectiveness of cost-cutting efforts, value or liquidity of our investments, exposure to market volatility, prospects, business combination or investment transactions, future stock price performance, board of directors, executive team, our competitors or our industry in general;
- the announcement of new, planned or contemplated products, services, technological innovations, acquisitions, divestitures or other significant transactions by us or our competitors;
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quarterly increases or decreases in net revenue, gross margin, earnings or cash flows, changes in estimates by the investment community or our financial outlook and variations between actual and estimated financial results;

- announcements of actual and anticipated financial results by our competitors and other companies in the IT industry;
- developments relating to pending investigations, claims and disputes; and
- the timing and amount of our share repurchases.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also may affect the price of our stock. For these reasons, investors should

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not rely on recent or historical trends to predict future stock prices, financial condition, results of operations or cash flows. Additional volatility in the price of our securities could result in the filing of securities class action litigation matters, which could result in substantial costs and the diversion of management time and resources.

Failure to maintain our credit ratings could adversely affect our liquidity, capital position, borrowing costs and access to capital markets.

Our credit risk is evaluated by the major independent rating agencies. Fitch Ratings, Moody's Investor Service and Standard & Poor's Rating Services downgraded Hewlett-Packard Company's ratings in the past. Past downgrades have increased the cost of borrowing under our credit facilities, have reduced market capacity for our commercial paper, and may require the posting of additional collateral under some of our derivative contracts. We cannot be assured that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may further impact us in a similar manner and may have a negative impact on our liquidity, capital position and access to capital markets.

We make estimates and assumptions in connection with the preparation of our Consolidated Financial Statements, and any changes to those estimates and assumptions could adversely affect our results of operations.

In connection with the preparation of our Consolidated Financial Statements, we use certain estimates and assumptions based on historical experience and other factors. Our most critical accounting estimates are described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report. In addition, as discussed in Note 15 to the Consolidated Financial Statements, we make certain estimates, including decisions related to provisions for legal proceedings and other contingencies. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could adversely affect our results of operations.

Unanticipated changes in our tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our financial performance.

We are subject to income and other taxes in the United States and various foreign jurisdictions. Our tax liabilities are affected by the amounts we charge in intercompany transactions for inventory, services, licenses, funding and other items. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with these intercompany transactions or other matters, and may assess additional taxes or adjust taxable income on our tax returns as a result. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, we cannot assure you that we will accurately predict the outcomes of these audits, and the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws. In particular, if circumstances change such that we are unable to indefinitely reinvest our foreign earnings outside the United States, future income tax expense may differ significantly from historical amounts and could materially adversely affect our results. In addition, various tax legislation has been introduced or is being considered that could significantly impact our tax rate, the carrying value of deferred tax assets, or our deferred tax liabilities. Any of these changes could affect our financial performance.

In order to be successful, we must attract, retain, train, motivate, develop and transition key employees, and failure to do so could seriously harm us.

In order to be successful, we must attract, retain, train, motivate, develop and transition qualified executives and other key employees, including those in managerial, technical, development, sales, marketing and IT support positions. Identifying, developing internally or hiring externally, training and retaining qualified executives, engineers and qualified sales representatives are critical to our future, and competition for experienced employees in the IT industry can be intense. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash- and equity-based compensation. Our equity-based incentive awards may contain conditions relating to our stock price performance and our long-term financial performance that make the future value of those awards uncertain. If the anticipated value of such equity-based incentive awards does not materialize, if our equity-based compensation otherwise ceases to be viewed as a valuable benefit, if our total compensation package is not viewed as being competitive, or if we do not obtain the stockholder approval needed to continue granting equity-based incentive awards in the amounts we believe are necessary, our ability to attract, retain and motivate executives and key employees could be weakened. Our failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business, and any

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failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

System security risks, data protection breaches, cyberattacks and systems integration issues could disrupt our internal operations or services provided to customers, and any such disruption could reduce our revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third-parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, including bugs, viruses, worms, malicious software programs and other security vulnerabilities, could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

We manage and store various proprietary information and sensitive or confidential data relating to our business and our customers. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or our customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. We also could lose existing or potential customers or incur significant expenses in connection with our customers’ system failures or any actual or perceived security vulnerabilities in our products and services. In addition, the cost and operational consequences of implementing further data protection measures could be significant.

Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to fulfill orders and respond to customer requests and interrupt other processes. Delayed sales, lower margins or lost customers resulting from these disruptions could reduce our revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Terrorist acts, conflicts, wars and geopolitical uncertainties may seriously harm our business and revenue, costs and expenses and financial condition and stock price.

Terrorist acts, conflicts or wars (wherever located around the world) may cause damage or disruption to our business, our employees, facilities, partners, suppliers, distributors, resellers or customers or adversely affect our ability to manage logistics, operate our transportation and communication systems or conduct certain other critical business operations. The potential for future attacks, the national and international responses to attacks or perceived threats to national security, and other actual or potential conflicts or wars have created many economic and political uncertainties. In addition, as a major multinational company with headquarters and significant operations located in the United States, actions against or by the United States may impact our business or employees. Although it is impossible to predict the occurrences or consequences of any such events, if they occur, they could result in a decrease in demand for our products, make it difficult or impossible to provide services or deliver products to our customers or to receive components from our suppliers, create delays and inefficiencies in our supply chain and result in the need to impose employee travel restrictions. We are predominantly uninsured for losses and interruptions caused by terrorist acts, conflicts and wars.

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Our business is subject to various federal, state, local and foreign laws and regulations that could result in costs or other sanctions that adversely affect our business and results of operations.

We are subject to various federal, state, local and foreign laws and regulations. For example, we are subject to laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, the content of our products and the recycling, treatment and disposal of our products, including batteries. In particular, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the chemical and materials composition of our products, their safe use, the energy consumption associated with those products, climate change laws and regulations, and product take-back legislation. If we were to violate or become liable under environmental laws or if our products become non-compliant with environmental laws, we could incur substantial costs or face other sanctions, which may include restrictions on our products entering certain jurisdictions. Our potential exposure includes fines and civil or criminal sanctions, third-party property damage, personal injury claims and clean-up costs. Further, liability under some environmental laws relating to contaminated sites can be imposed retroactively, on a joint and several basis, and without any finding of noncompliance or fault. The amount and timing of costs to comply with environmental laws are difficult to predict.

Some anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

We have provisions in our certificate of incorporation and bylaws each of which could have the effect of rendering more difficult or discouraging an acquisition of HP deemed undesirable by our Board of Directors. These include provisions:

- authorizing blank check preferred stock, which we could issue with voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- specifying that our stockholders may take action only at a duly called annual or special meeting of stockholders and otherwise in accordance with our bylaws and limiting the ability of our stockholders to call special meetings;
- requiring advance notice of proposals by our stockholders for business to be conducted at stockholder meetings and for nominations of candidates for election to our Board of Directors; and
- controlling the procedures for conduct of our Board of Directors and stockholder meetings and election, appointment and removal of our directors.

These provisions, alone or together, could deter or delay hostile takeovers, proxy contests and changes in control or our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control of HP could limit the opportunity for our stockholders to receive a premium for their shares of our stock and also could affect the price that some investors are willing to pay for our stock.

Risks Related to the Separation

The separation of Hewlett-Packard Company into two independent publicly traded companies is subject to various risks and uncertainties and may not achieve some or all of the anticipated benefits.

On November 1, 2015, we completed the Separation of our enterprise technology infrastructure, software, services and financing businesses from our personal systems and printing businesses. The process of completing the Separation involved significant costs and expenses. Uncertainty related to the Separation may lead customers and other parties with which we currently do business or may do business in the future to terminate or attempt to negotiate changes in our existing business relationships, or cause them to consider entering into business relationships with parties other than us. These disruptions could have a material and adverse effect on our businesses, financial condition, results of operations and prospects.

We may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the Separation. As an independent publicly traded company we are a smaller, less diversified company with a narrower business focus and may be more vulnerable to changing market conditions, which could materially and adversely affect our business, financial condition and results of operations. We continue to review our acquisitions, dispositions, and other transactions, including those related to the Separation, in light of the economic and legislative environment.

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The Separation could result in substantial tax liability.

We obtained an opinion of outside counsel that, for U.S. federal income tax purposes, the Separation qualified, for both the company and our stockholders, as a tax-free reorganization within the meaning of Sections 368(d)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended. In addition, we obtained a private letter ruling from the Internal Revenue Service (the "IRS") and opinions of outside counsel regarding certain matters impacting the U.S. federal income tax treatment of the Separation for the company and certain related transactions as transactions that are generally tax-free for U.S. federal income tax purposes. The opinions of outside counsel and the IRS private letter ruling were based, among other things, on various factual assumptions we have authorized and representations we have made to outside counsel and the IRS. If any of these assumptions or representations are, or become, inaccurate or incomplete, reliance on the opinions and IRS private letter ruling may be affected. An opinion of outside counsel represents their legal judgment but is not binding on the IRS or any court. Accordingly, there can be no assurance that the IRS will not challenge the conclusions reflected in the opinions or that a court would not sustain such a challenge. Notwithstanding the foregoing, we incurred certain tax costs in connection with the Separation, including non-U.S. tax expenses resulting from the Separation in multiple non-U.S. jurisdictions that do not legally provide for tax-free Separation, which may be material. If the Separation or certain internal transactions undertaken in anticipation of the Separation are determined to be taxable for U.S. federal income tax purposes, we and/or our stockholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities.

We or Hewlett Packard Enterprise may fail to perform under the transaction agreements executed as part of the Separation.

In connection with the Separation, we and Hewlett Packard Enterprise entered into several agreements, including among others a transition services agreement, a separation and distribution agreement, a tax matters agreement, an employee matters agreement, a real estate matters agreement, a commercial agreement and an IT service agreement. The transition services agreement provides for the performance of certain services by each company for the benefit of the other for a transition period after the Separation. The separation and distribution agreement, tax matters agreement, employee matters agreement and real estate matters agreement determine the allocation of assets and liabilities between the companies following the Separation for those respective areas and include any necessary indemnifications related to liabilities and obligations. The commercial agreement establishes a bilateral relationship between Hewlett Packard Enterprise and us for the purchase and sale of commercially available products and services for internal use, incorporation and bundling in OEM products and services, resale to customers and use in the provision of managed services to customers, as well as joint customer pursuits and joint development activities. The IT service agreement provides for the performance by one of Hewlett Packard Enterprise's subsidiaries of certain application development and maintenance and IT infrastructure services for us. We will rely on Hewlett Packard Enterprise to satisfy its performance and payment obligations under these agreements. If Hewlett Packard Enterprise is unable to satisfy its obligations under these agreements, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

As of October 31, 2016, we owned or leased approximately 21 million square feet of space worldwide, a summary of which is provided below.

	Fiscal year ended October 31, 2016		
	Owned	Leased	Total
	(square feet in millions)		
Administration and support	3.9	5.6	9.5
(Percentage)	41 %	59 %	100 %
	2.4	6.3	8.7

Core data centers, manufacturing plants, research and development facilities and warehouse operations			
(Percentage)	28 %	72 %	100 %
Total[1]	6.3	11.9	18.2
(Percentage)	35 %	65 %	100 %

[1] Excludes 3 million square feet of vacated space, of which 2 million square feet is leased to third parties.

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We believe that our existing properties are in good condition and are suitable for the conduct of our business. Our segments Personal Systems, Printing and Corporate Investments, use substantially all of the properties at least in part, and we retain the flexibility to use each of the properties in whole or in part for each of the segments.

Principal Executive Offices

Our principal executive offices, including our global headquarters, are located at 1501 Page Mill Road, Palo Alto, California, United States.

Headquarters of Geographic Operations

The locations of our geographic headquarters are as follows:

Americas	Europe, Middle East, Africa	Asia Pacific
Palo Alto, United States	Geneva, Switzerland	Singapore

Product Development and Manufacturing

The locations of our major product development, manufacturing, data centers and HP Labs facilities are as follows:

Americas	Europe, Middle East, Africa
United States—Boise, Corvallis, San Diego, Vancouver	Israel—Kiryat-Gat, Netanya, Rehovot
	Spain—Barcelona
Asia Pacific	Technology office (HP Labs)
China—Shanghai	United Kingdom—Bristol
Malaysia—Penang	United States—Palo Alto
Singapore—Singapore	

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 15, “Litigation and Contingencies” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

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PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Information regarding the market prices of HP common stock and the markets for that stock may be found in the "Quarterly Summary" in Item 8 and on the cover page of this Annual Report on Form 10-K, respectively, which are incorporated herein by reference. We have declared and paid cash dividends each fiscal year since 1965. Dividends declared and paid per share by fiscal quarter in 2016 and 2015 were as follows:

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Dividends declared	—	$0.25	—	$0.25	—	$0.35	—	$0.32
Dividends paid	$0.12	$0.12	$0.12	$0.12	$0.18	$0.18	$0.16	$0.16

Additional information concerning dividends may be found in "Selected Financial Data" in Item 6 and Note 13, "Stockholders' (Deficit) Equity" to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

As of November 30, 2016, there were approximately 68,192 stockholders of record.

In connection with the Separation, on November 1, 2015, we completed the distribution of the outstanding common stock of Hewlett Packard Enterprise to our stockholders as of the close of business on October 21, 2015, the record date for the distribution. Our stockholders received one share of Hewlett Packard Enterprise common stock for every one share of our common stock held at the close of business on the record date. We distributed a total of approximately 1.8 billion shares of Hewlett Packard Enterprise common stock to our stockholders.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities in fiscal year 2016. We did not repurchase any shares of our common stock during the fourth quarter of 2016. All share repurchases settled in the fourth quarter of fiscal year 2016 were open market transactions.

On July 21, 2011, HP's Board of Directors authorized a $10.0 billion share repurchase program. HP may choose to repurchase shares when sufficient liquidity exists and the shares are trading at a discount relative to estimated intrinsic value. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. On October 10, 2016, the Board authorized an additional $3.0 billion for future repurchases of its outstanding shares of common stock. HP intends to use repurchases from time to time to offset the dilution created by shares issued under employee stock plans and to repurchase shares opportunistically. As of October 31, 2016, HP had approximately $3.8 billion remaining under repurchase authorization.

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Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return assuming the investment of $100 at the market close on October 31, 2011 (and the reinvestment of dividends thereafter) in each of HP common stock, the S&P 500 Index, and the S&P Information Technology Index. The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, future performance of our common stock.

	10/11	10/12	10/13	10/14	10/15	10/16
HP Inc.	$100.00	$53.26	$96.37	$144.63	$110.97	$136.00
S&P 500 Index	$100.00	$115.20	$146.49	$171.77	$180.69	$188.82
S&P Information Technology Index	$100.00	$110.71	$132.76	$166.88	$185.55	$205.64

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ITEM 6. Selected Financial Data.

The information set forth below is not necessarily indicative of results of future continuing operations and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, which are incorporated herein by reference, in order to understand further the factors that may affect the comparability of the financial data presented below.

HP INC. AND SUBSIDIARIES
Selected Financial Data

	For the fiscal years ended October 31				
	2016	2015	2014	2013	2012
	In millions, except per share amounts				
Net revenue	$48,238	$51,463	$56,651	$55,273	$59,454
Earnings from continuing operations[1]	$3,549	$3,920	$4,256	$3,516	$2,571
Net (loss) earnings from discontinued operations net of taxes	$(170)	$836	$2,089	$2,653	$(14,420)
Net earnings (loss)[1]	$2,496	$4,554	$5,013	$5,113	$(12,650)
Net earnings (loss) per share:					
Basic					
Continuing operations	$1.54	$2.05	$1.55	$1.27	$0.90
Discontinued operations	(0.10)	0.46	1.11	1.37	(7.31)
Total basic net earnings (loss) per share	$1.44	$2.51	$2.66	$2.64	$(6.41)
Diluted					
Continuing operations	$1.53	$2.02	$1.53	$1.26	$0.90
Discontinued operations	(0.10)	0.46	1.09	1.36	(7.31)
Total diluted net earnings (loss) per share	$1.43	$2.48	$2.62	$2.62	$(6.41)
Cash dividends declared per share	$0.50	$0.67	$0.61	$0.55	$0.50
At year-end:					
Total assets[2]	$29,010	$106,882	$103,206	$105,676	$108,768
Long-term debt[3]	$6,758	$6,677	$15,563	$15,996	$21,089
Total debt[3]	$6,836	$8,871	$18,157	$20,931	$25,515

(1) Earnings from continuing operations and net earnings (loss) include the following items:

	2016	2015	2014	2013	2012
	In millions				
Amortization of intangible assets	$16	$102	$129	$198	$217
Impairment of goodwill and intangible assets	—	—	—	—	1,227
Restructuring and other charges	205	63	176	168	354
Defined benefit plan settlement charges (credits)	179	(57)	—	—	—
Acquisition and other related charges	7	—	—	—	10
Total charges before taxes	$407	$108	$305	$366	$1,808
Total charges, net of taxes	$293	$113	$238	$260	$1,200

(2) Total assets, for all periods prior to fiscal year 2016, include the total assets of Hewlett Packard Enterprise which are presented as discontinued operations in the Consolidated Balance Sheet. For further information on discontinued operations, see Note 2, "Discontinued Operations" in the Consolidated Financial Statements and notes

thereto included in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(3) The decrease in Long-term debt and Total debt in fiscal year 2015 was due to the early extinguishment of debt as a result of the Separation of Hewlett Packard Enterprise. For further information on HP Inc. separation transaction, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10-K.

HP INC. AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is organized as follows:

- HP Inc. Separation Transaction. A discussion of the separation of Hewlett Packard Enterprise Company, HP Inc.'s former enterprise technology infrastructure, software, services and financing businesses.
- Overview. A discussion of our business and other highlights affecting the company to provide context for the remainder of this MD&A.
- Critical Accounting Policies and Estimates. A discussion of accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.
- Results of Operations. An analysis of our continuing financial results comparing fiscal year 2016 to fiscal year 2015 and fiscal year 2015 to fiscal year 2014. A discussion of the results of continuing operations is followed by a more detailed discussion of the results of operations by segment.
- Liquidity and Capital Resources. An analysis of changes in our cash flows and a discussion of our liquidity and continuing financial condition.
- Contractual and Other Obligations. An overview of contractual obligations, retirement and post-retirement benefit plan contributions, restructuring plans, uncertain tax positions and off-balance sheet arrangements of our continuing operations and separation costs.

We intend the discussion of our continuing financial condition and results of continuing operations that follows to provide information that will assist the reader in understanding our Consolidated Financial Statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our Consolidated Financial Statements. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes that appear elsewhere in this document.

HP Inc. Separation Transaction

On November 1, 2015 (the "Distribution Date"), we completed the separation of Hewlett Packard Enterprise Company ("Hewlett Packard Enterprise"), Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses (the "Separation"). In connection with the Separation, Hewlett-Packard Company changed its name to HP Inc. ("HP").

On the Distribution Date, each of our stockholders of record as of the close of business on October 21, 2015 (the "Record Date") received one share of Hewlett Packard Enterprise common stock for every one share of our common stock held as of the Record Date. We distributed a total of approximately 1.8 billion shares of Hewlett Packard Enterprise common stock to our stockholders. Hewlett Packard Enterprise is an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "HPE". After the Separation, we do not beneficially own any shares of Hewlett Packard Enterprise common stock.

In connection with the Separation, we and Hewlett Packard Enterprise have entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between HP and Hewlett Packard Enterprise going forward, including among others a tax matters agreement, an employee matters agreement, a transition service agreement, a real estate matters agreement, a master commercial agreement and an information technology service agreement.

HP INC. AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

OVERVIEW

We are a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions, and services. We sell to individual consumers, small- and medium-sized businesses and large enterprises, including customers in the government, health, and education sectors. We have three segments for financial reporting purposes: Personal Systems, Printing and Corporate Investments. The Personal Systems segment offers Commercial personal computers ("PCs"), Consumer PCs, workstations, thin clients, Commercial tablets and mobility devices, retail point-of-sale systems, displays and other related accessories, software, support, and services for the commercial and consumer markets. The Printing segment provides Consumer and Commercial printer hardware, Supplies, media, solutions and services, as well as scanning devices. Corporate Investments include HP Labs and certain business incubation projects.

- In Personal Systems, our strategic focus is on profitable growth through improved market segmentation with respect to enhanced innovation in multi-operating systems, multi-architecture, geography, customer segments and other key attributes. Additionally, HP is investing in premium and mobility form factors such as convertible notebooks, detachable notebooks, and commercial tablets and mobility devices in order to meet customer preference for mobile, thinner and lighter devices. We expect a decrease in the rate of the market decline and we believe that we are well positioned due to our competitive product lineup.
- In Printing, our strategic focus is on business printing, a shift to contractual solutions and graphics. Business printing includes delivering solutions to SMB and enterprise customers, such as multi-function and PageWide printers, including our JetIntelligence lineup of LaserJet printers. The shift to contractual solutions includes an increased focus on Managed Print Services and Instant Ink, which presents strong aftermarket supplies opportunities. In the graphics space, we are focused on innovations such as our Indigo and Latex product offerings. We plan to continue to focus on shifting the mix in the installed base to higher value units and expanding our innovative ink, laser and graphics and 3D printing programs. We continue to execute on our key initiatives of focusing on products targeted at high usage categories and introducing new revenue delivery models. Our Ink in the Office initiative is continuing to shift the installed base to more valuable units. In the commercial market, our focus is on placing higher value printer units which offer positive annuity of toner and ink, the design and deployment of A3 products and solutions, accelerating growth in graphic solutions products, and launching and developing our first 3D printers. During the third quarter of fiscal year 2016, we announced our decision to make a one-time investment over time to reduce the level of supplies inventory across the channels. This change in the Supplies sales model supports our strategy of maintaining a more consistent value proposition by shifting from a push model to a pull model driven by market demand, and allows for less price variability.

We continue to experience challenges that are representative of trends and uncertainties that may affect our business and results of operations. One set of challenges relates to dynamic and accelerating market trends such as the decline in the PC device market and home printing. A second set of challenges relates to changes in the competitive landscape. Our primary competitors are exerting increased competitive pressure in targeted areas and are entering new markets, our emerging competitors are introducing new technologies and business models, and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution.

- In Personal Systems, we are witnessing soft demand in the PC market as customers hold onto their PCs longer, thereby extending PC refresh cycles. Demand for PCs is being impacted by weaker macroeconomic conditions and currency depreciation in Latin America, Canada and certain Asian and European markets. As such, we anticipate continued market headwinds.

- In Printing, we are experiencing the impact of demand challenges in consumer and commercial markets. We are also experiencing an overall competitive pricing environment and have yet to see evidence of a broad move for our Japanese competitors to be less aggressive given the strength of the yen. We obtain a number of components from single sources due to technology, availability, price, quality or other considerations. For instance, we source laser printer engines and laser toner cartridges from Canon. Any decision by either party to not renew our agreement with Canon or to limit or reduce the scope of the agreement could adversely affect our net revenue from LaserJet products; however, we have a long-standing business relationship with Canon and do not anticipate non-renewal of this agreement.

We may also face challenges as a result of the June 23, 2016 referendum by British voters to exit the European Union (commonly known as “Brexit”). The outcome of Brexit and its impact on our business cannot be known until the terms and

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timing of the United Kingdom's exit are clearer. Until that time, we may face various Brexit-related challenges that may include uncertainty in the markets, volatility in exchange rates and weaker macroeconomic conditions.

To address these challenges, we continue to pursue innovation with a view towards developing new products and services aligned with generating market demand and meeting the needs of our customers and partners. In addition, we need to continue to improve our operations, with a particular focus on enhancing our end-to-end processes and efficiencies. We also need to continue to optimize our sales coverage models, align our sales incentives with our strategic goals, improve channel execution, strengthen our capabilities in our areas of strategic focus, and develop and capitalize on market opportunities.

For a further discussion of trends, uncertainties and other factors that could impact our continuing operating results, see the section entitled "Risk Factors" in Item 1A in this Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General

The Consolidated Financial Statements of HP are prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"), which require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection and disclosure of these estimates with the Audit Committee of HP's Board of Directors. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could have a material impact on our results of operations, financial position and cash flows.

A summary of significant accounting policies is included in Note 1, "Overview and Summary of Significant Accounting Policies" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured, as well as when other revenue recognition principles are met, including industry-specific revenue recognition guidance.

We enter into contracts to sell our products and services, and while many of our sales agreements contain standard terms and conditions, there are agreements we enter into which contain non-standard terms and conditions. Further, many of our arrangements include multiple elements. As a result, significant contract interpretation may be required to determine the appropriate accounting, including the identification of deliverables considered to be separate units of accounting, the allocation of the transaction price among elements in the arrangement and the timing of revenue recognition for each of those elements.

We recognize revenue for delivered elements as separate units of accounting when the delivered elements have standalone value to the customer. For elements with no standalone value, we recognize revenue consistent with the pattern of the delivery of the final deliverable. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items and the delivery and performance of the undelivered items is considered probable and substantially within our control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

HP INC. AND SUBSIDIARIES

Management’s Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

We establish the selling prices used for each deliverable based on vendor specific objective evidence (“VSOE”) of selling price, if available, third-party evidence (“TPE”), if VSOE of selling price is not available, or estimated selling price (“ESP”), if neither VSOE of selling price nor TPE is available. We establish VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. We evaluate TPE of selling price by reviewing largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. ESP is established based on management’s judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and industry technology life cycles. We may modify or develop new go-to-market practices in the future, which may result in changes in selling prices, impacting both VSOE of selling price and ESP. In most arrangements with multiple elements, the transaction price is allocated to the individual units of accounting at inception of the arrangement based on their relative selling price. However, the aforementioned factors may result in a different allocation of the transaction price to deliverables in multiple element arrangements entered into in future periods. This may change the pattern and timing of revenue recognition for identical arrangements executed in future periods, but will not change the total revenue recognized for any given arrangement.

We reduce revenue for customer and distributor programs and incentive offerings, including price protection, rebates, promotions, other volume-based incentives and expected returns. Future market conditions and product transitions may require us to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. For certain incentive programs, we estimate the number of customers expected to redeem the incentive based on historical experience and the specific terms and conditions of the incentive.

For hardware products, we recognize revenue generated from direct sales to end customers and indirect sales to channel partners (including resellers, distributors and value-added solution providers) when the revenue recognition criteria are satisfied. For indirect sales to channel partners, we recognize revenue at the time of delivery when the channel partner has economic substance apart from HP and HP has completed its obligations related to the sale.

We recognize revenue from fixed-price support or maintenance contracts ratably over the contract period.

Warranty

We accrue the estimated cost of product warranties at the time we recognize revenue. We evaluate our warranty obligations on a product group basis. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, we base our estimated warranty obligation on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of our baseline experience. Warranty terms generally range from 90 days to three years for parts, labor and onsite services, depending upon the product. Over the last three fiscal years, the annual warranty expense and actual warranty costs have averaged approximately 2.2% and 2.5% of annual net revenue, respectively.

Restructuring and Other Charges

We have engaged in restructuring actions which require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction and enhanced early retirement programs, fair value of assets made redundant or obsolete, and the fair value of lease cancellation and other exit costs. We accrue for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. Other charges include non-recurring costs that are distinct from ongoing operational costs such as information technology costs incurred in connection with the Separation. For a full description of our restructuring actions, refer to our discussions of restructuring in “Results of Operations” below and in Note 4, “Restructuring and Other Charges” to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Retirement and Post-Retirement Benefits

Our pension and other post-retirement benefit costs and obligations depend on various assumptions. Our major assumptions relate primarily to discount rates, mortality rates, expected increases in compensation levels and the expected long-term return on plan assets. The discount rate assumption is based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants and are based on a historical demographic study of the plan. The expected increase in the compensation levels assumption reflects our long-term actual experience and future expectations. The expected long-term return on plan assets is determined based on asset allocations, historical portfolio results, historical asset correlations and management’s expected returns for each asset class. We evaluate our expected return assumptions annually including reviewing current capital market assumptions to assess the reasonableness of the expected long-term return on plan assets. We update the expected long-term return on assets when we observe a sufficient level of evidence that would suggest the long-term expected return has changed. In any fiscal year, significant differences may arise between the actual return and the expected long-term return on plan assets. Historically, differences between the actual return and expected long-term return on plan assets have resulted from changes in target or actual asset allocation, short-term performance relative to expected long-term performance, and to a lesser extent, differences between target and actual investment allocations, the timing of benefit payments compared to expectations, and the use of derivatives intended to effect asset allocation changes or hedge certain investment or liability exposures. For the recognition of net periodic benefit cost, the calculation of the expected long-term return on plan assets uses the fair value of plan assets as of the beginning of the fiscal year unless updated as a result of interim remeasurement.

Our major assumptions vary by plan, and the weighted-average rates used are set forth in Note 5, “Retirement and Post-Retirement Benefit Plans” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The following table provides the impact a change of 25 basis points in each of the weighted-average assumptions of the discount rate, expected increase in compensation levels and expected long-term return on plan assets would have had on our net periodic benefit cost for fiscal year 2016:

	Change in Net Periodic Benefit Cost in millions
Assumptions:	
Discount rate	$ 9
Expected increase in compensation levels	$ 2
Expected long-term return on plan assets	$ 31

Taxes on Earnings

We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the final positions reflected in our income tax returns. We adjust our current and deferred tax provisions based on income tax returns which are generally filed in the third or fourth quarters of the subsequent fiscal year.

We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse.

We record a valuation allowance to reduce deferred tax assets to the amount that we are more likely than not to realize. In determining the need for a valuation allowance, we consider future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate and prudent and feasible tax planning strategies. In the event we were to determine that it is more likely than not that we will be unable to realize all or part of our deferred tax assets in the future, we would increase the valuation allowance and recognize a corresponding charge to earnings or other comprehensive income in the period in which we make such a determination. Likewise, if we later determine that we are more likely than not to realize the deferred tax assets, we would reverse the applicable portion of the previously recognized valuation allowance. In order for us to realize our deferred tax assets, we must be able to generate sufficient taxable income in the jurisdictions in which the deferred tax assets are located.

Our effective tax rate includes the impact of certain undistributed foreign earnings for which we have not provided United States federal taxes because we plan to reinvest such earnings indefinitely outside the United States. We plan distributions of foreign earnings based on projected cash flow needs as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we expect to indefinitely invest outside the United States and the amounts we expect to distribute to the United States and provide the United

HP INC. AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

States federal taxes due on amounts expected to be distributed to the United States. Further, as a result of certain employment actions and capital investments we have undertaken, income from manufacturing activities in certain jurisdictions is subject to reduced tax rates and, in some cases, is wholly exempt from taxes for fiscal years through 2027. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact how future earnings are repatriated to the United States, and our related future effective tax rate.

We are subject to income taxes in the United States and approximately 58 other countries, and we are subject to routine corporate income tax audits in many of these jurisdictions. We believe that positions taken on our tax returns are fully supported, but tax authorities may challenge these positions, which may not be fully sustained on examination by the relevant tax authorities. Accordingly, our income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our income tax provision, net income and cash flows. Our accrual for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, intercompany transactions and related interest. For a further discussion on taxes on earnings, refer to Note 7, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Inventory

We state our inventory at the lower of cost or market on a first-in, first-out basis. We make adjustments to reduce the cost of inventory to its net realizable value at the product group level for estimated excess or obsolescence. Factors influencing these adjustments include changes in demand, technological changes, product life cycle and development plans, component cost trends, product pricing, physical deterioration and quality issues.

Goodwill

We review goodwill for impairment annually during our fourth quarter and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We can opt to perform a qualitative assessment to test a reporting unit's goodwill for impairment or we can directly perform the two-step impairment test. Based on the qualitative assessment, if we determine that the fair value of a reporting unit is more likely than not (i.e., a likelihood of more than 50 percent) to be less than its carrying amount, the two-step impairment test will be performed.

In the first step of the impairment test, we compare the fair value of each reporting unit to its carrying amount with the fair values derived most significantly from the income approach, and to a lesser extent, the market approach. Under the income approach, we estimate the fair value of a reporting unit based on the present value of estimated future cash flows. We base cash flow projections on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. We base the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit. We weight the fair value derived from the market approach depending on the level of comparability of these publicly-traded companies to the reporting unit. When market comparables are not meaningful or not available, we estimate the fair value of a reporting unit using only the income approach.

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying amount, then we perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. In the second step, we measure the reporting unit's assets, including any unrecognized intangible assets, liabilities and non-controlling interests at fair value in a hypothetical analysis to calculate the implied fair value of goodwill for the reporting unit in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than its carrying amount, the difference is recorded as an impairment loss.

Our annual goodwill impairment analysis, performed using the qualitative assessment option as of the first day of the fourth quarter of fiscal year 2016, resulted in a conclusion that it was more likely than not that the fair value of our reporting units exceeded their respective carrying values. As a result, we concluded that the first step of the goodwill impairment test was not necessary.

Fair Value of Derivative Instruments

We use derivative instruments to manage a variety of risks, including risks related to foreign currency exchange rates and interest rates. We use forwards, swaps and at times, options to hedge certain foreign currency and interest rate exposures. We do not use derivative instruments for speculative purposes. As of October 31, 2016, the gross notional value of our derivative portfolio was $17.9 billion. Assets and liabilities related to derivative instruments are measured at fair value, and were $325 million and $97 million, respectively as of October 31, 2016.

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to the asset or liability being valued. We generally use industry standard valuation models to measure the fair value of our derivative positions. When prices in active markets are not available for the identical asset or liability, we use industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, HP and counterparty credit risk, foreign currency exchange rates, and forward and spot prices.

For a further discussion on fair value measurements and derivative instruments, refer to Note 10, "Fair Value" and Note 11, "Financial Instruments", respectively, to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property ("IP"), commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. We record a liability when we believe that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. We review these matters at least quarterly and adjust these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events, pertaining to a particular case. Pursuant to the separation and distribution agreement, we share responsibility with Hewlett Packard Enterprise for certain matters, as discussed in Note 15, "Litigation and Contingencies" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, and Hewlett Packard Enterprise has agreed to indemnify us in whole or in part with respect to certain matters. Based on our experience, we believe that any damage amounts claimed in the specific litigation and contingencies matters further discussed in Note 15, "Litigation and Contingencies", are not a meaningful indicator of

HP's potential liability. Litigation is inherently unpredictable. However, we believe we have valid defenses with respect to legal matters pending against us. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. We believe we have recorded adequate provisions for any such matters and, as of October 31, 2016, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in our financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our consolidated financial statements see Note 1, "Overview and Summary of Significant Accounting Policies" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

RESULTS OF OPERATIONS

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Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our net revenue growth has been impacted, and we expect it will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing performance excluding the impact of foreign currency fluctuations, we supplementally present the year-over-year percentage change in net revenue on a constant currency basis, which assumes no change in foreign currency exchange rates from the prior-year period and does not adjust for any repricing or demand impacts from changes in foreign currency exchange rates. This information is provided so that net revenue can be viewed with and without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our net revenue results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the year-over-year percentage change in net revenue on a GAAP basis. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

Results of operations in dollars and as a percentage of net revenue were as follows:

	For the fiscal years ended October 31					
	2016		2015		2014	
	Dollars in millions					
Net revenue	$48,238	100.0%	$51,463	100.0%	$56,651	100.0%
Cost of revenue	39,240	81.3%	41,524	80.7%	45,431	80.2%
Gross profit	8,998	18.7%	9,939	19.3%	11,220	19.8%
Research and development	1,209	2.5%	1,191	2.3%	1,298	2.3%
Selling, general and administrative	3,840	8.0%	4,720	9.2%	5,361	9.5%
Amortization of intangible assets	16	0.0%	102	0.2%	129	0.2%
Restructuring and other charges	205	0.4%	63	0.1%	176	0.3%
Defined benefit plan settlement charges (credits)	179	0.4%	(57)	(0.1)%	—	—
Earnings from continuing operations before interest and taxes	3,549	7.4%	3,920	7.6%	4,256	7.5%
Interest and other, net	212	0.4%	(388)	(0.7)%	(393)	(0.7)%
Earnings from continuing operations before taxes	3,761	7.8%	3,532	6.9%	3,863	6.8%
(Provision for) benefit from taxes	(1,095)	(2.3)%	186	0.3%	(939)	(1.6)%
Net earnings from continuing operations	2,666	5.5%	3,718	7.2%	2,924	5.2%
Net (loss) earnings from discontinued operations, net of taxes	(170)		836		2,089	
Net earnings	$2,496		$4,554		$5,013	

Net Revenue

In fiscal year 2016, total net revenue from continuing operations decreased 6.3% (decreased 2% on a constant currency basis) as compared with fiscal year 2015. Net revenue from the United States increased 1.7% to $18.0 billion, while net revenue from outside of the United States decreased 10.4% to $30.2 billion. The primary factors contributing to the net revenue decline were unfavorable currency impacts, weak market demand, competitive pricing pressures and the change in the Supplies sales model. The net revenue decline was driven by decline in supplies, commercial and consumer printers, commercial and consumer desktops and consumer notebooks, partially offset by growth in commercial notebooks.

In fiscal year 2015, total net revenue from continuing operations decreased 9.2% (decreased 4.7% on a constant currency basis) as compared with fiscal year 2014. Net revenue from the United States decreased 2.6% to $17.7 billion, while net revenue from outside of the United States decreased 12.2% to $33.7 billion. The primary factors contributing to the net revenue decline were unfavorable currency impacts, particularly in EMEA, weak market demand and competitive pricing pressures. The net revenue decline was driven by desktops and supplies, partially offset by growth in notebooks and graphics products.

A more detailed discussion of the factors contributing to the changes in segment net revenue is included under “Segment Information” below.

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Management's Discussion and Analysis of
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Gross Margin

Our gross margin from continuing operations decreased to 18.7% for fiscal year 2016 compared with 19.3% for fiscal year 2015. The decline in gross margin performance was primarily due to unfavorable currency impacts, partially offset by operational improvements.

Our gross margin from continuing operations decreased to 19.3% for fiscal year 2015 compared with 19.8% for fiscal year 2014. The primary factors impacting gross margin performance were competitive pricing environment and unfavorable currency impacts, partially offset by favorable component costs in Personal Systems, favorable mix of ink and graphics supplies and operational cost improvements.

A more detailed discussion of the factors contributing to the changes in segment gross margins is included under "Segment Information" below.

Operating Expenses

Research and Development ("R&D")

R&D expense increased 2% in fiscal year 2016 as compared to fiscal year 2015 primarily due to incremental investments in A3 and 3D printing, partially offset by favorable currency impacts.

R&D expense decreased 8% in fiscal year 2015 as compared to fiscal year 2014 primarily due to favorable currency impacts.

Selling, General and Administrative ("SG&A")

SG&A expense decreased 19% in fiscal year 2016 as compared to fiscal year 2015 primarily due to gains from the divestiture of certain software assets to Open Text Corporation, lower corporate governance and other overhead costs related to the pre-Separation combined entity, our cost saving initiatives and favorable currency impacts. These effects were partially offset by the gain from the divestiture of Snapfish in the prior-year period.

SG&A expense decreased 12% in fiscal year 2015 as compared to fiscal year 2014 primarily due to favorable currency impacts and declines in go-to-market costs as a result of lower commissions and productivity initiatives.

Amortization of Intangible Assets

Amortization expense decreased by $86 million and $27 million in fiscal year 2016 and in fiscal year 2015 respectively, primarily due to prior acquisitions reaching the end of their respective amortization periods.

Restructuring and other Charges

Restructuring and other charges increased by $142 million in fiscal year 2016 primarily due to severance pay and infrastructure related charges from our restructuring plan initially announced in September 2015 (the “Fiscal 2015 Plan”).

On October 10, 2016, our Board of Directors approved a restructuring plan (the “Fiscal 2017 Plan”) which will be implemented through fiscal year 2019. HP recognized $24 million of charges related to the Fiscal 2017 Plan during the fourth quarter of fiscal year 2016.

Restructuring and other charges decreased by $113 million in fiscal year 2015 primarily due to lower charges from our restructuring plan initially announced in May 2012 (the “Fiscal 2012 Plan”). HP recognized $39 million of charges related to the Fiscal 2015 Plan during the fourth quarter of fiscal year 2015.

Interest and Other, Net

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Interest and other, net expense decreased by $600 million in fiscal year 2016. The decrease was primarily due to changes in indemnification receivables from Hewlett Packard Enterprise for certain tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by Hewlett Packard Enterprise under the tax matters agreement and lower foreign currency losses, partially offset by lower interest income.

Interest and other, net expense decreased by $5 million in fiscal year 2015. The decrease was due to lower other miscellaneous expense.

Provision for Taxes

Our effective tax rates were 29.1%, (5.3)% and 24.3% in fiscal years 2016, 2015 and 2014, respectively. Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from our operations in lower tax jurisdictions throughout the world. The jurisdictions with favorable tax rates that had the most significant impact on our effective tax rate in the periods presented were Puerto Rico, Singapore, China, Malaysia and Ireland. We plan to reinvest certain earnings of these jurisdictions indefinitely outside the United States and therefore has not provided U.S. taxes on those indefinitely reinvested earnings. In addition to the above factors, the overall tax rates in fiscal year 2016 were impacted by adjustments to valuation allowances and uncertain tax positions.

For a reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and further explanation of our provision for taxes, see Note 7, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

In fiscal 2016, we recorded $301 million of net income tax charges related to items unique to the year for continuing operations. These amounts primarily include uncertain tax position charges of $525 million related to pre-separation tax matters. In addition, we recorded $62 million of net tax benefits on restructuring and other charges, $52 million of net tax benefits related to the release of foreign valuation allowances and $41 million of net tax benefits arising from the retroactive research and development credit provided by the Consolidated Appropriations Act of 2016 signed into law in December 2015 and $70 million of other tax benefit.

In fiscal year 2015, we recorded $1.2 billion of net income tax benefits related to items unique to the year. These amounts included $1.7 billion of tax benefits due to a release of valuation allowances pertaining to certain U.S. deferred tax assets, $449 million of tax charges related to uncertain tax positions on pension transfers, $70 million of tax benefits related to state tax impacts, and $6 million of income tax charges related to various other items. In addition, we recorded $33 million of income tax charges on restructuring and pension-related costs.

In fiscal year 2014, we recorded $69 million of net income tax benefits related to items unique to the year. These amounts included $37 million of income tax benefits related to provision to return adjustments, $25 million of income tax charges related to state rate changes, $41 million of income tax benefits for adjustments related to uncertain tax positions, and $16 million of income tax benefits related to other items.

Segment Information

A description of the products and services for each segment can be found in Note 3, “Segment Information,” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Future changes to this organizational structure may result in changes to the segments disclosed.

Personal Systems

	For the fiscal years ended October 31		
	2016	2015	2014
	Dollars in millions		
Net revenue	$ 29,987	$ 31,520	$ 34,387
Earnings from operations	$ 1,150	$ 1,022	$ 1,265
Earnings from operations as a % of net revenue	3.8 %	3.2 %	3.7 %

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The components of net revenue and the weighted net revenue change by business unit were as follows:

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2016	2015	
	Dollars in millions		
Notebook PCs	$ 16,982	$ 17,271	(0.9)
Desktop PCs	9,956	10,941	(3.1)
Workstations	1,870	2,018	(0.5)
Other	1,179	1,290	(0.4)
Total Personal Systems	$ 29,987	$ 31,520	(4.9)

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	2014	
	Dollars in millions		
Notebook PCs	$ 17,271	$ 17,540	(0.8)
Desktop PCs	10,941	13,197	(6.6)
Workstations	2,018	2,218	(0.6)
Other	1,290	1,432	(0.3)
Total Personal Systems	$ 31,520	$ 34,387	(8.3)

Fiscal Year 2016 compared with Fiscal Year 2015

Personal systems net revenue decreased 4.9% (decreased 0.9% on a constant currency basis) in fiscal year 2016. The net revenue decline in Personal Systems was primarily due to unfavorable currency impacts and weak market demand. Personal Systems net revenue decreased as a result of a 3.5% decline in unit volume along with a 1% decline in average selling price ("ASP") as compared to the prior-year period. The unit volume decline was primarily due to an overall decline in desktops and consumer notebooks, partially offset by unit volume growth in commercial notebooks. The decline in ASP was primarily due to competitive pricing in the commercial segment partially offset by favorable pricing in the consumer segment and favorable mix shift in consumer high-end premium products.

Consumer and commercial revenue both decreased by 5%, primarily due to weak market demand, partially offset by an increase in commercial notebooks and PC services. Net revenue declined 2% in Notebooks, 9% in Desktops, 7% in Workstations and 9% in Other as compared to the prior-year period. The net revenue decline in Other was primarily due to lower sales in consumer tablets and Personal Systems options partially offset by revenue growth in PC services.

Personal Systems earnings from operations as a percentage of net revenue increased by 0.6 percentage points in fiscal year 2016. The increase was primarily due to growth in gross margin driven by favorable commodity costs combined with product mix and increase in PC services, the effects of which were partially offset by unfavorable currency impacts in revenue. Operating expenses as a percentage of net revenue increased by 0.1 percentage point primarily driven by an increase in field selling cost.

Fiscal Year 2015 compared with Fiscal Year 2014

Personal Systems net revenue decreased 8.3% (decreased 3.1% on a constant currency basis) in fiscal year 2015. The net revenue decline in Personal Systems was primarily due to unfavorable currency impacts, particularly in EMEA, and weakening market demand. Personal Systems net revenue decreased as a result of a 5% decline in ASP and a 3% decline in unit volume. The decline in ASP was primarily due to unfavorable currency impacts, a shift in consumer PCs to low end products and a

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lower mix of commercial PCs within Personal Systems. The unit volume decline was primarily due to a unit volume decline in desktops, partially offset by a unit volume growth in notebooks, both consumer and commercial.

Net revenue for commercial clients decreased 8% primarily due to unfavorable currency impacts, a decline in commercial desktops as a result of weak market demand and higher net revenue in the prior-year period resulting from the replacement of the Windows XP operating system. Net revenue for consumer clients decreased 8% primarily due to unfavorable currency impacts and a decline in consumer desktops. Net revenue declined 17% in Desktop PCs, 2% in Notebook PCs, 9% in Workstations and 10% in Other. The net revenue decline in Other was primarily due to a decline in consumer tablets, the sale of intellectual property assets in the prior-year period, and unfavorable currency impacts, the effects of which were partially offset by increased sales of extended warranties.

Personal Systems earnings from operations as a percentage of net revenue decreased by 0.5 percentage points for fiscal year 2015 as a result of a decline in gross margin combined with an increase in operating expenses as a percentage of net revenue. The decline in gross margin was primarily due to unfavorable currency impacts and a lower mix of commercial products, partially offset by favorable component costs and operational cost improvements. Operating expenses as a percentage of net revenue increased primarily due to the size of the net revenue decline, higher administrative expenses as a result of lower bad debt recoveries as compared to the prior-year period and higher R&D investments in commercial, mobility and immersive computing products, the effects of which were partially offset by a decline in field selling costs as a result of favorable currency impacts and operational cost improvements.

Printing

	For the fiscal years ended October 31		
	2016	2015	2014
	Dollars in millions		
Net revenue	$ 18,260	$ 21,232	$ 23,211
Earnings from operations	$ 3,128	$ 3,765	$ 4,161
Earnings from operations as a % of net revenue	17.1 %	17.7 %	17.9 %

The components of the net revenue and weighted net revenue change by business unit were as follows:

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2016	2015	
	Dollars in millions		
Supplies	$ 11,875	$ 13,979	(9.9)
Commercial Hardware	5,131	5,466	(1.6)
Consumer Hardware	1,254	1,787	(2.5)
Total Printing	$ 18,260	$ 21,232	(14.0)

For the fiscal years ended October 31

	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	2014	
	Dollars in millions		
Supplies	$ 13,979	$ 14,917	(4.0)
Commercial Hardware	5,466	6,035	(2.5)
Consumer Hardware	1,787	2,259	(2.0)
Total Printing	$ 21,232	$ 23,211	(8.5)

Fiscal Year 2016 compared with Fiscal Year 2015

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Printing net revenue decreased 14.0% (decreased 9.3% on a constant currency basis) for fiscal year 2016. The decline in net revenue was primarily due to unfavorable currency impacts, weakness in demand, impact from the change in the Supplies sales model and competitive pricing pressures. These factors resulted in a net revenue decline across Supplies and Consumer and Commercial Hardware. Net revenue for Supplies decreased 15.1% as compared to the prior-year period, primarily due to unfavorable currency impacts, demand weakness combined with a competitive pricing environment and impact of the change in the Supplies sales model. Printer unit volume decreased 12% and ASP increased by 2% as compared to the prior-year period. Printer unit volume decreased due to weakness in demand, our pricing discipline and focus on placing positive NPV units. Printer ASP increased primarily due to a favorable mix shift to high-value printers, partially offset by unfavorable currency impacts.

Net revenue for Commercial Hardware decreased 6% for fiscal year 2016 as compared to the prior-year period primarily driven by a 6% decline in unit volume and a decrease in other peripheral printing solutions. The unit volume in Commercial Hardware declined primarily due to a unit volume decline in LaserJet printers. The ASP in Commercial Hardware increased slightly primarily due to mix shift to high-value printer sales offset by unfavorable currency impacts. Printer unit volume in Consumer Hardware declined 15%, combined with a decline in other printing solutions largely driven by the divestiture of Snapfish in the prior-year period and a 9% decline in ASP, resulted in a 30% decline in Consumer Hardware net revenue for fiscal year 2016 as compared to the prior-year period. The unit volume decline in Consumer Hardware was primarily due to weakness in demand, our pricing discipline and our continued efforts to place positive NPV units. The ASP in Consumer Hardware decreased primarily due to unfavorable currency impacts.

Printing earnings from operations as a percentage of net revenue decreased by 0.6% percentage points for fiscal year 2016 as compared to the prior-year period due to decline in gross margin, partially offset by the gains from the divestiture of certain software assets. The gross margin decline was primarily due to unfavorable currency impacts and supplies mix, partially offset by operational improvements and favorable mix of printers. Operating expenses decreased primarily due to the gains from the divestiture of certain software assets to Open Text Corporation and cost-saving initiatives.

Fiscal Year 2015 compared with Fiscal Year 2014

Printing net revenue decreased 8.5% (decreased 5.1% on a constant currency basis) for fiscal year 2015. The decline in net revenue was primarily due to unfavorable currency impacts, decline in Supplies, weak market demand and competitive pricing pressures, the effects of which were partially offset by growth in graphics products. From a regional perspective, Printing experienced a net revenue decline across all regions, primarily in EMEA and particularly in Russia as a result of challenges in those markets.

Net revenue for Supplies decreased 6% primarily due to unfavorable currency impacts and demand weakness in toner and ink, partially offset by growth in graphics supplies. The demand weakness in toner was particularly in EMEA, led by a net revenue decline in Russia. Printer unit volumes declined 7% while ASP decreased 7%. Printer unit volume declined primarily due to a decline in LaserJet and home printer units, the effects of which were partially offset by growth in graphics printer units. The ASP for printers decreased primarily due to a highly competitive pricing environment and unfavorable currency impacts on Inkjet and LaserJet printers. Net revenue for Commercial Hardware decreased 9% driven by a 7% decline in printer unit volume and a 4% decline in ASP, partially offset by a net revenue increase in other peripheral solutions. In Commercial Hardware, the decline in unit volume was primarily due to an overall decline in LaserJet printer units, partially offset by growth in graphics printer units. The ASP decline in Commercial Hardware was primarily due to a competitive pricing environment and unfavorable currency impacts. Net revenue for Consumer Hardware decreased 21% driven by a 13% decline in ASP, 7% decline in unit volume and a decline in other peripheral solutions. The ASP decline in Consumer Hardware was primarily due to a competitive pricing environment and unfavorable currency impacts. The unit volume decline in Consumer Hardware was primarily due to lower sales of home and SMB printer units.

Printing earnings from operations as a percentage of net revenue declined 0.2 percentage points for fiscal year 2015 due to a decline in gross margin, partially offset by lower operating expenses as a percentage of net revenue. The decline in gross margin was primarily due to a competitive pricing environment in hardware and unfavorable currency impacts, the effects of which were partially offset by a favorable mix of ink and graphics supplies and favorable currency impacts from the Japanese yen. Operating expenses as a percentage of net revenue decreased primarily due to our cost saving initiatives, lower marketing expenses, the impact of the divestiture of our photo printing service Snapfish and favorable currency impacts.

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Corporate Investments

	For the fiscal years ended October 31		
	2016	2015	2014
	Dollars in millions		
Net revenue	$ 7	$ 20	$ 296
(Loss) earnings from operations	$ (98)	$ (43)	$ 157
(Loss) earnings from operations as a % of net revenue[1]	NM	NM	53 %

[1] "NM" represents not meaningful.

Fiscal Year 2016 compared with Fiscal Year 2015

The loss from operations for fiscal year 2016 was primarily due to expenses associated with our incubation projects.

Fiscal Year 2015 compared with Fiscal Year 2014

The net revenue decrease for fiscal year 2015 was primarily due to the sale of intellectual property assets related to the Palm acquisition in the prior-year period.

The increase in the loss from operations for fiscal year 2015 was primarily due to the sale of intellectual property assets in the prior-year period and higher expenses associated with incubation projects and HP Labs.

LIQUIDITY AND CAPITAL RESOURCES

We use cash generated by operations as our primary source of liquidity. We believe that internally generated cash flows are generally sufficient to support our operating businesses, capital expenditures, restructuring activities, maturing debt, income tax payments and the payment of stockholder dividends, in addition to investments and share repurchases. We are able to supplement this short-term liquidity, if necessary, with broad access to capital markets and credit facilities made available by various domestic and foreign financial institutions. Our access to capital markets may be constrained and our cost of borrowing may increase under certain business, market and economic conditions; however, our access to a variety of funding sources to meet our liquidity needs is designed to facilitate continued access to capital resources under all such conditions. Our liquidity is subject to various risks including the risks identified in the section entitled "Risk Factors" in Item 1A and market risks identified in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A, which is incorporated herein by reference.

Our cash balances are held in numerous locations throughout the world, with majority of those amounts held outside of the United States. We utilize a variety of planning and financing strategies in an effort to ensure that our worldwide cash is available when and where it is needed. Our cash position remains strong, and we expect that our cash balances, anticipated cash flow generated from operations and access to capital markets will be sufficient to cover our expected near-term cash outlays.

In September 2016, HP entered into a definitive agreement to acquire Samsung Electronics Co., Ltd.'s printer business for $1.05 billion. The transaction is expected to close within 12 months pending regulatory review and other customary closing conditions.

Amounts held outside of the United States are generally utilized to support non-U.S. liquidity needs, although a portion of those amounts may from time to time be subject to short-term intercompany loans into the United States. Most of the amounts held outside of the United States could be repatriated to the United States but, under current law, some would be subject to U.S. federal income taxes, less applicable foreign tax credits. Repatriation of some foreign earnings is restricted by local law. Except for foreign earnings that are considered indefinitely reinvested outside of the United States, we have provided for the U.S. federal tax liability on these earnings for financial statement purposes. Repatriation could result in additional income tax payments in future years. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of the United States and we would meet liquidity needs through ongoing cash flows, external

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borrowings, or both. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the United States to have a material effect on our overall liquidity, financial condition or results of operations.

Liquidity

Our cash and cash equivalents and total debt for continuing operations were as follows:

	As of October 31		
	2016	2015	2014
	In billions		
Cash and cash equivalents	$6.3	$7.6	$12.9
Total debt	$6.8	$8.9	$18.2

Our historical statements of cash flows represent the combined cash flows and key cash flow metrics of HP prior to the Separation and have not been revised to reflect the effect of the Separation. For further information on discontinued operations, see Note 2, "Discontinued Operations" in the Consolidated Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data", which is incorporated herein by reference.

Our key cash flow metrics were as follows:

	For the fiscal years ended October 31		
	2016	2015	2014
		In millions	
Net cash provided by operating activities	$ 3,230	$ 6,490	$ 12,333
Net cash provided by (used in) investing activities	48	(5,534)	(2,792)
Net cash (used in) provided by financing activities	(14,423)	1,344	(6,571)
Net (decrease) increase in cash and cash equivalents	$ (11,145)	$ 2,300	$ 2,970

Operating Activities

Net cash provided by operating activities decreased by $3.3 billion for fiscal year 2016 as compared to fiscal year 2015, since the net cash provided by operating activities for fiscal year 2015 included the impact of discontinued operations, which is not included in the net cash provided by operating activities for fiscal year 2016, as a result of the Separation.

Net cash provided by operating activities decreased by approximately $5.8 billion for fiscal year 2015 as compared to fiscal year 2014. The decrease was due primarily to lower cash generated from working capital management activities, payments for Separation costs, lower cash receipts from contract manufacturers and financing receivables, lower net earnings in the current period, unfavorable currency impacts, as well as higher cash payments for prepaid expenses and employee benefits.

Working Capital Metrics

Management utilizes current cash conversion cycle information to manage our working capital level. The table below presents the cash conversion cycle as of October 31, 2016 and October 31, 2015.

	As of October 31		
	2016	2015	2014
Days of sales outstanding in accounts receivable	30	35	33
Days of supply in inventory	39	39	35
Days of purchases outstanding in accounts payable	(98)	(93)	(86)
Cash conversion cycle	(29)	(19)	(18)

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The cash conversion cycle is the sum of days of sales outstanding in accounts receivable ("DSO") and days of supply in inventory ("DOS") less days of purchases outstanding in accounts payable ("DPO"). Items which may cause the cash conversion cycle in a particular period to differ from a long-term sustainable rate include, but are not limited to, changes in business mix, changes in payment terms, extent of receivables factoring, seasonal trends and the timing of revenue recognition and inventory purchases within the period.

DSO measures the average number of days our receivables are outstanding. DSO is calculated by dividing ending accounts receivable, net of allowance for doubtful accounts, by a 90-day average of net revenue. For fiscal year 2016, the decrease in DSO compared to fiscal year 2015 was primarily due to favorable revenue linearity and strong collections, partially offset by unfavorable currency impacts. For fiscal year 2015, the increase in DSO compared to fiscal year 2014 was primarily due to lower usage of cash discounts by our customers.

DOS measures the average number of days from procurement to sale of our product. DOS is calculated by dividing ending inventory by a 90-day average of cost of goods sold. For fiscal year 2016, the DOS was flat compared to fiscal year 2015 due to strong inventory management offset by higher inventory balance to support future sales levels. For fiscal year 2015, the increase in DOS compared to fiscal year 2014 was due to higher inventory balance to support future sales levels.

DPO measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing ending accounts payable by a 90-day average of cost of goods sold. For fiscal year 2016, the increase in DPO compared to fiscal year 2015 was primarily the result of extension of payment terms with our product suppliers and increased strategic inventory purchases. For fiscal year 2015, the increase in DPO compared to fiscal year 2014 was primarily the result of purchasing linearity and an extension of payment terms with our product suppliers.

Investing Activities

Net cash used in investing activities decreased by $5.6 billion for fiscal year 2016 as compared to fiscal year 2015, due to capital expenditures and payments made in connection with business acquisitions, net of cash acquired, in fiscal year 2015 by the discontinued operations.

Net cash used in investing activities increased by approximately $2.7 billion for fiscal year 2015 as compared to fiscal year 2014, primarily due to the acquisition of Aruba Networks, Inc., which was transferred to Hewlett Packard Enterprise as a part of the Separation.

Financing Activities

Net cash used in financing activities increased by $15.8 billion in fiscal year 2016 primarily due to the cash transfer of $10.4 billion to Hewlett Packard Enterprise in connection with the Separation, the redemption of $2.1 billion of U.S. Dollar Global Notes and cash utilization of $2.0 billion for repurchases of common stock and dividends.

Net cash used in financing activities decreased by approximately $7.9 billion for fiscal year 2015 as compared to net cash used in financing activities of $6.6 billion in fiscal year 2014. The change was primarily due to proceeds from the issuance of senior unsecured notes in October 2015 by Hewlett Packard Enterprise in principal amount of

$14.6 billion and higher proceeds from issuance of commercial paper, partially offset by the redemption of $6.6 billion of U.S. Dollar Global Notes and higher repayment of commercial paper as compared to fiscal year 2014.

Capital Resources

Debt Levels

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	As of October 31		
	2016	2015	2014
	Dollars in millions		
Short-term debt	$78	$2,194	$2,594
Long-term debt	$6,758	$6,677	$15,563
Debt-to-equity ratio	(1.76)x	0.32x	0.67x
Weighted-average interest rate	4.2 %	3.7 %	2.7 %

We maintain debt levels that we establish through consideration of a number of factors, including cash flow expectations, cash requirements for operations, investment plans (including acquisitions), share repurchase activities, our cost of capital and targeted capital structure.

Short-term debt decreased by $2.1 billion and long-term debt increased by $0.1 billion for fiscal year 2016 as compared to fiscal year 2015. The net decrease in total debt was primarily due to redemption of $2.1 billion of fixed rate U.S. Dollar Global Notes in November 2015.

Short-term debt decreased by $0.4 billion and long-term debt decreased by $8.9 billion for fiscal year 2015 as compared to fiscal year 2014. The net decrease in total debt was primarily due to the redemption of $6.6 billion of U.S. Dollar Global Notes in connection with the Separation and maturities of $2.5 billion of U.S. Dollar Global Notes in fiscal year 2015. During the month of November 2015, we paid $2.1 billion for the redemption of U.S. Dollar Global Notes as part of the final settlement of the debt redeemed as a part of the Separation.

Our debt-to-equity ratio is calculated as the carrying amount of debt divided by total stockholders' equity. Our debt-to-equity ratio decreased by 2.08x in fiscal year 2016, primarily due to negative equity resulting from the transfer of net assets of $32.5 billion to Hewlett Packard Enterprise and redemption of $2.1 billion of fixed-rate U.S. Dollar Global Notes due to the Separation. During fiscal year 2016, we generated operating cash flow of $3.2 billion. Our debt-to-equity ratio decreased by 0.35x in fiscal year 2015, due to a decrease in total debt balances of $9.3 billion coupled with an increase in total stockholders' equity by $1.0 billion at the end of fiscal year 2015.

Our weighted-average interest rate reflects the effective interest rate on our borrowings prevailing during the period and reflects the effect of interest rate swaps. For more information on our interest rate swaps, see Note 11, "Financial Instruments" in the Consolidated Financial Statements and notes thereto in Item 8, "Financial Statements and Supplementary Data".

As of October 31, 2016, we maintain a senior unsecured committed revolving credit facility with aggregate lending commitments of $4.0 billion, which will be available until April 2, 2019 and is primarily to support the issuance of commercial paper. Funds borrowed under this revolving credit facility may also be used for general corporate purposes.

Available Borrowing Resources

As of October 31, 2016, we had available borrowing resources of $822 million from uncommitted lines of credit in addition to our $4.0 billion senior unsecured committed revolving credit facility discussed above. For more information on our borrowings, see Note 12, “Borrowings”, to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference.

Credit Ratings

Our credit risk is evaluated by major independent rating agencies based upon publicly available information as well as information obtained in our ongoing discussions with them. While we do not have any rating downgrade triggers that would accelerate the maturity of a material amount of our debt, previous downgrades have increased the cost of borrowing under our credit facilities, have reduced market capacity for our commercial paper and have required the posting of additional collateral under some of our derivative contracts. In addition, any further downgrade to our credit ratings by any rating agencies may further impact us in a similar manner, and, depending on the extent of any such downgrade, could have a negative impact on our liquidity and capital position. We can access alternative sources of funding, including drawdowns under our credit facilities, if necessary, to offset potential reductions in the market capacity for our commercial paper.

HP INC. AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

CONTRACTUAL AND OTHER OBLIGATIONS

Our contractual and other obligations as of October 31, 2016, were as follows:

	Payments Due by Period				
	Total	1 Year or Less	1-3 Years	3-5 Years	More than 5 Years
	In millions				
Principal payments on debt(1)	$6,558	$28	$421	$2,899	$3,210
Interest payments on debt(2)	2,758	274	542	484	1,458
Purchase obligations(3)	249	63	99	76	11
Operating lease obligations(4)	850	156	303	173	218
Capital lease obligations(5)	248	59	109	68	12
Total(6)(7)(8)	$10,663	$580	$1,474	$3,700	$4,909

(1) Amounts represent the principal cash payments relating to our short-term and long-term debt and do not include any fair value adjustments, discounts or premiums.

(2) Amounts represent the expected interest payments relating to our short-term and long-term debt. We have outstanding interest rate swap agreements accounted for as fair value hedges that have the economic effect of changing fixed interest rates associated with some of our U.S. Dollar Global Notes to variable interest rates. The impact of our outstanding interest rate swaps at October 31, 2016 was factored into the calculation of the future interest payments on debt.

(3) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. These purchase obligations are related principally to inventory and other items. Purchase obligations exclude agreements that are cancelable without penalty. Purchase obligations also exclude open purchase orders that are routine arrangements entered into in the ordinary course of business as they are difficult to quantify in a meaningful way. Even though open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust terms based on our business needs prior to the delivery of goods or performance of services.

(4) Amounts represent the operating lease obligations, net of total sublease income of $218 million.

(5) Amounts represent the capital lease obligations, including total capital lease interest obligations of $35 million.

(6) Retirement and Post-Retirement Benefit Plan Contributions. In fiscal year 2017, we anticipate making contributions of $26 million to non-U.S. pension plans, approximately $33 million to cover benefit payments to U.S. non-qualified pension plan participants and approximately $9 million to cover benefit claims for our post-retirement benefit plans. Our policy is to fund our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Expected contributions and payments to our pension and post-retirement benefit plans are excluded from the contractual obligations table because they do not represent contractual cash outflows as they are dependent on numerous factors which may result in a wide range of outcomes. For more information on our retirement and post-retirement benefit plans, see Note 5, "Retirement and Post-Retirement Benefit Plans", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(7)

Cost Savings Plans. We expect to make future cash payments of between $384 million and $534 million in connection with our cost savings plans through fiscal year 2019. These payments have been excluded from the contractual obligations table, because they do not represent contractual cash outflows and there is uncertainty as to the timing of these payments. For more information on our restructuring activities, see Note 4, "Restructuring and Other Charges", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(8) Uncertain Tax Positions. As of October 31, 2016, we had approximately $1.9 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. We are unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. Payments of these obligations would result from settlements with taxing authorities. For more information on our uncertain tax positions,

see Note 7, "Taxes on Earnings", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

We have third-party short-term financing arrangements intended to facilitate the working capital requirements of certain customers. For more information on our third-party short-term financing arrangements, see Note 8 "Balance Sheet Details" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to foreign currency exchange rate and interest rate risks that could impact our financial position and results of operations. Our risk management strategy with respect to these market risks may include the use of derivative financial instruments. We use derivative contracts only to manage existing underlying exposures. Accordingly, we do not use derivative contracts for speculative purposes. Our risks, risk management strategy and a sensitivity analysis estimating the effects of changes in fair value for each of these exposures is outlined below.

Actual gains and losses in the future may differ materially from the sensitivity analyses based on changes in the timing and amount of foreign currency exchange rate and interest rate movements and our actual exposures and derivatives in place at the time of the change, as well as the effectiveness of the derivative to hedge the related exposure.

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. We transact business in approximately 44 currencies worldwide, of which the most significant foreign currencies to our operations for fiscal year 2016 were the euro, Chinese yuan renminbi, the British pound and the Indian rupee. For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. Even where we are a net receiver of the foreign currency, a weaker U.S. dollar may adversely affect certain expense figures, if taken alone.

We use a combination of forward contracts and at times, options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted net revenue and, to a lesser extent, cost of sales and intercompany loans denominated in currencies other than the U.S. dollar. In addition, when debt is denominated in a foreign currency, we may use swaps to exchange the foreign currency principal and interest obligations for U.S. dollar-denominated amounts to manage the exposure to changes in foreign currency exchange rates. We also use other derivatives not designated as hedging instruments consisting primarily of forward contracts to hedge foreign currency balance sheet exposures. Alternatively, we may choose not to hedge the risk associated with our foreign currency exposures, primarily if such exposure acts as a natural hedge for offsetting amounts denominated in the same currency or if the currency is too difficult or too expensive to hedge.

We have performed sensitivity analyses for continuing operations as of October 31, 2016 and 2015, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency derivative contracts offset by underlying exposures. The foreign currency exchange rates we used in performing the sensitivity analysis were based on market rates in effect at October 31, 2016 and 2015. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a foreign exchange fair value loss of $41 million and $54 million for continuing operations at October 31, 2016 and October 31, 2015, respectively.

Interest rate risk

We also are exposed to interest rate risk related to debt we have issued and our investment portfolio.

We issue long-term debt in either U.S. dollars or foreign currencies based on market conditions at the time of financing. We often use interest rate and/or currency swaps to modify the market risk exposures in connection with the debt to achieve U.S. dollar LIBOR-based floating interest expense. The swap transactions generally involve the exchange of fixed for floating interest payments. However, we may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if we believe a larger proportion of fixed-rate debt would be beneficial.

In order to hedge the fair value of certain fixed-rate investments, we may enter into interest rate swaps that convert fixed interest returns into variable interest returns. We may use cash flow hedges to hedge the variability of LIBOR-based interest income received on certain variable-rate investments. We may also enter into interest rate swaps that convert variable rate interest returns into fixed-rate interest returns.

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We have performed sensitivity analyses for continuing operations as of October 31, 2016 and 2015, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of interest rates across the entire yield curve, with all other variables held constant. The analyses cover our debt, investments and interest rate swaps. The analyses use actual or approximate maturities for the debt, investments and interest rate swaps. The discount rates used were based on the market interest rates in effect at October 31, 2016 and 2015. The sensitivity analyses for continuing operations indicated that a hypothetical 10% adverse movement in interest rates would have resulted in a loss in the fair values of our debt and investments, net of interest rate swaps, of $51 million at October 31, 2016 and $67 million at October 31, 2015.

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ITEM 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of HP Inc.

We have audited the accompanying consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended October 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of HP Inc. and subsidiaries at October 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2016, 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), HP Inc. and subsidiaries' internal control over financial reporting as of October 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 15, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
San Jose, California
December 15, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of HP Inc.

We have audited HP Inc. and subsidiaries' internal control over financial reporting as of October 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). HP Inc. and subsidiaries' 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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, HP Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income, stockholders' (deficit) equity and cash flows for each of the three years in the period ended October 31, 2016 and our report dated December 15, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP
San Jose, California
December 15, 2016

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Management's Report on Internal Control Over Financial Reporting

HP's management is responsible for establishing and maintaining adequate internal control over financial reporting for HP. HP'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 U.S. generally accepted accounting principles. HP's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of HP; (ii) 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 HP are being made only in accordance with authorizations of management and directors of HP; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of HP'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.

HP's management assessed the effectiveness of HP's internal control over financial reporting as of October 31, 2016, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on the assessment by HP's management, we determined that HP's internal control over financial reporting was effective as of October 31, 2016. The effectiveness of HP's internal control over financial reporting as of October 31, 2016 has been audited by Ernst & Young LLP, HP's independent registered public accounting firm, as stated in their report which appears on page 54 of this Annual Report on Form 10-K.

/s/ DION J. WEISLER	/s/ CATHERINE A. LESJAK
Dion J. Weisler	Catherine A. Lesjak
President and Chief Executive Officer	Chief Financial Officer
December 15, 2016	December 15, 2016

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HP INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

	For the fiscal years ended October 31		
	2016	2015	2014
	In millions, except per share amounts		
Net revenue	$ 48,238	$ 51,463	$ 56,651
Costs and expenses:			
Cost of revenue	39,240	41,524	45,431
Research and development	1,209	1,191	1,298
Selling, general and administrative	3,840	4,720	5,361
Restructuring and other charges	205	63	176
Amortization of intangible assets	16	102	129
Defined benefit plan settlement charges (credits)	179	(57)	—
Total costs and expenses	44,689	47,543	52,395
Earnings from continuing operations	3,549	3,920	4,256
Interest and other, net	212	(388)	(393)
Earnings from continuing operations before taxes	3,761	3,532	3,863
(Provision for) benefit from taxes	(1,095)	186	(939)
Net earnings from continuing operations	2,666	3,718	2,924
Net (loss) earnings from discontinued operations	(170)	836	2,089
Net earnings	$ 2,496	$ 4,554	$ 5,013
Net earnings (loss) per share:			
Basic			
Continuing operations	$ 1.54	$ 2.05	$ 1.55
Discontinued operations	(0.10)	0.46	1.11
Total basic net earnings per share	$ 1.44	$ 2.51	$ 2.66
Diluted			
Continuing operations	$ 1.53	$ 2.02	$ 1.53
Discontinued operations	(0.10)	0.46	1.09
Total diluted net earnings per share	$ 1.43	$ 2.48	$ 2.62
Weighted-average shares used to compute net earnings per share:			
Basic	1,730	1,814	1,882
Diluted	1,743	1,836	1,912

The accompanying notes are an integral part of these Consolidated Financial Statements.

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HP INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the fiscal years ended October 31		
	2016	2015	2014
	In millions		
Net earnings	$2,496	$4,554	$5,013
Other comprehensive loss before taxes:			
Change in unrealized gains (losses) on available-for-sale securities:			
Unrealized gains (losses) arising during the period	1	(17)	7
Gains reclassified into earnings	—	—	(1)
	1	(17)	6
Change in unrealized components of cash flow hedges:			
Unrealized gains arising during the period	199	1,091	337
Losses (gains) reclassified into earnings	63	(1,312)	151
	262	(221)	488
Change in unrealized components of defined benefit plans:			
Losses arising during the period	(759)	(548)	(2,756)
Amortization of actuarial loss and prior service benefit	51	443	259
Curtailments, settlements and other	183	115	51
	(525)	10	(2,446)
Change in cumulative translation adjustment	—	(207)	(85)
Other comprehensive loss before taxes	(262)	(435)	(2,037)
Benefit from (provision for) taxes	45	14	(66)
Other comprehensive loss, net of taxes	(217)	(421)	(2,103)
Comprehensive income	$2,279	$4,133	$2,910

The accompanying notes are an integral part of these Consolidated Financial Statements.

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HP INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	As of October 31	
	2016	2015
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	$6,288	$7,584
Accounts receivable	4,114	4,825
Inventory	4,484	4,288
Other current assets	3,582	4,498
Current assets of discontinued operations	—	30,592
Total current assets	18,468	51,787
Property, plant and equipment	1,736	1,492
Goodwill	5,622	5,680
Other non-current assets	3,184	1,592
Non-current assets of discontinued operations	—	46,331
Total assets	$29,010	$106,882
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$78	$2,194
Accounts payable	11,103	10,194
Employee compensation and benefits	759	747
Taxes on earnings	231	243
Deferred revenue	919	1,051
Other accrued liabilities	5,718	6,241
Current liabilities of discontinued operations	—	21,521
Total current liabilities	18,808	42,191
Long-term debt	6,758	6,677
Other non-current liabilities	7,333	7,414
Non-current liabilities of discontinued operations	—	22,449
Commitments and contingencies	—	—
Stockholders' (deficit) equity:		
HP stockholders' (deficit) equity		
Preferred stock, $0.01 par value (300 shares authorized; none issued)	—	—
Common stock, $0.01 par value (9,600 shares authorized; 1,712 and 1,804 shares issued and outstanding at October 31, 2016, and 2015 respectively)	17	18
Additional paid in capital	1,030	1,963
Retained (deficit) earnings	(3,498)	32,089
Accumulated other comprehensive loss	(1,438)	(6,302)
Total HP stockholders' (deficit) equity	(3,889)	27,768
Non-controlling interests of discontinued operations	—	383
Total stockholders' (deficit) equity	(3,889)	28,151
Total liabilities and stockholders' (deficit) equity	$29,010	$106,882

The accompanying notes are an integral part of these Consolidated Financial Statements.

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HP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the fiscal years ended October 31		
	2016	2015	2014
	In millions		
Cash flows from operating activities:			
Net earnings	$ 2,496	$ 4,554	$ 5,013
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	332	4,061	4,334
Stock-based compensation expense	182	709	560
Provision for doubtful accounts	65	71	55
Provision for inventory	95	305	211
Restructuring and other charges	200	1,017	1,619
Deferred taxes on earnings	401	(700)	(34)
Excess tax benefit from stock-based compensation	(6)	(145)	(58)
Other, net	(198)	1,031	81
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	565	572	2,017
Financing receivables	—	(65)	420
Inventory	(291)	(330)	(580)
Accounts payable	928	31	1,912
Taxes on earnings	106	(137)	310
Restructuring and other	(157)	(1,243)	(1,506)
Other assets and liabilities	(1,488)	(3,241)	(2,021)
Net cash provided by operating activities	3,230	6,490	12,333
Cash flows from investing activities:			
Investment in property, plant and equipment	(433)	(3,603)	(3,853)
Proceeds from sale of property, plant and equipment	6	424	843
Purchases of available-for-sale securities and other investments	(126)	(259)	(1,086)
Maturities and sales of available-for-sale securities and other investments	133	302	1,347
Payments made in connection with business acquisitions, net of cash acquired	(7)	(2,644)	(49)
Proceeds from business divestitures, net	475	246	6
Net cash provided by (used in) investing activities	48	(5,534)	(2,792)
Cash flows from financing activities:			
Short-term borrowings with original maturities less than 90 days, net	97	74	148
Proceeds from debt, net of issuance costs	4	20,758	2,875
Payment of debt	(2,188)	(15,867)	(6,037)
Settlement of cash flow hedges	4	(4)	—
Net transfer of cash and cash equivalents to Hewlett Packard Enterprise Company	(10,375)	—	—
Issuance of common stock under employee stock plans	48	371	297
Repurchase of common stock	(1,161)	(2,883)	(2,728)
Excess tax benefit from stock-based compensation	6	145	58
Cash dividends paid	(858)	(1,250)	(1,184)
Net cash (used in) provided by financing activities	(14,423)	1,344	(6,571)
(Decrease) increase in cash and cash equivalents	(11,145)	2,300	2,970
Cash and cash equivalents at beginning of period	17,433	15,133	12,163

Cash and cash equivalents at end of period	$ 6,288	$ 17,433	$ 15,133
Supplemental cash flow disclosures:			
Income taxes paid, net of refunds	$ 587	$ 1,012	$ 1,267
Interest expense paid	$ 318	$ 532	$ 678
Supplemental schedule of non-cash investing and financing activities:			
Purchase of assets under capital leases	$ 185	$ 70	$ 113
Stock awards assumed in business acquisitions	$ —	$ 31	$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

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HP INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' (Deficit) Equity

	Common Stock							
	Number of Shares	Par Value	Additional Paid-in Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive (Loss) Income	Total HP Stockholders' (Deficit) Equity	Non-controlling Interests of Discontinued Operations	Total
	In millions, except number of shares in thousands							
Balance October 31, 2013	1,907,883	$ 19	$ 5,465	$ 25,563	$ (3,778)	$ 27,269	$ 387	$ 27,656
Net earnings				5,013		5,013		5,013
Other comprehensive loss, net of taxes					(2,103)	(2,103)		(2,103)
Comprehensive income						2,910		2,910
Issuance of common stock in connection with employee stock plans and other	23,785		142	1		143		143
Repurchases of common stock	(92,380)	(1)	(2,694)	(262)		(2,957)		(2,957)
Tax deficiency from employee stock plans			(43)			(43)		(43)
Cash dividends declared				(1,151)		(1,151)		(1,151)
Stock-based compensation expense			560			560		560
Changes in non-controlling interest							9	9
Balance October 31, 2014	1,839,288	$ 18	$ 3,430	$ 29,164	$ (5,881)	$ 26,731	$ 396	$ 27,127
Net earnings				4,554		4,554		4,554
Other comprehensive loss, net of taxes					(421)	(421)		(421)
Comprehensive income						4,133		4,133
Issuance of common stock in connection with employee stock plans and other	39,834		(34)	1		(33)		(33)
Repurchases of common stock	(75,403)		(2,237)	(411)		(2,648)		(2,648)
Assumption of equity awards in connection with acquisitions			31			31		31
Tax benefit from employee stock plans			64			64		64
Cash dividends declared				(1,219)		(1,219)		(1,219)
Stock-based compensation expense			709			709		709
Changes in non-controlling interest							(13)	(13)
Balance October 31, 2015	1,803,719	$ 18	$ 1,963	$ 32,089	$ (6,302)	$ 27,768	$ 383	$ 28,151
Separation of Hewlett Packard Enterprise				(37,225)	5,081	(32,144)	(383)	(32,527)
Net earnings				2,496		2,496		2,496
					(217)	(217)		(217)

Other comprehensive loss, net of taxes								
Comprehensive income						2,279		2,279
Issuance of common stock in connection with employee stock plans and other	8,227		29			29		29
Repurchases of common stock	(99,855)	(1)	(1,144)			(1,145)		(1,145)
Cash dividends declared				(858)		(858)		(858)
Stock-based compensation expense			182			182		182
Balance October 31, 2016	1,712,091	$ 17	$ 1,030	$ (3,498)	$ (1,438)	$ (3,889)	$ —	$ (3,889)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Overview

On November 1, 2015 (the “Distribution Date”), Hewlett-Packard Company completed the separation of Hewlett Packard Enterprise Company (“Hewlett Packard Enterprise”), Hewlett-Packard Company’s former enterprise technology infrastructure, software, services and financing businesses (the “Separation”). In connection with the Separation, Hewlett-Packard Company changed its name to HP Inc. (“HP”).

On the Distribution Date, each of HP’s stockholders of record as of the close of business on October 21, 2015 (the “Record Date”) received one share of Hewlett Packard Enterprise common stock for every one share of HP common stock held as of the Record Date. Hewlett Packard Enterprise is an independent public company trading on the New York Stock Exchange (“NYSE”) under the symbol “HPE”. HP distributed a total of approximately 1.8 billion shares of Hewlett Packard Enterprise common stock to HP’s stockholders. After the Separation, HP does not beneficially own any shares of Hewlett Packard Enterprise common stock.

In connection with the Separation, HP and Hewlett Packard Enterprise entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between the parties, including among others a tax matters agreement, an employee matters agreement, a transition service agreement, a real estate matters agreement, a master commercial agreement and an information technology service agreement. For more information on the impacts of these agreements, see Note 5, “Retirement and Post-Retirement Benefit Plans”, Note 6, “Stock-Based Compensation”, Note 7, “Taxes on Earnings”, Note 15, “Litigation and Contingencies” and Note 16, “Guarantees, Indemnifications and Warranties”.

Basis of Presentation

The accompanying Consolidated Financial Statements of HP and its wholly-owned subsidiaries are prepared in conformity with United States (“U.S.”) generally accepted accounting principles (“GAAP”). For all the periods prior to the Separation, the financial results of Hewlett Packard Enterprise are presented as net earnings from discontinued operations in the
Consolidated Statements of Earnings and assets and liabilities from discontinued operations in the Consolidated Balance Sheets. The historical statements of comprehensive income and cash flows and the balances related to stockholders’ (deficit) equity have not been revised to reflect the effect of the Separation. For further information on discontinued operations, see Note 2, “Discontinued Operations”.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of HP and its subsidiaries and affiliates in which HP has a controlling financial interest or is the primary beneficiary. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in HP’s Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Foreign Currency Translation

HP uses the U.S. dollar as its functional currency. Assets and liabilities denominated in non-U.S. dollars are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and at historical exchange rates for nonmonetary assets and liabilities. Net revenue, costs and expenses denominated in non-U.S. dollars are recorded in U.S. dollars at monthly average exchange rates prevailing during the period. HP includes gains or losses from foreign currency remeasurement in Interest and other, net in the Consolidated Statements of Earnings.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued guidance which amends the existing accounting standards for the classification of certain cash receipts and cash payments on the statement of cash flows. HP is required to adopt the guidance in the first quarter of fiscal year 2019. Earlier adoption is permitted. HP is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In June 2016, the FASB issued guidance which requires credit losses on financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. HP is required to adopt the guidance in the first quarter of fiscal year 2021. Earlier adoption is permitted. HP is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In March 2016, the FASB issued guidance which amends the existing accounting standards for share-based payments. The amendment changes the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statements of cash flows. HP is required to adopt the guidance in the first quarter of fiscal year 2018. Earlier adoption is permitted. HP has elected to early adopt the amendment in the first quarter of fiscal year 2017. HP expects that the implementation of this guidance will not have a material effect on its Consolidated Financial Statements.

In February 2016, the FASB issued guidance which amends the existing accounting standards for leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification. Under the new guidance, a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than twelve months. HP is required to adopt the guidance in the first quarter of fiscal year 2020 using a modified retrospective approach. Earlier adoption is permitted. HP is currently evaluating the timing and the impact of this guidance on its Consolidated Financial Statements.

In January 2016, the FASB issued guidance which amends the existing accounting standards for the recognition and measurement of financial assets and financial liabilities. The updated guidance primarily addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. HP is required to adopt the guidance in the first quarter of fiscal year 2019. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with other amendments related specifically to equity securities without readily determinable fair values applied prospectively. HP is currently evaluating the timing and the impact of this guidance on its Consolidated Financial Statements.

In May 2015, the FASB issued guidance which amends the existing disclosures for investments in certain entities that calculate net asset value per share (or its equivalent). This amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendment also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. HP is required to adopt the guidance in the first quarter of fiscal year 2017. Earlier adoption is permitted. HP will adopt the amendment in the first quarter of fiscal year 2017. HP expects that the implementation of this guidance will impact the disclosures on its notes to the Consolidated Financial Statements but will not have an effect on its Consolidated Balance Sheets or Consolidated Statements of Earnings.

In April 2015, the FASB amended the existing accounting standards for intangible assets. The amendments provide explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. HP is required to adopt the guidance in the first quarter of fiscal year 2017; however earlier adoption is permitted. The amendment may be adopted either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. HP will adopt the amendments prospectively in the first quarter of fiscal year 2017. HP expects that the implementation of this guidance will not have a material effect on its Consolidated Financial Statements.

In April 2015, the FASB amended the existing accounting standards for the presentation of debt issuance costs. The amendments require that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. HP is required to adopt the guidance in the first quarter of fiscal year 2017. Earlier adoption is permitted. The amendments should be applied retrospectively with the adjusted balance

sheet of each individual period presented, in order to reflect the period-specific effects of applying the new guidance. HP will adopt the amendments in the first quarter of fiscal year 2017. HP expects that the implementation of this guidance will not have a material effect on its Consolidated Financial Statements.
In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued an accounting standard update for a one-year deferral of the effective date, with an option of applying the standard on the original effective date, which for HP is the first quarter of fiscal year 2018. In accordance with this deferral, HP is required to adopt these amendments in the first quarter of fiscal year 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. HP is continuing to evaluate the impact of this guidance and the transition alternatives on its Consolidated Financial Statements.

Revenue Recognition

General

HP recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured. Additionally, HP recognizes hardware revenue on sales to channel partners, including resellers, distributors or value-added solution providers at the time of delivery when the channel partners have economic substance apart from HP, and HP has completed its obligations related to the sale.

HP reduces revenue for customer and distributor programs and incentive offerings, including price protection, rebates, promotions, other volume-based incentives and expected returns, at the later of the date of revenue recognition or the date the sales incentive is offered. Future market conditions and product transitions may require HP to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. For certain incentive programs, HP estimates the number of customers expected to redeem the incentive based on historical experience and the specific terms and conditions of the incentive.

In instances when revenue is derived from sales of third-party vendor products or services, HP records revenue on a gross basis when HP is a principal to the transaction and on a net basis when HP is acting as an agent between the customer and the vendor. HP considers several factors to determine whether it is acting as a principal or an agent, most notably whether HP is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.

HP reports revenue net of any taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Multiple element arrangements

When a sales arrangement contains multiple elements or deliverables, such as hardware and/or services, HP allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") if VSOE of selling price is not available, or estimated selling price ("ESP") if neither VSOE of selling price nor TPE is available. HP establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. HP evaluates TPE of selling price by reviewing largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. HP establishes ESP based on management judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life cycles.

In most arrangements with multiple elements, HP allocates the transaction price to the individual units of accounting at inception of the arrangement based on their relative selling price. HP limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified refund or return rights.

HP evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. For deliverables with no standalone value, HP recognizes revenue consistent with the pattern of delivery of the final deliverable. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items, and the delivery and performance of the undelivered items is considered probable and substantially within HP's control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

Net revenue

Hardware

Under HP's standard terms and conditions of sale, HP transfers title and risk of loss to the customer at the time product is delivered to the customer and recognizes revenue accordingly, unless customer acceptance is uncertain or significant obligations to the customer remain. HP reduces revenue for estimated customer returns, price protection, rebates and other programs offered under sales agreements established by HP with its distributors and resellers. HP records revenue from the sale of equipment under sales-type leases as revenue at the inception of the lease. HP accrues the estimated cost of post-sale obligations, including standard product warranties, based on historical experience at the time HP recognizes revenue.

Services

HP recognizes revenue from fixed-price support or maintenance contracts ratably over the contract period and recognizes the costs associated with these contracts as incurred.

Deferred revenue

HP records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are satisfied. HP records revenue that is earned and recognized in excess of amounts invoiced on services contracts as trade receivables. Deferred revenue represents amounts invoiced in advance for product support contracts and product sales.

Shipping and Handling

HP includes costs related to shipping and handling in Cost of revenue.

Stock-Based Compensation

HP determines stock-based compensation expense based on the measurement date fair value of the award. HP recognizes compensation cost only for those awards expected to meet the service and performance vesting conditions on a straight-line basis over the requisite service period of the award. HP determines compensation costs at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance and/or market conditions. HP estimates the forfeiture rate based on its historical experience.

Retirement and Post-Retirement Plans

HP has various defined benefit, other contributory and noncontributory retirement and post-retirement plans. HP generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life of participants. In limited cases, HP amortizes actuarial gains and losses using the corridor approach. See Note 5, “Retirement and Post-Retirement Benefit Plans” for a full description of these plans and the accounting and funding policies.

Advertising

Costs to produce advertising are expensed as incurred during production. Costs to communicate advertising are expensed when the advertising is first run. Such costs totaled approximately $586 million in fiscal year 2016, $635 million in fiscal year 2015 and $614 million in fiscal year 2014.

Restructuring and Other Charges

HP records charges associated with management-approved restructuring plans to reorganize one or more of HP's business segments, to remove duplicative headcount and infrastructure associated with business acquisitions or to simplify business processes and accelerate innovation. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation costs. HP records restructuring charges based on estimated employee terminations and site closure and consolidation plans. HP accrues for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. Other charges include non-recurring costs that are distinct from ongoing operational costs such as information technology costs incurred in connection with the Separation.

Taxes on Earnings

HP recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. HP records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

HP records accruals for uncertain tax positions when HP believes that it is not more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. HP makes adjustments to these accruals when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, as well as any related interest and penalties.

Accounts Receivable

HP establishes an allowance for doubtful accounts for accounts receivable. HP records a specific reserve for individual accounts when HP becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, HP further adjusts estimates of the recoverability of receivables. HP maintains bad debt reserves for all other customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors, the financial condition of customers, the length of time receivables are past due, trends in the weighted-average risk rating for the portfolio, macroeconomic conditions, information derived from competitive benchmarking, significant one-time events and historical experience. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable.
HP has third-party short-term financing arrangements intended to facilitate the working capital requirements of certain customers. These financing arrangements, which in certain cases provide for partial recourse, result in the transfer of HP's trade receivables to a third party. HP reflects amounts transferred to, but not yet collected from, the third party in accounts receivable in the Consolidated Balance Sheets. For arrangements involving an element of recourse, the fair

value of the recourse obligation is measured using market data from similar transactions and reported as a current liability in the Consolidated Balance Sheets.

Concentrations of Risk

Financial instruments that potentially subject HP to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, receivables from trade customers and contract manufacturers and derivatives.

HP maintains cash and cash equivalents, investments, derivatives and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographic regions, and HP's policy is designed to limit exposure from any particular institution. As part of its risk management processes, HP performs periodic evaluations of the relative credit standing of these financial institutions. HP has not sustained material credit losses from instruments held at these financial institutions. HP utilizes derivative contracts to protect against the effects of foreign currency and interest rate exposures. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss. The likelihood of which HP deems to be remote.

HP sells a significant portion of its products through third-party distributors and resellers and, as a result, maintains individually significant receivable balances with these parties. If the financial condition or operations of these distributors' and resellers' aggregated business deteriorates substantially, HP's operating results could be adversely affected. The ten largest distributor and reseller receivable balances, which were concentrated primarily in North America and Europe, collectively represented approximately 34% and 42% of gross accounts receivable as of October 31, 2016 and 2015, respectively. No single customer accounts for more than 10% of gross accounts receivable as of October 31, 2016 or 2015. Credit risk with respect to other accounts receivable is generally diversified due to the large number of entities comprising HP's customer base and their dispersion across many different industries and geographic regions. HP performs ongoing credit evaluations of the financial condition of its third-party distributors, resellers and other customers and may require collateral, such as letters of credit and bank guarantees, in certain circumstances.

HP utilizes outsourced manufacturers around the world to manufacture HP-designed products. HP may purchase product components from suppliers and sell those components to its outsourced manufacturers thereby creating receivable balances from the outsourced manufacturers. The three largest outsourced manufacturer receivable balances collectively represented 78% and 81% of HP's supplier receivables of $774 million and $634 million as of October 31, 2016 and 2015, respectively. HP includes the supplier receivables in Other current assets in the Consolidated Balance Sheets on a gross basis. HP's credit risk associated with these receivables is mitigated wholly or in part, by the amount HP owes to these outsourced manufacturers, as HP generally has the legal right to offset its payables to the outsourced manufacturers against these receivables. HP does not reflect the sale of these components in net revenue and does not recognize any profit on these component sales until the related products are sold by HP, at which time any profit is recognized as a reduction to cost of revenue.

HP obtains a significant number of components from single source suppliers due to technology, availability, price, quality or other considerations. The loss of a single source supplier, the deterioration of HP's relationship with a single source supplier, or any unilateral modification to the contractual terms under which HP is supplied components by a single source supplier could adversely affect HP's net revenue and gross margins.

Upon completion of the Separation on November 1, 2015, HP recorded net income tax indemnification receivables from Hewlett Packard Enterprise for certain income tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by Hewlett Packard Enterprise under the tax matters agreement ("TMA"). The actual amount that Hewlett Packard Enterprise may be obligated to pay HP could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years. The net receivable as of October 31, 2016 was $1.6 billion.

Inventory

HP values inventory at the lower of cost or market. Cost is computed using standard cost which approximates actual cost on a first-in, first-out basis. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolete or impaired balances.

Property, Plant and Equipment

HP states property, plant and equipment at cost less accumulated depreciation. HP capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are five to 40 years for buildings and improvements and three to 15 years for machinery and equipment. HP depreciates leasehold improvements over the life of the lease or the asset, whichever is shorter. HP depreciates equipment held for lease over the initial term of the lease to the equipment's estimated residual value. On retirement or disposition, the asset cost and related accumulated depreciation are removed from the Consolidated Balance Sheets with any gain or loss recognized in the Consolidated Statements of Earnings.

Goodwill

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Note 1: Overview and Summary of Significant Accounting Policies (Continued)

HP reviews goodwill for impairment annually during its fourth quarter and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. HP can opt to perform a qualitative assessment to test a reporting unit's goodwill for impairment or HP can directly perform the two-step impairment test. Based on the qualitative assessment, if HP determines that the fair value of a reporting unit is more likely than not (i.e., a likelihood of more than 50 percent) to be less than its carrying amount, the two-step impairment test will be performed.

In the first step of the impairment test, HP compares the fair value of each reporting unit to its carrying amount with the fair values derived most significantly from the income approach, and to a lesser extent, the market approach. Under the income approach, HP estimates the fair value of a reporting unit based on the present value of estimated future cash flows. HP bases cash flow projections on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. HP bases the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, HP estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit. HP weights the fair value derived from the market approach depending on the level of comparability of these publicly-traded companies to the reporting unit. When market comparables are not meaningful or not available, HP estimates the fair value of a reporting unit using only the income approach.

In order to assess the reasonableness of the estimated fair value of HP's reporting units, HP compares the aggregate reporting unit fair value to HP's market capitalization on an overall basis and calculates an implied control premium (the excess of the sum of the reporting units' fair value over HP's market capitalization on an overall basis). HP evaluates the control premium by comparing it to observable control premiums from recent comparable transactions. If the implied control premium is determined to not be reasonable in light of these recent transactions, HP reevaluates its reporting unit fair values, which may result in an adjustment to the discount rate and/or other assumptions. This reevaluation could result in a change to the estimated fair value for certain or all reporting units.

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying amount, then HP performs the second step of the goodwill impairment test to measure the amount of impairment loss, if any. In the second step, HP measures the reporting unit's assets, including any unrecognized intangible assets, liabilities and non-controlling interests at fair value in a hypothetical analysis to calculate the implied fair value of goodwill for the reporting unit in the same manner as if the reporting unit was being acquired in a business combination. If the implied fair value of the reporting unit's goodwill is less than its carrying amount, the difference is recorded as an impairment loss.

Debt and Marketable Equity Securities Investments

Debt and marketable equity securities are generally considered available-for-sale and are reported at fair value with unrealized gains and losses, net of applicable taxes, in Accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses for available-for-sale securities are calculated based on the specific identification method and included in Interest and other, net in the Consolidated Statements of Earnings. HP monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair value and the decline in value is determined to be other-than-temporary (i.e., when HP does not intend to sell the debt securities and it is not more likely than not that HP will be required to sell the debt securities prior to anticipated recovery of its amortized cost basis), HP records an impairment charge to Interest and other, net in the amount of the credit loss and the remaining amount, if any, is recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets.

Derivatives

HP uses derivative instruments, primarily forwards, swaps, and at times, options, to hedge certain foreign currency and interest rate exposures. HP also may use other derivative instruments not designated as hedges, such as forwards used to hedge foreign currency balance sheet exposures. HP does not use derivative instruments for speculative purposes. See Note 11, “Financial Instruments” for a full description of HP’s derivative financial instrument activities and related accounting policies.

Loss Contingencies

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 1: Overview and Summary of Significant Accounting Policies (Continued)

HP is involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. HP records a liability for contingencies when it believes it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See Note 15, "Litigation and Contingencies" for a full description of HP's loss contingencies and related accounting policies.

Note 2: Discontinued Operations

On November 1, 2015, HP completed the Separation of Hewlett Packard Enterprise. After the Separation, HP does not beneficially own any shares of Hewlett Packard Enterprise common stock.

In connection with the Separation, HP and Hewlett Packard Enterprise have entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between the parties, including among others a tax matters agreement, an employee matters agreement, a transition service agreement, a real estate matters agreement, a master commercial agreement and an information technology service agreement. These agreements provide for the allocation between HP and Hewlett Packard Enterprise of assets, employees, liabilities and obligations (including investments, property, employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Separation and govern certain relationships between HP and Hewlett Packard Enterprise after the Separation.

After the Separation, HP no longer consolidates the financial results of Hewlett Packard Enterprise within its financial results of continuing operations. For all the periods prior to the Separation, the financial results of Hewlett Packard Enterprise are presented as net earnings from discontinued operations on the Consolidated Statements of Earnings and assets and liabilities of discontinued operations on the Consolidated Balance Sheets.

The following table presents the financial results of HP's discontinued operations:

	For the fiscal years ended October 31		
	2016	2015	2014
	In millions		
Net revenue	$ —	$ 51,892	$ 54,803
Cost of revenue[1]	—	37,072	39,408
Expenses[2]	201	13,269	12,466
Interest and other, net[3][4]	(208)	351	235
Earnings from discontinued operations before taxes	$ 7	$ 1,200	$ 2,694
Provision for taxes[4]	(177)	(364)	(605)
Net (loss) earnings from discontinued operations	$ (170)	$ 836	$ 2,089

(1) Cost of products, cost of services and financing interest.

(2) Expenses for fiscal year 2016 were primarily related to separation costs.

(3) In fiscal years 2015 and 2014, allocation of interest to Hewlett Packard Enterprise was based on using the average effective interest rate of the debt assumed by Hewlett Packard Enterprise and the debt repaid as part of the Separation. In fiscal year 2015, Interest and other, net also includes loss from the early extinguishment of debt in connection with the review of HP's capital structure and the Separation.

(4) In connection with the TMA, Interest and other, net for fiscal year 2016 includes $208 million of changes in the tax indemnifications amounts and Provision for taxes for fiscal year 2016 includes $201 million of the tax impact

relating to the changes described above. For more information on tax indemnifications and the TMA, see Note 7, "Taxes on Earnings".

The following table presents the significant non-cash items and capital expenditures of HP's discontinued operations:

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HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 2: Discontinued Operations (Continued)

	For the fiscal years ended October 31	
	2015	2014
	In millions	
Depreciation and amortization	$ 3,657	$ 3,861
Purchases of property, plant and equipment	$ 3,020	$ 3,228

The following table presents assets and liabilities that were transferred to Hewlett Packard Enterprise as of November 1, 2015 and are presented as discontinued operations on the Consolidated Balance Sheets as of October 31, 2015:

	In millions
Cash and cash equivalents	$ 9,849
Accounts receivable	8,538
Financing receivables	2,918
Inventory	2,197
Other current assets	7,090
Total current assets of discontinued operations	$ 30,592
Property, plant and equipment	$ 9,598
Goodwill	27,261
Long-term financing receivables and other non-current assets	9,472
Total non-current assets of discontinued operations	$ 46,331
Notes payable and short-term borrowings	$ 691
Accounts payable	5,762
Employee compensation and benefits	2,861
Taxes on earnings	587
Deferred revenue	5,148
Other accrued liabilities	6,472
Total current liabilities of discontinued operations	$ 21,521
Long-term debt	$ 15,103
Other non-current liabilities	7,346
Total non-current liabilities of discontinued operations	$ 22,449

Subsequent to the Separation, in conformity with the separation agreement, HP made a final cash transfer of $526 million to Hewlett Packard Enterprise.

Note 3: Segment Information

HP is a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions and services. HP sells to individual consumers, small- and medium-sized businesses (“SMBs”) and large enterprises, including customers in the government, health and education sectors.

HP’s operations are organized into three segments for financial reporting purposes: Personal Systems, Printing and Corporate Investments. HP’s organizational structure is based on a number of factors that the chief operating decision maker uses to evaluate, view and run its business operations, which include, but are not limited to, customer base and homogeneity of products and technology. The segments are based on this organizational structure and information reviewed by HP’s chief operating decision maker to evaluate segment results. The chief operating decision maker uses several metrics to evaluate the performance of the overall business, including earnings from operations, and uses these results to allocate resources to each of the segments.

A summary description of each segment follows.

Personal Systems provides Commercial personal computers ("PCs"), Consumer PCs, workstations, thin clients, Commercial tablets and mobility devices , retail point-of-sale systems, displays and other related accessories, software, support and services for the commercial and consumer markets. HP groups Commercial notebooks, Commercial desktops, Commercial services, Commercial tablets and mobility devices, Commercial detachables, workstations, retail point-of-sale systems and thin clients into Commercial clients and Consumer notebooks, Consumer desktops, Consumer services and Consumer detachables into Consumer clients when describing performance in these markets. Described below are HP's global business capabilities within Personal Systems.

- Commercial PCs are optimized for enterprise and SMB customers, with a focus on robust designs, serviceability, connectivity, reliability and manageability in networked environments. Additionally, HP offers a range of services and solutions to enterprise and SMB customers to help them manage the lifecycle of their PC and mobility installed base.

- Consumer PCs are notebooks, desktops, and hybrids that are optimized for consumer usage, focusing on multi-media consumption, online browsing, and light productivity.

Printing provides consumer and commercial printer hardware, supplies, media, solutions and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial markets. HP groups LaserJet, Graphics and PageWide printers into Commercial Hardware and Inkjet printers into Consumer Hardware when describing performance in these markets. Described below are HP's global business capabilities within Printing.

- LaserJet and Enterprise Solutions delivers HP's LaserJet printers, supplies and solutions to SMBs and large enterprises. HP goes to market through its extensive channel network and directly with HP sales. Ongoing key initiatives include design and deployment of A3 products and solutions for the copier and multifunction printer market, printer security solutions, PageWide Enterprise solutions, and award-winning JetIntelligence products.
- Inkjet and Printing Solutions delivers HP's consumer, SMB and PageWide Inkjet solutions (hardware, supplies, media, and web-connected hardware and services). Ongoing initiatives and programs such as Instant Ink and newer initiatives such as Continuous Ink Supply System provide innovative printing solutions to consumers and SMBs.