

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **October 31, 2018**

Or

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

(State or other jurisdiction of incorporation or organization)

94-1081436

(I.R.S. employer identification no.)

1501 Page Mill Road, Palo Alto, California

(Address of principal executive offices)

94304

(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 No

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 No

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates was \$34,578,508,590 based on the last sale price of common stock on April 30, 2018.

The number of shares of HP Inc. common stock outstanding as of November 30, 2018 was 1,553,494,507 shares.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION

10-K PART

Portions of the Registrant's definitive proxy statement related to its 2019 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of October 31, 2018 are incorporated by reference into Part III of this Report.

III

HP INC. AND SUBSIDIARIES

Form 10-K

For the Fiscal Year ended October 31, 2018

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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. (formerly Hewlett-Packard Company) and its consolidated subsidiaries.

Forward-Looking Statements

This Annual Report on Form 10-K, including “Business” in Item 1 and “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 (“EPS”), cash flows, benefit plan funding, deferred taxes, share repurchases, foreign 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, but not limited to, our sustainability goals, 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 impact of changes in tax laws, including uncertainties related to the interpretation and application of the Tax Cuts and Jobs Act of 2017 (“TCJA”) on HP’s tax obligations and effective tax rate; 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.

PART I

ITEM 1. Business.

Business 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 (“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.

Separation Transaction

On November 1, 2015, 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”).

At Separation, we 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 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 have three reportable segments: Personal Systems, Printing and Corporate Investments. The Personal Systems segment offers Commercial and Consumer desktop and notebook personal computers (“PCs”), Workstations, thin clients, Commercial mobility devices, retail point-of-sale (“POS”) systems, displays and other related accessories, software, support and services. The Printing segment provides Consumer and Commercial printer hardware, Supplies, 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 and desktop PCs each accounted for more than 10% of our consolidated net revenue.

Personal Systems

Personal Systems offers Commercial and Consumer desktop and notebook PCs, Workstations, thin clients, Commercial mobility devices, retail POS systems, displays and other related accessories, software, support and services. We group Commercial notebooks, Commercial desktops, Commercial services, Commercial mobility devices, Commercial detachables and convertibles, Workstations, retail POS systems and thin clients into Commercial PCs and Consumer notebooks, Consumer desktops, Consumer services and Consumer detachables into Consumer PCs when describing performance in these markets. Both Commercial and Consumer PCs and Commercial mobility devices maintain a multi-operating system, multi-architecture strategies using Microsoft Windows, Google Chrome, Android operating systems and use predominantly processors from Intel Corporation (“Intel”) and Advanced Micro Devices, Inc. (“AMD”).

Commercial PCs are optimized for use by customers including enterprise, public sector and SMB customers, with a focus on robust designs, security, serviceability, connectivity, reliability and manageability in networked and cloud-based environments. Commercial PCs include the HP ProBook and HP EliteBook lines of notebooks, convertibles, and detachables, the HP Pro and HP Elite lines of business desktops and all-in-ones, retail POS systems, HP Thin Clients, HP Pro Tablet PCs and the HP notebook, desktop and Chromebook systems. 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, public sector and SMB customers to help them manage the lifecycle of their PC and mobility installed base.

Consumer PCs are optimized for consumer usage, focusing on gaming, consuming multi-media for entertainment, managing personal life activities, staying connected, sharing information, getting things done for work including content creation, staying informed and security and include HP Spectre, HP Envy, HP Pavilion, HP Chromebook, HP Stream, Omen by HP lines of notebooks and hybrids and HP Envy, HP Pavilion and Omen by HP desktops and all-in-one lines.

Personal Systems groups its global business capabilities into the following business units when reporting business performance:

- *Notebooks* consists of Consumer notebooks, Commercial notebooks, mobile workstations and Commercial mobility devices;
- *Desktops* includes Consumer desktops, Commercial desktops, thin clients, and retail POS systems;
- *Workstations* consists of desktop workstations and accessories; and

- *Other* consists of Consumer and Commercial services as well as other Personal Systems capabilities.

Printing

Printing provides Consumer and Commercial printer hardware, Supplies, solutions and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial and industrial markets. Our global business capabilities within Printing are described below:

Office Printing Solutions delivers HP's office printers, Supplies, services, and solutions to SMBs and large enterprises. It also includes Samsung Electronics Co., Ltd ("Samsung")-branded and Original Equipment Manufacturer ("OEM") hardware, supplies and solutions. HP goes to market through its extensive channel network and directly with HP sales. Ongoing key initiatives include the design and deployment of A3 products and solutions for the copier and multifunction printer market, printer security solutions, PageWide solutions and award-winning JetIntelligence LaserJet products.

Home Printing Solutions delivers innovative printing products and solutions for the home, home business and micro business customers utilizing both HP's Ink and Laser technologies. Initiatives such as Instant Ink and Continuous Ink Supply System provide business model innovation to benefit and expand HP's existing customer base, while new technologies like Photo Lifestyle products drive print relevance for a mobile generation.

Graphics Solutions delivers large-format, commercial and industrial solutions to print service providers and packaging converters through a wide portfolio of printers and presses (HP DesignJet, HP Latex, HP Scitex, HP Indigo and HP PageWide Web Presses).

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

Printing groups its global business capabilities into the following business units when reporting business performance:

- *Commercial Hardware* consists of Office Printing Solutions, Graphics Solutions and 3D Printing, excluding supplies;
- *Consumer Hardware* includes Home Printing Solutions, excluding supplies; and
- *Supplies* comprises a set of highly innovative consumable products, ranging from Ink and Laser cartridges to media, graphics supplies, 3D printing supplies and Samsung-branded A4 and A3 supplies and OEM supplies, for recurring use in Consumer and Commercial Hardware.

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 products and solutions to resellers; and
- system integrators and other business intermediaries that provide various levels of services, including systems integration work and as-a-service solutions, and typically partner with us on client solutions that require our products and services.

The mix of our business conducted by direct sales or channel sales differs 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 to the regional and sub-regional specificities for each of our businesses. Each of our businesses and regions manages the definition and execution of its own go-to-market and distribution strategy. We are focused on driving the depth and breadth of our market coverage while identifying efficiencies and productivity gains in both our direct and indirect routes to market. Our businesses collaborate to accomplish strategic and process alignment 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 and drives both direct and indirect sales to their assigned customers. For other customers and for consumers, we typically manage both direct online sales as well as channel relationships with retailers mainly targeting consumers and small businesses and commercial resellers mainly targeting SMBs and mid-market accounts.

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. Additionally, we manufacture 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 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 alternate sources of supply are readily available. However, we have relied on sole sources for some 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, mitigating the effect of a disruption). For instance, we source the majority of our A4 and a portion of A3 portfolio laser printer engines and laser toner cartridges from Canon. Any decision by either party not to 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 anticipate renewal of this agreement.

We are dependent upon Intel and AMD as suppliers of x86 processors and Microsoft for various software products. We believe that disruptions with these suppliers would have 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 an important role in the manufacturing and sourcing of materials and components for our products. We strive to make our products in an ethical and sustainable manner. We have committed to building an efficient, resilient 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 disclosures. 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 both consumer and enterprise customers' demand on a worldwide basis and draws on business and technical expertise from a worldwide workforce. This 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 as well as our focus on diversity and inclusion, gives us a solid base on which to build future growth.

Research and Development

Innovation across products, services, business models and processes 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.

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, 2018, our worldwide patent portfolio included over 26,000 patents, including patents acquired from Samsung.

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 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 some 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.

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 PC market unit decline has moderated while market revenue has improved due to higher average selling prices. 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 including security features, our design, 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 high quality solutions for the home, office and publishing environments, our innovation and research and development capabilities including security features, 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

At HP, we believe in the power of technology to enable people and communities to change the world for the better. Sustainable impact is fundamental to our reinvention journey-fueling our innovation and growth and strengthening our business for the long term.

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

Planet . We aim to grow our business, not our footprint - and support our customers to do the same by transforming our entire business to drive a more efficient, circular, and low-carbon economy and enabling our customers to invent the future through our most sustainable portfolio of products and services.

People . We champion dignity, respect and empowerment for all people with whom we work by working to embed diversity and inclusion in everything we do and helping to enable all people who help bring our products to market to thrive at work, at home and in their communities.

Community . Through our technology, time and resources, we work to catalyze positive change in communities where we live, work and do business. As a result, we aim to unlock opportunity through the power of technology and improve the vitality and resilience of our local communities.

Goals . Our current long-term sustainability goals are:

Planet

- Use 100% renewable electricity in our global operations, with an interim goal of 40% by 2020;
- Consistent with a science-based reduction target, reduce Scope 1 and Scope 2 greenhouse gas (“GHG”) emissions in our global operations by 25% by 2025, compared to 2015;
- Reduce first-tier production supplier and product transportation-related GHG emissions intensity (which refers to the portion of first-tier production and product transportation suppliers’ reported GHG emissions attributable to HP divided by HP’s annual net revenue) by 10% by 2025, compared to 2015;
- Reduce the GHG emissions intensity of HP’s product portfolio (which refers to tonnes CO₂e/net revenue arising from the use of more than 95% of HP product units shipped each year) by 25% by 2020, compared to 2010;
- Help suppliers cut 2 million tonnes of carbon dioxide equivalent (CO₂ e) emissions between 2010 and 2025;
- Achieve zero deforestation associated with HP brand paper and paper-based product packaging (which includes the box that comes with the product and all paper inside the box) by 2020;
- Recycle 1.2 million tonnes of hardware and supplies by 2025, since the beginning of 2016; and
- Reduce potable water consumption in global operations by 15% by 2025, compared to 2015;

People

- Develop skills and improve well-being of 500,000 factory workers by 2025, since the beginning of 2015;
- Double factory participation in our supply chain sustainability programs by 2025, compared to 2015; and
- Maintain greater than 99% completion rate of annual Integrity at HP (formerly Standards of Business Conduct) training among active HP employees and the Board of Directors.

Community

- Enable better learning outcomes for 100 million people by 2025, since the beginning of 2015.

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, among other things, 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 recycled, 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, supply chain and 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 and carbon efficiency of our operations, supply chain and 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. 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 complying 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.

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 14, “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:

Alex Cho; age 46; President, Personal Systems

Mr. Cho has served as President, Personal Systems since June 2018. Mr. Cho joined Hewlett-Packard Company in June 2010 as the Vice President and General Manager of the LaserJet Supplies team. In 2014, Mr. Cho transitioned to Global Head and General Manager of Commercial Personal Systems at Hewlett-Packard Company.

Steve Fieler; age 45; Chief Financial Officer

Mr. Fieler has served as Chief Financial Officer since July 2018. Previously, Mr. Fieler served as Head of Global Treasury since January 2017. Prior to that role, he was Chief Financial Officer at Proteus Digital Health from June 2014 to January 2017.

Mr. Fieler served in a range of finance and operational roles at Hewlett-Packard Company prior to its separation, including Vice President, Chief Financial Officer of HP Software from January 2012 to June 2014.

Tracy S. Keogh; age 57; 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 59; Chief Operating Officer (interim)

Ms. Lesjak has served as interim Chief Operating Officer since July 2018. Ms. Lesjak previously served as Chief Financial Officer since November 2015, and 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 53; 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 50; 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 Printing and Personal Systems, HQ and Finance from May 2012 to October 2015 and Vice President of Finance for Personal Systems Group, Americas from March 2010 to May 2012.

Kim Rivera; age 50; Chief Legal Officer and General Counsel

Ms. Rivera has served as Chief Legal Officer, General Counsel and Corporate Secretary since November 2015. Prior to joining us, she served as the Chief Legal Officer and Corporate Secretary at DaVita Health Care Partners where she was employed from 2010 to 2015. From 2006 to 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 51; President and Chief Executive Officer

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 55,000 employees worldwide as of October 31, 2018.

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 "Integrity at HP" (none of which are incorporated by reference herein) are also available at that same location on our website. If the Board grants any waivers from Integrity at HP to any of our directors or executive officers, or if we amend Integrity at HP, we will, if required, disclose these matters via updates to our website at <http://www.hp.com/investor/home> on a timely basis. We encourage investors to visit our website from time to time, as information is updated and new information is posted. The content of our website is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website are intended to be inactive textual references only.

Stockholders may request free copies of these documents from:

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Attention: Investor Relations
1501 Page Mill Road,
Palo Alto, CA 94304
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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.

Our business faces many challenges we must address. One set of challenges relates to dynamic and accelerating market trends, which may include declines in the markets in which we operate. 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 have in the recent past and may again in the future face macroeconomic challenges, including weakness in certain geographic regions and global political developments that impact international trade, such as trade disputes and increased tariffs. We may also be vulnerable to increased risks associated with our efforts to address such challenges given the broad range of geographic regions in which we and our customers and partners operate. If we experience these challenges and do not succeed in our efforts to mitigate them, 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, and our competitors may have greater financial, technical and marketing resources available to their products and services compared to the resources allocated to our competing products and services.

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 a negative reception 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 also decline due to increased competition from other types of products. For example, the 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.

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, our strategy is to successfully grow in adjacencies such as copier printers, maintain our strong position in graphics, scale our 3D Printing, Managed Print Services and Device as a Service businesses and execute on our Personal Systems growth strategy by providing specialized products and services that address the needs of our customers. We must make long-term investments, develop or acquire and appropriately protect 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 address quality and security issues associated with our products and services, including defects in our engineering, design and manufacturing processes, unsatisfactory performance under service contracts, and unsatisfactory performance or malicious acts by third-party contractors or subcontractors or their employees. Our business is also exposed to the risk of defects in third-party components included in our products, including security vulnerabilities, as illustrated by the recent “Spectre” and “Meltdown” side-channel exploit threats. In order to address quality and security 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 effective solutions. However, the products and services that we offer are complex, and our regular testing and quality control efforts may not be completely effective in controlling or detecting all quality and security issues or errors, particularly with respect to defects or security vulnerabilities in components manufactured by third parties.

If we are unable to determine the cause or find an effective solution to address quality and security 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 and security issues may require us to repair or replace such products. Addressing quality and security issues can be expensive and may result in additional warranty, repair, replacement and other costs, adversely affecting our financial performance. In the event of security vulnerabilities or other issues with third-party components, we may have to rely on third parties to provide mitigation techniques such as firmware updates. Furthermore, mitigation techniques for vulnerabilities in third-party components may be ineffective or may result in adverse performance, system instability and data loss or corruption. 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 and security issues, including those resulting from defects or security vulnerabilities in third-party components, 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. Global economic events, including trade disputes, economic sanctions and emerging market volatility, and associated uncertainty may cause currencies to fluctuate, which may contribute to variations in our sales of products and services in impacted jurisdictions. For example, 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. Continued uncertainty regarding Brexit may result in future exchange rate volatility. In addition, 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 products that include components obtained from suppliers located outside of the United States.

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. In addition, certain or all of our hedging activities may be ineffective 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 have in the past experienced the impacts of macroeconomic weakness across many geographic regions and markets, and we may experience similar impacts in the future. 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. Political developments impacting international trade, including continued uncertainty surrounding Brexit, trade disputes and increased tariffs, particularly between the United States and China, may negatively impact markets and cause weaker macroeconomic conditions.

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 accurately forecast 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. Overall gross margins and profitability in any given period are dependent on the product, service, customer and geographic mix reflected in that period's net revenue, which in turn 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. 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 our businesses may also 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 reduced assortments of our products. 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 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 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. Third-party suppliers may have limited financial resources to withstand challenging business conditions, particularly as a result of increased interest rates or emerging market volatility, and our business could be negatively impacted if key suppliers are forced to cease or limit their operations. Due to the international nature of our third-party supplier network, our financial results may also be negatively impacted by increased trade barriers and tariffs. 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, risks related to supply chain working conditions and materials sourcing and risks related to our relationships with single-source suppliers, each of which is described below.

- ***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, 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 re-engineer 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 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.
- *Working conditions and materials sourcing.* We work with our suppliers to improve their labor practices and working conditions, such as by including requirements in our agreements with our suppliers that workers receive fair treatment, safe working conditions and freely chosen employment, that materials are responsibly sourced and that business operations are conducted in an environmentally responsible and ethical way. Brand perception and customer loyalty could be adversely impacted by a supplier's improper practices or failure to comply with the above-mentioned requirements or those included in our Supplier Code of Conduct, General Specification for the Environment and other related provisions and requirements of our procurement contracts, including supplier audits, reporting of smelters, wood fiber certification (for HP brand paper and product packaging) and GHG emissions, water and waste data.
- *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 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 (whether as a result of climate change or otherwise), 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, such as those listed above or other 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 canceled. 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 fourth fiscal quarter is our strongest by revenues. 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, uncertainty or other factors could harm our business and financial performance.

Approximately 65% of our net revenue for fiscal year 2018 came from outside the United States. 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, including the impact of recently imposed tariffs between the United States and China on a wide variety of products;
- 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;
- 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, such as the European Union's General Data Protection Regulation ("GDPR");
- 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 resulted, and in the future any such transactions 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 failures to meet contractual obligations could make business combination and investment transactions less profitable than anticipated 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 and investment transaction 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.
- We may borrow to finance business combination and investment transactions, and the amount and terms of any potential 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, tangible 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 impairment 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.

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;
- 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;
- 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, which we amended in May 2018, 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 estimated workforce reductions within the projected timing or at all, or 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 3 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 (“IP”) laws in the United States, similar laws in other countries, and agreements with our employees, customers, suppliers and other parties, to establish and maintain IP rights in the products and services we sell, provide or otherwise use in our operations. However, any of our IP rights could be challenged, invalidated, infringed or circumvented, or such IP 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 our IP rights of our InkJet printer supplies against infringers may be successfully challenged or our IP rights 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 IP 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 IP. 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 IP 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 IP 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 IP rights or we may be required to enter into costly arrangements in order to terminate or limit these rights.

Third-party claims of IP 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 IP rights. For example, patent assertion entities may purchase IP 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 IP 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 IP 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 IP 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. Additionally, claims of IP infringement may adversely impact our brand and reputation and imperil new and existing customer relationships.

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 IT equipment (such as PCs, multifunction devices 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 IP rights between Hewlett Packard Enterprise and HP as part of the Separation, and the shared use of certain IP rights following the Separation, could adversely impact our reputation, our ability to enforce certain IP 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 IP assets relevant to their respective businesses. The terms of the Separation include cross-licenses and other arrangements to provide for certain ongoing use of IP 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 IP as part of the Separation, we no longer own IP allocated to Hewlett Packard Enterprise and our resulting IP 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 businesses properly.

The risks that accompany our services businesses differ from those of our other businesses. For example, the success of our services business depends to a significant degree on attracting clients to our services, retaining these clients and maintaining or increasing the level of revenues from these clients. Our standard services agreements are generally renewable at a customer's option and/or subject to cancellation rights, with penalties for early termination. We may not be able to retain or renew services contracts with our clients, or our clients may reduce the scope of the services they contract for. Factors that may influence contract termination, non-renewal or reduction include business downturns, dissatisfaction with our services or products attached to services we provide, our retirement or lack of support for our services, our clients selecting alternative technologies to replace us, the cost of our services as compared to the cost of services offered by our competitors, general market conditions or other reasons. We may not be able to replace the revenue and earnings from lost clients or reductions in services. While our services agreements typically include penalties for early termination, these penalties may not fully cover our investments in these businesses in the event a client terminates a services agreement early or reduces the scope of the agreement. Our clients could also delay or terminate implementations or use of our services or choose not to invest in additional services from us in the future. In addition, the pricing and other terms of some of our services 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 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 product margin of our services business. As a result, we may not generate the revenues we may have anticipated from our services businesses within the timelines anticipated, if at all.

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;
- 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 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. Past downgrades of Hewlett-Packard Company's ratings increased the cost of borrowing under our credit facilities and reduced market capacity for our commercial paper. Future downgrades could have the same effects, and could also 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 14 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, uncertainties related to the interpretation of the TCJA could materially impact our tax obligations and effective tax rate, as well as our business strategy and tax planning.

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 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. For example, the Organization for Economic Cooperation and Development (the “OECD”) has recently recommended changes to numerous long-standing international tax principles. If countries amend their tax laws to adopt certain parts of the OECD guidelines, this may increase tax uncertainty and may adversely impact our 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, be able to hire, retain, train, motivate, develop, transition and deploy 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 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, system outages 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, including state-sponsored organizations or nation-states, 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, ransomware and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products, or attempt to fraudulently induce our employees, customers, or others to disclose passwords or other sensitive information or unwittingly provide access to our systems or data. 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. Media or other reports of perceived security vulnerabilities in our network security, even if nothing has actually been attempted or occurred, could also adversely impact our brand and reputation and materially affect our business. While we have developed and implemented security measures and internal controls designed to protect against cyber and other security problems, such measures cannot provide absolute security and may not be successful in preventing future security breaches. In the past, we have experienced data security incidents resulting from unauthorized use of our systems or those of third parties, which to date have not had a material impact on our operations; however, there is no assurance that such impacts will not be material in the future.

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, damage our brand and reputation or otherwise harm our business, and result in government enforcement actions and litigation and potential liability for us. For example, the GDPR imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide annual turnover and/or €20 million. 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, including portions provided by third parties, also may experience interruptions, outages, delays or cessations of service or may produce errors in connection with systems integrations, migration work or other causes from time to time. Any such events could result in business disruptions and the process of remediating them could be more expensive, time-consuming, disruptive and resource intensive than planned. 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.

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 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. 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 separation and distribution agreement, a tax matters agreement, an employee matters agreement, a real estate matters agreement and a commercial agreement. 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. Hewlett Packard Enterprise has spun off or separated certain of its businesses since the Separation, and some of its obligations under these and other agreements have transferred to the successor entities. We will rely on Hewlett Packard Enterprise or its successor entities to satisfy their performance and payment obligations under these agreements. If Hewlett Packard Enterprise or its successor entities has separated are unable to satisfy their 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, 2018, we owned or leased approximately 18.3 million square feet of space worldwide, a summary of which is provided below.

	Fiscal year ended October 31, 2018		
	Owned	Leased	Total
	(square feet in millions)		
Administration and support	2.1	6.3	8.4
(Percentage)	25%	75%	100%
Core data centers, manufacturing plants, research and development facilities and warehouse operations	2.1	6.4	8.5
(Percentage)	25%	75%	100%
Total ⁽¹⁾	4.2	12.7	16.9
(Percentage)	25%	75%	100%

⁽¹⁾ Excludes 1.4 million square feet of vacated space, of which 1.0 million square feet is leased to third parties.

We believe that our existing properties are in good condition and are suitable for the conduct of our business. Each of our segments Personal Systems, Printing and Corporate Investments uses each 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:

<i>Americas</i>	<i>Europe, Middle East, Africa</i>	<i>Asia Pacific</i>
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

United States —Corvallis, San Diego, Boise, Houston, Vancouver, Aguadilla, Puerto Rico

Asia Pacific

China — Chongqing, Shanghai, Weihai

India —Pantnagar

Malaysia — Penang

Singapore — Singapore

South Korea — Suwon

Europe, Middle East, Africa

Israel — Kiryat-Gat, Rehovot, Netanya

Spain — Barcelona

Technology office (HP Labs)

United Kingdom — Bristol

United States — Palo Alto

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 14, “Litigation and Contingencies” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock is traded on the New York Stock Exchange under the symbol HPQ.

For information about dividends, see Item 6, “Selected Financial Data” and Note 12, “Stockholders’ Deficit” to the Consolidated Financial Statements in Item 8.

As of November 30, 2018, there were approximately 60,224 stockholders of record.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities in fiscal year 2018.

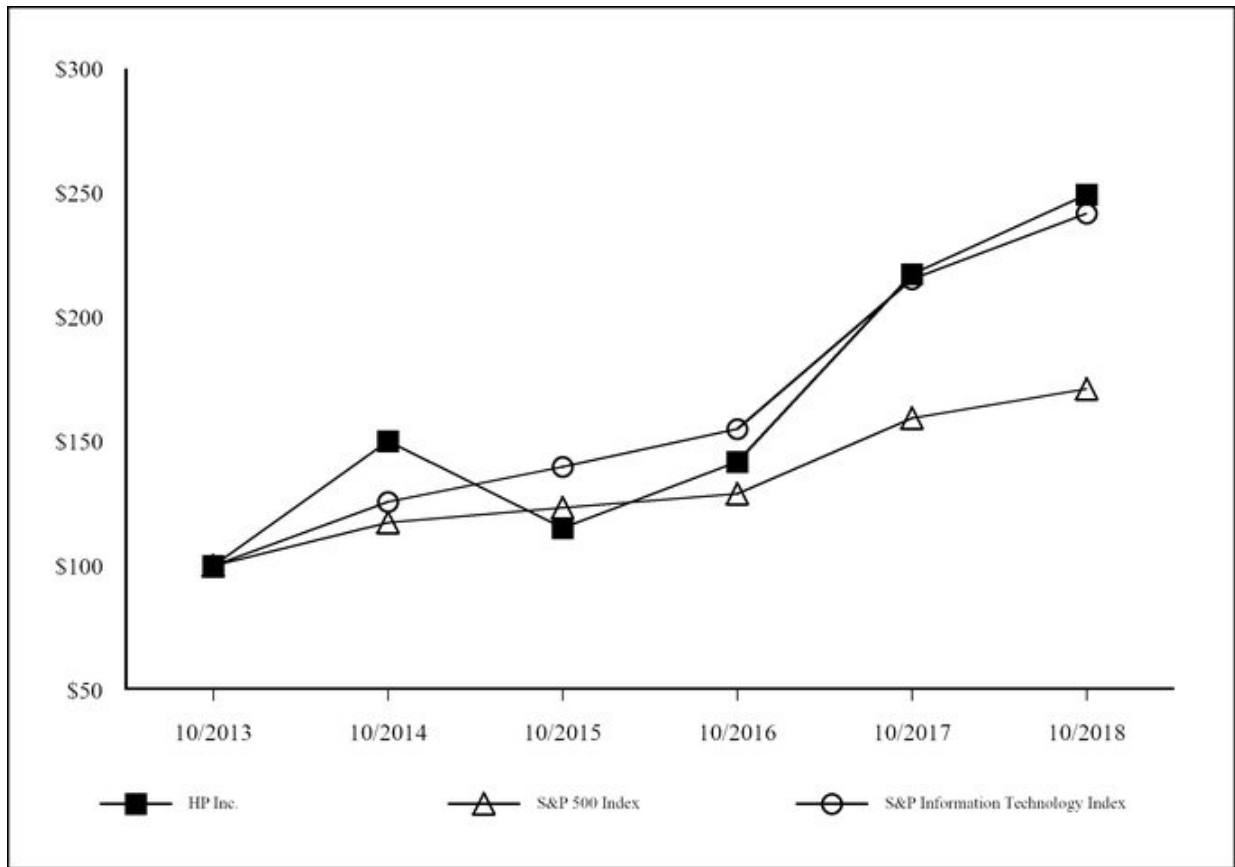
Issuer Purchases of Equity Securities

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	In thousands, except per share amounts					
Period						
August 2018	6,378	\$	23.94	6,378	\$	4,348,890
September 2018	7,195	\$	25.13	7,195	\$	4,168,038
October 2018	10,875	\$	24.36	10,875	\$	3,903,189
Total	24,448			24,448		

On October 10, 2016, the Board authorized \$3.0 billion for future repurchases of HP’s outstanding shares of common stock. On June 19, 2018, HP’s Board of Directors authorized an additional \$4.0 billion for future repurchases of its outstanding shares of common stock. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. 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. All share repurchases settled in the fourth quarter of fiscal year 2018 were open market transactions. As of October 31, 2018, HP had approximately \$3.9 billion remaining under repurchase authorization.

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, 2013 (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.



	10/13	10/14	10/15	10/16	10/17	10/18
HP Inc. ⁽¹⁾	\$ 100.00	\$ 150.08	\$ 115.15	\$ 141.74	\$ 217.27	\$ 249.30
S&P 500 Index	\$ 100.00	\$ 117.26	\$ 123.35	\$ 128.90	\$ 159.35	\$ 171.04
S&P Information Technology Index	\$ 100.00	\$ 125.70	\$ 139.76	\$ 154.89	\$ 215.24	\$ 241.72

⁽¹⁾ Historical stock prices of HP Inc. prior to the Separation, which occurred on November 1, 2015, have been adjusted to reflect the impact of the Separation. The adjustment was established using the conversion ratio based on the market value of stock on the Separation close at October 31, 2015.

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				
	2018	2017	2016	2015	2014
	In millions, except per share amounts				
Net revenue	\$ 58,472	\$ 52,056	\$ 48,238	\$ 51,463	\$ 56,651
Earnings from continuing operations ⁽¹⁾	\$ 4,064	\$ 3,519	\$ 3,549	\$ 3,920	\$ 4,256
Net (loss) earnings from discontinued operations net of taxes	\$ —	\$ —	\$ (170)	\$ 836	\$ 2,089
Net earnings ⁽¹⁾	\$ 5,327	\$ 2,526	\$ 2,496	\$ 4,554	\$ 5,013
Net earnings per share:					
Basic					
Continuing operations	\$ 3.30	\$ 1.50	\$ 1.54	\$ 2.05	\$ 1.55
Discontinued operations	—	—	(0.10)	0.46	1.11
Total basic net earnings per share	<u>\$ 3.30</u>	<u>\$ 1.50</u>	<u>\$ 1.44</u>	<u>\$ 2.51</u>	<u>\$ 2.66</u>
Diluted					
Continuing operations	\$ 3.26	\$ 1.48	\$ 1.53	\$ 2.02	\$ 1.53
Discontinued operations	—	—	(0.10)	0.46	1.09
Total diluted net earnings per share	<u>\$ 3.26</u>	<u>\$ 1.48</u>	<u>\$ 1.43</u>	<u>\$ 2.48</u>	<u>\$ 2.62</u>
Cash dividends declared per share	\$ 0.56	\$ 0.53	\$ 0.50	\$ 0.67	\$ 0.61
At year-end:					
Total assets ⁽²⁾	\$ 34,622	\$ 32,913	\$ 28,987	\$ 106,853	\$ 103,158
Long-term debt ⁽³⁾	\$ 4,524	\$ 6,747	\$ 6,735	\$ 6,648	\$ 15,515
Total debt ⁽³⁾	\$ 5,987	\$ 7,819	\$ 6,813	\$ 8,842	\$ 18,109

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

	2018	2017	2016	2015	2014
	In millions				
Restructuring and other charges	\$ 132	\$ 362	\$ 205	\$ 63	\$ 176
Acquisition-related charges	123	125	7	1	—
Amortization of intangible assets	80	1	16	102	129
Defined benefit plan settlement charges (credits)	7	5	179	(57)	—
Total charges before taxes	<u>\$ 342</u>	<u>\$ 493</u>	<u>\$ 407</u>	<u>\$ 109</u>	<u>\$ 305</u>
Total charges, net of taxes	<u>\$ 265</u>	<u>\$ 367</u>	<u>\$ 293</u>	<u>\$ 113</u>	<u>\$ 238</u>

⁽²⁾ Total assets, for all periods prior to fiscal year 2016, include the total assets of Hewlett Packard Enterprise.

⁽³⁾ The decrease in Long-term debt and Total debt in fiscal year 2018 was due to the payment for the repurchase of approximately \$1.85 billion in aggregate principal amount of U.S. Dollar Global Notes. 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.

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:

- *Overview.* A discussion of our business and other highlights affecting the company to provide context for the remainder of this MD&A.
- *Separation Transaction.* A discussion of the separation of Hewlett Packard Enterprise Company, HP Inc.'s former enterprise technology infrastructure, software, services and financing businesses.
- *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 2018 to fiscal year 2017 and fiscal year 2017 to fiscal year 2016. 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 financial condition.
- *Contractual and Other Obligations.* An overview of contractual obligations, retirement and post-retirement benefit plan contributions, cost-saving plans, uncertain tax positions and off-balance sheet arrangements.

The discussion of financial condition and results of our continuing operations that follows provides 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. 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, SMBs and large enterprises, including customers in the government, health, and education sectors. We have three reportable segments: Personal Systems, Printing and Corporate Investments. The Personal Systems segment offers Commercial and Consumer desktop and notebook PCs, workstations, thin clients, Commercial mobility devices, retail POS systems, displays and other related accessories, software, support, and services. The Printing segment provides Consumer and Commercial printer hardware, Supplies, 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 hyper market segmentation with respect to enhanced innovation in multi-operating systems, multi-architecture, geography, customer segments and other key attributes. Additionally, we are investing in premium form factors such as convertible notebooks to meet customer preference for mobile, thinner and lighter devices. We have increased our focus on Device as a Service as the market begins to shift to contractual solutions. We believe that we are well positioned due to our competitive product lineup.
- In Printing, our strategic growth focus is on shifting to contractual solutions and Graphics, as well as expanding our footprint in the 3D printing marketplace. Business printing includes delivering solutions to SMBs 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 after-market 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, Graphics and 3D printing programs. We continue to execute on our key initiatives of focusing on high-value products targeted at high usage categories and introducing new revenue delivery models. Our focus is on placing higher value printer units which offer strong annuity of toner and ink, the design and deployment of A3 products and solutions, accelerating growth in Graphic solutions and 3D printing.

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 market trends, such as forecasted declining PC Client markets and flat home printing markets. A second set of challenges relates to changes in the competitive landscape. Our primary competitors are exerting 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 face challenges with industry component availability.
- In Printing, we are seeing signs of stabilization of demand in consumer and commercial markets, but are still experiencing an overall competitive pricing environment. We obtain many components from single sources due to technology, availability, price, quality or other considerations. For instance, we source the majority of our A4 and a portion of our A3 portfolio of 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 anticipate renewal of this agreement. We are also seeing increases in commodity costs impacting our bill of materials.

Our business and financial performance also depend significantly on worldwide economic conditions. Accordingly, we face global macroeconomic challenges, tariff-driven headwinds, uncertainty in the markets, volatility in exchange rates, weaker macroeconomic conditions and evolving dynamics in the global trade environment. The impact of these and other global macroeconomic challenges on our business cannot be known at this time.

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 continue to work on improving our operations, with a particular focus on enhancing our end-to-end processes and efficiencies. We also continue to work on optimizing 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.

We typically experience higher net revenues in our fourth quarter compared to other quarters in our fiscal year due in part to seasonal holiday demand. Historical seasonal patterns should not be considered reliable indicators of our future net revenues or financial performance.

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.

HP INC. AND SUBSIDIARIES

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

SEPARATION TRANSACTION

On November 1, 2015, we completed the separation of Hewlett Packard Enterprise, Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses and 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 real estate matters agreement and a master commercial agreement.

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 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.

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

HP INC. AND SUBSIDIARIES

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

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 the 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. 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 1.8% and 2.0% 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 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 3, "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

HP INC. AND SUBSIDIARIES

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

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 re-measurement.

Our major assumptions vary by plan, and the weighted-average rates used are set forth in Note 4, "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 2018 :

	Change in Net Periodic Benefit Cost in millions
Assumptions:	
Discount rate	\$ 8
Expected increase in compensation levels	\$ 2
Expected long-term return on plan assets	\$ 30

Taxes on Earnings

The Tax Cuts and Jobs Act ("the TCJA") made significant changes to the U.S. tax law. The TCJA lowered our U.S. statutory federal income tax rate from 35% to 21% effective January 1, 2018, while also imposing a one-time transition tax on accumulated foreign earnings. In fiscal year 2018, we recorded a provisional tax benefit of \$760 million as a provisional estimate under the SEC Staff Accounting Bulletin ("SAB") No. 118.

In December 2017, the SEC staff issued SAB No. 118, which addresses how a company recognizes provisional estimates when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the TCJA. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year. The final impact of the TCJA may differ from the provisional estimates due to changes in interpretations of the TCJA, legislative action to address questions that arise because of the TCJA, changes in accounting standard for income taxes and related interpretations in response to the TCJA, and updates or changes to estimates used in the provisional amounts. In fiscal year 2018, we recorded a provisional tax benefit of \$760 million related to the \$5.6 billion net benefit for the decrease in our deferred tax liability on unremitted foreign earnings, partially offset by a \$3.3 billion net expense for the deemed repatriation tax payable in installments over eight years, a \$1.2 billion net expense for the remeasurement of our deferred tax assets and liabilities to the new U.S. statutory tax rate and a \$317 million net expense related to realization on U.S. deferred taxes that are expected to be realized at a lower rate. Resolution of the provisional estimates of the TCJA effects that are different from the assumptions made by us could have a material impact on our financial condition and operating results.

Prior to the enactment of the TCJA, our effective tax rate included the impact of certain undistributed foreign earnings for which we have not provided U.S. federal taxes because we had planned 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 U.S. 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. The effects of the TCJA related to these policies are referenced and discussed in detail in Note 6, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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.

HP INC. AND SUBSIDIARIES

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

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.

We are subject to income taxes in the United States and approximately 60 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, pension and related interest. For a further discussion on taxes on earnings, refer to Note 6, "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.

Business Combinations

We allocate the fair value of purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquiree generally based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed and non-controlling interests in the acquiree is recorded as goodwill and may involve engaging independent third-parties to perform an appraisal. When determining the fair values of assets acquired, liabilities assumed, and non-controlling interests in the acquiree, management makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing intangible assets include, but are not limited to, expected future cash flows, which includes consideration of future growth rates and margins, attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Fair value estimates are based on the assumptions management believes a market participant would use in pricing the asset or liability. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

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 elect to perform a qualitative assessment to test a reporting unit's goodwill for impairment or perform a quantitative impairment test. Based on a 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 quantitative impairment test will be performed.

In the quantitative 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

HP INC. AND SUBSIDIARIES

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

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. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized 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 2018, 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 a quantitative 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, 2018, the gross notional value of our derivative portfolio was \$24 billion. Assets and liabilities related to derivative instruments are measured at fair value and were \$515 million and \$195 million, respectively, as of October 31, 2018.

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 9, "Fair Value" and Note 10, "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 14, "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 14, "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, 2018, 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.

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RESULTS OF OPERATIONS

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 supplement the year-over-year percentage change in net revenue with the year-over-year percentage change in net revenue on a constant currency basis, which excludes the effect of foreign currency exchange fluctuations calculated by translating current period revenues using monthly average exchange rates from the comparative period and hedging activities 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, as management does not believe that the excluded items are reflective of ongoing operating results. The constant currency measures are 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					
	2018		2017		2016	
	Dollars in millions					
Net revenue	\$ 58,472	100.0 %	\$ 52,056	100.0 %	\$ 48,238	100.0 %
Cost of revenue	47,803	81.8 %	42,478	81.6 %	39,240	81.3 %
Gross profit	10,669	18.2 %	9,578	18.4 %	8,998	18.7 %
Research and development	1,404	2.4 %	1,190	2.3 %	1,209	2.5 %
Selling, general and administrative	4,859	8.3 %	4,376	8.4 %	3,833	8.0 %
Restructuring and other charges	132	0.2 %	362	0.7 %	205	0.4 %
Acquisition-related charges	123	0.2 %	125	0.2 %	7	0.0%
Amortization of intangible assets	80	0.1 %	1	0.0%	16	0.0%
Defined benefit plan settlement charges	7	0.0%	5	0.0%	179	0.4 %
Earnings from continuing operations	4,064	7.0 %	3,519	6.8 %	3,549	7.4 %
Interest and other, net	(1,051)	(1.8)%	(243)	(0.5)%	212	0.4 %
Earnings from continuing operations before taxes	3,013	5.2 %	3,276	6.3 %	3,761	7.8 %
Benefit from (provision for) taxes	2,314	3.9 %	(750)	(1.4)%	(1,095)	(2.3)%
Net earnings from continuing operations	5,327	9.1 %	2,526	4.9 %	2,666	5.5 %
Net loss from discontinued operations, net of taxes	—		—		(170)	
Net earnings	\$ 5,327		\$ 2,526		\$ 2,496	

Net Revenue

In fiscal year 2018, total net revenue increased 12.3% (increased 10.1% on a constant currency basis) as compared with fiscal year 2017. Net revenue from the United States increased 6.6% to \$20.6 billion and net revenue from outside of the United States increased 15.7% to \$37.9 billion. The increase in net revenue was primarily driven by growth in Notebooks, Desktops, Supplies, Commercial Printing Hardware revenue and favorable foreign currency impacts.

In fiscal year 2017, total net revenue increased 7.9% (increased 8.7% on a constant currency basis) as compared with fiscal year 2016. Net revenue from the United States increased 7.1% to \$19.3 billion and net revenue from outside of the United States increased 8.4% to \$32.8 billion. The increase in net revenue was primarily driven by growth in Notebooks, Desktops and Supplies revenue, partially offset by unfavorable foreign currency impacts.

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

Gross Margin

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

Our gross margin was 18.2% for fiscal year 2018 compared with 18.4% for fiscal year 2017. The decrease was primarily due to higher Commercial Hardware unit placements in Printing and an increase in commodity and logistics costs in Personal Systems, partially offset by higher pricing in Personal Systems and favorable foreign currency impacts.

Our gross margin was 18.4% for fiscal year 2017 compared with 18.7% for fiscal year 2016. The primary factors impacting the gross margin decrease were lower Personal System gross margin driven by higher commodity costs, unfavorable foreign currency impacts and a higher mix of Personal Systems revenue, partially offset by productivity improvements in Printing.

A 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 18% in fiscal year 2018 compared to fiscal year 2017, primarily due to continuing investment in Printing, including the acquisition of Samsung's printer business.

R&D expense decreased 2% in fiscal year 2017 compared to fiscal year 2016, primarily due to lower spend as a result of the launch of A3 products in fiscal year 2016, partially offset by continuing investment in Printing.

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

SG&A expense increased 11% in fiscal year 2018 as compared to fiscal year 2017, primarily driven by incremental go-to-market investments to support revenue growth, including the acquisition of Samsung's printer business.

SG&A expense increased 14% in fiscal year 2017 as compared to fiscal year 2016, primarily due to a gain from the divestiture of marketing optimization assets in fiscal year 2016 and an increase in field selling costs.

Restructuring and other Charges

Restructuring and other charges decreased by \$230 million in fiscal year 2018 compared to the prior-year period, primarily due to lower charges from our restructuring plan announced in October 2016 (the "Fiscal 2017 Plan") and amended in May 2018.

Restructuring and other charges increased by \$157 million in fiscal year 2017 compared to the prior-year period, primarily due to the Fiscal 2017 Plan and certain non-recurring costs, including those as a result of the Separation.

Acquisition-related Charges

Acquisition-related charges for the fiscal years 2018, 2017 and 2016 relate primarily to third-party professional and legal fees, and integration-related costs, as well as fair value adjustments of certain acquired assets such as inventory.

Amortization of Intangible Assets

Amortization expense increased by \$79 million in fiscal year 2018 compared to the prior-year period, due to intangible assets resulting primarily from the acquisition of Samsung's printer business.

Amortization expense decreased by \$15 million in fiscal year 2017 compared to the prior-year period, primarily due to assets from prior acquisitions reaching the end of their respective amortization periods.

Interest and Other, Net

Interest and other, net expense increased by \$808 million in fiscal year 2018 compared to the prior-year period, primarily due to the reversal of indemnification receivables from Hewlett Packard Enterprise pertaining to various income tax audit settlements, and loss on extinguishment of debt.

Interest and other, net expense increased by \$455 million in fiscal year 2017 compared to the prior-year period, primarily due to lower tax indemnification income in fiscal year 2017 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.

Benefit from (Provision for) Taxes

As a result of U.S. tax reform, a blended U.S. federal statutory rate of 23% was computed for the fiscal year ending October 31, 2018. Our effective tax rates were (76.8%), 22.9% and 29.1% in fiscal years 2018, 2017 and 2016, respectively. In fiscal year 2018, our effective tax rate generally differs from the U.S. federal statutory rate of 23.3% primarily due to transitional impacts of U.S. tax reform and resolution of various audits and tax litigation. In fiscal years 2017 and 2016, 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

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

Ireland. The gross income tax benefits related to these favorable tax rates are in addition to transitional impacts of U.S. tax reform and resolution of various audits and tax litigation. Additionally, the overall effective tax rate in fiscal year 2017 was impacted by adjustments to valuation allowances and state income taxes, and the overall effective tax rate in fiscal year 2016 was 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 23.3% in fiscal year 2018 and 35% in fiscal years 2017 and 2016 and further explanation of our provision for taxes, see Note 6, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

In fiscal year 2018, we recorded \$2.8 billion of net income tax benefit related to discrete items in the provision for taxes which include impacts of the TCJA. As discussed in the Note 6 "Taxes on Earnings" to the Consolidated Financial Statements in Item 8 of this report, we have not yet completed our analysis of the full impact of the TCJA. However, as of October 31, 2018, we recorded a provisional tax benefit of \$760 million related to \$5.6 billion net benefit for the decrease in our deferred tax liability on unremitted foreign earnings, partially offset by \$3.3 billion net expense for the deemed repatriation tax payable in installments over eight years, a \$1.2 billion net expense for the remeasurement of our deferred assets and liabilities to the new U.S. statutory tax rate and a \$317 million net expense related to realization on U.S. deferred taxes that are expected to be realized at a lower rate. Fiscal year 2018 also included tax benefits related to audit settlements of \$1.5 billion and valuation allowance releases of \$601 million pertaining to a change in our ability to utilize certain foreign and U.S. deferred tax assets due to a change in our geographic earnings mix. These benefits were partially offset by other net tax charges of \$34 million. In fiscal year 2018, in addition to the discrete items mentioned above, we recorded excess tax benefits of \$42 million on stock options, restricted stock units and performance-adjusted restricted stock units.

In fiscal year 2017, we recorded \$72 million of net income tax benefit related to discrete items in the provision for taxes. These amounts primarily include tax benefits of \$84 million related to restructuring and other charges, \$12 million related to U.S. federal provision to return adjustments, \$45 million related to Samsung acquisition-related charges, and \$13 million of other net tax benefits. In addition, we recorded tax charges of \$11 million related to changes in state valuation allowances, \$22 million of state provision to return adjustments, and \$49 million related to uncertain tax positions.

In fiscal year 2016, we recorded \$301 million of net income tax charges related to discrete items in the provision for taxes 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 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.

Segment Information

A description of the products and services for each segment can be found in Note 2, "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.

Realignment

Effective at the beginning of its first quarter of fiscal year 2018, HP implemented an organizational change to align its segment and business unit financial reporting more closely with its current business structure. The organizational change resulted in the transfer of long-life consumables from Commercial to Supplies within the Printing segment. Certain revenues related to service arrangements, which are being eliminated for the purposes of reporting HP's consolidated net revenue, have now been reclassified from Other to segments. HP has reflected this change to its segment and business unit information in prior reporting periods on an as-if basis. The reporting change had no impact on previously reported consolidated net revenue, earnings from operations, net earnings or net EPS.

Personal Systems

	For the fiscal years ended October 31		
	2018	2017	2016
	Dollars in millions		
Net revenue	\$ 37,661	\$ 33,321	\$ 29,946
Earnings from operations	\$ 1,411	\$ 1,210	\$ 1,150
Earnings from operations as a % of net revenue	3.7%	3.6%	3.8%

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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
	2018	2017	
	In millions		
Notebooks	\$ 22,547	\$ 19,782	8.3
Desktops	11,567	10,298	3.8
Workstations	2,246	2,042	0.6
Other	1,301	1,199	0.3
Total Personal Systems	\$ 37,661	\$ 33,321	13.0

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2017	2016	
	In millions		
Notebooks	\$ 19,782	\$ 16,982	9.4
Desktops	10,298	9,956	1.1
Workstations	2,042	1,870	0.6
Other	1,199	1,138	0.2
Total Personal Systems	\$ 33,321	\$ 29,946	11.3

Fiscal Year 2018 compared with Fiscal Year 2017

Personal Systems net revenue increased 13.0% (increased 10.5% on a constant currency basis) in fiscal year 2018 as compared to the prior-year period. The net revenue increase was primarily due to growth in Notebooks and Desktops and favorable foreign currency impacts. The net revenue increase was driven by a 6.6% and 6.0% increase in unit volume and average selling prices ("ASPs"), respectively, as compared to the prior-year period. The increase in unit volume was primarily due to growth in Notebooks and Desktops. The increase in ASPs was primarily due to higher pricing driven by increased commodity and logistics costs, favorable foreign currency impacts and positive mix shifts.

Consumer and Commercial revenue increased 11% and 14%, respectively, in fiscal year 2018 as compared to the prior-year period, driven by growth in Notebooks, Desktops and Workstations as a result of higher unit volume combined with higher ASPs.

Net revenue increased 14% in Notebooks, 12% in Desktops and 10% in Workstations in fiscal year 2018.

Personal Systems earnings from operations as a percentage of net revenue increased by 0.1 percentage points in fiscal year 2018. The increase was primarily due to higher ASPs, partially offset by an increase in commodity and logistics costs.

Fiscal Year 2017 compared with Fiscal Year 2016

Personal Systems net revenue increased 11.3% (increased 12.2% on a constant currency basis) in fiscal year 2017. The net revenue increase was primarily due to growth in Notebooks, Desktops and Workstations partially offset by unfavorable foreign currency impacts. The net revenue increase was driven by a 6.7% and 4.3% increase in unit volume and ASPs, respectively, as compared to fiscal year 2016. The increase in unit volume was primarily due to growth in Notebooks and Workstations. The increase in ASPs was primarily due to favorable pricing partially offset by unfavorable foreign currency impacts.

Consumer revenue increased 16% in fiscal year 2017, driven by growth in Notebooks and Desktops as a result of higher unit volume combined with higher ASPs. Commercial revenue increased 9% in fiscal year 2017, driven by growth in Notebooks and Workstations.

Net revenue increased 16% in Notebooks, 9% in Workstations and 3% in Desktops in fiscal year 2017.

Personal Systems earnings from operations as a percentage of net revenue decreased by 0.2 percentage points in fiscal year 2017. The decrease was primarily due to a decline in gross margin partially offset by a decrease in operating expenses. The decrease in gross margin was primarily due to an increase in commodity cost and unfavorable foreign currency impacts

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partially offset by higher ASPs. Operating expenses as a percentage of net revenue decreased primarily due to operating expense management.

Printing

	For the fiscal years ended October 31		
	2018	2017	2016
	Dollars in millions		
Net revenue	\$ 20,805	\$ 18,728	\$ 18,123
Earnings from operations	\$ 3,323	\$ 3,146	\$ 3,114
Earnings from operations as a % of net revenue	16.0%	16.8%	17.2%

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
	2018	2017	
	In millions		
Supplies	\$ 13,575	\$ 12,524	5.6
Commercial Hardware	4,674	3,792	4.7
Consumer Hardware	2,556	2,412	0.8
Total Printing	\$ 20,805	\$ 18,728	11.1

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2017	2016	
	In millions		
Supplies	\$ 12,524	\$ 11,981	3.0
Commercial Hardware	3,792	3,792	—
Consumer Hardware	2,412	2,350	0.3
Total Printing	\$ 18,728	\$ 18,123	3.3

Fiscal Year 2018 compared with Fiscal Year 2017

Printing net revenue increased 11.1% (increased 9.5% on a constant currency basis) for fiscal year 2018. The increase in net revenue was primarily driven by the increase in Supplies and Hardware revenue and favorable foreign currency impacts. Net revenue for Supplies increased 8.4% as compared to the prior-year period, including the acquisition of Samsung's printer business. Printer unit volume increased 12.7% while ASPs increased 1.6% as compared to the prior-year period. The increase in Printer unit volume was primarily driven by unit increases in Commercial and Consumer Hardware, including the Samsung-branded printers. Printer ASPs increased primarily due to favorable foreign currency impacts, partially offset by the dilution impact from Samsung-branded low-end A4 products.

Net revenue for Commercial Hardware increased 23.3% as compared to the prior-year period, including revenue from Samsung branded printers, LaserJet and PageWide printers. The unit volume increased by 84.5% while the ASPs decreased by 34.2%. The unit volume increased primarily due to Samsung-branded printers. The decrease in ASPs was primarily due to the dilution impact from Samsung-branded low-end A4 products.

Net revenue for Consumer Hardware increased 6.0% as compared to the prior-year period due to a 3.8% increase in printer unit volume and a 2.4% increase in ASPs. The unit volume increase was driven by InkJet and LaserJet Home business.

The increase in ASPs was primarily due to favorable foreign currency impacts.

Printing earnings from operations as a percentage of net revenue decreased by 0.8 percentage points for the fiscal year 2018 as compared to the prior-year period, primarily due to an increase in operating expenses and lower gross margin. The

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gross margin decreased primarily due to lower Supplies mix and the dilution impact of Samsung-branded low-end products, partially offset by favorable foreign currency impacts and operational improvements. Operating expenses increased primarily driven by the acquisition of Samsung's printer business and increases in investments in key growth initiatives and go-to-market.

Fiscal Year 2017 compared with Fiscal Year 2016

Printing net revenue increased 3.3% (increased 3.9% on a constant currency basis) for fiscal year 2017. The increase in net revenue was primarily driven by the increase in Supplies revenue. Net revenue for Supplies increased 4.5% as compared to the prior-year period, primarily due to the change in the Supplies sales model in the prior-year period and better discount management, partially offset by unfavorable foreign currency impacts. Printer unit volume increased 3.4% while ASPs decreased 0.9% as compared to the prior-year period. The increase in Printer unit volume was primarily driven by unit increases in Consumer Hardware and larger opportunity to place incremental units with positive net present value. Printer ASPs decreased primarily due to unfavorable foreign currency impacts.

Net revenue for Commercial Hardware is flat as compared to the prior-year period, driven by a decline in other printing solutions largely due to the divestiture of marketing optimization assets in the prior-year period, offset by revenue from Managed Print Services and 3D Printing in fiscal year 2017. ASPs decreased by 0.1% while unit volume increased by 2.0%. The unit volume increased primarily due to a larger opportunity to place incremental units with positive net present value. The decrease in ASPs was primarily due to unfavorable foreign currency impacts, partially offset by a mix shift to higher-end printers.

Net revenue for Consumer Hardware increased 2.6% as compared to the prior-year period due to a 3.5% increase in printer unit volume, partially offset by a 0.4% decrease in ASPs. The unit volume increase was driven by the Home business. The decrease in ASPs was primarily due to unfavorable foreign currency impacts, partially offset by better discount management.

Printing earnings from operations as a percentage of net revenue decreased by 0.4 percentage points for the fiscal year 2017 as compared to the prior-year period, primarily due to an increase in operating expenses, partially offset by an improved gross margin. The gross margin increased due to operational improvements, partially offset by unfavorable foreign currency impacts. Operating expenses increased primarily due to a gain from the divestiture of marketing optimization assets in the prior-year period and an increase in marketing investments.

Corporate Investments

The loss from operations in Corporate Investments for the fiscal years 2018, 2017 and 2016 was primarily due to expenses associated with HP Labs and our incubation projects.

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, acquisitions, 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. While our access to capital markets may be constrained and our cost of borrowing may increase under certain business, market and economic conditions, 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 are incorporated herein by reference.

Our cash balances are held in numerous locations throughout the world, with the 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.

On November 1, 2018, we made a cash payment of \$422 million in connection with the acquisition of the Apogee group, a U.K. based office equipment dealer ("OED") and provider of print, outsourced services, and document and process technology. The cash payment is subject to customary closing and other adjustments and would be finalized in future periods.

Amounts held outside of the United States are generally utilized to support non-U.S. liquidity needs, and may from time to time be distributed to the United States. The TCJA made significant changes to the U.S. tax law, including a one-time transition tax on accumulated foreign earnings. The payments associated with this one-time transition tax will be paid over eight years beginning 2019. We expect a significant portion of the cash and cash equivalents held by our foreign subsidiaries will no longer be subject to U.S. income tax consequences upon a subsequent repatriation to the United States as a result of the

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transition tax on accumulated foreign earnings. However, a portion of this cash may still be subject to foreign income tax or withholding tax consequences upon repatriation. As we evaluate the impact of the TCJA and the future cash needs of our operations, we may revise the amount of foreign earnings considered to be permanently reinvested in our foreign subsidiaries and how to utilize such funds, including reducing our gross debt level, or other uses.

Liquidity

Our cash and cash equivalents, marketable debt securities and total debt were as follows:

	As of October 31		
	2018	2017	2016
	In billions		
Cash and cash equivalents	\$ 5.2	\$ 7.0	\$ 6.3
Marketable debt securities ⁽¹⁾	\$ 0.7	\$ 1.1	\$ —
Total debt	\$ 6.0	\$ 7.8	\$ 6.8

⁽¹⁾ Includes highly liquid U.S. treasury notes, U.S. agency securities, non-U.S. government bonds, corporate debt securities, money market and other funds. We classify these investments within Other current assets in Consolidated Balance Sheets, including those with maturity dates beyond one year, based on their highly liquid nature and availability for use in current operations.

Our key cash flow metrics were as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Net cash provided by operating activities	\$ 4,528	\$ 3,677	\$ 3,252
Net cash (used in) provided by investing activities	(716)	(1,717)	48
Net cash used in financing activities	(5,643)	(1,251)	(14,445)
Net (decrease) increase in cash and cash equivalents	\$ (1,831)	\$ 709	\$ (11,145)

Operating Activities

Net cash provided by operating activities increased by \$0.9 billion for fiscal year 2018 as compared to fiscal year 2017. The increase was primarily due to higher earnings from operations and cash generated from working capital management activities.

Net cash provided by operating activities increased by \$0.4 billion for fiscal year 2017 as compared to fiscal year 2016. The increase was primarily due to higher cash generated from working capital management activities.

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		
	2018	2017	2016
Days of sales outstanding in accounts receivable ("DSO")	30	29	30
Days of supply in inventory ("DOS")	43	46	39
Days of purchases outstanding in accounts payable ("DPO")	(105)	(105)	(98)
Cash conversion cycle	(32)	(30)	(29)

The cash conversion cycle is the sum of days of DSO and DOS less 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 2018, the

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increase in DSO compared to fiscal year 2017 was primarily due to unfavorable revenue linearity. For fiscal year 2017, the decrease in DSO compared to fiscal year 2016 was primarily due to strong collections.

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 2018, the DOS was lower primarily due to a focus on inventory management. For fiscal year 2017, the DOS was higher primarily due to leveraging our balance sheet, particularly through higher strategic buys and sea shipments to better assure supply of commodities in short supply.

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 2018, the DPO remained flat compared to fiscal year 2017. For fiscal year 2017, the DPO was higher primarily due to increased inventory purchases and an extension of payment terms with our product suppliers.

Investing Activities

Net cash used in investing activities decreased by \$1.0 billion for fiscal year 2018 as compared to fiscal year 2017, primarily due to a decrease in investments classified as available-for-sale investments within Other current assets by \$1.6 billion and collateral related to our derivatives of \$0.4 billion, partially offset by the payment of \$1.0 billion for the acquisition of Samsung's printer business.

Net cash used in investing activities increased by \$1.8 billion for fiscal year 2017 as compared to fiscal year 2016, primarily due to net investment activity of \$1.1 billion, classified as available-for-sale investments within Other current assets, collateral of \$0.2 billion related to our derivatives and proceeds from a business divestiture of \$0.5 billion in fiscal year 2016.

Financing Activities

Net cash used in financing activities increased by \$4.4 billion in fiscal year 2018 compared to fiscal year 2017, primarily due to the payment to repurchase approximately \$1.85 billion of debt, higher share repurchase amount of \$1.1 billion and higher outstanding commercial paper of \$0.9 billion in fiscal year 2017.

Net cash used in financing activities decreased by \$13.2 billion in fiscal year 2017 compared to fiscal year 2016, as the net cash used in financing activities for the fiscal year 2016 included the cash transfer of \$10.4 billion to Hewlett Packard Enterprise in connection with the Separation and the redemption of \$2.1 billion of U.S. Dollar Global Notes, and fiscal year 2017 included a higher outstanding commercial paper of \$0.9 billion.

Capital Resources

Debt Levels

	As of October 31		
	2018	2017	2016
	Dollars in millions		
Short-term debt	\$ 1,463	\$ 1,072	\$ 78
Long-term debt	\$ 4,524	\$ 6,747	\$ 6,735
Debt-to-equity ratio	(9.36)x	(2.29)x	(1.75)x
Weighted-average interest rate	4.3%	4.0%	4.2%

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 increased by \$0.4 billion and long-term debt decreased by \$2.2 billion for fiscal year 2018 as compared to fiscal year 2017. The net decrease in total debt was primarily due to the payment to repurchase approximately \$1.85 billion in aggregate principal amount of U.S. Dollar Global Notes.

Short-term debt increased by \$1.0 billion for fiscal year 2017 as compared to fiscal year 2016. The net increase in total debt was primarily due to a higher outstanding of commercial paper of \$0.9 billion.

Our debt-to-equity ratio is calculated as the carrying amount of debt divided by total stockholders' deficit. Our debt-to-equity ratio changed by 7.07x in fiscal year 2018 compared to fiscal year 2017, primarily due to a decrease in stockholders' deficit balance of \$2.8 billion.

Our debt-to-equity ratio changed by 0.54x in fiscal year 2017 compared to fiscal year 2016, due to an increase in total debt balances of \$1.0 billion.

HP INC. AND SUBSIDIARIES

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

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 10, "Financial Instruments" in the Consolidated Financial Statements and notes thereto in Item 8, "Financial Statements and Supplementary Data".

Available Borrowing Resources

We had the following resources available to obtain short or long-term financing:

	<u>As of October 31, 2018</u>	
	<u>In millions</u>	
2016 Shelf Registration Statement		Unspecified
Uncommitted lines of credit	\$	667

As of October 31, 2018, we maintain a senior unsecured committed revolving credit facility with aggregate lending commitments of \$4.0 billion, which will be available until March 30, 2023 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. As of October 31, 2018, we had \$0.9 billion of commercial paper outstanding.

We increased our issuance authorization under our commercial paper program from \$4.0 billion to \$6.0 billion in November 2017. In December 2017, we also entered into an additional revolving credit facility with certain institutional lenders that provided us with \$1.5 billion of available borrowings until November 30, 2018. We elected to terminate this \$1.5 billion revolving credit facility early, effective August 17, 2018.

For more information on our borrowings, see Note 11, "Borrowings", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Credit Ratings

Our credit risk is evaluated by major independent rating agencies based on 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, 2018, 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⁾	\$ 5,573	\$ 1,308	\$ 1,860	\$ 1,205	\$ 1,200
Interest payments on debt ⁽²⁾	2,034	208	372	166	1,288
Purchase obligations ⁽³⁾	704	434	244	26	—
Operating lease obligations ⁽⁴⁾	1,358	294	423	279	362
Capital lease obligations ⁽⁵⁾	520	173	272	69	6
Total ⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾	\$ 10,189	\$ 2,417	\$ 3,171	\$ 1,745	\$ 2,856

- (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, 2018 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 \$129 million.
- (5) Amounts represent the capital lease obligations, including total capital lease interest obligations of \$58 million.
- (6) *Retirement and Post-Retirement Benefit Plan Contributions.* In fiscal year 2019, we anticipate making contributions of approximately \$46 million to non-U.S. pension plans, \$32 million to cover benefit payments to U.S. non-qualified pension plan participants and \$6 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 4, "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 approximately \$286 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 that are part of our cost improvements, see Note 3, "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, 2018, we had approximately \$1.3 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 6, "Taxes on Earnings", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.
- (9) *Payment of one-time transition taxes under the TCJA.* The TCJA made significant changes to U.S. tax law resulting in a one-time deemed repatriation transition tax on accumulated foreign earnings of approximately \$3.3 billion. We expect the

HP INC. AND SUBSIDIARIES

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

actual cash payments for the tax to be much lower as we expect to reduce the overall liability by more than half once tax credits and other balance sheet tax attributes are used.

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 7 "Supplementary Financial Information" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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 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 are 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 2018 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 in cost of sales. 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, 2018 and 2017, 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, 2018 and 2017. 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 \$75 million and \$64 million at October 31, 2018 and October 31, 2017, 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.

We have performed sensitivity analyses as of October 31, 2018 and 2017, 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, 2018 and 2017. The sensitivity analyses 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 \$69 million at October 31, 2018 and \$61 million at October 31, 2017.

ITEM 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of HP Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HP Inc. and subsidiaries (the Company) as of October 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended October 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2018, 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 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2000
San Jose, California
December 13, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of HP Inc.

Opinion on Internal Control over Financial Reporting

We have audited HP Inc. and subsidiaries' internal control over financial reporting as of October 31, 2018, 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). In our opinion, HP Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended October 31, 2018, and the related notes and our report dated December 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ ERNST & YOUNG LLP

San Jose, California

December 13, 2018

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, 2018, 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, 2018. The effectiveness of HP's internal control over financial reporting as of October 31, 2018 has been audited by Ernst & Young LLP, HP's independent registered public accounting firm, as stated in their report which appears on page 52 of this Annual Report on Form 10-K.

/s/ DION J. WEISLER

Dion J. Weisler
President and Chief Executive Officer
December 13, 2018

/s/ STEVE FIELER

Steve Fieler
Chief Financial Officer
December 13, 2018

HP INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions, except per share amounts		
Net revenue	\$ 58,472	\$ 52,056	\$ 48,238
Costs and expenses:			
Cost of revenue	47,803	42,478	39,240
Research and development	1,404	1,190	1,209
Selling, general and administrative	4,859	4,376	3,833
Restructuring and other charges	132	362	205
Acquisition-related charges	123	125	7
Amortization of intangible assets	80	1	16
Defined benefit plan settlement charges	7	5	179
Total costs and expenses	54,408	48,537	44,689
Earnings from continuing operations	4,064	3,519	3,549
Interest and other, net	(1,051)	(243)	212
Earnings from continuing operations before taxes	3,013	3,276	3,761
Benefit from (provision for) taxes	2,314	(750)	(1,095)
Net earnings from continuing operations	5,327	2,526	2,666
Net loss from discontinued operations	—	—	(170)
Net earnings	\$ 5,327	\$ 2,526	\$ 2,496
Net earnings per share:			
Basic			
Continuing operations	\$ 3.30	\$ 1.50	\$ 1.54
Discontinued operations	—	—	(0.10)
Total basic net earnings per share	\$ 3.30	\$ 1.50	\$ 1.44
Diluted			
Continuing operations	\$ 3.26	\$ 1.48	\$ 1.53
Discontinued operations	—	—	(0.10)
Total diluted net earnings per share	\$ 3.26	\$ 1.48	\$ 1.43
Weighted-average shares used to compute net earnings per share:			
Basic	1,615	1,688	1,730
Diluted	1,634	1,702	1,743

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

HP INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Net earnings	\$ 5,327	\$ 2,526	\$ 2,496
Other comprehensive income (loss) before taxes:			
Change in unrealized components of available-for-sale securities:			
Unrealized (losses) gains arising during the period	(3)	4	1
Gains reclassified into earnings	(5)	—	—
	(8)	4	1
Change in unrealized components of cash flow hedges:			
Unrealized gains (losses) arising during the period	341	(651)	199
Losses reclassified into earnings	258	199	63
	599	(452)	262
Change in unrealized components of defined benefit plans:			
Gains (losses) arising during the period	11	455	(759)
Amortization of actuarial loss and prior service benefit	48	74	51
Curtailments, settlements and other	3	3	183
	62	532	(525)
Other comprehensive income (loss) before taxes	653	84	(262)
(Provision for) Benefit from taxes	(80)	(64)	45
Other comprehensive income (loss), net of taxes	573	20	(217)
Comprehensive income	\$ 5,900	\$ 2,546	\$ 2,279

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

HP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	As of October 31	
	2018	2017
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,166	\$ 6,997
Accounts receivable, net	5,113	4,414
Inventory	6,062	5,786
Other current assets	5,046	5,121
Total current assets	<u>21,387</u>	<u>22,318</u>
Property, plant and equipment, net	2,198	1,878
Goodwill	5,968	5,622
Other non-current assets	5,069	3,095
Total assets	<u>\$ 34,622</u>	<u>\$ 32,913</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and short-term borrowings	\$ 1,463	\$ 1,072
Accounts payable	14,816	13,279
Employee compensation and benefits	1,136	894
Taxes on earnings	340	214
Other accrued liabilities	7,376	6,953
Total current liabilities	<u>25,131</u>	<u>22,412</u>
Long-term debt	4,524	6,747
Other non-current liabilities	5,606	7,162
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$0.01 par value (300 shares authorized; none issued)	—	—
Common stock, \$0.01 par value (9,600 shares authorized; 1,560 and 1,650 shares issued and outstanding at October 31, 2018, and 2017 respectively)	16	16
Additional paid-in capital	663	380
Accumulated deficit	(473)	(2,386)
Accumulated other comprehensive loss	(845)	(1,418)
Total stockholders' deficit	<u>(639)</u>	<u>(3,408)</u>
Total liabilities and stockholders' deficit	<u>\$ 34,622</u>	<u>\$ 32,913</u>

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

HP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Cash flows from operating activities:			
Net earnings	\$ 5,327	\$ 2,526	\$ 2,496
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	528	354	332
Stock-based compensation expense	268	224	182
Restructuring and other charges	132	362	200
Deferred taxes on earnings	(3,653)	238	401
Other, net	319	134	(32)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(491)	(453)	565
Inventory	(136)	(1,346)	(291)
Accounts payable	1,429	2,161	928
Taxes on earnings	389	73	106
Restructuring and other	(237)	(233)	(157)
Other assets and liabilities	653	(363)	(1,478)
Net cash provided by operating activities	<u>4,528</u>	<u>3,677</u>	<u>3,252</u>
Cash flows from investing activities:			
Investment in property, plant and equipment	(546)	(402)	(433)
Proceeds from sale of property, plant and equipment	172	69	6
Purchases of available-for-sale securities and other investments	(367)	(1,400)	(126)
Maturities and sales of available-for-sale securities and other investments	847	231	133
Collateral posted for derivative instruments	(1,165)	(1,170)	—
Collateral returned for derivative instruments	1,379	955	—
Payments made in connection with business acquisitions, net of cash acquired	(1,036)	—	(7)
Proceeds from business divestitures, net	—	—	475
Net cash (used in) provided by investing activities	<u>(716)</u>	<u>(1,717)</u>	<u>48</u>
Cash flows from financing activities:			
Proceeds from short-term borrowings with original maturities less than 90 days, net	743	202	97
Proceeds from short-term borrowings with original maturities greater than 90 days	712	887	—
Proceeds from debt, net of issuance costs	—	5	4
Payment of short term borrowings with original maturities greater than 90 days	(1,596)	(3)	—
Payment of debt	(2,098)	(84)	(2,188)
Settlement of cash flow hedges	—	(9)	4
Net transfer of cash and cash equivalents to Hewlett Packard Enterprise Company	—	—	(10,375)
Net proceeds related to stock-based award activities	52	57	32
Repurchase of common stock	(2,557)	(1,412)	(1,161)
Cash dividends paid	(899)	(894)	(858)
Net cash used in financing activities	<u>(5,643)</u>	<u>(1,251)</u>	<u>(14,445)</u>
(Decrease) Increase in cash and cash equivalents	(1,831)	709	(11,145)
Cash and cash equivalents at beginning of period	6,997	6,288	17,433
Cash and cash equivalents at end of period	<u>\$ 5,166</u>	<u>\$ 6,997</u>	<u>\$ 6,288</u>
Supplemental cash flow disclosures:			
Income taxes paid, net of refunds	\$ 951	\$ 438	\$ 587
Interest expense paid	\$ 329	\$ 322	\$ 318
Supplemental schedule of non-cash activities:			
Net assets transferred to Hewlett Packard Enterprise Company	\$ —	\$ —	\$ 22,144
Purchase of assets under capital leases	\$ 258	\$ 200	\$ 185

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

HP INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total HP Stockholders' Equity (Deficit)	Non- controlling Interests of Discontinued Operations	Total Stockholders' Equity (Deficit)
	Number of Shares	Par Value						
In millions, except number of shares in thousands								
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
Other comprehensive loss, net of taxes					(217)	(217)		(217)
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)
Net earnings				2,526		2,526		2,526
Other comprehensive income, net of taxes					20	20		20
Comprehensive income						2,546		2,546
Issuance of common stock in connection with employee stock plans and other	18,532		52			52		52
Repurchases of common stock	(81,043)	(1)	(926)	(520)		(1,447)		(1,447)
Cash dividends declared				(894)		(894)		(894)
Stock-based compensation expense			224			224		224
Balance October 31, 2017	1,649,580	\$ 16	\$ 380	\$ (2,386)	\$ (1,418)	\$ (3,408)	\$ —	\$ (3,408)
Net earnings				5,327		5,327		5,327
Other comprehensive income, net of taxes					573	573		573
Comprehensive income						5,900		5,900
Issuance of common stock in connection with employee stock plans and other	21,728		47			47		47
Repurchases of common stock	(111,038)		(32)	(2,515)		(2,547)		(2,547)
Cash dividends declared				(899)		(899)		(899)
Stock-based compensation expense			268			268		268
Balance October 31, 2018	1,560,270	\$ 16	\$ 663	\$ (473)	\$ (845)	\$ (639)	\$ —	\$ (639)

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

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: Overview and Summary of Significant Accounting Policies

Overview

In connection with the Separation, HP entered into a separation and distribution agreement as well as various other agreements with Hewlett Packard Enterprise 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 7, “Supplementary Financial Information”, Note 14, “Litigation and Contingencies” and Note 15, “Guarantees, Indemnifications and Warranties”.

Basis of Presentation

The accompanying Consolidated Financial Statements of HP and its wholly-owned subsidiaries are prepared in conformity with U.S. GAAP.

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.

Reclassifications

HP implemented an organizational change to align its segment and business unit financial reporting more closely with its current business structure. HP reflected this change to its segment and business unit information in prior reporting periods on an as-if basis. The reporting changes had no impact on previously reported consolidated net revenue, earnings from operations, net earnings or net EPS. See Note 2, “Segment Information”, for a further discussion of HP’s segment and business unit realignments.

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 may 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.

Recently Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued guidance, which requires a customer in a cloud computing arrangement (“CCA”) that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs related to a CCA that is a service contract will be amortized over the term of the hosting arrangement beginning when the module or component of the hosting arrangement is ready for its intended use. HP is required to adopt the guidance in the first quarter of fiscal year 2021 using a prospective approach. Earlier adoption is permitted. HP has early adopted the guidance in fiscal year 2018 on a prospective basis. The implementation of this guidance did not have a material impact on the Consolidated Financial Statements.

In January 2017, the FASB issued guidance, which amended the existing accounting standards for business combinations. The amendments clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. HP is required to adopt the guidance in the first quarter of fiscal year 2019. Earlier adoption is permitted. HP has early adopted this guidance in the fourth quarter of fiscal year 2018. The implementation of this guidance did not have a material impact on the Consolidated Financial Statements.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2018, the FASB issued guidance, which eliminates the stranded tax effects in other comprehensive income resulting from the TCJA. Because the amendments only relate to the reclassification of the income tax effects of the TCJA, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. HP is required to adopt the guidance in the first quarter of fiscal year 2020. Earlier adoption is permitted. HP is currently evaluating the timing and the impact of this guidance on the Consolidated Financial Statements.

In August 2017, the FASB issued guidance, which amends the existing accounting standards for derivatives and hedging. The amendment improves the financial reporting of hedging relationships to better represent the economic results of an entity's risk management activities in its financial statements and made certain targeted improvements to simplify the application of the hedge accounting guidance in current U.S. GAAP. HP is required to adopt the guidance in the first quarter of fiscal year 2020. Earlier adoption is permitted. HP is currently evaluating the timing and impact of this guidance on the Consolidated Financial Statements.

In November 2016, the FASB issued guidance, which addresses the presentation of restricted cash in the statement of cash flows. The guidance requires entities to present the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. HP is required to adopt the guidance retrospectively in the first quarter of fiscal year 2019. Earlier adoption is permitted. HP will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.

In October 2016, the FASB issued guidance, which amends the existing accounting for Intra-Entity Transfers of Assets Other Than Inventory. The guidance requires an entity to recognize the income tax consequences of intra-entity transfers, other than inventory, when the transfer occurs. It also requires modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. Earlier adoption is permitted. HP will adopt the guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.

In August 2016, the 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 will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact 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 timing and the impact of this guidance on the 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 will adopt the new lease standard in the first quarter of fiscal year 2020 using a modified retrospective approach. HP is currently evaluating the impact of this guidance on the 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 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. Earlier adoption is permitted. HP will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued guidance, which amends the existing accounting standards for revenue recognition. The amendments (Topic 606) 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. The amendments may be applied retrospectively to each prior period presented ("full retrospective

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

method”) or retrospectively with the cumulative effect recognized as of the date of initial application (“modified retrospective method”). HP will adopt the new revenue standard in the first quarter of fiscal year 2019 and will apply the modified retrospective method.

Based on HP’s assessment, the adoption is not expected to have a material impact on the amount or timing of revenue recognized in the Consolidated Financial Statements. Upon adoption, the standard will affect the timing of accrual for certain distributor programs and incentive offerings which will be recorded at the time of revenue recognition rather than when the sales incentives are offered. HP expects changes in revenue recognition timing for certain contracts where revenue recognition is currently limited to the amount not contingent on our future performance. Further, HP will capitalize eligible sales commission costs and will amortize these costs over their expected period of benefit. The net impact to the Consolidated Balance Sheet as of November 1, 2018 is currently estimated at \$220 million addition to retained deficit.

The Consolidated Balance Sheet will have certain reclassifications impacting accounts receivable, inventory, other current assets, deferred revenue and other accrued liabilities in line with the requirements of the new standard.

We have completed our assessment and implemented policies, processes and controls to meet the standard’s accounting and disclosure requirements.

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 VSOE of selling price, if available, TPE, if VSOE of selling price is not available, or 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 the 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

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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. 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 non-contributory 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 4, "Retirement and Post-Retirement Benefit Plans" for a full description of these plans and the accounting and funding policies.

Advertising cost

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 \$568 million in fiscal year 2018, \$544 million in fiscal year 2017 and \$586 million in fiscal year 2016.

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, including those as a result of Separation, and are distinct from ongoing operational costs. These costs primarily relate to information technology costs such as advisory, consulting and non-recurring labor costs.

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

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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 39% and 34% of gross accounts receivable as of October 31, 2018 and 2017, respectively. No single customer accounts for more than 10% of gross accounts receivable as of October 31, 2018 or 2017. Credit risk with respect to other accounts receivable is generally diversified due to HP's large 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 72% and 70% of HP's supplier receivables of \$1,074 million and \$951 million as of October 31, 2018 and 2017, 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 INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 1: Overview and Summary of Significant Accounting Policies (Continued)**

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 on the outcome of certain unresolved tax matters, which may not be resolved for several years. The net receivable as of October 31, 2018 and 2017 was \$1.0 billion and \$1.7 billion, respectively.

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, if required, to reduce the cost of inventory to market (net realizable value) are made, for estimated excess, obsolete or impaired balances.

Property, Plant and Equipment, Net

HP reflects 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.

Internal Use Software and Cloud Computing Arrangements

HP capitalizes external costs and directly attributable internal costs to acquire or create internal use software which are incurred subsequent to the completion of the preliminary project stage. These costs relate to activities such as software design, configuration, coding, testing, and installation. Costs related to post-implementation activities such as training and maintenance are expensed as incurred. Once the software is substantially complete and ready for its intended use, capitalized development costs are amortized straight-line over the estimated useful life of the software, not to exceed five years.

HP also enters into certain cloud-based software hosting arrangements that are accounted for as service contracts. The most significant of these relates to its current implementation of a cloud-based enterprise resource planning system. For internal-use software obtained through a hosting arrangement that is in the nature of a service contract, HP incurs certain implementation costs such as integrating, configuring, and software customization, which are consistent with costs incurred during the application development stage for on-premise software. HP applies the same guidance to determine costs that are eligible for capitalization. For these arrangements, HP amortizes the capitalized development costs straight-line over the fixed, non-cancellable term of the associated hosting arrangement plus any reasonably certain renewal periods. HP also applies the same impairment model to both internal-use software and capitalized implementation costs in a software hosting arrangement that is in the nature of a service contract.

Business Combinations

HP includes the results of operations of the acquired business in HP's consolidated results prospectively from the acquisition date. HP allocates the purchase consideration to the assets acquired, liabilities assumed, and non-controlling interests in the acquired entity generally based on their fair values at the acquisition date. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired company and HP and the value of the acquired assembled workforce, neither of which qualify for recognition as an intangible asset. Acquisition-related charges are recognized separately from the business combination and are expensed as incurred. These charges primarily include, direct third-party professional and legal fees, and integration-related costs.

Goodwill

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 elect to perform a qualitative assessment to test a reporting unit's goodwill for impairment or HP can directly perform the quantitative 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, a quantitative impairment test will be performed.

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

In the quantitative 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 re-evaluates its reporting unit fair values, which may result in an adjustment to the discount rate and/or other assumptions. This re-evaluation 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. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized as an impairment loss.

Debt and Marketable Equity Securities Investments

HP determines the appropriate classification of its investments at the time of purchase and re-evaluates the classifications at each balance sheet date. Debt and marketable equity securities are generally considered available-for-sale. All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. Marketable debt securities with maturities of twelve months or less are classified as short-term investments and marketable debt securities with maturities greater than twelve months are classified based on their availability for use in current operations. Marketable equity securities, including mutual funds, are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations.

Debt and marketable equity securities 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 on 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 10, "Financial Instruments" for a full description of HP's derivative instrument activities and related accounting policies.

Loss Contingencies

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 14, "Litigation and Contingencies" for a full description of HP's loss contingencies and related accounting policies.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: 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, SMBs and large enterprises, including customers in the government, health and education sectors.

HP's operations are organized into three reportable segments: Personal Systems, Printing and Corporate Investments. HP's organizational structure is based on many 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 is as follows:

Personal Systems offers Commercial and Consumer desktop and notebook PCs, Workstations, thin clients, Commercial mobility devices, retail POS systems, displays and other related accessories, software, support and services. HP groups Commercial notebooks, Commercial desktops, Commercial services, Commercial mobility devices, Commercial detachables and convertibles, Workstations, retail POS systems and thin clients into Commercial PCs and Consumer notebooks, Consumer desktops, Consumer services and Consumer detachables into Consumer PCs when describing performance in these markets. Described below are HP's global business capabilities within Personal Systems:

- *Commercial PCs* are optimized for use by customers, including enterprise, public sector and SMB customers, with a focus on robust designs, security, serviceability, connectivity, reliability and manageability in networked and cloud based environments. Additionally, HP offers a range of services and solutions to enterprise, public sector and SMB customers to help them manage the lifecycle of their PC and mobility installed base.
- *Consumer PCs* are optimized for consumer usage, focusing on gaming, consuming multi-media for entertainment, personal life activities, staying connected, sharing information, getting things done for work including creating content, staying informed and security.

Personal Systems groups its global business capabilities into the following business units when reporting business performance:

- *Notebooks* consists of Consumer notebooks, Commercial notebooks, Mobile workstations and Commercial mobility devices;
- *Desktops* includes Consumer desktops, Commercial desktops, thin clients, and retail POS systems;
- *Workstations* consists of desktop, workstations and accessories; and
- *Other* consists of Consumer and Commercial services as well as other Personal Systems capabilities.

Printing provides Consumer and Commercial printer hardware, Supplies, solutions and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial and industrial markets. Described below are HP's global business capabilities within Printing.

- *Office Printing Solutions* delivers HP's office printers, Supplies, services and solutions to SMBs and large enterprises. It also includes Samsung-branded and OEM hardware, supplies and solutions. HP goes to market through its extensive channel network and directly with HP sales. Ongoing key initiatives include the design and deployment of A3 products and solutions for the copier and multifunction printer market, printer security solutions, PageWide solutions and award-winning JetIntelligence LaserJet products.
- *Home Printing Solutions* delivers innovative printing products and solutions for the home, home business and micro business customers utilizing both HP's Ink and Laser technologies. Initiatives such as Instant Ink and Continuous Ink Supply System provide business model innovation to benefit and expand HP's existing customer base, while new technologies like Photo Lifestyle products drive print relevance for a mobile generation.
- *Graphics Solutions* delivers large-format, commercial and industrial solutions to print service providers and packaging converters through a wide portfolio of printers and presses (HP DesignJet, HP Latex, HP Scitex, HP Indigo and HP PageWide Web Presses).
- *3D Printing* delivers the HP 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.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

Printing groups its global business capabilities into the following business units when reporting business performance:

- *Commercial Hardware* consists of Office Printing Solutions, Graphics Solutions and 3D Printing, excluding supplies;
- *Consumer Hardware* includes Home Printing Solutions, excluding supplies; and
- *Supplies* comprises a set of highly innovative consumable products, ranging from Ink and Laser cartridges to media, graphics supplies, 3D printing supplies and Samsung-branded A4 and A3 supplies and OEM supplies, for recurring use in Consumer and Commercial Hardware.

Corporate Investments includes HP Labs and certain business incubation projects.

The accounting policies HP uses to derive segment results are substantially the same as those used by HP in preparing these financial statements. HP derives the results of the business segments directly from its internal management reporting system.

HP does not allocate certain operating expenses, which it manages at the corporate level, to its segments. These unallocated amounts include certain corporate governance costs and market-related retirement credits, stock-based compensation expense, restructuring and other charges, acquisition-related charges, amortization of intangible assets and defined benefit plan settlement charges.

Realignment

Effective at the beginning of its first quarter of fiscal year 2018, HP implemented an organizational change to align its segment and business unit financial reporting more closely with its current business structure. The organizational change resulted in the transfer of long life consumables from Commercial to Supplies within the Printing segment. Certain revenues related to service arrangements, which are being eliminated for the purposes of reporting HP's consolidated net revenue, have now been reclassified from Other to segments. HP has reflected this change to its segment and business unit information in prior reporting periods on an as-if basis. The reporting change had no impact on previously reported consolidated net revenue, earnings from operations, net earnings or net EPS.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

Segment Operating Results from Continuing Operations and the reconciliation to HP consolidated results were as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Net revenue:			
Personal Systems	\$ 37,661	\$ 33,321	\$ 29,946
Printing	20,805	18,728	18,123
Corporate Investments	5	8	7
Total segments	\$ 58,471	\$ 52,057	\$ 48,076
Other ⁽¹⁾	1	(1)	162
Total net revenue	\$ 58,472	\$ 52,056	\$ 48,238
Earnings from continuing operations before taxes:			
Personal Systems	\$ 1,411	\$ 1,210	\$ 1,150
Printing	3,323	3,146	3,114
Corporate Investments	(82)	(87)	(98)
Total segment earnings from operations	\$ 4,652	\$ 4,269	\$ 4,166
Corporate and unallocated costs and other	22	(33)	(28)
Stock-based compensation expense	(268)	(224)	(182)
Restructuring and other charges	(132)	(362)	(205)
Acquisition-related charges	(123)	(125)	(7)
Amortization of intangible assets	(80)	(1)	(16)
Defined benefit plan settlement charges	(7)	(5)	(179)
Interest and other, net	(1,051)	(243)	212
Total earnings from continuing operations before taxes	\$ 3,013	\$ 3,276	\$ 3,761

(1) For the fiscal year 2016, the amount includes the recognition of revenue previously deferred in relation to sales to the pre-Separation finance entity.

Segment Assets

HP allocates assets to its business segments based on the segments primarily benefiting from the assets. Total assets by segment and the reconciliation of segment assets to HP consolidated assets were as follows:

	As of October 31	
	2018	2017
	In millions	
Personal Systems	\$ 13,447	\$ 12,156
Printing	13,706	10,548
Corporate Investments	5	3
Corporate and unallocated assets	7,464	10,206
Total assets	\$ 34,622	\$ 32,913

Major Customers

No single customer represented 10% or more of HP's net revenue in any fiscal year presented.

Geographic Information

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 2: Segment Information (Continued)**

Net revenue by country is based upon the sales location that predominately represents the customer location. For each of the fiscal years of 2018, 2017 and 2016, other than the United States, no country represented more than 10% of HP net revenue.

Net revenue by country in which HP operates was as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
United States	\$ 20,602	\$ 19,321	\$ 18,042
Other countries	37,870	32,735	30,196
Total net revenue	\$ 58,472	\$ 52,056	\$ 48,238

Net property, plant and equipment by country in which HP operates was as follows

	As of October 31	
	2018	2017
	In millions	
United States	\$ 935	\$ 866
Singapore	371	372
Other countries	892	640
Total property, plant and equipment, net	\$ 2,198	\$ 1,878

No single country other than those represented above exceeds 10% or more of HP's total net property, plant and equipment in any fiscal year presented.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

Net revenue by segment and business unit was as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Notebooks	\$ 22,547	\$ 19,782	\$ 16,982
Desktops	11,567	10,298	9,956
Workstations	2,246	2,042	1,870
Other	1,301	1,199	1,138
Personal Systems	37,661	33,321	29,946
Supplies	13,575	12,524	11,981
Commercial Hardware	4,674	3,792	3,792
Consumer Hardware	2,556	2,412	2,350
Printing	20,805	18,728	18,123
Corporate Investments	5	8	7
Total segment net revenue	58,471	52,057	48,076
Other	1	(1)	162
Total net revenue	\$ 58,472	\$ 52,056	\$ 48,238

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 3: Restructuring and Other Charges
Summary of Restructuring Plans

HP's restructuring activities in fiscal years 2018, 2017 and 2016 summarized by plan were as follows:

	Fiscal 2017 Plan		Fiscal 2015 Plan		Fiscal 2012 Plan		Total
	Severance	Infrastructure and other ⁽¹⁾	Severance and PRP ⁽²⁾	Infrastructure and other	Severance	Infrastructure and other	
In millions							
Accrued balance as of October 31, 2015	\$ —	\$ —	\$ 39	\$ —	\$ 21	\$ 3	\$ 63
Charges	24	—	117	27	7	—	175
Cash payments	—	—	(122)	(4)	(30)	(1)	(157)
Non-cash and other adjustments	—	—	(13)	(19)	9	—	(23)
Accrued balance as of October 31, 2016	24	—	21	4	7	2	58
Charges	117	94	15	—	1	—	227
Cash payments	(68)	(23)	(36)	(2)	(5)	—	(134)
Non-cash and other adjustments	3	(52)	6	—	—	—	(43)
Accrued balance as of October 31, 2017	76	19	6	2	3	2	108
Charges (reversals)	112	(13)	—	—	—	—	99
Cash payments	(136)	(35)	(1)	(2)	(1)	—	(175)
Non-cash and other adjustments	(2)	29	—	—	—	—	27
Accrued balance as of October 31, 2018	\$ 50	\$ —	\$ 5	\$ —	\$ 2	\$ 2	\$ 59
Total costs incurred to date as of October 31, 2018	\$ 253	\$ 81	\$ 171	\$ 27	\$ 1,075	\$ 44	\$ 1,651

Reflected in Consolidated Balance Sheets:

Other accrued liabilities	\$ 50	\$ —	\$ 5	\$ —	\$ 2	\$ 1	\$ 58
Other non-current liabilities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 1

(1) Infrastructure and other includes adjustment of carrying amount of held for sale assets of \$52 million in fiscal year 2017 and reversal of adjustments of \$29 million for the fiscal year 2018 associated with the consolidation of manufacturing into global hubs.

(2) PRP represents Phased Retirement Program.

Fiscal 2017 Plan

On October 10, 2016, HP's Board of Directors approved a restructuring plan (the "Fiscal 2017 Plan") which HP expected would be implemented through fiscal year 2019.

On May 26, 2018, HP's Board of Directors approved amending the Fiscal 2017 Plan. HP expects approximately 4,500 to 5,000 employees to exit by the end of fiscal year 2019. HP estimates that it will incur aggregate pre-tax charges of approximately \$700 million relating to labor and non-labor actions. HP estimates that approximately half of the expected cumulative pre-tax costs will relate to severance and the remaining costs will relate to infrastructure, non-labor actions and other charges.

Fiscal 2015 Plan

In connection with the Separation, on September 14, 2015, HP's Board of Directors approved a cost savings plan (the "Fiscal 2015 Plan") which included labor and non-labor actions. The Fiscal 2015 Plan was considered substantially complete as of October 31, 2016 and HP does not expect any further activity associated with this plan.

Fiscal 2012 Plan

HP initiated a restructuring plan in fiscal year 2012 (the "Fiscal 2012 Plan"), which included severance and infrastructure costs. The Fiscal 2012 Plan was considered substantially complete as of October 31, 2016 and HP does not expect any further activity associated with this plan.

Other charges

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 3: Restructuring and Other Charges (Continued)

Other charges include non-recurring costs, including those as a result of the Separation, and are distinct from ongoing operational costs. These costs primarily relate to information technology costs such as advisory, consulting and non-recurring labor costs. HP incurred \$33 million, \$135 million and \$30 million of other charges in fiscal year 2018, 2017 and 2016, respectively.

Note 4: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

HP sponsors a number of defined benefit pension plans worldwide. The most significant defined benefit plan, the HP Inc. Pension Plan (“Pension Plan”) is a frozen plan in the United States.

HP reduces the benefit payable to certain U.S. employees under the Pension Plan for service before 1993, if any, by any amounts due to the employee under HP’s frozen defined contribution Deferred Profit-Sharing Plan (“DPSP”). At October 31, 2018 and 2017, the fair value of plan assets of the DPSP was \$536 million and \$580 million, respectively. The DPSP obligations are equal to the plan assets and are recognized as an offset to the Pension Plan when HP calculates its defined benefit pension cost and obligations. The Pension Plan and the DPSP both remain entirely with HP post-Separation.

Post-Retirement Benefit Plans

HP sponsors retiree health and welfare benefit plans, of which the most significant are in the United States. Under the HP Inc. Retiree Welfare Benefits Plan, certain pre-2003 retirees and grandfathered participants with continuous service to HP since 2002 are eligible to receive partially-subsidized medical coverage based on years of service at retirement. HP’s share of the premium cost is capped for all subsidized medical coverage provided under the HP Inc. Retiree Welfare Benefits Plan. HP currently leverages the employer group waiver plan process to provide HP Inc. Retiree Welfare Benefits Plan post-65 prescription drug coverage under Medicare Part D, thereby giving HP access to federal subsidies to help pay for retiree benefits.

Certain employees not grandfathered for partially subsidized medical coverage under the above programs, and employees hired after 2002 but before August 2008, are eligible for credits under the HP Inc. Retiree Welfare Benefits Plan. Credits offered after September 2008 are provided in the form of matching credits on employee contributions made to a voluntary employee beneficiary association upon attaining age 45 or as part of early retirement programs. On retirement, former employees may use these credits for the reimbursement of certain eligible medical expenses, including premiums required for coverage.

Defined Contribution Plans

HP offers various defined contribution plans for U.S. and non-U.S. employees. Total defined contribution expense was \$110 million in fiscal year 2018, \$103 million in fiscal year 2017 and \$100 million in fiscal year 2016.

U.S. employees are automatically enrolled in the HP Inc. 401(k) Plan when they meet eligibility requirements, unless they decline participation. The employer matching contributions in the HP Inc. 401(k) Plan is 100% of an employee’s contributions, up to a maximum of 4% of eligible compensation.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 4: Retirement and Post-Retirement Benefit Plans (Continued)
Pension and Post-Retirement Benefit Expense

The components of HP's pension and post-retirement (credit) benefit cost recognized in the Consolidated Statements of Earnings were as follows:

	For the fiscal years ended October 31								
	2018	2017	2016	2018	2017	2016	2018	2017	2016
	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans			Post-Retirement Benefit Plans		
	In millions								
Service cost	\$ —	\$ —	\$ —	\$ 55	\$ 48	\$ 47	\$ 1	\$ 1	\$ 1
Interest cost	452	469	543	24	18	20	15	18	20
Expected return on plan assets	(717)	(677)	(732)	(39)	(31)	(36)	(23)	(26)	(33)
Amortization and deferrals:									
Actuarial loss (gain)	58	73	55	28	40	28	(17)	(17)	(12)
Prior service credit	—	—	—	(3)	(3)	(3)	(18)	(19)	(17)
Net periodic (credit) benefit cost	(207)	(135)	(134)	65	72	56	(42)	(43)	(41)
Curtailment gain	—	—	—	—	—	(1)	—	—	—
Settlement loss	2	3	180	5	2	3	—	—	—
Special termination benefits	—	—	—	—	—	—	—	—	4
Total (credit) benefit cost	\$ (205)	\$ (132)	\$ 46	\$ 70	\$ 74	\$ 58	\$ (42)	\$ (43)	\$ (37)

Lump sum program

During fiscal year 2016, HP offered certain terminated vested participants of the Pension Plan the option of receiving their pension benefit in a one-time voluntary lump sum during a specific window. Approximately 16,000 plan participants elected to receive their benefits and as a result the pension plan trust paid \$977 million in lump sum payments to these participants in fiscal year 2016. As a result of the lump sum program, HP recognized a settlement expense of approximately \$177 million in October 2016. The resulting re-measurement coincided with annual year end plan re-measurement and no additional net periodic pension cost was incurred in fiscal year 2016.

The weighted-average assumptions used to calculate the total periodic benefit (credit) cost were as follows:

	For the fiscal years ended October 31								
	2018	2017	2016	2018	2017	2016	2018	2017	2016
	U.S. Defined Benefit Plans			Non-U.S. Defined Benefit Plans			Post-Retirement Benefit Plans		
Discount rate	3.8%	4.0%	4.4%	2.1%	1.6%	2.3%	3.5%	3.4%	3.6%
Expected increase in compensation levels	2.0%	2.0%	2.0%	2.5%	2.7%	2.5%	—	—	—
Expected long-term return on plan assets	6.9%	6.9%	6.9%	4.5%	4.4%	5.6%	7.1%	7.3%	8.0%

Funded Status

The funded status of the defined benefit and post-retirement benefit plans was as follows:

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

	As of October 31							
	2018		2017		2018		2017	
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans			
	In millions							
Change in fair value of plan assets:								
Fair value of assets — beginning of year	\$ 10,838	\$ 10,176	\$ 815	\$ 692	\$ 351	\$ 390		
Acquisition of plan	—	—	40	—	—	—		
Actual return on plan assets	(267)	1,223	(2)	86	76	26		
Employer contributions	33	33	33	27	4	9		
Participant contributions	—	—	11	10	59	53		
Benefits paid	(575)	(583)	(10)	(14)	(102)	(127)		
Settlement	(11)	(11)	(18)	(6)	—	—		
Currency impact	—	—	(19)	20	—	—		
Fair value of assets — end of year	\$ 10,018	\$ 10,838	\$ 850	\$ 815	\$ 388	\$ 351		
Change in benefits obligation								
Projected benefit obligation — beginning of year	\$ 12,266	\$ 12,144	\$ 1,132	\$ 1,120	\$ 463	\$ 535		
Acquisition of plan	—	—	40	—	—	—		
Service cost	\$ —	\$ —	\$ 55	\$ 48	\$ 1	\$ 1		
Interest cost	452	469	24	18	15	18		
Participant contributions	\$ —	\$ —	\$ 11	\$ 10	\$ 59	\$ 53		
Actuarial (gain) loss	(965)	247	21	(77)	(39)	(17)		
Benefits paid	\$ (575)	\$ (583)	\$ (10)	\$ (14)	\$ (102)	\$ (127)		
Plan amendments	—	—	—	(3)	—	—		
Settlement	(11)	(11)	(13)	(6)	—	—		
Currency impact	—	—	(33)	36	—	—		
Projected benefit obligation — end of year	\$ 11,167	\$ 12,266	\$ 1,227	\$ 1,132	\$ 397	\$ 463		
Funded status at end of year	\$ (1,149)	\$ (1,428)	\$ (377)	\$ (317)	\$ (9)	\$ (112)		
Accumulated benefit obligation	\$ 11,167	\$ 12,266	\$ 1,099	\$ 1,014				

The weighted-average assumptions used to calculate the projected benefit obligations for the fiscal years ended October 31, 2018 and 2017 were as follows:

	For the fiscal years ended October 31							
	2018		2017		2018		2017	
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans			
Discount rate	4.5%	3.8%	2.0%	2.0%	4.4%	3.5%		
Expected increase in compensation levels	2.0%	2.0%	2.5%	2.4%	—	—		

The net amounts of non-current assets and current and non-current liabilities for HP's defined benefit and post-retirement benefit plans recognized on HP's Consolidated Balance Sheet were as follows:

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

	As of October 31											
	2018		2017		2018		2017					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans							
In millions												
Non-current assets	\$	—	\$	—	\$	10	\$	18	\$	11	\$	7
Current liabilities		(32)		(33)		(9)		(5)		(6)		(7)
Non-current liabilities		(1,117)		(1,395)		(378)		(330)		(14)		(112)
Funded status at end of year	\$	(1,149)	\$	(1,428)	\$	(377)	\$	(317)	\$	(9)	\$	(112)

The following table summarizes the pre-tax net actuarial loss (gain) and prior service benefit recognized in Accumulated other comprehensive loss for the defined benefit and post-retirement benefit plans.

	As of October 31, 2018					
	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans			
	In millions					
Net actuarial loss (gain)	\$	1,285	\$	311	\$	(180)
Prior service benefit		—		(17)		(74)
Total recognized in Accumulated other comprehensive loss (gain)	\$	1,285	\$	294	\$	(254)

The following table summarizes HP's pre-tax net actuarial loss (gain) and prior service benefit that are expected to be amortized from Accumulated other comprehensive loss and recognized as components of net periodic benefit cost (credit) during the next fiscal year.

	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans			
	In millions					
	Net actuarial loss (gain)	\$	59	\$	32	\$
Prior service benefit		—		(3)		(13)
Total expected to be recognized in net periodic benefit cost (credit)	\$	59	\$	29	\$	(44)

Defined benefit plans with projected benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31							
	2018		2017					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans					
In millions								
Aggregate fair value of plan assets	\$	10,018	\$	10,838	\$	800	\$	750
Aggregate projected benefit obligation	\$	11,167	\$	12,266	\$	1,194	\$	1,085

Defined benefit plans with accumulated benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31							
	2018		2017					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans					
In millions								
Aggregate fair value of plan assets	\$	10,018	\$	10,838	\$	734	\$	554
Aggregate accumulated benefit obligation	\$	11,167	\$	12,266	\$	1,007	\$	777

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 4: Retirement and Post-Retirement Benefit Plans (Continued)
Fair Value of Plan Assets

The table below sets forth the fair value of plan assets by asset category within the fair value hierarchy as of October 31, 2018. Refer to Note 9, "Fair Value" for details on fair value hierarchy. Per ASU 2015-07, certain investments that are measured at fair value using the Net Asset Value (NAV) per share as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table provide a reconciliation of the fair value hierarchy to the total value of plan assets.

Asset Category:	As of October 31, 2018											
	U.S. Defined Benefit Plans				Non-U.S. Defined Benefit Plans				Post-Retirement Benefit Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions											
Equity securities ⁽¹⁾	\$ 794	\$ 48	\$ —	\$ 842	\$ 114	\$ 6	\$ —	\$ 120	\$ 1	\$ —	\$ —	\$ 1
Debt securities ⁽²⁾												
Corporate	—	4,941	—	4,941	—	110	—	110	—	40	—	40
Government	—	1,637	—	1,637	—	28	—	28	—	54	—	54
Real Estate Funds	—	—	—	—	3	60	—	63	—	—	—	—
Insurance Contracts	—	—	—	—	—	50	—	50	—	—	—	—
Common Collective Trusts and 103-12s ⁽³⁾	—	—	—	—	—	7	—	7	—	—	—	—
Investment Funds ⁽⁴⁾	253	—	—	253	—	279	—	279	55	—	—	55
Cash and Cash Equivalents ⁽⁵⁾	5	139	—	144	19	—	—	19	—	4	—	4
Other ⁽⁶⁾	(108)	(233)	—	(341)	2	13	—	15	(13)	—	—	(13)
Net plan assets subject to leveling	<u>\$ 944</u>	<u>\$ 6,532</u>	<u>\$ —</u>	<u>\$ 7,476</u>	<u>\$ 138</u>	<u>\$ 553</u>	<u>\$ —</u>	<u>\$ 691</u>	<u>\$ 43</u>	<u>\$ 98</u>	<u>\$ —</u>	<u>\$ 141</u>
Investments using NAV as a Practical Expedient:												
Alternative Investments ⁽⁷⁾				1,319				14				220
Common Contractual Funds ⁽⁸⁾				—				110				—
Common Collective Trusts and 103-12 Investment Entities ⁽³⁾				683				—				21
Investment Funds ⁽⁴⁾				540				35				6
Investments at Fair Value				<u>\$ 10,018</u>				<u>\$ 850</u>				<u>\$ 388</u>

The table below sets forth the fair value of plan assets by asset category within the fair value hierarchy as of October 31, 2017.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

	As of October 31, 2017											
	U.S. Defined Benefit Plans				Non-U.S. Defined Benefit Plans				Post-Retirement Benefit Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
In millions												
Asset Category:												
Equity securities ⁽¹⁾	\$ 3,174	\$ 40	\$ —	\$ 3,214	\$ 124	\$ 6	\$ —	\$ 130	\$ —	\$ —	\$ —	\$ —
Debt securities ⁽²⁾												
Corporate	—	3,379	—	3,379	—	119	—	119	—	25	—	25
Government	—	2,513	—	2,513	—	32	—	32	—	41	—	41
Real Estate Funds	—	—	—	—	2	51	—	53	—	—	—	—
Insurance Contracts	—	—	—	—	—	7	—	7	—	—	—	—
Common Collective Trusts and 103-12 Investment Entities ⁽³⁾	—	—	—	—	—	7	—	7	—	—	—	—
Investment Funds ⁽⁴⁾	89	—	—	89	—	284	—	284	54	—	—	54
Cash and Cash Equivalents ⁽⁵⁾	8	64	—	72	21	—	—	21	—	2	—	2
Other ⁽⁶⁾	(172)	(561)	—	(733)	2	9	1	12	(12)	—	—	(12)
Net plan assets subject to leveling	<u>\$ 3,099</u>	<u>\$ 5,435</u>	<u>\$ —</u>	<u>\$ 8,534</u>	<u>\$ 149</u>	<u>\$ 515</u>	<u>\$ 1</u>	<u>\$ 665</u>	<u>\$ 42</u>	<u>\$ 68</u>	<u>\$ —</u>	<u>\$ 110</u>
Investments using NAV as a Practical Expedient:												
Alternative Investments ⁽⁷⁾				1,444				13				198
Common Contractual Funds ⁽⁸⁾				13				102				—
Common Collective Trusts and 103-12 Investment Entities ⁽³⁾				732				—				39
Investment Funds ⁽⁴⁾				115				35				4
Investments at Fair Value				<u>\$ 10,838</u>				<u>\$ 815</u>				<u>\$ 351</u>

- (1) Investments in publicly-traded equity securities are valued using the closing price on the measurement date as reported on the stock exchange on which the individual securities are traded.
- (2) The fair value of corporate, government and asset-backed debt securities is based on observable inputs of comparable market transactions. Also included in this category is debt issued by national, state and local governments and agencies.
- (3) Department of Labor 103-12 IE (Investment Entity) designation is for plan assets held by two or more unrelated employee benefit plans which includes limited partnerships and venture capital partnerships. Certain common collective trusts and interests in 103-12 entities are valued using NAV as a practical expedient.
- (4) Includes publicly traded funds of investment companies that are registered with the SEC, funds that are not publicly traded and a non-U.S. fund-of-fund arrangement. The non-U.S. fund-of-fund arrangement is a custom portfolio valued at NAV consisting primarily of fixed income and common contractual funds.
- (5) Includes cash and cash equivalents such as short-term marketable securities. Cash and cash equivalents include money market funds, which are valued based on NAV. Other assets were classified in the fair value hierarchy based on the lowest level input (e.g., quoted prices and observable inputs) that is significant to the fair value measure in its entirety.
- (6) Includes primarily reverse repurchase agreements, unsettled transactions, and derivative instruments.
- (7) Alternative Investments primarily include private equities and hedge funds. The valuation of alternative investments, such as limited partnerships and joint ventures, may require significant management judgment. For alternative investments, valuation is based on NAV as reported by the asset manager or investment company and adjusted for cash flows, if necessary. In making such an assessment, a variety of factors are reviewed by management, including but not limited to the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager.
- Private equities include limited partnerships such as equity, buyout, venture capital, real estate and other similar funds that invest in the United States and internationally where foreign currencies are hedged.
 - Hedge funds include limited partnerships that invest both long and short primarily in common stocks and credit, relative value, event-driven equity, distressed debt and macro strategies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and bonds, and

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

from a net long position to a net short position.

- (8) The Common Contractual Fund is an investment arrangement in which institutional investors pool their assets. Units may be acquired in different sub-funds focused on equities, fixed income, alternative investments and emerging markets. Each sub-fund is invested in accordance with the fund's investment objective and units are issued in relation to each sub-fund. While the sub-funds are not publicly traded, the custodian strikes a NAV either once or twice a month, depending on the sub-fund. These assets are valued using NAV as a practical expedient.

Plan Asset Allocations

Refer to the fair value hierarchy table above for actual assets allocations across the benefit plans. The weighted-average target asset allocations across the benefit plans represented in the fair value tables above were as follows:

Asset Category	2018 Target Allocation		
	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans
Equity-related investments	30.3%	41.6%	64.1%
Debt securities	69.7%	36.4%	21.5%
Real estate	—	6.1%	—%
Cash and cash equivalents	—	3.1%	14.4%
Other	—	12.8%	—
Total	100.0%	100.0%	100.0%

Investment Policy

HP's investment strategy is to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan and the timing of expected benefit payments. The majority of the plans' investment managers employ active investment management strategies with the goal of outperforming the broad markets in which they invest. Risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. A number of the plans' investment managers are authorized to utilize derivatives for investment or liability exposures, and HP may utilize derivatives to affect asset allocation changes or to hedge certain investment or liability exposures.

The target asset allocation selected for each U.S. plan reflects a risk/return profile HP believes is appropriate relative to each plan's liability structure and return goals. HP conducts periodic asset-liability studies for U.S. plans to model various potential asset allocations in comparison to each plan's forecasted liabilities and liquidity needs and to develop a policy glide path which adjusts the asset allocation with funded status. A 2018 asset-liability study reconfirmed the current policy glide path for the U.S. pension plan. Due to higher interest rates and capital market performance, the U.S. pension plan funded ratio increased and therefore, the investment portfolio risk was reduced by increasing fixed income holdings in accordance with the policy glide path. HP invests a portion of the U.S. defined benefit plan assets and post-retirement benefit plan assets in private market securities such as private equity funds to provide diversification and a higher expected return on assets.

Outside the United States, asset allocation decisions are typically made by an independent board of trustees for the specific plan. As in the United States, investment objectives are designed to generate returns that will enable the plan to meet its future obligations. In some countries, local regulations may restrict asset allocations, typically leading to a higher percentage of investment in fixed income securities than would otherwise be deployed. HP reviews the investment strategy and provides a recommended list of investment managers for each country plan, with final decisions on asset allocation and investment managers made by the board of trustees for the specific plan.

Basis for Expected Long-Term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix. Expected asset returns reflect the current yield on government bonds, risk premiums for each asset class and expected real returns which considers each country's specific inflation outlook. Because HP's investment policy is to employ primarily active investment managers who seek to outperform the broader market, the expected returns are adjusted to reflect the expected additional returns net of fees.

Future Contributions and Funding Policy

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 4: Retirement and Post-Retirement Benefit Plans (Continued)**

In fiscal year 2019, HP expects to contribute approximately \$46 million to its non-U.S. pension plans, \$32 million to cover benefit payments to U.S. non-qualified plan participants and \$6 million to cover benefit claims for HP's post-retirement benefit plans. HP's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities.

Estimated Future Benefits Payments

As of October 31, 2018, HP estimates that the future benefits payments for the retirement and post-retirement plans are as follows:

Fiscal year	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions		
2019	\$ 687	\$ 42	\$ 44
2020	644	36	40
2021	664	42	37
2022	687	40	34
2023	719	43	32
Next five fiscal years to October 31, 2028	3,758	298	155

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation

HP's stock-based compensation plans include incentive compensation plans and an employee stock purchase plan ("ESPP").

Stock-Based Compensation Expense and Related Income Tax Benefits for Operations

Stock-based compensation expense and the resulting tax benefits for operations were as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Stock-based compensation expense	\$ 268	\$ 224	\$ 182
Income tax benefit	(59)	(71)	(63)
Stock-based compensation expense, net of tax	\$ 209	\$ 153	\$ 119

In connection with the Separation and in accordance with the employee matters agreement, HP has made certain adjustments to the exercise price and number of stock-based compensation awards with the intention of preserving the intrinsic value of the awards prior to the Separation. Exercisable and non-exercisable stock options have been converted to similar awards of the entity where the employee is working post-separation. Restricted stock unit awards and performance-contingent awards have been adjusted to provide holders with restricted stock units awards and performance-contingent awards in the company that employs such employee following the Separation. The pre-tax stock-based compensation expense due to the adjustments was \$2 million in fiscal year 2016. All outstanding restricted stock units and stock options for employees transferred to Hewlett Packard Enterprise were canceled in connection with the Separation.

Cash received from option exercises and purchases under the HP Inc. 2011 Employee Stock Purchase Plan (the "2011 ESPP") was \$158 million in fiscal year 2018, \$118 million in fiscal year 2017 and \$48 million in fiscal year 2016. The benefit realized for the tax deduction from option exercises in fiscal years 2018, 2017 and 2016 was \$23 million, \$15 million and \$9 million, respectively.

Stock-Based Incentive Compensation Plans

HP's stock-based incentive compensation plans include equity plans adopted in 2004 and 2000, as amended and restated ("principal equity plans"), as well as various equity plans assumed through acquisitions under which stock-based awards are outstanding. Stock-based awards granted under the principal equity plans include restricted stock awards, stock options and performance-based awards. Employees meeting certain employment qualifications are eligible to receive stock-based awards. The aggregate number of shares of HP's stock authorized for issuance under the 2004 principal equity plan is 593.1 million. No further grants may be made under the 2000 principal equity plan and all outstanding awards under this plan will remain outstanding according to the terms of the plan.

Restricted stock awards are non-vested stock awards that may include grants of restricted stock or restricted stock units. Restricted stock awards and cash-settled awards are generally subject to forfeiture if employment terminates prior to the lapse of the restrictions. Such awards generally vest one to three years from the date of grant. During the vesting period, ownership of the restricted stock cannot be transferred. Restricted stock has the same dividend and voting rights as common stock and is considered to be issued and outstanding upon grant. The dividends paid on restricted stock are non-forfeitable. Restricted stock units do not have the voting rights of common stock, and the shares underlying restricted stock units are not considered issued and outstanding upon grant. However, shares underlying restricted stock units are included in the calculation of diluted net EPS. Restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on common stock. HP expenses the fair value of restricted stock awards ratably over the period during which the restrictions lapse. The majority of restricted stock units issued by HP contain only service vesting conditions. However, starting in fiscal year 2014, HP began granting performance-adjusted restricted stock units that vest only on the satisfaction of both service and the achievement of certain performance goals including market conditions prior to the expiration of the awards.

Stock options granted under the principal equity plans are generally non-qualified stock options, but the principal equity plans permit some options granted to qualify as incentive stock options under the U.S. Internal Revenue Code. Stock options generally vest over three to four years from the date of grant. The exercise price of a stock option is equal to the closing price of HP's stock on the option grant date. The majority of stock options issued by HP contain only service vesting conditions. However, starting in fiscal year 2011 through fiscal year 2016, HP granted performance-contingent stock options that vest only on the satisfaction of both service and market conditions prior to the expiration of the awards.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

Restricted Stock Units

HP uses the closing stock price on the grant date to estimate the fair value of service-based restricted stock units. HP estimates the fair value of restricted stock units subject to performance-adjusted vesting conditions using a combination of the closing stock price on the grant date and the Monte Carlo simulation model. The weighted-average fair value and the assumptions used to measure the fair value of restricted stock units subject to performance-adjusted vesting conditions in the Monte Carlo simulation model were as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
Weighted-average fair value ⁽¹⁾	\$ 24	\$ 20	\$ 13
Expected volatility ⁽²⁾	29.5%	30.5%	32.5%
Risk-free interest rate ⁽³⁾	1.9%	1.4%	1.2%
Expected performance period in years ⁽⁴⁾	2.9	2.9	2.9

(1) The weighted-average fair value was based on performance-adjusted restricted stock units granted during the period.

(2) The expected volatility was estimated using the historical volatility derived from HP's common stock.

(3) The risk-free interest rate was estimated based on the yield on U.S. Treasury zero-coupon issues.

(4) The expected performance period was estimated based on the length of the remaining performance period from the grant date.

A summary of restricted stock units activity is as follows:

	As of October 31					
	2018		2017		2016	
	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands		In thousands		In thousands	
Outstanding at beginning of year	31,822	\$ 14	28,710	\$ 13	29,717	\$ 32
Granted	16,364	\$ 21	15,858	\$ 16	29,286	\$ 10
Vested	(15,339)	\$ 15	(11,915)	\$ 14	(4,161)	\$ 13
Awards canceled due to Separation	—	\$ —	—	\$ —	(23,926)	\$ 32
Forfeited	(2,063)	\$ 17	(831)	\$ 14	(2,206)	\$ 14
Outstanding at end of year	30,784	\$ 18	31,822	\$ 14	28,710	\$ 13

The total grant date fair value of restricted stock units vested in fiscal years 2018, 2017 and 2016 was \$224 million, \$162 million and \$54 million, respectively. As of October 31, 2018, total unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock units for operations was \$238 million, which is expected to be recognized over the remaining weighted-average vesting period of 1.4 years.

Stock Options

HP utilizes the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions. HP estimates the fair value of stock options subject to performance-contingent vesting conditions using a combination of a Monte Carlo simulation model and a lattice model as these awards contain market conditions. The weighted-average fair value and the assumptions used to measure fair value were as follows:

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

	For the fiscal years ended October 31		
	2018	2017	2016
Weighted-average fair value ⁽¹⁾	\$ 5	\$ 4	\$ 4
Expected volatility ⁽²⁾	29.4%	28.0%	36.2%
Risk-free interest rate ⁽³⁾	2.5%	1.9%	1.8%
Expected dividend yield ⁽⁴⁾	2.6%	2.8%	3.5%
Expected term in years ⁽⁵⁾	5.0	5.5	6.0

(1) The weighted-average fair value was based on stock options granted during the period.

(2) For all awards granted in fiscal year 2018, expected volatility was estimated based on a blended volatility (50% historical volatility and 50% implied volatility from traded options on HP's common stock). For the awards granted in fiscal year 2017 and 2016, expected volatility was estimated using the leverage-adjusted average of the term-matching volatilities of peer companies due to the lack of volume of forward traded options, which precluded the use of implied volatility.

(3) The risk-free interest rate was estimated based on the yield on U.S. Treasury zero-coupon issues.

(4) The expected dividend yield represents a constant dividend yield applied for the duration of the expected term of the award.

(5) For awards subject to service-based vesting, due to the lack of historical exercise and post-vesting termination patterns of the post-Separation employee base, the expected term was estimated using a simplified method; and for performance-contingent awards, the expected term represents an output from the lattice model.

A summary of stock options activity is as follows:

	As of October 31											
	2018				2017				2016			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions	In thousands		In years	In millions	In thousands		In years	In millions
Outstanding at beginning of year	18,067	\$ 13			28,218	\$ 12			36,278	\$ 26		
Granted and assumed through acquisition	54	\$ 21			104	\$ 19			25,425	\$ 6		
Exercised	(10,644)	\$ 13			(9,407)	\$ 11			(4,714)	\$ 8		
Awards canceled due to Separation	—	\$ —			—	\$ —			(26,252)	\$ 26		
Forfeited/canceled/expired	(391)	\$ 16			(848)	\$ 17			(2,519)	\$ 17		
Outstanding at end of year	7,086	\$ 14	4.2	\$ 73	18,067	\$ 13	4.2	\$ 152	28,218	\$ 12	5.0	\$ 73
Vested and expected to vest	7,084	\$ 14	4.2	\$ 73	17,692	\$ 13	4.1	\$ 149	26,850	\$ 12	4.9	\$ 71
Exercisable	4,707	\$ 14	3.7	\$ 49	10,898	\$ 12	3.1	\$ 102	15,418	\$ 11	3.7	\$ 62

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that option holders would have realized had all option holders exercised their options on the last trading day of fiscal years 2018, 2017 and 2016. The aggregate intrinsic value is the difference between HP's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options. The total intrinsic value of options exercised in fiscal years 2018, 2017 and 2016 was \$109 million , \$77 million and \$26 million , respectively. The total grant date fair value of options vested in fiscal years 2018, 2017 and 2016 was \$12 million , \$19 million and \$11 million , respectively.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

The following table summarizes significant ranges of outstanding and exercisable stock options:

Range of Exercise Prices	As of October 31, 2018				
	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted-Average Remaining Contractual Term	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
	In thousands	In years		In thousands	
\$0-\$9.99	451	2.3	\$ 7	451	\$ 7
\$10-\$19.99	6,522	4.3	\$ 14	4,143	\$ 14
\$20-\$29.99	113	5.3	\$ 23	113	\$ 23
	<u>7,086</u>			<u>4,707</u>	

As of October 31, 2018, total unrecognized pre-tax stock-based compensation expense related to stock options for operations was \$0.1 million, which is expected to be recognized over a weighted-average vesting period of less than 1 month.

Employee Stock Purchase Plan

HP sponsors the 2011 ESPP, pursuant to which eligible employees may contribute up to 10% of base compensation, subject to certain income limits, to purchase shares of HP's common stock.

Pursuant to the terms of the 2011 ESPP, employees purchase stock under the 2011 ESPP at a price equal to 95% of HP's closing stock price on the purchase date. No stock-based compensation expense was recorded in connection with those purchases because the criteria of a non-compensatory plan were met. The aggregate number of shares of HP's stock authorized for issuance under the 2011 ESPP is 100 million.

Shares Reserved

Shares available for future grant and shares reserved for future issuance under the stock-based incentive compensation plans and the 2011 ESPP were as follows:

	As of October 31		
	2018	2017	2016
	In thousands		
Shares available for future grant	<u>305,767</u>	<u>419,071</u>	<u>453,865</u>
Shares reserved for future issuance	<u>343,076</u>	<u>468,531</u>	<u>510,176</u>

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings

Provision for Taxes

On December 22, 2017, the TCJA was signed by the President of the United States and enacted into law. The law includes significant changes to the U.S. corporate income tax system, including a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. ASC 740, Accounting for Income Taxes, requires companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions is for tax years beginning after December 31, 2017 (the “Effective Date”), or in the case of certain other provisions, January 1, 2018.

When a U.S. federal tax rate change occurs during a fiscal year, taxpayers are required to compute a weighted daily average rate for the fiscal year of enactment. As a result of the TCJA, HP has calculated a blended U.S. federal statutory corporate income tax rate of 23% for the fiscal year ending October 31, 2018. The blended U.S. federal statutory corporate income tax rate of 23% is the weighted daily average rate between the pre-enactment U.S. federal statutory tax rate of 35% applicable to HP’s 2018 fiscal year prior to the Effective Date and the post-enactment U.S. federal statutory tax rate of 21% applicable to the 2018 fiscal year thereafter. HP expects the U.S. federal statutory rate to be 21% for fiscal years beginning after October 31, 2018.

Given the significance of the legislation, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows registrants to record provisional amounts during a one year “measurement period”. During the measurement period, impacts of the TCJA are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the TCJA.

As of October 31, 2018, HP has not completed its accounting for the tax effects of the TCJA, however, in certain cases HP has made a reasonable estimate of the effects for remeasurement on its existing deferred tax balances and the one-time transition tax, updated for recently proposed treasury regulations. With respect to the Global Intangible Low Taxed Income (“Global Minimum Tax”) provisions, further discussed below, HP has not been able to make a reasonable estimate and continues to account for this item based on its existing accounting under ASC 740, Income Taxes, and the provisions of the tax laws that were in effect immediately prior to enactment. The impact of the TCJA may differ materially from this estimate due to changes in interpretations and assumptions HP has made, additional guidance that may be issued and actions HP may take as a result of the TCJA. The impacts of HP’s estimates are described further below.

While HP has not yet completed its analysis to the impact on its deferred tax balances, as of October 31, 2018 HP recorded provisional income tax expense of \$1.2 billion related to the remeasurement of its deferred tax assets and liabilities at the new statutory rate and \$317 million related to remeasurement of its U.S. deferred tax assets that are expected to be realized at a lower rate by recording a valuation allowance. HP is still analyzing certain aspects of the TCJA and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

The TCJA also includes a one-time mandatory deemed repatriation transition tax on the net accumulated post-1986 earnings and profits (“E&P”) of a U.S. taxpayer’s foreign subsidiaries. HP has computed a provisional deemed repatriation tax of approximately \$3.3 billion, of which more than half is expected to be offset with tax attributes, reducing HP’s cash outlay. The U.S. Treasury Department recently issued proposed regulations related to this one-time mandatory deemed repatriation. While HP has not yet completed its analysis of these proposed regulations, it believes there will be no material changes to its provisional amounts as reported for the period ending October 31, 2018. Once HP completes its evaluation of the potential impact of the proposed regulations, HP will finalize its provisional amount next quarter when the measurement period is closed. Companies may elect to pay this tax over 8 years, and HP intends to make this election. HP has not yet completed its calculation of the total post-1986 E&P for its foreign subsidiaries. Further, the transition tax is based, in part, on the amount of those earnings held in cash and other specified assets. This amount may change when HP finalizes the calculation of post-1986 E&P previously deferred from U.S. federal taxation and finalizes the amounts held in cash or other specified assets. No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Taxes on Earnings (Continued)

As a result of the deemed repatriation tax noted above, which is based on HP's total post-1986 deferred foreign income, HP redetermined \$5.6 billion of its U.S. deferred tax liability on those unremitted earnings with a provisional tax payable of \$3.3 billion, as noted above. This resulted in a net benefit. This tax benefit is provisional as HP is still analyzing certain aspects of the legislation and refining calculations, which could potentially materially affect the measurement of these amounts.

HP has not yet completed the accounting for the realizability of deferred tax assets. To calculate the realizability of deferred tax assets, HP has estimated when the existing deferred taxes will be settled or realized. The realizability of deferred tax assets included in the financial statements will be subject to further revisions if the current estimates are different from the actual future operating results.

In January 2018, the FASB released guidance on the accounting for tax on the Global Minimum Tax provisions of TCJA. The Global Minimum Tax provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that either accounting for deferred taxes related to Global Minimum Tax inclusions or to treat any taxes on Global Minimum Tax inclusions as period cost are both acceptable methods subject to an accounting policy election. HP is still evaluating whether to make a policy election to treat the Global Minimum Tax as a period cost or to provide U.S. deferred taxes on foreign temporary differences that are expected to generate Global Minimum Tax income when they reverse in future years. There could be additional changes to HP's deferred taxes once it completes its evaluations.

The domestic and foreign components of earnings from continuing operations before taxes were as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
U.S.	\$ 242	\$ (14)	\$ 468
Non-U.S.	2,771	3,290	3,293
	<u>\$ 3,013</u>	<u>\$ 3,276</u>	<u>\$ 3,761</u>

The (benefit from) provision for taxes on earnings from continuing operations was as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
U.S. federal taxes:			
Current	\$ 751	\$ 189	\$ 439
Deferred	(3,132)	197	470
Non-U.S. taxes:			
Current	528	302	288
Deferred	(563)	4	(123)
State taxes:			
Current	61	20	(35)
Deferred	41	38	56
	<u>\$ (2,314)</u>	<u>\$ 750</u>	<u>\$ 1,095</u>

As a result of U.S. tax reform, HP revised its estimated annual effective tax rate to reflect the change in the U.S. federal statutory tax rate from 35% to 21%. Since HP has a fiscal year ending October 31, it is subject to transitional tax rate rules. Therefore, a blended rate of 23% was computed as effective for the current fiscal year.

The differences between the U.S. federal statutory income tax rate and HP's effective tax rate were as follows:

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

	For the fiscal years ended October 31		
	2018	2017	2016
U.S. federal statutory income tax rate from continuing operations	23.3 %	35.0 %	35.0 %
State income taxes from continuing operations, net of federal tax benefit	0.5 %	1.4 %	1.1 %
Lower rates in other jurisdictions, net	(10.9)%	(13.2)%	(9.3)%
U.S. Tax Reform impacts	(35.8)%	— %	— %
Research and development (“R&D”) credit	(0.7)%	(0.5)%	(2.4)%
Valuation allowances	(9.3)%	(1.9)%	(1.2)%
Uncertain tax positions and audit settlements	(50.3)%	0.4 %	11.7 %
Indemnification related items	5.2 %	(0.3)%	(4.1)%
Other, net	1.2 %	2.0 %	(1.7)%
	<u>(76.8)%</u>	<u>22.9 %</u>	<u>29.1 %</u>

The jurisdictions with favorable tax rates that have the most significant effective tax rate impact in the periods presented include Puerto Rico, Singapore, China, Malaysia and Ireland. The gross income tax benefits related to these favorable tax rates are in addition to transitional impacts of U.S. tax reform and resolution of various audits and tax litigation. To the extent that HP reinvest certain earnings of these jurisdictions indefinitely outside the United States, U.S. taxes have not been provided on those indefinitely reinvested earnings.

In fiscal year 2018, HP recorded \$2.8 billion of net income tax benefits related to discrete items in the provision for taxes which include impacts of the TCJA. As noted above HP has not yet completed its analysis of the full impact of the TCJA. However, as of October 31, 2018, HP recorded a provisional tax benefit of \$760 million related to \$5.6 billion net benefit for the decrease in its deferred tax liability on unremitted foreign earnings, partially offset by \$3.3 billion net expense for the deemed repatriation tax payable in installments over eight years, a \$1.2 billion net expense for the remeasurement of its deferred assets and liabilities to the new U.S. statutory tax rate and a \$317 million valuation allowance on net expense related to deferred tax assets that are expected to be realized at a lower rate. HP also recorded tax benefits related to audit settlements of \$1.5 billion and valuation allowance releases of \$601 million pertaining to a change in our ability to utilize certain foreign and U.S. deferred tax assets due to a change in our geographic earnings mix. These benefits were partially offset by other net tax charges of \$34 million. In fiscal year 2018, in addition to the discrete items mentioned above, HP recorded excess tax benefits of \$42 million on stock options, restricted stock units and performance-adjusted restricted stock units.

In fiscal year 2017, HP recorded \$72 million of net income tax benefits related to discrete items in the provision for taxes. These amounts primarily include tax benefits of \$84 million related to restructuring and other charges, \$12 million related to U.S. federal provision to return adjustments, \$45 million related to Samsung acquisition-related charges, and \$13 million of other net tax benefits. In addition, HP recorded tax charges of \$11 million related to changes in state valuation allowances, \$22 million of state provision to return adjustments, and \$49 million related to uncertain tax positions. In fiscal year 2017, in addition to the discrete items mentioned above, HP recorded excess tax benefits of \$19 million on stock options, restricted stock units and performance-adjusted restricted stock units, which are reflected in the Consolidated Statements of Earnings as a component of the provision for income taxes.

In fiscal year 2016, HP recorded \$301 million of net income tax charges related to discrete items in the provision for taxes for continuing operations. These amounts primarily include uncertain tax positions charges of \$525 million related to pre-separation tax matters. In addition, HP 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.

As a result of certain employment actions and capital investments HP has undertaken, income from manufacturing and services in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, through 2027. The gross income tax benefits attributable to these actions and investments were estimated to be \$578 million (\$0.35 diluted EPS) in fiscal year 2018, \$471 million (\$0.28 diluted net EPS) in fiscal year 2017 and \$341 million (\$0.20 diluted net EPS) in fiscal year 2016.

Uncertain Tax Positions

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Taxes on Earnings (Continued)

A reconciliation of unrecognized tax benefits is as follows:

	As of October 31		
	2018	2017	2016
	In millions		
Balance at beginning of year	\$ 10,808	\$ 10,858	\$ 6,546
Increases:			
For current year's tax positions	66	52	468
For prior years' tax positions	101	85	4,004
Decreases:			
For prior years' tax positions	(248)	(181)	(62)
Statute of limitations expirations	(3)	(1)	—
Settlements with taxing authorities	(2,953)	(5)	(98)
Balance at end of year	<u>\$ 7,771</u>	<u>\$ 10,808</u>	<u>\$ 10,858</u>

As of October 31, 2018, the amount of unrecognized tax benefits was \$7.8 billion, of which up to \$1.5 billion would affect HP's effective tax rate if realized. As of October 31, 2017, the amount of unrecognized tax benefits was \$10.8 billion of which up to \$3.9 billion would affect HP's effective tax rate if realized. The amount of unrecognized tax benefits decreased by \$3.0 billion primarily related to the resolution of various audits. HP recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in the provision for taxes in the Consolidated Statements of Earnings. As of October 31, 2018, 2017 and 2016, HP had accrued \$160 million, \$257 million and \$193 million, respectively, for interest and penalties.

HP engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. HP expects to complete resolution of certain tax years with various tax authorities within the next 12 months. It is also possible that other federal, foreign and state tax issues may be concluded within the next 12 months. HP believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to \$6.4 billion within the next 12 months. These unrecognized tax benefits have associated gain contingencies which would be settled in the same period resulting in a net release of \$740 million.

HP is subject to income tax in the United States and approximately 60 other countries and is subject to routine corporate income tax audits in many of these jurisdictions. In addition, HP is subject to numerous ongoing audits by federal, state and foreign tax authorities. The U.S. Internal Revenue Service is conducting an audit of HP's 2013, 2014 and 2015 income tax returns.

The U.S. Tax Court ruled in May 2012 against HP related to certain tax attributes claimed by HP for the tax years 1999 through 2003. HP appealed the U.S. Tax Court determination by filing a formal Notice of Appeal with the Ninth Circuit Court of Appeals. This case was argued before the Ninth Circuit in November 2016. The Ninth Circuit Court of Appeals issued its opinion in November 2017 affirming the Tax Court determinations. HP decided against further appeal.

With respect to major state and foreign tax jurisdictions, HP is no longer subject to tax authority examinations for years prior to 1999. No material tax deficiencies have been assessed in major state or foreign tax jurisdictions as of October 31, 2018.

HP believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal, state and foreign tax audits. HP regularly assesses the likely outcomes of these audits in order to determine the appropriateness of HP's tax provision. HP adjusts its uncertain tax positions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular audit. However, income tax audits are inherently unpredictable and there can be no assurance that HP will accurately predict the outcome of these audits. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the Provision for taxes and therefore the resolution of one or more of these uncertainties in any particular period could have a material impact on net income or cash flows.

HP has not provided for U.S. federal income and foreign withholding taxes on \$5.4 billion of undistributed earnings from non-U.S. operations as of October 31, 2018 because HP intends to reinvest such earnings indefinitely outside of the United States. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable. The TCJA taxed HP's historic earnings and profits of its non-U.S. subsidiaries. HP will remit these taxed reinvested earnings for which

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Taxes on Earnings (Continued)

deferred U.S. federal and withholding taxes have been provided where excess cash has accumulated and HP determines that it is advantageous for business operations, tax or cash management reasons.

Deferred Income Taxes

The significant components of deferred tax assets and deferred tax liabilities were as follows:

	As of October 31	
	2018	2017
	In millions	
Deferred Tax Assets		
Loss and credit carryforwards	\$ 8,204	\$ 9,914
Intercompany transactions—excluding inventory	994	1,901
Fixed assets	151	256
Warranty	194	219
Employee and retiree benefits	401	519
Deferred Revenue	164	231
Other	422	511
Gross Deferred Tax Assets	10,530	13,551
Valuation allowances	(7,906)	(8,807)
Net Deferred Tax Assets	2,624	4,744
Deferred Tax Liabilities		
Unremitted earnings of foreign subsidiaries	(31)	(5,554)
Intangible assets	(229)	(209)
Other	(33)	(49)
Total Deferred Tax Liabilities	(293)	(5,812)
Net Deferred Tax Assets (Liabilities)	\$ 2,331	\$ (1,068)

Long-term deferred tax assets and liabilities included in the Consolidated Balance Sheets as follows:

	As of October 31	
	2018	2017
	In millions	
Long-term deferred tax assets	\$ 2,431	\$ 342
Long-term deferred tax liabilities	(100)	(1,410)
Total	\$ 2,331	\$ (1,068)

As of October 31, 2018, HP had recorded deferred tax assets for net operating loss carryforwards as follows:

	Gross NOLs	Deferred Taxes on NOLs	Valuation allowance	Initial Year of Expiration
	In millions			
Federal	\$ 456	\$ 96	—	2023
State	2,644	163	(71)	2018
Foreign	26,438	7,743	(7,247)	2020
Balance at end of year	\$ 29,538	\$ 8,002	\$ (7,318)	

As of October 31, 2018, HP had recorded deferred tax assets for various tax credit carryforwards as follows:

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 6: Taxes on Earnings (Continued)

	Carryforward	Valuation Allowance	Initial Year of Expiration
	In millions		
U.S. foreign tax credits	\$ 7	\$ —	2027
U.S. R&D and other credits	3	—	2020
Tax credits in state and foreign jurisdictions	313	(94)	2021
Balance at end of year	<u>\$ 323</u>	<u>\$ (94)</u>	

Deferred Tax Asset Valuation Allowance

The deferred tax asset valuation allowance and changes were as follows:

	As of October 31		
	2018	2017	2016
	In millions		
Balance at beginning of year	\$ 8,807	\$ 8,520	\$ 7,114
Income tax (benefit) expense	(897)	297	1,421
Other comprehensive income, currency translation and charges to other accounts	(4)	(10)	(15)
Balance at end of year	<u>\$ 7,906</u>	<u>\$ 8,807</u>	<u>\$ 8,520</u>

Gross deferred tax assets as of October 31, 2018, 2017 and 2016, were reduced by valuation allowances of \$7.9 billion, \$8.8 billion and \$8.5 billion, respectively. Total valuation allowance decreased by \$901 million in fiscal year 2018, associated primarily with foreign net operating losses and U.S. deferred tax assets that are anticipated to be realized at a lower effective rate than the federal statutory tax rate due to certain future U.S. international tax reform implications, and increased by \$287 million and \$1.4 billion in fiscal years 2017 and 2016, respectively, associated primarily with foreign net operating losses.

Note 7: Supplementary Financial Information
Accounts Receivable, net

	As of October 31	
	2018	2017
	In millions	
Accounts receivable	\$ 5,242	\$ 4,515
Allowance for doubtful accounts	(129)	(101)
	<u>\$ 5,113</u>	<u>\$ 4,414</u>

The allowance for doubtful accounts related to accounts receivable and changes were as follows:

	As of October 31		
	2018	2017	2016
	In millions		
Balance at beginning of year	\$ 101	\$ 107	\$ 80
Provision for doubtful accounts	57	30	65
Deductions, net of recoveries	(29)	(36)	(38)
Balance at end of year	<u>\$ 129</u>	<u>\$ 101</u>	<u>\$ 107</u>

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

HP has third-party arrangements, consisting of revolving short-term financing, which provide liquidity to certain partners to facilitate their working capital requirements. These financing arrangements, which in certain circumstances may contain partial recourse, result in a transfer of HP's receivables and risk, to the third-party. As these transfers qualify as true sales under the applicable accounting guidance, the receivables are derecognized from the Consolidated Balance Sheets upon transfer, and HP receives a payment for the receivables from the third-party within a mutually agreed upon time period. For arrangements involving an element of recourse, the recourse obligation is measured using market data from the similar transactions and reported as a current liability in the Consolidated Balance Sheets. The recourse obligations as of October 31, 2018 and 2017 were not material. The costs associated with the sales of trade receivables for fiscal year 2018, 2017 and 2016 were not material.

The following is a summary of the activity under these arrangements:

	As of October 31		
	2018	2017	2016
	In millions		
Balance at beginning of year ⁽¹⁾	\$ 147	\$ 149	\$ 93
Trade receivables sold	10,224	9,553	8,222
Cash receipts	(10,202)	(9,562)	(8,160)
Foreign currency and other	(4)	7	(6)
Balance at end of year ⁽¹⁾	<u>\$ 165</u>	<u>\$ 147</u>	<u>\$ 149</u>

⁽¹⁾ Amounts outstanding from third parties reported in Accounts Receivable in the Consolidated Balance Sheets.

Inventory

	As of October 31	
	2018	2017
	In millions	
Finished goods	\$ 4,019	\$ 3,857
Purchased parts and fabricated assemblies	2,043	1,929
	<u>\$ 6,062</u>	<u>\$ 5,786</u>

Other Current Assets

	As of October 31	
	2018	2017
	In millions	
Value-added taxes receivable	\$ 865	\$ 857
Available-for-sale investments ⁽¹⁾	711	1,149
Supplier and other receivables	2,025	1,891
Prepaid and other current assets	1,445	1,224
	<u>\$ 5,046</u>	<u>\$ 5,121</u>

⁽¹⁾ See Note 9, "Fair Value" and Note 10, "Financial Instruments" for detailed information.

Property, Plant and Equipment, Net

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

	As of October 31	
	2018	2017
	In millions	
Land, buildings and leasehold improvements	\$ 1,893	\$ 2,082
Machinery and equipment, including equipment held for lease	4,216	3,876
	6,109	5,958
Accumulated depreciation	(3,911)	(4,080)
	<u>\$ 2,198</u>	<u>\$ 1,878</u>

Depreciation expense was \$448 million, \$353 million and \$316 million in fiscal years 2018, 2017 and 2016, respectively.

Other Non-Current Assets

	As of October 31	
	2018	2017
	In millions	
Tax indemnifications receivable ⁽¹⁾	\$ 953	\$ 1,695
Deferred tax assets ⁽²⁾	2,431	342
Other ⁽³⁾⁽⁴⁾	1,685	1,058
	<u>\$ 5,069</u>	<u>\$ 3,095</u>

(1) During the twelve months ended October 31, 2018, HP adjusted \$676 million of indemnification receivable, pursuant to resolution of various income tax audit settlements. See Note 15, "Guarantees, Indemnifications and Warranties" for further information.

(2) See Note 6, "Taxes on Earnings" for detailed information.

(3) Includes Intangible assets of \$453 million as at October 31, 2018, primarily from the acquisition of Samsung's printer business, see Note 8, "Goodwill and Intangible Assets" for further information.

(4) Includes marketable equity securities and mutual funds classified as available-for-sale investments of \$53 million and \$61 million at October 31, 2018 and 2017, respectively.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

Other Accrued Liabilities

	As of October 31	
	2018	2017
	In millions	
Other accrued taxes	\$ 982	\$ 895
Warranty	673	660
Deferred revenue	1,095	1,012
Sales and marketing programs	2,758	2,441
Other	1,868	1,945
	<u>\$ 7,376</u>	<u>\$ 6,953</u>

Other Non-Current Liabilities

	As of October 31	
	2018	2017
	In millions	
Pension, post-retirement, and post-employment liabilities	\$ 1,645	\$ 1,999
Deferred tax liability ⁽¹⁾	100	1,410
Tax liability ⁽¹⁾	2,063	2,005
Deferred revenue	1,005	921
Other	793	827
	<u>\$ 5,606</u>	<u>\$ 7,162</u>

⁽¹⁾ See Note 6, "Taxes on Earnings" for detailed information.

Interest and other, net

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Interest expense on borrowings	\$ (312)	\$ (309)	\$ (273)
Loss on extinguishment of debt	(126)	—	—
Tax indemnifications ⁽¹⁾	(662)	47	472
Other, net	49	19	13
	<u>\$ (1,051)</u>	<u>\$ (243)</u>	<u>\$ 212</u>

⁽¹⁾ For the fiscal year ended October 31, 2018, includes an adjustment of \$676 million of indemnification receivable, pursuant to resolution of various income tax audit settlements. See Note 15, "Guarantees, Indemnifications and Warranties" for further information.

Note 8: Goodwill and Intangible Assets

Goodwill

Goodwill allocated to HP's reportable segments and changes in the carrying amount of goodwill were as follows:

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 8: Goodwill and Intangible Assets (Continued)

	Personal Systems	Printing	Total
	In millions		
Balance at October 31, 2016 ⁽¹⁾	\$ 2,593	\$ 3,029	\$ 5,622
Acquisitions	—	—	—
Balance at October 31, 2017 ⁽¹⁾	2,593	3,029	5,622
Acquisitions	7	339	346
Balance at October 31, 2018 ⁽¹⁾	\$ 2,600	\$ 3,368	\$ 5,968

⁽¹⁾ Goodwill is net of accumulated impairment losses of \$0.8 billion related to Corporate Investments.

Goodwill is tested for impairment at the reporting unit level. As of October 31, 2018, our reporting units are consistent with the reportable segments identified in Note 2, "Segment Information". There were no goodwill impairments in fiscal years 2018, 2017 and 2016. Personal Systems had a negative carrying amount of net assets as of October 31, 2018 and 2017, primarily as a result of a favorable cash conversion cycle. HP will continue to evaluate goodwill on an annual basis as of the first day of its fourth fiscal quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

Intangible Assets

HP's acquired intangible assets were composed of:

	Weighted-Average Useful Lives	As of October 31, 2018			As of October 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
In years		In millions					
Customer contracts, customer lists and distribution agreements	8	\$ 112	\$ 88	\$ 24	\$ 85	\$ 84	\$ 1
Technology and patents	7	601	172	429	98	96	2
Total intangible assets		\$ 713	\$ 260	\$ 453	\$ 183	\$ 180	\$ 3

For fiscal year 2018, the increase in gross intangible assets was primarily due to intangible assets resulting from the acquisition of Samsung's printer business.

As of October 31, 2018, estimated future amortization expense related to intangible assets was as follows:

Fiscal year	In millions
2019	81
2020	81
2021	80
2022	79
2023	79
Thereafter	53
Total	453

Note 9: Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy

HP uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3—Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

The following table presents HP's assets and liabilities that are measured at fair value on a recurring basis:

	As of October 31, 2018				As of October 31, 2017			
	Fair Value Measured Using			Total	Fair Value Measured Using			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
In millions								
Assets:								
Cash Equivalents:								
Corporate debt	\$ —	\$ 1,620	\$ —	\$ 1,620	\$ —	\$ 1,390	\$ —	\$ 1,390
Financial institution instruments	—	9	—	9	—	6	—	6
Government debt ⁽¹⁾	2,217	150	—	2,367	3,902	100	—	4,002
Available-for-Sale Investments:								
Corporate debt	—	366	—	366	—	629	—	629
Financial institution instruments	—	32	—	32	—	78	—	78
Government debt ⁽¹⁾	—	313	—	313	—	442	—	442
Mutual funds	47	—	—	47	49	—	—	49
Marketable equity securities	6	—	—	6	6	6	—	12
Derivative Instruments:								
Interest rate contracts	—	—	—	—	—	—	—	—
Foreign currency contracts	—	508	7	515	—	110	10	120
Other derivatives	—	—	—	—	—	1	—	1
Total Assets	<u>\$ 2,270</u>	<u>\$ 2,998</u>	<u>\$ 7</u>	<u>\$ 5,275</u>	<u>\$ 3,957</u>	<u>\$ 2,762</u>	<u>\$ 10</u>	<u>\$ 6,729</u>
Liabilities:								
Derivative Instruments:								
Interest rate contracts	\$ —	\$ 23	\$ —	\$ 23	\$ —	\$ 12	\$ —	\$ 12
Foreign currency contracts	—	164	—	164	—	358	2	360
Other derivatives	—	8	—	8	—	—	—	—
Total Liabilities	<u>\$ —</u>	<u>\$ 195</u>	<u>\$ —</u>	<u>\$ 195</u>	<u>\$ —</u>	<u>\$ 370</u>	<u>\$ 2</u>	<u>\$ 372</u>

⁽¹⁾ Government debt includes instruments such as U.S. treasury notes, U.S. agency securities and non-U.S. government bonds. Money market funds invested in government debt and trade in active markets are included in Level 1.

There were no transfers between levels within the fair value hierarchy during fiscal years 2018 and 2017.

Valuation Techniques

Cash Equivalents and Investments: HP holds time deposits, money market funds, mutual funds, other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. HP values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including NAV, or models utilizing market observable inputs. The fair value of debt investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data, and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

Derivative Instruments: From time to time, HP uses forward contracts, interest rate and total return swaps and at times, option contracts to hedge certain foreign currency and interest rate exposures. HP uses 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 exchange rates, and forward and spot prices for currencies and interest rates. See Note 10, "Financial Instruments" for a further discussion of HP's use of derivative instruments.

Other Fair Value Disclosures

Short- and Long-Term Debt: HP estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities, and considering its own credit risk. The portion of HP's debt that is hedged is reflected in the Consolidated Balance Sheets as an amount equal to the debt's carrying amount and a fair value adjustment representing changes in the fair value of the hedged debt obligations arising from movements in benchmark interest rates. The estimated fair value of HP's short- and long-term debt was \$6.0 billion at October 31, 2018 compared to its carrying amount of \$6.0 billion at that date. The estimated fair value of HP's short- and long-term debt was \$8.1 billion as compared to its carrying value of \$7.8 billion at October 31, 2017. If measured at fair value in the Consolidated Balance Sheets, short- and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of HP's financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Consolidated Balance Sheets, these other financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

Non-Marketable Equity Investments and Non-Financial Assets: HP's non-marketable equity investments and non-financial assets, such as intangible assets, goodwill and property, plant and equipment, are recorded at fair value in the period an impairment charge is recognized. If measured at fair value in the Consolidated Balance Sheets, these would generally be classified within Level 3 of the fair value hierarchy.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments
Cash Equivalents and Available-for-Sale Investments

	As of October 31, 2018				As of October 31, 2017			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
In millions								
Cash Equivalents:								
Corporate debt	\$ 1,620	\$ —	\$ —	\$ 1,620	\$ 1,390	\$ —	\$ —	\$ 1,390
Financial institution instruments	9	—	—	9	6	—	—	6
Government debt	2,367	—	—	2,367	4,002	—	—	4,002
Total cash equivalents	3,996	—	—	3,996	5,398	—	—	5,398
Available-for-Sale Investments:								
Corporate debt ⁽¹⁾	368	—	(2)	366	629	—	—	629
Financial institution instruments ⁽¹⁾	32	—	—	32	78	—	—	78
Government debt ⁽¹⁾	314	—	(1)	313	443	—	(1)	442
Marketable equity securities	4	2	—	6	5	7	—	12
Mutual funds	38	9	—	47	39	10	—	49
Total available-for-sale investments	756	11	(3)	764	1,194	17	(1)	1,210
Total cash equivalents and available-for-sale investments	\$ 4,752	\$ 11	\$ (3)	\$ 4,760	\$ 6,592	\$ 17	\$ (1)	\$ 6,608

⁽¹⁾ HP classifies its marketable debt securities as available-for-sale investments within Other current assets on the Consolidated Balance Sheets, including those with maturity dates beyond one year, based on their highly liquid nature and availability for use in current operations.

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of October 31, 2018 and 2017, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Interest income related to cash, cash equivalents and debt securities was approximately \$116 million in fiscal year 2018, \$66 million in fiscal year 2017, and \$24 million in fiscal year 2016. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of October 31, 2018	
	Amortized Cost	Fair Value
In millions		
Due in one year or less	\$ 694	\$ 691
Due in one to five years	20	20
	\$ 714	\$ 711

Equity securities in privately held companies include cost basis and equity method investments and are included in Other non-current assets in the Consolidated Balance Sheets. These amounted to \$36 million and \$37 million as of October 31, 2018 and 2017, respectively.

Derivative Instruments

HP uses derivatives to offset business exposure to foreign currency and interest rate risk on expected future cash flows and on certain existing assets and liabilities. As part of its risk management strategy, HP uses derivative instruments, primarily forward contracts, interest rate swaps, total return swaps and, at times, option contracts to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. HP may designate its derivative contracts as fair value hedges or cash flow hedges. HP classifies cash flows from its designated derivative contracts with the activities that correspond to the underlying

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

hedged items. Additionally, for derivatives not designated as hedging instruments, HP categorizes those economic hedges as other derivatives. HP recognizes all derivative instruments at fair value in the Consolidated Balance Sheets.

As a result of its use of derivative instruments, HP is exposed to the risk that its counterparties will fail to meet their contractual obligations. Master netting agreements mitigate credit exposure to counterparties by permitting HP to net amounts due from HP to counterparty against amounts due to HP from the same counterparty under certain conditions. To further limit credit risk, HP has collateral security agreements that allow HP to hold collateral from, or require HP to post collateral to, counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of HP and its counterparties. If HP's or the counterparty's credit rating falls below a specified credit rating, either party has the right to request full collateralization of the derivatives' net liability position. The fair value of derivatives with credit contingent features in a net liability position was \$68 million and \$258 million as of October 31, 2018 and 2017, respectively, all of which were fully collateralized within two business days.

Under HP's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting HP that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect HP's financial position or cash flows as of October 31, 2018 and 2017.

Fair Value Hedges

HP enters into fair value hedges, such as interest rate swaps, to reduce the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar London Interbank Offered Rate ("LIBOR")-based floating interest expense.

For derivative instruments that are designated and qualify as fair value hedges, HP recognizes the change in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Statements of Earnings in the period of change.

Cash Flow Hedges

HP uses forward contracts and at times, option contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of revenue, operating expenses, and intercompany loans denominated in currencies other than the U.S. dollar. HP's foreign currency cash flow hedges mature generally within twelve months; however, hedges related to longer-term procurement arrangements extend several years and forward contracts associated with intercompany loans extend for the duration of the lease or loan term, which typically range from two to five years.

For derivative instruments that are designated and qualify as cash flow hedges, HP initially records changes in fair value for the effective portion of the derivative instrument in Accumulated other comprehensive loss as a separate component of stockholders' deficit in the Consolidated Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. HP reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. HP uses total return swaps to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, HP recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Statements of Earnings in the period of change.

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, HP measures hedge effectiveness by offsetting the change in fair value of the hedged item with the change in fair value of the derivative. For foreign currency options and forward contracts designated as cash flow hedges, HP measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates. HP recognizes any ineffective portion of the hedge in the Consolidated Statements of Earnings in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Consolidated Statements of Earnings in the period they arise.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

Fair Value of Derivative Instruments in the Consolidated Balance Sheets

The gross notional and fair value of derivative instruments in the Consolidated Balance Sheets was as follows:

	As of October 31, 2018					As of October 31, 2017				
	Outstanding Gross Notional	Other Current Assets	Other Non-Current Assets	Other Accrued Liabilities	Other Non-Current Liabilities	Outstanding Gross Notional	Other Current Assets	Other Non-Current Assets	Other Accrued Liabilities	Other Non-Current Liabilities
In millions										
Derivatives designated as hedging instruments										
Fair value hedges:										
Interest rate contracts	\$ 1,000	\$ —	\$ —	\$ —	\$ 23	\$ 2,500	\$ —	\$ —	\$ —	\$ 12
Cash flow hedges:										
Foreign currency contracts	17,147	386	107	86	52	16,149	92	12	245	100
Total derivatives designated as hedging instruments	18,147	386	107	86	75	18,649	92	12	245	112
Derivatives not designated as hedging instruments										
Foreign currency contracts	5,437	22	—	26	—	5,801	16	—	15	—
Other derivatives	71	—	—	8	—	123	1	—	—	—
Total derivatives not designated as hedging instruments	5,508	22	—	34	—	5,924	17	—	15	—
Total derivatives	\$ 23,655	\$ 408	\$ 107	\$ 120	\$ 75	\$ 24,573	\$ 109	\$ 12	\$ 260	\$ 112

In March 2018, HP terminated several interest rate swaps with a notional amount of \$1.5 billion that were de-designated as fair value hedges of certain fixed rate debt securities. See Note 11, “Borrowings” for detailed information.

Offsetting of Derivative Instruments

HP recognizes all derivative instruments on a gross basis in the Consolidated Balance Sheets. HP does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under its collateral security agreements. As of October 31, 2018 and 2017, information related to the potential effect of HP’s master netting agreements and collateral security agreements was as follows:

	In the Consolidated Balance Sheets					
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)	(vi) = (iii)–(iv)–(v)
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Gross Amounts Not Offset Derivatives	Financial Collateral	Net Amount
In millions						
As of October 31, 2018						
Derivative assets	\$ 515	\$ —	\$ 515	\$ 112	\$ 299 ⁽¹⁾	\$ 104
Derivative liabilities	\$ 195	\$ —	\$ 195	\$ 112	\$ 69 ⁽²⁾	\$ 14
As of October 31, 2017						
Derivative assets	\$ 121	\$ —	\$ 121	\$ 108	\$ 4 ⁽¹⁾	\$ 9
Derivative liabilities	\$ 372	\$ —	\$ 372	\$ 108	\$ 219 ⁽²⁾	\$ 45

(1) Represents the cash collateral posted by counterparties as of the respective reporting date for HP’s asset position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

(2) Represents the collateral posted by HP in cash or through re-use of counterparty cash collateral as of the respective reporting date for HP’s liability position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

Effect of Derivative Instruments on the Consolidated Statements of Earnings

The pre-tax effect of derivative instruments and related hedged items in a fair value hedging relationship for fiscal years ended October 31, 2018, 2017 and 2016 was as follows:

Derivative Instrument	Location	(Loss) Gain Recognized in Income on Derivative Instruments and Related Hedged Items								
		2018	2017	2016	Hedged Item	Location	2018	2017	2016	
		In millions				In millions				
Interest rate contracts	Interest and other, net	\$ (11)	\$ (60)	\$ 10	Fixed-rate debt	Interest and other, net	\$ 11	\$ 60	\$ (10)	

The pre-tax effect of derivative instruments in cash flow hedging relationships for fiscal years ended October 31, 2018, 2017 and 2016 was as follows:

	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)				(Loss) Gain Reclassified from Accumulated OCI Into Earnings (Effective Portion)		
	2018	2017	2016		2018	2017	2016
	In millions				In millions		
Cash flow hedges:							
Foreign currency contracts	\$ 341	\$ (651)	\$ 199	Net revenue	\$ (239)	\$ (156)	\$ 20
				Cost of revenue	(18)	(35)	(84)
				Other operating expenses	(1)	1	1
				Interest and other, net	—	(9)	—
Total	\$ 341	\$ (651)	\$ 199	Total	\$ (258)	\$ (199)	\$ (63)

As of October 31, 2018, 2017 and 2016, no portion of the hedging instruments' gain or loss was excluded from the assessment of effectiveness for fair value or cash flow hedges. Hedge ineffectiveness for fair value and cash flow hedges was not material for fiscal years 2018, 2017 and 2016.

As of October 31, 2018, HP expects to reclassify an estimated net Accumulated other comprehensive income of approximately \$248 million, net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions associated with cash flow hedges.

The pre-tax effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Earnings for fiscal years 2018, 2017 and 2016 was as follows:

	Location	Gain (Loss) Recognized in Income on Derivatives		
		2018	2017	2016
		In millions		
Foreign currency contracts	Interest and other, net	\$ 35	\$ (32)	\$ (34)
Other derivatives	Interest and other, net	(9)	3	(6)
Total		\$ 26	\$ (29)	\$ (40)

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 11: Borrowings
Notes Payable and Short-Term Borrowings

	As of October 31			
	2018		2017	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
In millions		In millions		
Commercial paper	\$ 854	2.5%	\$ 943	1.8%
Current portion of long-term debt	565	3.1%	96	3.5%
Notes payable to banks, lines of credit and other	44	1.7%	33	1.5%
	<u>\$ 1,463</u>		<u>\$ 1,072</u>	

Long-Term Debt

	As of October 31	
	2018	2017
	In millions	
U.S. Dollar Global Notes ⁽¹⁾		
2009 Shelf Registration Statement:		
\$1,350 issued at discount to par at a price of 99.827% in December 2010 at 3.75%, due December 2020	\$ 648	\$ 648
\$1,250 issued at discount to par at a price of 99.799% in May 2011 at 4.3%, due June 2021	667	1,249
\$1,000 issued at discount to par at a price of 99.816% in September 2011 at 4.375%, due September 2021	538	999
\$1,500 issued at discount to par at a price of 99.707% in December 2011 at 4.65%, due December 2021	694	1,498
\$500 issued at discount to par at a price of 99.771% in March 2012 at 4.05%, due September 2022	499	499
\$1,200 issued at discount to par at a price of 99.863% in September 2011 at 6.0%, due September 2041	1,199	1,199
2012 Shelf Registration Statement:		
\$750 issued at par in January 2014 at three-month USD LIBOR plus 0.94%, due January 2019	102	102
\$1,250 issued at discount to par at a price of 99.954% in January 2014 at 2.75%, due January 2019	300	300
	<u>4,647</u>	<u>6,494</u>
Other, including capital lease obligations, at 0.51%- 8.48%, due in calendar years 2019-2025	487	360
Fair value adjustment related to hedged debt	(28)	8
Unamortized debt issuance cost	(17)	(19)
Current portion of long-term debt	(565)	(96)
Total long-term debt	<u>\$ 4,524</u>	<u>\$ 6,747</u>

⁽¹⁾ HP may redeem some or all of the fixed-rate U.S. Dollar Global Notes at any time in accordance with the terms thereof. The U.S. Dollar Global Notes are senior unsecured debt.

In December 2016, HP filed a shelf registration statement with the SEC to enable the company to offer for sale, from time to time, in one or more offerings, an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants.

As disclosed in Note 10, "Financial Instruments", HP uses interest rate swaps to mitigate some of the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar LIBOR-based floating interest expense. Interest rates shown in the table of long-term debt have not been adjusted to reflect the impact of any interest rate swaps.

As of October 31, 2018, aggregate future maturities of debt at face value (excluding unamortized debt issuance cost of \$17 million and discounts on debt issuance of \$3 million less fair value adjustment related to hedged debt of \$28 million), including capital lease obligations were as follows:

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 11: Borrowings (Continued)**

Fiscal year	In millions
2019	\$ 1,463
2020	151
2021	1,952
2022	1,239
2023	25
Thereafter	1,205
Total	\$ 6,035

Extinguishment of Debt

In March 2018, HP commenced and completed a cash tender offer (the "Tender Offer") to purchase approximately \$1.85 billion in aggregate principal amount of outstanding U.S. Dollar 4.650% Global Notes due December 9, 2021, 4.375% Global Notes due September 15, 2021 and 4.300% Global Notes due June 1, 2021. In connection with the Tender Offer, HP also solicited consents from holders of its 4.650% Notes due December 2021, (the "4.650% Notes") to amend the indenture under which the 4.650% Notes were issued to, among other things, eliminate substantially all of the restrictive covenants of the indenture (the "Proposed Amendments"). Holders of a majority in principal amount of the outstanding 4.650% Notes consented to the Proposed Amendments, and as a result, a supplemental indenture was executed on March 26, 2018 to effect the Proposed Amendments. This extinguishment of debt resulted in a loss of \$126 million, which was recorded as "Interest and other, net" on the Consolidated Statements of Earnings for the year ended October 31, 2018.

Commercial Paper

On November 1, 2015, HP's Board of Directors authorized HP to borrow up to a total outstanding principal balance of \$4.0 billion, or the equivalent in foreign currencies for the use and benefit of HP and HP's subsidiaries, by the issuance of commercial paper or through the execution of promissory notes, loan agreements, letters of credit, agreements for lines of credit or overdraft facilities. HP increased the issuance authorization under its commercial paper program from \$4.0 billion to \$6.0 billion in November 2017. As of October 31, 2018, HP maintained two commercial paper programs. HP's U.S. program provides for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of \$6.0 billion. HP's euro commercial paper program provides for the issuance of commercial paper outside of the United States denominated in U.S. dollars, euros or British pounds up to a maximum aggregate principal amount of \$6.0 billion or the equivalent in those alternative currencies. The combined aggregate principal amount of commercial paper outstanding under those programs at any one time cannot exceed the \$6.0 billion authorized by HP's Board of Directors.

Credit Facility

As of October 31, 2018, HP maintained a \$4.0 billion senior unsecured committed revolving credit facility to support the issuance of commercial paper or for general corporate purposes. Commitments under the revolving credit facility will be available until March 30, 2023. Commitment fees, interest rates and other terms of borrowing under the credit facilities vary based on HP's external credit ratings. As of October 31, 2018, HP was in compliance with the financial covenants in the credit agreement governing the revolving credit facility.

In December 2017, HP also entered into an additional revolving credit facility with certain institutional lenders that provided HP with \$1.5 billion of available borrowings until November 30, 2018. HP elected to terminate this \$1.5 billion revolving credit facility early, effective August 17, 2018.

Available Borrowing Resources

As of October 31, 2018, HP and HP's subsidiaries had available borrowing resources of \$667 million from uncommitted lines of credit in addition to the senior unsecured committed revolving credit facility discussed above.

Note 12: Stockholders' Deficit*Dividends*

The stockholders of HP common stock are entitled to receive dividends when and as declared by HP's Board of Directors. Dividends declared were \$0.56 per share of common stock in fiscal year 2018, \$0.53 per share of common stock in fiscal year 2017 and \$0.50 per share of common stock in fiscal year 2016.

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 12: Stockholders' Deficit (Continued)
Share Repurchase Program

HP's share repurchase program authorizes both open market and private repurchase transactions. In fiscal year 2018, HP executed share repurchases of 111 million shares and settled total shares for \$2.6 billion. In fiscal year 2017, HP executed share repurchases of 80 million shares and settled total shares for \$1.4 billion. In fiscal year 2016, HP executed share repurchases of 100 million shares and settled total shares for \$1.2 billion. Share repurchases executed during fiscal years 2018 and 2017 included 1.0 million shares and 1.5 million shares settled in November 2018 and November 2017, respectively. There were no outstanding shares executed during fiscal year 2016 settled in November 2016.

The shares repurchased in fiscal years 2018, 2017 and 2016 were all open market repurchase transactions. On June 19, 2018, HP's Board of Directors authorized an additional \$4.0 billion for future repurchases of its outstanding shares of common stock. As of October 31, 2018, HP had approximately \$3.9 billion remaining under the share repurchase authorizations approved by HP's Board of Directors.

Taxes related to Other Comprehensive Income (Loss)

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Tax effect on change in unrealized components of available-for-sale securities:			
Tax benefit (provision) on unrealized (losses) gains arising during the period	\$ 1	\$ (1)	\$ (3)
Tax effect on change in unrealized components of cash flow hedges:			
Tax (provision) benefit on unrealized gains (losses) arising during the period	(42)	42	32
Tax benefit on losses reclassified into earnings	(26)	(16)	(1)
	<u>(68)</u>	<u>26</u>	<u>31</u>
Tax effect on change in unrealized components of defined benefit plans:			
Tax (provision) benefit on gains (losses) arising during the period	—	(140)	242
Tax provision on amortization of actuarial loss and prior service benefit	(11)	(21)	(12)
Tax (provision) benefit on curtailments, settlements and other	(2)	72	(213)
	<u>(13)</u>	<u>(89)</u>	<u>17</u>
Tax (provision) benefit on other comprehensive income (loss)	<u>\$ (80)</u>	<u>\$ (64)</u>	<u>\$ 45</u>

HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

Note 12: Stockholders' Deficit (Continued)

Changes and reclassifications related to Other Comprehensive Income (Loss), net of taxes

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Other comprehensive income (loss), net of taxes:			
Change in unrealized components of available-for-sale securities:			
Unrealized (losses) gains arising during the period	\$ (2)	\$ 3	\$ (2)
Gains reclassified into earnings	(5)	—	—
	(7)	3	(2)
Change in unrealized components of cash flow hedges:			
Unrealized gains (losses) arising during the period	299	(609)	231
Losses reclassified into earnings	232	183	62
	531	(426)	293
Change in unrealized components of defined benefit plans:			
Gains (Losses) arising during the period	11	315	(517)
Amortization of actuarial loss and prior service benefit ⁽¹⁾	37	53	39
Curtailments, settlements and other	1	75	(30)
	49	443	(508)
Other comprehensive income (loss), net of taxes	\$ 573	\$ 20	\$ (217)

⁽¹⁾ These components are included in the computation of net pension and post-retirement benefit (credit) charges in Note 4, "Retirement and Post-Retirement Benefit Plans".

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2018 and changes during fiscal year 2018 were as follows:

	Net unrealized gain on available-for-sale securities	Net unrealized (loss) gain on cash flow hedges	Unrealized components of defined benefit plans	Accumulated other comprehensive loss
	In millions			
Balance at beginning of period	\$ 12	\$ (240)	\$ (1,190)	\$ (1,418)
Other comprehensive (loss) income before reclassifications	(2)	299	11	308
Reclassifications of (gain) loss into earnings	(5)	232	38	265
Balance at end of period	\$ 5	\$ 291	\$ (1,141)	\$ (845)

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 13: Earnings Per Share

HP calculates basic net EPS using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted net EPS includes any dilutive effect of restricted stock units, stock options, performance-based awards and shares purchased under the 2011 employee stock purchase plan.

A reconciliation of the number of shares used for basic and diluted net EPS calculations is as follows:

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions, except per share amounts		
Numerator:			
Net earnings from continuing operations	\$ 5,327	\$ 2,526	\$ 2,666
Net loss from discontinued operations	—	—	(170)
Net earnings	<u>\$ 5,327</u>	<u>\$ 2,526</u>	<u>\$ 2,496</u>
Denominator:			
Weighted-average shares used to compute basic net EPS	1,615	1,688	1,730
Dilutive effect of employee stock plans	19	14	13
Weighted-average shares used to compute diluted net EPS	<u>1,634</u>	<u>1,702</u>	<u>1,743</u>
Basic net earnings per share:			
Continuing operations	\$ 3.30	\$ 1.50	\$ 1.54
Discontinued operations	—	—	(0.10)
Basic net earnings per share	<u>\$ 3.30</u>	<u>\$ 1.50</u>	<u>\$ 1.44</u>
Diluted net earnings per share:			
Continuing operations	\$ 3.26	\$ 1.48	\$ 1.53
Discontinued operations	—	—	(0.10)
Diluted net earnings per share	<u>\$ 3.26</u>	<u>\$ 1.48</u>	<u>\$ 1.43</u>
Anti-dilutive weighted-average options ⁽¹⁾	—	1	13

⁽¹⁾ HP excludes stock options and restricted stock units where the assumed proceeds exceed the average market price from the calculation of diluted net EPS, because their effect would be anti-dilutive. The assumed proceeds of a stock option include the sum of its exercise price, and average unrecognized compensation cost. The assumed proceeds of a restricted stock unit represent unrecognized compensation cost.

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 14: Litigation and Contingencies**

HP is involved in lawsuits, claims, investigations and proceedings, including those identified below, consisting of IP, commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. HP accrues a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. HP believes it has recorded adequate provisions for any such matters and, as of October 31, 2018, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in HP's financial statements. HP reviews these matters at least quarterly and adjusts its accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Pursuant to the separation and distribution agreement, HP shares responsibility with Hewlett Packard Enterprise for certain matters, as indicated below, and Hewlett Packard Enterprise has agreed to indemnify HP in whole or in part with respect to certain matters. Based on its experience, HP believes that any damage amounts claimed in the specific matters discussed below are not a meaningful indicator of HP's potential liability. Litigation is inherently unpredictable. However, HP believes it has valid defenses with respect to legal matters pending against it. 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.

Litigation, Proceedings and Investigations

Copyright Levies. Proceedings are ongoing or have been concluded involving HP in certain European countries, including litigation in Belgium and other countries, seeking to impose or modify levies upon IT equipment (such as multifunction devices ("MFDs") and PCs), alleging that these devices enable the production of private copies of copyrighted materials. The levies are generally based upon the number of products sold and the per-product amounts of the levies, which vary. Some European countries that do not yet have levies on digital devices are expected to implement similar legislation to enable them to extend existing levy schemes, while other European countries have phased out levies or are expected to limit the scope of levy schemes and applicability in the digital hardware environment, particularly with respect to sales to business users. HP, other companies and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders.

Reprobel, a collecting society administering the remuneration for reprography to Belgian copyright holders, requested by extrajudicial means that HP amend certain copyright levy declarations submitted for inkjet MFDs sold in Belgium from January 2005 to December 2009 to enable it to collect copyright levies calculated based on the generally higher copying speed when the MFDs are operated in draft print mode rather than when operated in normal print mode. In March 2010, HP filed a lawsuit against Reprobel in the Court of First Instance of Brussels seeking a declaratory judgment that no copyright levies are payable on sales of MFDs in Belgium or, alternatively, that payments already made by HP are sufficient to comply with its obligations. The Court of Appeal in Brussels (the "Court of Appeal") stayed the proceedings and referred several questions to the Court of Justice of the European Union ("CJEU"). On November 12, 2015, the CJEU published its judgment providing that a national legislation such as the Belgian one at issue in the main proceedings is incompatible with EU law on multiple legal points, as argued by HP, and returned the proceedings to the referring court. On May 12, 2017, the Court of Appeal held that (1) reprographic copyright levies are due notwithstanding the lack of conformity of the Belgian system with EU law in certain aspects and (2) the applicable levies are to be calculated based on the objective speed of each MFD as established by an expert appointed by the Court of Appeal. HP appealed this decision before the Belgian Supreme Court on January 18, 2018.

Based on industry opposition to the extension of levies to digital products, HP's assessments of the merits of various proceedings and HP's estimates of the number of units impacted and the amounts of the levies, HP has accrued amounts that it believes are adequate to address the ongoing disputes.

Hewlett-Packard Company v. Oracle Corporation. On June 15, 2011, HP filed suit against Oracle Corporation ("Oracle") in California Superior Court in Santa Clara County in connection with Oracle's March 2011 announcement that it was discontinuing software support for HP's Itanium-based line of mission critical servers. HP asserted, among other things, that Oracle's actions breached the contract that was signed by the parties as part of the settlement of the litigation relating to Oracle's hiring of Mark Hurd. The matter eventually progressed to trial, which was bifurcated into two phases. HP prevailed in the first phase of the trial, in which the court ruled that the contract at issue required Oracle to continue to offer its software products on HP's Itanium-based servers for as long as HP decided to sell such servers. The second phase of the trial was then postponed by Oracle's appeal of the trial court's denial of Oracle's "anti-SLAPP" motion, in which Oracle argued that HP's

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 14: Litigation and Contingencies (Continued)**

damages claim infringed on Oracle's First Amendment rights. On August 27, 2015, the California Court of Appeals rejected Oracle's appeal. The matter was remanded to the trial court for the second phase of the trial, which began on May 23, 2016 and was submitted to the jury on June 29, 2016. On June 30, 2016, the jury returned a verdict in favor of HP, awarding HP approximately \$3.0 billion in damages, which included approximately \$1.7 billion for past lost profits and \$1.3 billion for future lost profits. On October 20, 2016, the court entered judgment for HP for this amount with interest accruing until the judgment is paid. Oracle's motion for new trial was denied on December 19, 2016, and Oracle filed its notice of appeal from the trial court's judgment on January 17, 2017. On February 2, 2017, HP filed a notice of cross-appeal challenging the trial court's denial of prejudgment interest. The schedule for appellate briefing and argument has not yet been established. HP expects that the appeals process could take several years to complete. Litigation is unpredictable, and there can be no assurance that HP will recover damages, or that any award of damages will be for the amount awarded by the jury's verdict. The amount ultimately awarded, if any, would be recorded in the period received. No adjustment has been recorded in the financial statements in relation to this potential award. Pursuant to the terms of the separation and distribution agreement, HP and Hewlett Packard Enterprise will share equally in any recovery from Oracle once Hewlett Packard Enterprise has been reimbursed for all costs incurred in the prosecution of the action prior to the Separation.

Forsyth, et al. vs. HP Inc. and Hewlett Packard Enterprise. This is a purported class and collective action filed on August 18, 2016 in the United States District Court, Northern District of California, against HP and Hewlett Packard Enterprise alleging the defendants violated the Federal Age Discrimination in Employment Act ("ADEA"), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code by terminating older workers and replacing them with younger workers. Plaintiffs seek to certify a nationwide collective class action under the ADEA comprised of all U.S. residents employed by defendants who had their employment terminated pursuant to a workforce reduction ("WFR") plan on or after May 23, 2012 and who were 40 years of age or older. Plaintiffs also seek to represent a Rule 23 class under California law comprised of all persons 40 years or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after May 23, 2012. Following a partial motion to dismiss, a motion to strike and a motion to compel arbitration that the defendants filed in November 2016, the plaintiffs amended their complaint. New plaintiffs were added, but the plaintiffs agreed that the class period for the nationwide collective action should be shortened and now starts on December 9, 2014. On January 30, 2017, the defendants filed another partial motion to dismiss and motions to compel arbitration as to several of the plaintiffs. On March 20, 2017, the defendants filed additional motions to compel arbitration as to a number of the opt-in plaintiffs. On September 20, 2017, the Court granted the motions to compel arbitration as to the plaintiffs and opt-ins who signed WFR release agreements, and also stayed the entire case until the arbitrations are completed. On November 30, 2017, three named plaintiffs and twelve opt-in plaintiffs filed a single arbitration demand. An additional arbitration claimant was added later by stipulation. On December 22, 2017, the defendants filed a motion to (1) stay the case pending arbitrations and (2) enjoin the demanded arbitration and require each plaintiff to file a separate arbitration demand. On February 6, 2018, the Court granted the motion to stay and denied the motion to enjoin. Pre-arbitration mediation proceedings took place on October 4 and 5, 2018, and the claims of all 16 arbitration claimants were resolved. The case will now return to federal court for the remaining named and opt-in plaintiffs.

Jackson, et al. v. HP Inc. and Hewlett Packard Enterprise. This putative nationwide class action was filed on July 24, 2017 in federal district court in San Jose, California. The plaintiffs purport to bring the lawsuit on behalf of themselves and other similarly situated African-Americans and individuals over the age of forty. The plaintiffs allege that the defendants engaged in a pattern and practice of racial and age discrimination in lay-offs and promotions. The plaintiffs filed an amended complaint on September 29, 2017. On January 12, 2018, the defendants moved to transfer the matter to the federal district court in the Northern District of Georgia. The defendants also moved to dismiss the claims on various grounds and to strike certain aspects of the proposed class definition. The Court dismissed the action on the basis of improper venue. On July 23, 2018, the plaintiffs refiled the case in the Northern District of Georgia. On August 9, 2018, the plaintiffs also filed a notice of appeal of the dismissal order with the United States Court of Appeals for the Ninth Circuit. On October 1, 2018, the Georgia court granted the plaintiffs' unopposed motion to stay and administratively close the Georgia action until the Ninth Circuit appeal is decided.

India Directorate of Revenue Intelligence Proceedings. On April 30 and May 10, 2010, the India Directorate of Revenue Intelligence (the "DRI") issued show cause notices to Hewlett-Packard India Sales Private Limited ("HP India"), a subsidiary of HP, seven HP India employees and one former HP India employee alleging that HP India underpaid customs duties while importing products and spare parts into India and seeking to recover an aggregate of approximately \$370 million, plus penalties. Prior to the issuance of the show cause notices, HP India deposited approximately \$16 million with the DRI and

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

agreed to post a provisional bond in exchange for the DRI's agreement to not seize HP India products and spare parts and to not interrupt the transaction of business by HP India.

On April 11, 2012, the Bangalore Commissioner of Customs issued an order on the products-related show cause notice affirming certain duties and penalties against HP India and the named individuals of approximately \$386 million, of which HP India had already deposited \$9 million. On December 11, 2012, HP India voluntarily deposited an additional \$10 million in connection with the products-related show cause notice. The differential duty demand is subject to interest. On April 20, 2012, the Commissioner issued an order on the parts-related show cause notice affirming certain duties and penalties against HP India and certain of the named individuals of approximately \$17 million, of which HP India had already deposited \$7 million. After the order, HP India deposited an additional \$3 million in connection with the parts-related show cause notice so as to avoid certain penalties.

HP India filed appeals of the Commissioner's orders before the Customs Tribunal along with applications for waiver of the pre-deposit of remaining demand amounts as a condition for hearing the appeals. The Customs Department has also filed cross-appeals before the Customs Tribunal. On January 24, 2013, the Customs Tribunal ordered HP India to deposit an additional \$24 million against the products order, which HP India deposited in March 2013. The Customs Tribunal did not order any additional deposit to be made under the parts order. In December 2013, HP India filed applications before the Customs Tribunal seeking early hearing of the appeals as well as an extension of the stay of deposit as to HP India and the individuals already granted until final disposition of the appeals. On February 7, 2014, the application for extension of the stay of deposit was granted by the Customs Tribunal until disposal of the appeals. On October 27, 2014, the Customs Tribunal commenced hearings on the cross-appeals of the Commissioner's orders. The Customs Tribunal rejected HP India's request to remand the matter to the Commissioner on procedural grounds. The hearings scheduled to reconvene on April 6, 2015 and again on November 3, 2015 and April 11, 2016 were cancelled at the request of the Customs Tribunal. A hearing on the merits of the appeal has been scheduled for January 15, 2019. Pursuant to the separation and distribution agreement, Hewlett Packard Enterprise has agreed to indemnify HP in part, based on the extent to which any liability arises from the products and spare parts of Hewlett Packard Enterprise's businesses.

Class Actions re Authentication of Supplies. Five purported consumer class actions were filed against HP, arising out of the supplies authentication protocol in certain OfficeJet printers. This authentication protocol rejects some third-party ink cartridges that use non-HP security chips. Two of the cases were dismissed, and the remaining cases have been consolidated in the United States District Court for the Northern District of California, captioned *In re HP Printer Firmware Update Litigation*. The remaining plaintiffs' consolidated amended complaint was filed on February 15, 2018, alleging eleven causes of action: (1) unfair and unlawful business practices in violation of the Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, et seq.; (2) fraudulent business practices in violation of the Unfair Competition Law, Cal. Bus. & Prof. Code § 17200, et seq.; (3) violations of the False Advertising Law, Cal. Bus. & Prof. Code § 17500, et seq.; (4) violations of the Consumer Legal Remedies Act, Cal. Civ. Code § 1750, et seq.; (5) violations of the Texas Deceptive Trade Practices – Consumer Protection Act, Tex. Bus. & Com. Code Ann. § 17.01, et seq.; (6) violations of the Washington Consumer Protection Act, Wash. Rev. Code Ann. § 19.86.010, et seq.; (7) violations of the New Jersey Consumer Fraud Act, New Jersey Statutes Ann. 56:8-1, et seq.; (8) violations of the Computer Fraud and Abuse Act, 18 U.S.C. § 1030, et seq.; (9) violations of the California Computer Data Access and Fraud Act, Cal. Penal Code § 502; (10) Trespass to Chattels; and (11) Tortious Interference with Contractual Relations and/or Prospective Economic Advantage. On February 7, 2018, the plaintiffs moved to certify an injunctive relief class of “[a]ll persons in California who own a Class Printer” under the “unfair” prong of the California unfair competition statute and a class of “[a]ll persons in the United States who purchased a Class Printer and experienced a print failure while using a non-HP aftermarket cartridge during the period between March 1, 2015 and December 31, 2017” under the Computer Fraud and Abuse Act and common law trespass to chattels. On March 29, 2018, the court granted in part and denied in part HP's motion to dismiss. The court dismissed the plaintiffs' claim under the “unfair” prong of the California unfair competition statute, claims under the non-California consumer protection statutes, and claim for tortious interference with contractual relations and/or prospective economic advantage. The court also dismissed in part the plaintiffs' fraud-based claims under the California consumer protection statutes and computer hacking claims under the Computer Fraud and Abuse Act and California Computer Data Access and Fraud Act. The court denied HP's motion to dismiss with respect to the plaintiffs' claim for trespass to chattels and claim under the “unlawful” prong of the California unfair competition statute. The court granted the plaintiffs leave to amend on all of the dismissed claims, except the California Computer Data Access and Fraud Act claim to the extent it was based on two specific subsections of that statute. On September 18, 2018, the parties entered into a Settlement Agreement and Release pursuant to which the plaintiffs agreed to dismiss all claims against HP in exchange for a \$1.5 million payment to the

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

class and an agreement that HP would not reinstall the authentication protocol on the printers at issue. The settlement is subject to the approval of the court. The plaintiffs filed a motion for preliminary approval of the settlement, which was granted by the court on November 19, 2018. Notice of the settlement will be given to the class beginning on January 7, 2019, and class members will have 120 days in which to opt out of or object to the settlement. A final approval hearing is scheduled for April 25, 2019.

Autonomy-Related Legal Matters

Investigations. As a result of the findings of an ongoing investigation, HP has provided information to the U.K. Serious Fraud Office, the U.S. Department of Justice (“DOJ”) and the SEC related to the accounting improprieties, disclosure failures and misrepresentations at Autonomy that occurred prior to and in connection with HP’s acquisition of Autonomy. On January 19, 2015, the U.K. Serious Fraud Office notified HP that it was closing its investigation and had decided to cede jurisdiction of the investigation to the U.S. authorities. On November 14, 2016, the DOJ announced that a federal grand jury indicted Sushovan Hussain, the former CFO of Autonomy. Mr. Hussain was charged with conspiracy to commit wire fraud, securities fraud, and multiple counts of wire fraud. The indictment alleged that Mr. Hussain engaged in a scheme to defraud purchasers and sellers of securities of Autonomy and HP about the true performance of Autonomy’s business, its financial condition, and its prospects for growth. A jury trial commenced on February 26, 2018. On April 30, 2018, the jury found Mr. Hussain guilty of all charges against him. On November 15, 2016, the SEC announced that Stouffer Egan, the former CEO of Autonomy’s U.S.-based operations, settled charges relating to his participation in an accounting scheme to meet internal sales targets and analyst revenue expectations. On November 29, 2018, the DOJ announced that a federal grand jury indicted Michael Lynch, former CEO of Autonomy, and Stephen Chamberlain, former VP of Finance of Autonomy. Dr. Lynch and Mr. Chamberlain were charged with conspiracy to commit wire fraud and multiple counts of wire fraud. HP is continuing to cooperate with the ongoing enforcement actions.

Autonomy Corporation Limited v. Michael Lynch and Sushovan Hussain. On April 17, 2015, four former-HP subsidiaries that became subsidiaries of Hewlett Packard Enterprise at the time of the Separation (Autonomy Corporation Limited, Hewlett Packard Vision BV, Autonomy Systems, Limited, and Autonomy, Inc.) initiated civil proceedings in the U.K. High Court of Justice against two members of Autonomy’s former management, Michael Lynch and Sushovan Hussain. The Particulars of Claim seek damages in excess of \$5 billion from Messrs. Lynch and Hussain for breach of their fiduciary duties by causing Autonomy group companies to engage in improper transactions and accounting practices. On October 1, 2015, Messrs. Lynch and Hussain filed their defenses. Mr. Lynch also filed a counterclaim against Autonomy Corporation Limited seeking \$160 million in damages, among other things, for alleged misstatements regarding Lynch. The Hewlett Packard Enterprise subsidiary claimants filed their replies to the defenses and the asserted counter-claim on March 11, 2016. The parties are actively engaged in the disclosure process. A six-month trial is scheduled to begin on March 25, 2019.

Environmental

HP’s operations and products are subject to various federal, state, local and foreign 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 cleanup of contaminated sites, the content of HP’s products and the recycling, treatment and disposal of those products. In particular, HP faces increasing complexity in its product design and procurement operations as it adjusts to new and future requirements relating to the chemical and materials composition of its products, their safe use, and the energy consumption associated with those products, including requirements relating to climate change. HP is 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”). HP could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become noncompliant with environmental laws. HP’s potential exposure includes fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs to comply with environmental laws are difficult to predict.

HP is party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), known as “Superfund,” or state laws

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

similar to CERCLA, and may become a party to, or otherwise involved in, proceedings brought by private parties for contribution towards clean-up costs. HP is also conducting environmental investigations or remediations at several current or former operating sites pursuant to administrative orders or consent agreements with state environmental agencies.

The separation and distribution agreement includes provisions that provide for the allocation of environmental liabilities between HP and Hewlett Packard Enterprise including certain remediation obligations; responsibilities arising from the chemical and materials composition of their respective products, their safe use and their energy consumption; obligations under product take back legislation that addresses the collection, recycling, treatment and disposal of products; and other environmental matters. HP will generally be responsible for environmental liabilities related to the properties and other assets, including products, allocated to HP under the separation and distribution agreement and other ancillary agreements. Under these agreements, HP will indemnify Hewlett Packard Enterprise for liabilities for specified ongoing remediation projects, subject to certain limitations, and Hewlett Packard Enterprise has a payment obligation for a specified portion of the cost of those remediation projects. In addition, HP will share with Hewlett Packard Enterprise other environmental liabilities as set forth in the separation and distribution agreement. HP is indemnified in whole or in part by Hewlett Packard Enterprise for liabilities arising from the assets assigned to Hewlett Packard Enterprise and for certain environmental matters as detailed in the separation and distribution agreement.

Note 15: Guarantees, Indemnifications and Warranties

Guarantees

In the ordinary course of business, HP may issue performance guarantees to certain of its clients, customers and other parties pursuant to which HP has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, HP would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. HP believes the likelihood of having to perform under a material guarantee is remote.

Cross-Indemnifications with Hewlett Packard Enterprise

Under the separation and distribution agreement, HP agreed to indemnify Hewlett Packard Enterprise, each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to HP as part of the Separation. Hewlett Packard Enterprise similarly agreed to indemnify HP, each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to Hewlett Packard Enterprise as part of the Separation. HP expects Hewlett Packard Enterprise to fully perform under the terms of the separation and distribution agreement.

In connection with the Separation, HP entered into the tax matters agreement (“TMA”) with Hewlett Packard Enterprise, effective on November 1, 2015. The TMA provides that HP and Hewlett Packard Enterprise will share certain pre-Separation income tax liabilities. In addition, if the distribution of Hewlett Packard Enterprise’s common shares to the HP stockholders is determined to be taxable, Hewlett Packard Enterprise and HP would share the tax liability equally, unless the taxability of the distribution is the direct result of action taken by either Hewlett Packard Enterprise or HP subsequent to the distribution, in which case the party causing the distribution to be taxable would be responsible for any taxes imposed on the distribution.

For information on the cross indemnifications related to litigations effective upon the Separation on November 1, 2015, see Note 14, “Litigation and Contingencies”, respectively.

Indemnifications

In the ordinary course of business, HP enters into contractual arrangements under which HP may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of HP or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. HP also provides indemnifications to certain vendors and customers against claims of intellectual property infringement made by third parties arising from the vendors’ and customers’ use of HP’s software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

HP records tax indemnification receivables from various third parties for certain tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by those same third parties under existing legal agreements. The actual

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 15: Guarantees, Indemnifications and Warranties (Continued)**

amount that the third parties pay may be obligated to pay HP could vary depending on the outcome of certain unresolved tax matters, which may not be resolved for several years. The net receivable as of October 31, 2018 was \$1.0 billion .

Warranties

HP accrues the estimated cost of product warranties at the time it recognizes revenue. HP engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers; however, 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 failures outside of HP's baseline experience, affect the estimated warranty obligation.

HP's aggregate product warranty liabilities and changes were as follows:

	As of October 31	
	2018	2017
	In millions	
Balance at beginning of year	\$ 898	\$ 980
Accruals for warranties issued	1,042	925
Adjustments related to pre-existing warranties (including changes in estimates)	(15)	(8)
Settlements made (in cash or in kind)	(1,010)	(999)
Balance at end of year	<u>\$ 915</u>	<u>\$ 898</u>

HP INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****Note 16: Commitments***Lease Commitments*

HP leases certain real and personal property under non-cancelable operating leases. Certain leases require HP to pay property taxes, insurance and routine maintenance and include renewal options and escalation clauses. Rent expense from continuing operations was approximately \$0.2 billion in each of fiscal years 2018, 2017 and 2016.

As of October 31, 2018, future minimum operating lease commitments were as follows:

Fiscal year		In millions
2019	\$	317
2020		256
2021		200
2022		162
2023		141
Thereafter		411
Less: Sublease rental income		(129)
Total	\$	<u>1,358</u>

Unconditional Purchase Obligations

As of October 31, 2018, HP had unconditional purchase obligations of \$704 million. These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on HP 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 unconditional purchase obligations are primarily related to inventory and service support. Unconditional purchase obligations exclude agreements that are cancelable without penalty.

As of October 31, 2018, unconditional purchase obligations were as follows:

Fiscal year		In millions
2019	\$	434
2020		180
2021		64
2022		24
2023		2
Thereafter		—
Total	\$	<u>704</u>

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 17: 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.

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

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Expenses ⁽¹⁾	\$ —	\$ —	\$ 201
Interest and other, net ⁽²⁾	—	(47)	(208)
Earnings from discontinued operations before taxes	\$ —	\$ 47	\$ 7
Provision for taxes ⁽²⁾	—	(47)	(177)
Net loss from discontinued operations	\$ —	\$ —	\$ (170)

⁽¹⁾ Expenses for fiscal year 2016 were primarily related to separation costs.

In connection with the TMA, Interest and other, net for fiscal year 2017 and fiscal year 2016 relates to changes in the tax indemnifications amounts. Provision for taxes for fiscal year 2017 and fiscal year 2016 includes the tax impact relating to the above described changes of \$47 million and \$201 million, respectively. For further information on tax indemnifications and the TMA, see Note 15, "Guarantees, Indemnifications and Warranties".

Note 18: Acquisitions and Divestitures

Acquisitions in Fiscal Year 2018

On November 1, 2017, HP completed the acquisition of Samsung's printer business. With this acquisition, HP now offers the industry's strongest portfolio of A3 multifunction printers that deliver the simplicity of printers with the high performance of copiers. The fully integrated portfolio, including next-generation PageWide technologies, offers opportunities to grow managed print and document services as sales models shift from transactional to contractual. HP reports the financial results of the above business in the Printing segment.

The table below presents the purchase price allocation.

	In millions
Goodwill	\$ 339
Amortizable intangible assets	521
Net assets assumed	191
Total fair value of consideration	\$ 1,051

Divestitures in prior years

During fiscal year 2016, HP entered into agreements to divest certain technology assets, including licensing and distribution rights, for certain software offerings to Open Text Corporation, an enterprise information management company for \$475 million. These divestitures were substantially completed during the fourth quarter of fiscal year 2016. The technology assets sold were previously reported within the Commercial Hardware business unit within the Printing segment. The total gain recognized from the divestitures was \$401 million. The gains associated with these divestitures were included in Selling, general and administrative expenses in the Consolidated Statements of Earnings.

HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 19: Subsequent Events

On November 1, 2018, HP made a cash payment of \$422 million in connection with the acquisition of the Apogee group, a U.K. based office equipment dealer (“OED”) and provider of print, outsourced services, and document and process technology. The cash payment is subject to customary closing and other adjustments and would be finalized in future periods.

HP INC. AND SUBSIDIARIES

Quarterly Summary

(Unaudited)

(In millions, except per share amounts)

	For the three-month fiscal periods ended in fiscal year 2018			
	January 31	April 30	July 31	October 31
Net revenue	\$ 14,517	\$ 14,003	\$ 14,586	\$ 15,366
Cost of revenue	11,935	11,301	11,898	12,669
Earnings from operations	973	964	1,080	1,047
Net earnings	\$ 1,938	\$ 1,058	\$ 880	\$ 1,451
Net earnings per share: ⁽¹⁾				
Basic	\$ 1.17	\$ 0.65	\$ 0.55	\$ 0.92
Diluted	\$ 1.16	\$ 0.64	\$ 0.54	\$ 0.91
Cash dividends paid per share	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14

	For the three-month fiscal periods ended in fiscal year 2017			
	January 31	April 30	July 31	October 31
Net revenue	\$ 12,684	\$ 12,385	\$ 13,060	\$ 13,927
Cost of revenue	10,436	10,002	10,633	11,407
Earnings from operations	856	818	955	890
Net earnings	\$ 611	\$ 559	\$ 696	\$ 660
Net earnings per share: ⁽¹⁾				
Basic	\$ 0.36	\$ 0.33	\$ 0.41	\$ 0.40
Diluted	\$ 0.36	\$ 0.33	\$ 0.41	\$ 0.39
Cash dividends paid per share	\$ 0.13	\$ 0.14	\$ 0.13	\$ 0.13

⁽¹⁾ Net EPS for each quarter is computed using the weighted-average number of shares outstanding during that quarter, while EPS for the fiscal year is computed using the weighted-average number of shares outstanding during the year. Hence, the sum of the EPS for each of the four quarters may not equal the EPS for the fiscal year.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to HP, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to HP's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any change in our internal control over financial reporting during the fourth quarter of fiscal year 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

See Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The names of the executive officers of HP and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I, Item 1, above.

The following information is included in HP's Proxy Statement related to its 2019 Annual Meeting of Stockholders to be filed within 120 days after HP's fiscal year end of October 31, 2018 (the "Proxy Statement") and is incorporated herein by reference:

- Information regarding directors of HP who are standing for reelection and any persons nominated to become directors of HP is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors."
- Information regarding HP's Audit Committee and designated "audit committee financial experts" is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors—Audit Committee."
- Information on HP's code of business conduct and ethics for directors, officers and employees, also known as "Integrity at HP", is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors—Code of Conduct" and information on HP's Corporate Governance Guidelines is set forth under "—Director Nominees and Director Nominees' Experience and Qualifications", "—Recent Corporate Governance Updates" and "—Director Independence."
- Information regarding Section 16(a) beneficial ownership reporting compliance is set forth under "Ownership of Our Stock—Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. Executive Compensation.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding HP's compensation of its named executive officers is set forth under "Executive Compensation."
- Information regarding HP's compensation of its directors is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors—Director Compensation and Stock Ownership Guidelines."
- The report of HP's HR and Compensation Committee is set forth under "Executive Compensation—Management Proposal No. 3 Advisory Vote to Approve Executive Compensation—HR and Compensation Committee Report on Executive Compensation."

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding security ownership of certain beneficial owners, directors and executive officers is set forth under "Ownership of Our Stock—Common Stock Ownership of Certain Beneficial Owners and Management."
- Information regarding HP's equity compensation plans, including both stockholder approved plans and non-stockholder approved plans, is set forth in the section entitled "Executive Compensation—Management Proposal No. 3 Advisory Vote to Approve Executive Compensation—Equity Compensation Plan Information."

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding transactions with related persons is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors—Fiscal 2017 Related Person Transactions."
- Information regarding director independence is set forth under "Corporate Governance—Management Proposal No. 1 Election of Directors—Director Independence."

ITEM 14. Principal Accounting Fees and Services.

Information regarding principal accounting fees and services is set forth under “Audit Matters—Management Proposal No. 2 Ratification of Independent Registered Public Accounting Firm—Principal Accounting Fees and Services” in the Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. All Financial Statements:

The following financial statements are filed as part of this report under Item 8—"Financial Statements and Supplementary Data."

Reports of Independent Registered Public Accounting Firm	51
Management's Report on Internal Control Over Financial Reporting	53
Consolidated Statements of Earnings	54
Consolidated Statements of Comprehensive Income	55
Consolidated Balance Sheets	56
Consolidated Statements of Cash Flows	57
Consolidated Statements of Stockholders' (Deficit) Equity	58
Notes to Consolidated Financial Statements	59
Quarterly Summary	114

2. Financial Statement Schedules:

All schedules are omitted as the required information is not applicable or the information is presented in the Consolidated Financial Statements and notes thereto in Item 8 above.

3. Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
2(a)	Separation and Distribution Agreement, dated as of October 31, 2015, by and among Hewlett-Packard Company, Hewlett Packard Enterprise Company and the Other Parties Thereto. **	8-K	001-04423	2.1	November 5, 2015
2(b)	Transition Services Agreement, dated as of November 1, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company. **	8-K	001-04423	2.2	November 5, 2015
2(c)	Tax Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company. **	8-K	001-04423	2.3	November 5, 2015
2(d)	Employee Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company. **	8-K	001-04423	2.4	November 5, 2015
2(e)	Real Estate Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company. **	8-K	001-04423	2.5	November 5, 2015
3(a)	Registrant's Certificate of Incorporation.	10-Q	001-04423	3(a)	June 12, 1998
3(b)	Registrant's Amendment to the Certificate of Incorporation.	10-Q	001-04423	3(b)	March 16, 2001
3(c)	Registrant's Certificate of Amendment to the Certificate of Incorporation.	8-K	001-04423	3.2	October 22, 2015
3(d)	Registrant's Certificate of Amendment to the Certificate of Incorporation.	8-K	001-04423	3.1	April 7, 2016
3(e)	Registrant's Amended and Restated Bylaws.	8-K	001-04423	3.1	July 26, 2017
4(a)	Form of Senior Indenture	S-3	333-215116	4.1	December 15, 2016
4(b)	Form of Subordinated Indenture.	S-3	333-21516	4.2	December 15, 2016
4(c)	Form of Registrant's 3.750% Global Note due December 1, 2020 and form of related Officers' Certificate.	8-K	001-04423	4.2 and 4.3	December 2, 2010
4(d)	Form of Registrant's 4.300% Global Note due June 1, 2021 and form of related Officers' Certificate.	8-K	001-04423	4.5 and 4.6	June 1, 2011
4(e)	Form of Registrant's 4.375% Global Note due September 15, 2021 and 6.000% Global Note due September 15, 2041 and form of related Officers' Certificate.	8-K	001-04423	4.4 , 4.5 and 4.6	September 19, 2011
4(f)	Form of Registrant's 4.650% Global Note due December 9, 2021 and related Officers' Certificate.	8-K	001-04423	4.3 and 4.4	December 12, 2011
4(g)	Form of Registrant's 4.050% Global Note due September 15, 2022 and related Officers' Certificate.	8-K	001-04423	4.2 and 4.3	March 12, 2012

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4(h)	Form of Registrant's 2.750% Global Note due January 14, 2019 and Floating Rate Global Note due January 14, 2019 and related Officers' Certificate.	8-K	001-04423	4.1 , 4.2 and 4.3	January 14, 2014
4(i)	Specimen certificate for the Registrant's common stock.	8-K/A	001-04423	4.1	June 23, 2006
4(j)	First Supplemental Indenture, dated as of March 26, 2018, to the Indenture, dated as of June 1, 2000, by and between the Registrant and The Bank of New York Mellon Trust Company, N.A.	10-Q	001-04423	4(j)	June 5, 2018
10(a)	Registrant's 2004 Stock Incentive Plan. *	S-8	333-114253	4.1	April 7, 2004
10(b)	Registrant's Excess Benefit Retirement Plan, amended and restated as of January 1, 2006. *	8-K	001-04423	10.2	September 21, 2006
10(c)	Hewlett-Packard Company Cash Account Restoration Plan, amended and restated as of January 1, 2005. *	8-K	001-04423	99.3	November 23, 2005
10(d)	Registrant's 2005 Pay-for-Results Plan, as amended. *	10-K	001-04423	10(h)	December 14, 2011
10(e)	Registrant's Executive Severance Agreement. *	10-Q	001-04423	10(u)(u)	June 13, 2002
10(f)	Registrant's Executive Officers Severance Agreement. *	10-Q	001-04423	10(v)(v)	June 13, 2002
10(g)	Form letter regarding severance offset for restricted stock and restricted units. *	8-K	001-04423	10.2	March 22, 2005
10(h)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California). *	8-K	001-04423	10.2	January 24, 2008
10(i)	Form of Agreement Regarding Confidential Information and Proprietary Developments (Texas). *	10-Q	001-04423	10(o)(o)	March 10, 2008
10(j)	Form of Stock Option Agreement for Registrant's 2004 Stock Incentive Plan. *	10-Q	001-04423	10(p)(p)	March 10, 2008
10(k)	Form of Option Agreement for Registrant's 2000 Stock Plan. *	10-Q	001-04423	10(t)(t)	June 6, 2008
10(l)	Form of Common Stock Payment Agreement for Registrant's 2000 Stock Plan. *	10-Q	001-04423	10(u)(u)	June 6, 2008
10(m)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options. *	10-K	001-04423	10(y)(y)	December 18, 2008

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(n)	First Amendment to the Hewlett-Packard Company Excess Benefit Retirement Plan. *	10-Q	001-04423	10(b)(b)(b)	March 10, 2009
10(o)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options. *	10-K	001-04423	10(i)(i)(i)	December 15, 2010
10(p)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California—new hires). *	10-K	001-04423	10(j)(j)(j)	December 15, 2010
10(q)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California—current employees). *	10-K	001-04423	10(k)(k)(k)	December 15, 2010
10(r)	Second Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan, as amended effective February 28, 2013. *	8-K	001-04423	10.2	March 21, 2013
10(s)	Form of Stock Notification and Award Agreement for awards of restricted stock units. *	10-Q	001-04423	10(u)(u)	March 11, 2014
10(t)	Form of Stock Notification and Award Agreement for awards of foreign stock appreciation rights. *	10-Q	001-04423	10(v)(v)	March 11, 2014
10(u)	Form of Stock Notification and Award Agreement for long-term cash awards. *	10-Q	001-04423	10(w)(w)	March 11, 2014
10(v)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options. *	10-Q	001-04423	10(x)(x)	March 11, 2014
10(w)	Form of Grant Agreement for grants of performance-adjusted restricted stock units. *	10-Q	001-04423	10(y)(y)	March 11, 2014
10(x)	Form of Stock Notification and Award Agreement for awards of restricted stock. *	10-Q	001-04423	10(z)(z)	March 11, 2014
10(y)	Form of Stock Notification and Award Agreement for awards of performance-contingent non-qualified stock options. *	10-Q	001-04423	10(a)(a)(a)	March 11, 2014

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(z)	Form of Grant Agreement for grants of performance-contingent non-qualified stock options.*	10-Q	001-04423	10(b)(b)(b)	March 11, 2014
10(a)(a)	Form of Grant Agreement for grants of restricted stock units.*	10-Q	001-04423	10(c)(c)(c)	March 11, 2015
10(b)(b)	Form of Grant Agreement for grants of foreign stock appreciation rights.*	10-Q	001-04423	10(d)(d)(d)	March 11, 2015
10(c)(c)	Form of Grant Agreement for grants of long-term cash awards.*	10-Q	001-04423	10(e)(e)(e)	March 11, 2015
10(d)(d)	Form of Grant Agreement for grants of non-qualified stock options.*	10-Q	001-04423	10(f)(f)(f)	March 11, 2015
10(e)(e)	Form of Grant Agreement for grants of performance-adjusted restricted stock units.*	10-Q	001-04423	10(g)(g)(g)	March 11, 2015
10(f)(f)	Form of Grant Agreement for grants of restricted stock awards.*	10-Q	001-04423	10(h)(h)(h)	March 11, 2015
10(g)(g)	Form of Grant Agreement for grants of performance-contingent non-qualified stock options.*	10-Q	001-04423	10(i)(i)(i)	March 11, 2015
10(h)(h)	Term Loan Agreement, dated as of April 30, 2015, among the Registrant, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent.	10-Q	001-04423	10(b)(b)(b)	June 8, 2015
10(i)(i)	Amendment, dated as of June 1, 2015, to the Term Loan Agreement, dated as of April 30, 2015, among the Registrant, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent.	10-Q	001-04423	10(c)(c)(c)	June 8, 2015
10(j)(j)	Second Amended and Restated Five-Year Credit Agreement, dated as of April 2, 2014, as Amended and Restated as of November 1, 2015, as further Amended and Restated as of March 30, 2018, among the Registrant, the lenders named therein and Citibank, N.A., as administrative processing agent and co-administrative agent, and JPMorgan Chase Bank, N.A., as co-administrative agent.	10-Q	001-04423	10(j)(j)	June 5, 2018

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(k)(k)	Form of Grant Agreement for grants of foreign stock appreciation rights.*	10-K	001-04423	10(e)(e)(e)	December 16, 2015
10(l)(l)	Form of Grant Agreement for grants of performance-contingent non-qualified stock options.*	10-K	001-04423	10(f)(f)(f)	December 16, 2015
10(m)(m)	Form of Grant Agreement for grants of non-qualified stock options.*	10-K	001-04423	10(g)(g)(g)	December 16, 2015
10(n)(n)	Registrant's 2005 Executive Deferred Compensation Plan, amended and restated effective November 1, 2015.*	10-K/A	001-04423	10(n)(n)	December 15, 2017
10(o)(o)	Registrant's Severance and Long-Term Incentive Change in Control Plan for Executive Officers, amended and restated effective November 1, 2015.*	10-Q	001-04423	10(o)(o)	March 3, 2016
10(p)(p)	Form of Stock Notification and Award Agreement for awards of performance-contingent non-qualified stock options (launch grant).*	10-Q	001-04423	10(p)(p)	March 3, 2016
10(q)(q)	Form of Stock Notification and Award Agreement for awards of restricted stock units (launch grant).*	10-Q	001-04423	10(q)(q)	March 3, 2016
10(r)(r)	Form of Stock Notification and Award Agreement for awards of restricted stock units.*	10-Q	001-04423	10(r)(r)	March 3, 2016
10(s)(s)	Form of Stock Notification and Award Agreement for awards of performance-adjusted restricted stock units.*	10-Q	001-04423	10(s)(s)	March 3, 2016
10(t)(t)	Form of Amendment to Award Agreements for awards of restricted stock units or performance-adjusted restricted stock units, effective January 1, 2016.*	10-Q	001-04423	10(t)(t)	March 3, 2016
10(u)(u)	First Amendment to Severance and Long-Term Incentive Change in Control Plan for Executive Officers, as amended and restated effective November 1, 2015.*	10-K	001-04423	10(u)(u)	December 15, 2016
10(v)(v)	Second Amendment to Severance and Long-Term Incentive Change in Control Plan for Executive Officers, as amended and restated effective November 1, 2015.*	10-Q	001-04423	10(v)(v)	March 2, 2017
10(w)(w)	2017 Amendment to the Hewlett-Packard Company Cash Account Restoration Plan.*	10-Q	001-04423	10(w)(w)	March 2, 2017
10(x)(x)	Second Amendment to the Hewlett-Packard Company Excess Benefit Retirement Plan.*	10-Q	001-04423	10(x)(x)	March 2, 2017
10(y)(y)	Second Amended and Restated HP Inc. 2004 Stock Incentive Plan, as amended and restated effective January 23, 2017.*	10-Q	001-04423	10(y)(y)	March 2, 2017
10(z)(z)	Form of Grant Agreement for grants of performance-adjusted restricted stock units (for use from November 1, 2016).*	10-Q	001-04423	10(z)(z)	March 2, 2017
10(a)(a)(a)	Form of Grant Agreement for grants of restricted stock units (for use from November 1, 2016).*	10-Q	001-04423	10(a)(a)(a)	March 2, 2017
10(b)(b)(b)	Second Amended and Restated HP Inc. 2004 Stock Incentive Plan (as amended effective January 29, 2018).*	10-Q	001-04423	10(b)(b)(b)	March 1, 2018
10(c)(c)(c)	Form of Grant Agreement for grants of restricted stock units (for use from November 1, 2017).*	10-Q	001-04423	10(c)(c)(c)	March 1, 2018

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(d)(d)(d)	Form of Grant Agreement for grants of performance-adjusted restricted stock units (for use from November 1, 2017).*	10-Q	001-04423	10(d)(d)(d)	March 1, 2018
10(e)(e)(e)	Form of Grant Agreement for grants of restricted stock units for directors (for use from November 1, 2017).*	10-Q	001-04423	10(e)(e)(e)	March 1, 2018
10(f)(f)(f)	Form of Grant Agreement for grants of stock options for directors (for use from November 1, 2017).*	10-Q	001-04423	10(f)(f)(f)	March 1, 2018
10(g)(g)(g)	Form of Grant Agreement for grants of restricted stock units (for use from November 1, 2018).*†				
10(h)(h)(h)	Form of Grant Agreement for grants of performance-adjusted restricted stock units (for use from November 1, 2018).*†				
21	Subsidiaries of the Registrant as of October 31, 2018.†				
23	Consent of Independent Registered Public Accounting Firm.†				
24	Power of Attorney (included on the signature page).				
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.‡				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.‡				
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†				
101.INS	XBRL Instance Document.‡				
101.SCH	XBRL Taxonomy Extension Schema Document.‡				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.‡				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.‡				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.‡				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.‡				

* Indicates management contract or compensatory plan, contract or arrangement.

** Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Registration S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.

† Filed herewith.

†† Furnished herewith.

The registrant agrees to furnish to the Commission supplementally upon request a copy of (1) any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis and (2) any omitted schedules to any material plan of acquisition, disposition or reorganization set forth above.

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steve Fieler, Kim Rivera and Ruairidh Ross, or any of them, his or her attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
<u>/s/ DION J. WEISLER</u> Dion J. Weisler	President and Chief Executive Officer and Director (Principal Executive Officer)	December 13, 2018
<u>/s/ STEVE FIELER</u> Steve Fieler	Chief Financial Officer (Principal Financial Officer)	December 13, 2018
<u>/s/ MARIE E. MYERS</u> Marie E. Myers	Global Controller and Head of Finance Services (Principal Accounting Officer)	December 13, 2018
<u>/s/ AIDA ALVAREZ</u> Aida Alvarez	Director	December 13, 2018
<u>/s/ SHUMEET BANERJI</u> Shumeet Banerji	Director	December 13, 2018
<u>/s/ ROBERT R. BENNETT</u> Robert R. Bennett	Director	December 13, 2018
<u>/s/ CHARLES V. BERGH</u> Charles V. Bergh	Director	December 13, 2018
<u>/s/ STACY BROWN-PHILPOT</u> Stacy Brown-Philpot	Director	December 13, 2018
<u>/s/ STEPHANIE BURNS</u> Stephanie Burns	Director	December 13, 2018
<u>/s/ MARY ANNE CITRINO</u> Mary Anne Citrino	Director	December 13, 2018
<u>/s/ STACEY MOBLEY</u> Stacey Mobley	Director	December 13, 2018
<u>/s/ SUBRA SURESH</u> Subra Suresh	Director	December 13, 2018

ITEM 16. Form 10-K Summary

None.



GRANT AGREEMENT for use from [Insert Date]

Name: fld_NAME_AC

Employee ID: fld_EMPLID

Grant Date:	expGRANT_DATE
Grant ID:	fld_GRANT_NBR
Amount:	0
Plan:	fld_DESCR
Vesting Schedule:	fld_HTMLAREA1

Restricted Stock Units

THIS GRANT AGREEMENT, as of the Grant Date noted above between HP Inc., a Delaware Corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WHEREAS, the continued participation of the Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company (or its Affiliates or Subsidiaries), to accept ancillary agreements designed to protect the legitimate business interests of the Company that are made a condition of this grant and to participate in the affairs of the Company, the HR and Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted restricted stock units representing hypothetical shares of the Company's common stock ("RSUs"), with each RSU equal in value to one share of the Company's \$0.01 par value common stock ("Share"), subject to the restrictions stated below and in accordance with the terms and conditions of the plan named above ("Plan"), a copy of which can be found on the Long-term Incentives website along with a copy of the related prospectus. The Plan and the related prospectus also can be obtained by written or telephonic request to the Company Secretary. Unless otherwise defined in this Grant Agreement, any capitalized terms in this Grant Agreement shall have the meaning ascribed to such terms in the Plan.

THEREFORE, the parties agree as follows:

1. **Grant of Restricted Stock Units.**
Subject to the terms and conditions of this Grant Agreement and of the Plan, the Company hereby grants to the Employee the number of RSUs set forth above.
2. **Vesting Schedule.**
The interest of the Employee in the RSUs shall vest according to the vesting schedule set forth above, or if earlier, in accordance with Section 8 or 9, below, except to the extent a severance plan applicable to the Employee provides otherwise. Unless the provisions of Section 8 or 9 apply, the Employee must remain in the employ of the Company, any Subsidiary or Affiliate on a continuous basis through the close of business on the applicable Vesting Date, as set forth above, and the Employee must be in compliance with the requirements and conditions provided for in the Plan and this Grant Agreement for the interest of the Employee in the RSUs to become fully vested on that date.
3. **Benefit Upon Settlement.**
Within 75 days of each Vesting Date set forth on the above vesting schedule or, if earlier, a vesting event pursuant to Section 8 or 9 below, the Company shall deliver or pay, as applicable, to the Employee (or the Employee's guardian, estate or beneficiary in the event of Section 8 or 9) Shares or a combination of cash and Shares, as the Company determines in its sole discretion, with a value equal to:
 - (a) the number of RSUs that have become vested as of such vesting date or vesting event, as applicable, multiplied by the Fair Market Value of a Share on the date on which such RSUs vested; plus

(b) a dividend equivalent payment credited in the form of additional RSUs for each ordinary cash dividend the Company pays on its Shares and for which the record date occurs between the grant date and the date the RSUs are settled, determined by:

- (1) multiplying the per share cash dividend paid by the Company on its Shares by the total number of RSUs that are outstanding as of the record date for the dividend; and
- (2) dividing the amount determined in (1) above by the Fair Market Value of a Share on the dividend payment date to determine the number of additional whole and fractional RSUs to be credited to the Employee;

provided, however, that if any aggregated dividend equivalent payments in Section (b)(2) above to be delivered in Shares result in a payment of a fractional Share, such fractional Share shall be rounded up to the next whole Share.

Notwithstanding the foregoing, the Company may, in its sole discretion, settle the RSUs in the form of a cash payment to the extent settlement in Shares: (i) is prohibited under local law; (ii) would require the Employee, the Company and/or any Subsidiary or Affiliate to obtain the approval of any governmental and/or regulatory body in the Employee's country; (iii) would result in adverse tax consequences for the Employee, the Company or any Subsidiary or Affiliate; or (iv) is administratively burdensome. Alternatively, the Company may, in its sole discretion, settle the RSUs in the form of Shares but require the Employee to sell such Shares immediately or within a specified period of time following the Employee's termination of employment (in which case the Employee expressly authorizes the Company to issue sales instructions on the Employee's behalf).

4. Restrictions.

Except as otherwise provided for in this Grant Agreement, the RSUs or rights granted hereunder may not be sold, pledged or otherwise transferred. The period of time between the Grant Date and the date the RSUs become fully vested pursuant to Section 2 is referred to herein as the "Restriction Period."

5. Custody of Restricted Stock Units.

The RSUs subject hereto shall be recorded in an account with the Plan broker in the name of the Employee. Upon termination of the Restriction Period, if the Company determines, in its sole discretion, to deliver Shares pursuant to Section 3 above, such Shares shall be released into the Employee's account; provided, however, that a portion of such Shares shall be surrendered in payment of Tax-Related Items, as defined and in accordance with Section 11 below, unless the Company, in its sole discretion, establishes alternative procedures for the payment of Tax-Related Items.

6. No Stockholder Rights.

RSUs represent hypothetical Shares. Until Shares are delivered to the Employee pursuant to the terms of this Grant Agreement, the Employee shall not be entitled to any of the rights or benefits generally accorded to stockholders, including, without limitation, the receipt of dividends.

7. Termination of Employment.

Except as otherwise provided for in this Grant Agreement or in the Plan or as otherwise determined by the Company in its sole discretion, if the Employee's employment with the Company, any Subsidiary or Affiliate is terminated at any time for any reason prior to the lapse of the Restriction Period, all unvested RSUs granted hereunder shall be forfeited by the Employee, except to the extent a severance plan applicable to the Employee provides otherwise.

For purposes of this Grant Agreement, the Employee's employment or service will be considered terminated as of the date he or she is no longer actively providing services to the Company, any Subsidiary or Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Employee is employed or retained or the terms of the Employee's employment or service agreement, if any) and will not be extended by any notice period (e.g., the Employee's period of employment or service would not include any contractual notice period or any period of "garden leave" or similar period mandated under the employment laws in the jurisdiction where the Employee is employed or retained or the terms of the Employee's employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when the Employee's employment or service is terminated for purposes of this Grant Agreement (including whether the Employee may still be considered to be providing service while on a leave of absence).

8. Disability or Retirement of the Employee.

If the Employee's employment is terminated prior to the end of the Restriction Period by reason of the Employee's Total and Permanent Disability or retirement in accordance with the applicable retirement policy, all RSUs shall immediately vest including any amounts for dividend equivalent payments on RSUs that vest at termination subject to the condition that the Employee shall have executed a current Agreement Regarding Confidential Information and Proprietary Developments ("ARCIPD") that is satisfactory to the Company, and shall not have engaged in any conduct that creates a conflict of interest in the opinion of the Company.

9. Death of the Employee.

In the event that termination of employment prior to the end of the Restriction Period is due to the death of the Employee, all unvested RSUs shall immediately vest including any amounts for dividend equivalent payments on such vested RSUs.

10. Section 409A.

The following provisions apply to the extent the Employee is subject to taxation in the U.S. Payments made pursuant to the Plan and this Grant Agreement are intended to comply with or qualify for an exemption from Section 409A of the Code ("Section 409A"). The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan and/or this Grant Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including any amendments or actions that would result in the reduction of benefits payable under this Grant Agreement, as the Company determines are necessary or appropriate to ensure that all RSUs and dividend equivalent payments are made in a manner that qualifies for an exemption from, or complies with, Section 409A or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A: provided however, that the Company makes no representations that the RSUs or dividend equivalents will be exempt from any taxes, interest, and/or penalties that may apply under Section 409A and makes no undertaking to preclude Section 409A from applying to this RSU. For the avoidance of doubt, the Employee hereby acknowledges and agrees that neither the Company nor any Affiliate or Subsidiary will have any liability to the Employee or any other party if any amounts payable under this Grant Agreement are not exempt from, or compliant with, Section 409A, or for any action taken by the Company with respect thereto. Any payments under this Grant Agreement, the settlement of which is triggered by a "separation from service" (within the meaning of Section 409A) of a "specified employee" (as defined under Section 409A), shall be made on a date that is the earlier of (a) the Employee's death or (b) the later of the specified settlement date and the date which is six months after the date of the Employee's separation from service.

11. Taxes.
- (a) The Employee shall be liable for any and all taxes, including income tax, social insurance, fringe benefit tax, payroll tax, payment on account, employer taxes or other tax-related items related to the Employee's participation in the Plan and legally applicable to or otherwise recoverable from the Employee by the Company and/or, if different, the Employee's employer (the "Employer") whether incurred at grant, vesting, sale, prior to vesting or at any other time ("Tax-Related Items"). In the event that the Company or the Employer (which, for purposes of this Section 11, shall include a former employer) is required, allowed or permitted to withhold taxes as a result of the grant or vesting of RSUs or the issuance or subsequent sale of Shares acquired pursuant to such RSUs, or due upon receipt of dividend equivalent payments or dividends, the Employee shall surrender a sufficient number of whole Shares, make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from Employee's wages or other cash compensation paid to the Employee by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all Tax-Related Items that the Company or the Employer has to withhold or that are legally recoverable from the Employee (such as fringe benefit tax) at the time the restrictions on the RSUs lapse, unless the Company, in its sole discretion, has established alternative procedures for such payment. However, with respect to any RSUs subject to Section 409A, the Employer shall limit the surrender of Shares to the minimum number of Shares permitted to avoid a prohibited acceleration under Section 409A. The Employee will receive a cash refund for any fraction of a surrendered Share or Shares in excess of any and all Tax-Related Items. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Employee authorizes the Company, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-Related Items. The Employee agrees to pay any Tax-Related Items that cannot be satisfied from wages or other cash compensation, to the extent permitted by Applicable Law.
 - (b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of RSUs or dividend equivalents, including, but not limited to, the grant, vesting or settlement of RSUs or dividend equivalents, the subsequent delivery of Shares and/or cash upon settlement of such RSUs or the subsequent sale of any Shares acquired pursuant to such RSUs and receipt of any dividends or dividend equivalent payments; and (ii) notwithstanding Section 10, do not commit to and are under no obligation to structure the terms or any aspect of this grant of RSUs and/or dividend equivalents to reduce or eliminate the Employee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction, the Employee acknowledges that the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
 - (c) Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates in the Employee's jurisdiction(s), in which case the Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Employee is deemed to have been issued the full number of shares of Common Stock subject to the vested RSUs, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.
 - (d) The Employee shall pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of RSUs that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described in Section 3 if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.
 - (e) The Employee consents and agrees that in the event the RSUs or the dividend equivalents become subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their

sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the RSUs and dividend equivalents. Further, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 11. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

12. *Data Privacy Consent.*

- (a) *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Grant Agreement and any other materials by and among, as applicable, the Company, its Subsidiaries or Affiliates, and the Employer for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.*
- (b) *The Employee understands that the Company, its Subsidiaries and Affiliates, and the Employer may hold certain personal information about the Employee, including, but not limited to, name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, residency, status, job title, any shares of stock or directorships held in the Company, details of all RSUs, options or any other entitlement to shares of stock granted, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor ("Data") for the exclusive purpose of implementing, managing and administering the Plan.*
- (c) *The Employee understands that Data may be transferred to Merrill Lynch and any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Employee's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. The Company is committed to protecting the privacy of Data in such cases. The Employee understands that by contract both with the Company and/or any of its Subsidiaries or Affiliates and with Merrill Lynch and/or the Company's other vendors, the people and companies that have access to the Employee's Data are bound to handle such Data in a manner consistent with the Company's privacy policy and law. The Company periodically performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments. The Employee further understands that Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan.*
- (d) *The Employee understands that if he or she resides outside the United States, the Employee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Employee understands that he or she is providing the consents herein on a purely voluntary basis. If the Employee does not consent, or if the Employee later seeks to revoke his or her consent, the Employee's employment status or service with the Company or his or her Employer will not be affected; the only consequence of refusing or withdrawing the Employee's consent is that the Company would not be able to grant the Employee RSUs or other equity awards or administer and manage the Employee's participation in the Plan. Therefore, the Employee understands that refusing or withdrawing his or her consent may affect the Employee's ability to participate in the Plan. For more information on the consequences of the Employee's refusal to consent or withdrawal of consent, the Employee understands that he or she may contact his or her local human resources representative.*
- (e) *Further, the Employee understands that the Company may rely on a different legal basis for the processing and/or transfer of Data in the future and/or request that the Employee provide another data privacy consent. If applicable and upon request of the Company or a Subsidiary or Affiliate, the Employee agrees to provide an executed data privacy consent or acknowledgement (or any other consents, acknowledgements or agreements) to the Company or a Subsidiary or Affiliate that the Company and/or a Subsidiary or Affiliate may deem necessary to obtain under the data privacy laws in the Employee's country of employment, either now or in the future. The Employee understands that he or she may be unable to participate in the Plan if he or she fails to execute any such acknowledgement, agreement or consent requested by the Company and/or a Subsidiary or Affiliate.*

13. *Plan Information.*

The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with Applicable Laws outside the United States, from the Long-term Incentives website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the investor relations section of the Company's website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary. The Employee hereby consents to receive any documents related to current or future participation in the Plan by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

14. *Acknowledgment and Waiver.*

The Employee understands, acknowledges and agrees that:

- (a) except as provided in Sections 8 and 9, the vesting of the RSUs is earned only by continuing employment with the Company or one of its Subsidiaries or Affiliates and that being hired and granted RSUs will not result in the RSUs vesting;

- (b) this Grant Agreement and its incorporated documents reflect all agreements on its subject matters and the Employee is not accepting this Grant Agreement based on any promises, representations or inducements other than those reflected in this Grant Agreement;
- (c) all good faith decisions and interpretations of the Committee regarding the Plan and RSUs granted under the Plan are binding, conclusive and final;
- (d) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;
- (e) the grant of RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs or other awards, or benefits in lieu of RSUs, even if Shares or RSUs have been granted in the past;
- (f) all decisions with respect to future grants, if any, will be at the sole discretion of the Company;
- (g) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time and it is expressly agreed and understood that employment is terminable at the will of either party;
- (h) the Employee is voluntarily participating in the Plan;
- (i) RSUs and their resulting benefits are extraordinary items that are outside the scope of the Employee's employment contract, if any;
- (j) RSUs and their resulting benefits are not intended to replace any pension rights or compensation;
- (k) RSUs and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments;
- (l) unless otherwise agreed by the Company, the RSUs and their resulting benefits are not granted as consideration for, or in connection with, the service the Employee may provide as a director of a Subsidiary or Affiliate;
- (m) this grant of RSUs will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this grant of RSUs will not be interpreted to form an employment contract with any Subsidiary or Affiliate;
- (n) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- (o) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from termination of Employee's employment (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Employee is employed or retained or the terms of the Employee's employment or service agreement, if any), and in consideration of the grant of the RSUs to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company, the Employer or any other Subsidiary or Affiliate and releases the Company, the Employer and any other Subsidiary and Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims;
- (p) the Company, the Employer or any other Subsidiary or Affiliate will not be liable for any foreign exchange rate fluctuation between the Employee's local currency and the United States dollar that may affect the value of the RSUs or any amounts due to the Employee pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement;
- (q) if the Company determines that the Employee has engaged in misconduct prohibited by Applicable Law or any applicable policy of the Company, as in effect from time to time, or the Company is required to make recovery from the Employee under Applicable Law or a Company policy adopted to comply with applicable legal requirements, then the Company may, in its sole discretion, to the extent it determines appropriate, (i) recover from the Employee the proceeds from RSUs vested up to three years prior to the Employee's termination of employment or any time thereafter, (ii) cancel the Employee's outstanding RSUs, and (iii) take any other action it deems to be required and appropriate; and
- (r) the delivery of any documents related to the Plan or Awards granted under the Plan, including the Plan, this Grant Agreement, the Plan prospectus and any reports of the Company generally provided to the Company's stockholders, may be made by electronic delivery. Such means of electronic delivery may include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via electronic mail or other such means of electronic delivery specified by the Company. The Employee may receive from the Company a paper copy of any documents delivered electronically at no cost to the Employee by contacting the Company in writing in accordance with Section 17(k). If the attempted electronic delivery of any document fails, the Employee will be provided with a paper copy of such document. The Employee may revoke

his or her consent to the electronic delivery of documents or may change the electronic mail address to which such documents are to be delivered (if the Employee has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised electronic mail address in accordance with Section 17(k). The Employee is not required to consent to the electronic delivery of documents.

15. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

16. Additional Eligibility Requirements Permitted.

In addition to any other eligibility criteria provided for in the Plan, the Company may require that the Employee execute a separate document agreeing to the terms of a current arbitration agreement and/or a current ARCIPD, each in a form acceptable to the Company and/or that the Employee be in compliance with the ARCIPD throughout the entire Restriction Period and through the date the RSU is to be granted or settled. If such separate documents are required by the Company and the Employee does not accept them within 75 days of the Grant Date or such other date as of which the Company shall require in its discretion, this RSU shall be canceled and the Employee shall have no further rights under this Grant Agreement.

17. Miscellaneous.

- (a) The Company shall not be required to treat as owner of RSUs and any associated benefits hereunder, any transferee to whom such RSUs or benefits shall have been transferred in violation of any of the provisions of this Grant Agreement.
- (b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Grant Agreement.
- (c) The Plan is incorporated herein by reference. The Plan and this Grant Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, other than the terms of any severance plan applicable to the Employee that provides more favorable vesting. Notwithstanding the foregoing, nothing in the Plan or this Grant Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which an award properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee, including, without limitation, any agreement that imposes restrictions during or after employment regarding confidential information and proprietary developments. This Grant Agreement is governed by the laws of the state of Delaware without regard to its conflict of law provisions.
- (d) If the Employee has received this or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
- (e) The provisions of this Grant Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- (f) Notwithstanding Section 17(e), the Company's obligations under this Grant Agreement and the Employee's agreement to the terms of an arbitration agreement and/or an ARCIPD, if any, are mutually dependent. In the event that the Employee breaches the arbitration agreement or the Employee's ARCIPD is breached or found not to be binding upon the Employee for any reason by a court of law, then the Company will have no further obligation or duty to perform under the Plan or this Grant Agreement.
- (g) A waiver by the Company of a breach of any provision of this Grant Agreement shall not operate or be construed as a waiver of any other provision of this Grant Agreement, or of any subsequent breach by the Employee or any other Awardee.
- (h) The Employee acknowledges that, depending on the Employee or broker's country of residence or where the Company Shares are listed, the Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect the Employee's ability to acquire, sell or otherwise dispose of Shares or rights to Shares during times the Employee is considered to have "inside information" regarding the Company (as defined by the laws in the Employee's country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Employee placed before he or she possessed inside information. Furthermore, the Employee could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Keep in mind that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Employee acknowledges that it is his or her responsibility to comply with any applicable restrictions and that the Employee should to consult his or her personal advisor on this matter.
- (i) Notwithstanding any provisions in this Grant Agreement, for any Employee who resides and/or works in a country other than the United States, the grant of the RSUs shall be subject to any special terms and conditions set forth in the Appendix to this Grant Agreement for the Employee's country of employment (account of residence, if different), if any. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the

Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal, regulatory, tax or administrative reasons. The Appendix, if any, constitutes part of this Grant Agreement.

- (j) The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (k) Any notice required or permitted hereunder to the Employee shall be given in writing and shall be deemed effectively given upon delivery to the Employee at the address then on file with the Company.
- (l) Any notice to be given under the terms of this Grant Agreement to the Company will be addressed in care of Attn: Global Equity at HP Inc., 1501 Page Mill, Palo Alto, California 94304, USA.
- (m) The Employee acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect his or her ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalent payments) in a brokerage or bank account outside the Employee's country. The Employee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Employee also may be required to repatriate sale proceeds or other funds received as a result of the Employee's participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. The Employee acknowledges that it is his or her responsibility to be compliant with such regulations, and the Employee is advised to consult his or her personal legal advisor for any details.

HP Inc.

Dion Weisler
CEO and President

Tracy Keogh
Chief Human Resources Officer

RETAIN THIS GRANT AGREEMENT FOR YOUR RECORDS

Important Note: Your grant is subject to the terms and conditions of this Grant Agreement, including any Appendix for your country of employment, and to the Company obtaining all necessary government approvals. If you have questions regarding your grant, please contact global.equity@hp.com.

**APPENDIX
HP INC. 2004 STOCK INCENTIVE PLAN, AS AMENDED**

GRANT AGREEMENT FOR NON-U.S. EMPLOYEES

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Grant Agreement or the Plan.

This Appendix includes additional terms and conditions that govern the RSUs granted to the Employee if the Employee resides and/or is employed in one of the countries listed herein. This Appendix is part of the Grant Agreement.

If the Employee is a citizen or resident (or is considered as such for local law purposes) of a country other than the country in which the Employee is currently residing and/or employed, or if the Employee transfers to another country after the Grant Date, the Company shall, in its discretion, determine to what extent the special terms and conditions contained herein shall be applicable to the Employee.

This Appendix also includes information and notices regarding securities, exchange control, tax and certain other issues of which the Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control, tax and other laws in effect in the respective countries as of September 2018. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Employee not rely on the information contained herein as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time the Employee vests in the RSUs, receives Shares, a cash payment or a dividend equivalent payment upon vesting, sells any Shares acquired under the Plan or receive dividends paid on such Shares. In addition, the information is general in nature and may not apply to the Employee's particular situation, and the Company is not in a position to assure the Employee of any particular result. Therefore, the Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to the Employee's individual situation.

If the Employee is a citizen or resident (or is considered as such for local law purposes) of a country other than the country in which the Employee is currently residing and/or employed, or if the Employee transfers to another country after the Grant Date, the information contained herein may not be applicable to the Employee in the same manner.

European Union ("EU") / European Economic Area ("EEA")

Data Privacy . If the Employee resides or is employed in the EU or EEA, the following provision replaces Section 12 of the Grant Agreement.

The Company is located at 1501 Page Mill, Palo Alto, California 94304, USA and grants RSUs under the Plan to the Employee at the Company's sole discretion. The Employee should review the following information about the Company's data processing practices.

Data Collection and Usage . Pursuant to applicable data protection laws, the Employee is hereby notified that the Company collects, processes uses, and transfers certain personally-identifiable information about the Employee for the legitimate interest of implementing, administering and managing the Plan and generally administering equity awards; specifically, including the Employee's name, home address, email address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all RSUs or any other awards granted, canceled, exercised, vested, or outstanding in the Employee's favor, which the Company receives from the Employee or the Employer. In granting the Employee RSUs under the Plan, the Company will collect the Employee's personal data for purposes of allocating Shares and implementing, administering and managing the Plan. The Company's collection, processing, use and transfer of the Employee's personal data is necessary for the performance of the Company's contractual obligations under the Plan and pursuant to the Company's legitimate interest of managing and generally administering employee equity awards. The Employee's refusal to provide personal data would make it impossible for the Company to perform its contractual obligations and may affect the Employee's ability to participate in the Plan. As such, by participating in the Plan, the Employee voluntarily acknowledges the collection, use, processing and transfer of the Employee's personal data as described herein.

Stock Plan Administration Service Provider . The Company transfers the Employee's data to Merrill Lynch, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share the Employee's data with another company that serves in a similar manner. The Company's service provider will open an account for the Employee to receive and trade Shares. The Employee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition to the Employee's ability to participate in the Plan.

International Data Transfers . The Company and its service providers are based in the United States. The Company can only meet its contractual obligations to the Employee if the Employee's personal data is transferred to the United States. The performance of the Company's contractual obligations to the Employee is one of the legal bases for the transfer of the Employee's data from the EU/EEA to the United States. The Employee should be aware that the United States has different data privacy laws and protections than the data privacy laws in place in the EU/EEA.

Data Retention . The Company will use the Employee's personal data only as long as is necessary to implement, administer and manage the Employee's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Employee's personal data, the Company will remove it from its systems. If the Company keeps

the Employee's data longer, it will be to satisfy legal, regulatory or tax obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

Data Subjects Rights . The Employee may have a number of rights under data privacy laws in the Employee's country of employment (and country of residence, if different). For example, the Employee's rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in the Employee's country, and/or (vi) request a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding the Employee's rights or to exercise his or her rights, the Employee should contact the Employee's local HR manager or the **[Company's Human Resources Department]** .

ALBANIA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Albania, the RSUs granted to Employees in Albania shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

ALGERIA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Algeria, the RSUs granted to Employees in Algeria shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

ANGOLA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Angola, the RSUs granted to Employees in Angola shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

ARGENTINA

Notifications

Securities Law Notice

Shares of the Company are not publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Notice

Exchange control regulations in Argentina are subject to frequent change. The Employee is solely responsible for complying with any applicable exchange control rules and should consult with his or her personal legal advisor prior to remitting proceeds from the sale of Shares or cash dividends paid on such Shares.

Foreign Asset/Account Reporting Notice

Argentine residents must report any Shares acquired under the Plan and held by the resident on December 31st of each year on their annual tax return for that year. In addition, when the Employee acquires, sells, transfers or otherwise disposes of Shares, the Employee must register the transaction with the Federal Tax Administration. Argentine residents should consult with their personal tax advisor to determine their personal reporting obligations.

AUSTRALIA

Terms and Conditions

Breach of Law

Notwithstanding anything to the contrary in the Plan or the Grant Agreement, the Employee will not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Employer is under no obligation to seek or obtain the approval of its stockholders in a general meeting for the purpose of overcoming any such limitation or restriction.

Australian Offer Document

The Employee's right to participate in the Plan and the RSUs granted under the Plan is intended to comply with the provision of the Corporations Act 2001, Regulatory Guide 49 and ASIC Class Order CO 14/1000. The Employee understands that the RSUs are subject to the terms and conditions stated in the Offer Document, the Plan, the Grant Agreement and this Appendix. The Employee acknowledges and confirms that he or she has received and reviewed these documents.

Notifications

Exchange Control Notice

Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. The Australian bank assisting with the transaction may file the report on the Employee's behalf. If there is no Australian bank involved in the transfer, the Employee is required to file the report. The Employee understands that the Employee should consult with her or her personal advisor to ensure compliance with the applicable reporting obligations.

Tax Information

The Plan is a plan subject to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

AUSTRIA

Notifications

Exchange Control Notice

If the Employee holds Shares acquired under the Plan outside Austria, the Employee may be required to submit reports to the Austrian National Bank as follows: (i) on a quarterly basis if the value of the Shares on the last day of the given quarter meets or exceeds € 30,000,000; and (ii) on an annual basis if the value of the Shares as of December 31 meets or exceeds € 5,000,000. The deadline for filing a quarterly report is the fifteenth day of the month following the end of the respective quarter. The deadline for filing an annual report is January 31 of the following year.

The Employee also may be required to comply with certain exchange control obligations if the Employee holds cash in accounts outside Austria. Monthly reporting requirements will apply if the aggregate transaction volume of such cash accounts meets or exceeds € 10,000,000. The movements and balances of all accounts must be reported monthly (as of the last day of the month), on or before the fifteenth day of the following month, on the prescribed form (*Meldungen SI-Forderungen und/oder SI-Verpflichtungen*).

BELGIUM

Notifications

Foreign Asset/Account Reporting Notice

Belgium residents are required to complete a report providing the National Bank of Belgium with details of any securities or bank accounts held outside Belgium, including the account number, the name of the bank in which the account is held, and the country in which the account is located). This report, as well as information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the Kredietcentrales / Centrales des credits caption. Belgium residents are also required to report any securities or bank accounts held outside Belgium on their annual tax return.

Stock Exchange Tax Information

A stock exchange tax applies to transactions executed by a Belgian resident through a non-Belgian financial intermediary, such as a U.S. broker. The stock exchange tax likely will apply when the Shares are sold. The Employee should consult with his or her personal tax advisor for additional details on his or her obligations with respect to the stock exchange tax.

Brokerage Account Tax Information

A brokerage account tax may apply if the average annual value of the securities the Employee holds (including Shares acquired under the Plan) in a brokerage or other securities account exceeds certain thresholds. The Employee should consult with his or her personal tax advisor for details regarding his or her obligations with respect to the brokerage account tax.

BRAZIL

Terms and Conditions

Intent to Comply with Law

The Employee agrees to comply with applicable Brazilian laws and to report and pay any and all applicable Tax-Related Items associated with the vesting of the RSUs, the sale of any Shares acquired upon vesting of the RSUs and the receipt of any dividends or dividend equivalents.

Labor Law Acknowledgment

This provision supplements Section 14 of the Grant Agreement:

The Employee agrees that (i) the Employee is making an investment decision, (ii) the RSUs will vest only if the vesting conditions are met and any necessary services are rendered by the Employee over the vesting period and (iii) the value of the Shares subject to the RSUs is not fixed and may increase or decrease in value over the vesting period without compensation to the Employee.

Notifications

Exchange Control Notice

The Employee acknowledges that if he or she is a Brazilian resident or domiciled in Brazil, the Employee is required to submit an annual declaration of assets and rights held outside Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is US\$100,000 or more. Assets and rights that must be reported include Shares acquired under the Plan. The US\$100,000 threshold may be changed annually.

Tax on Financial Transactions

Payments to foreign countries, repatriation of funds into Brazil, and the conversion between BRL and USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is the Employee's personal responsibility to comply with any applicable Tax on Financial Transaction arising from participation in the Plan. The Employee should consult with his or her personal tax advisor for additional details.

BULGARIA

Notifications

Exchange Control Notice

Bulgarian residents are required to file statistical forms with the Bulgarian National Bank annually regarding their receivables in bank accounts abroad as well as securities held abroad (e.g. , Shares acquired under the Plan) if the total sum of all such receivables and securities equals or exceeds BGN 50,000 as of the previous calendar year-end. The reports are due by March 31. The Employee understands that the Employee should contact his or her bank in Bulgaria for additional information regarding these requirements.

CANADA

Terms and Conditions

Payout of RSUs in Shares Only

Pursuant to its discretion under Section 2(ii) of the Plan, with respect to all Employees residing in Canada, the Company will convert all vested RSUs only into an equivalent number of Shares. Employees residing in Canada (or in the event of death, such Employee's legal representative or estate) will not receive an equivalent or fractional Share cash payment with respect to vested RSUs.

Termination of Employment

The following provision replaces the second paragraph of Section 7 of the Grant Agreement:

For purposes of this Grant Agreement and except as expressly required by applicable legislation, the Employee understands that in the event the Employee ceases to provide services to the Company or his or her Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of local laws or the terms of the Employee's employment agreement, if any), unless otherwise determined by the Company, the Employee's employment or service will be considered terminated as of the earlier of: (a) the date of termination of the Employee's employment; (b) the date upon which the Employee receives a notice of termination of employment; or (c) the date upon which the Employee ceases to actively provide services. With respect to (c), the Employee will no longer be considered to be actively employed during any notice period (e.g. , employment would not include any contractual notice or any period of "garden leave" or similar period mandated under local laws or the terms of the Employee's employment agreement, if any); the Committee has the exclusive discretion to determine when the Employee is no longer actively employed for purposes of this Grant Agreement (including whether the Employee may still be considered to be actively employed while on a leave of absence).

Notifications

Foreign Asset/Account Reporting Notice

Canadian residents may be required to report foreign property (including Shares) on an annual basis on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign property exceeds CAD 100,000 at any time in the year. The grant of RSUs must be reported if the CAD 100,000 cost threshold is exceeded because of other foreign property held. RSUs may be reported at a nil cost. If Shares are acquired, their cost generally is the adjusted cost base (“ACB”) of the Shares. The ACB would normally equal the fair market value of the Shares at the time of vesting, but if other Shares are held (e.g. , acquired under other circumstances or at another time), the ACB may be different. The form must be filed by April 30 of the following year. The Employee understands that the Employee should consult with his or her personal advisor to ensure compliance with the applicable reporting obligations.

Securities Law Notice

The Employee will not be permitted to sell or otherwise dispose of any Shares acquired under the Plan within Canada. The Employee will only be permitted to sell or dispose of any such Shares if such sale or disposal takes place outside Canada on the facilities on which the Shares are traded (i.e. , on the New York Stock Exchange).

The following provisions will also apply to Employees who are resident in Quebec:

Data Privacy

The following provision supplements Section 12 of the Grant Agreement:

The Employee hereby authorizes the Company and the Company’s representatives to discuss with and obtain all relevant information regarding the Employee’s grant of RSUs from all personnel, professional or not, involved in the administration and operation of the Plan. The Employee further authorizes the Company any of its Subsidiaries or Affiliates, and the administrator of the Plan to disclose and discuss the Employee’s participation in the Plan with their advisors. The Employee further authorizes the Company and any of its Subsidiaries or Affiliates to record such information and to keep such information in the Employee’s employee file.

Consent to Receive Information in English

The parties acknowledge that it is their express wish that the Grant Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de la convention («Grant Agreement»), ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Plan Document Acknowledgment

The Employee acknowledges that he or she has received a copy of the Plan, has reviewed the Plan and the Grant Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement.

CHILE

Notifications

Securities Law Notice

The offer of RSUs constitutes an offering of securities in Chile subject to General Ruling N° 345 (“NCG 345”) of the Chilean Commission of the Financial Market (“CMF”). This offer refers to securities not registered at the securities registry or at the foreign securities registry of the CMF, and therefore, such securities are not subject to oversight of the CMF. Given that the RSUs are not registered in Chile, the Company is not required to provide public information about the RSUs or shares of common stock in Chile. Unless the securities offered are registered with the CMF, a public offering of such securities cannot be made in Chile, unless the offer complies with the conditions set forth in NCG 345.

Información bajo la Ley de Mercado de Valores

Esta oferta de Unidades de Acciones Restringidas (“RSU”) constituye una oferta sujeta a la norma de carácter general N°345 (“NCG 345”) de la Comisión para el Mercado Financiero de Chile (“CMF”). Esta oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse los RSU de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública respecto de los RSU o de las acciones. Estos valores no podrán ser objeto de oferta pública respecto de los RSUs o de las acciones. Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el registro de valores correspondiente, a menos que la oferta cumpla con las condiciones establecidas en la NCG 345.

Exchange Control Notice

The Employee is not required to repatriate funds obtained from the sale of Shares or the receipt of any dividends or dividend equivalents. However, if the Employee decides to repatriate such funds, the Employee must do so through the Formal Exchange Market (i.e. , a commercial bank or registered foreign exchange office in Chile) if the amount of the funds exceeds US\$10,000. In such case, the Employee must report the payment to the commercial bank or registered foreign exchange office receiving the funds. If the Employee does not repatriate the proceeds and uses such proceeds for the payment of other obligations contemplated under a different Chapter of the Foreign Exchange Regulations, the Employee must sign Annex 1 of the Manual of Chapter XII of the Foreign Exchange Regulations and file it directly with the Central Bank of Chile within the first 10 days of the month immediately following the transaction.

Additionally, if the Employee’s aggregate investments held outside of Chile exceed US\$5,000,000 (including the Shares and any other cash proceeds obtained under the Plan), the Employee must report the investments annually to the Central Bank. Annex 3.1 of Chapter

XII of the Foreign Exchange Regulations must be used to file this report. Please note that exchange control regulations in Chile are subject to change. The Employee should consult with his or her personal legal advisor regarding any exchange control obligations that the Employee may have prior to vesting in the RSUs, receiving proceeds from the sale of Shares acquired upon vesting of the RSUs or cash dividends or dividend equivalents.

Foreign Asset/Account Reporting Notice

The Chilean Internal Revenue Service ("CIRS") requires all taxpayers to provide information annually regarding: (i) the results of investments held abroad and (ii) any taxes paid abroad which the taxpayers will use as credit against Chilean income tax. The sworn statements disclosing this information (or Formularios) must be submitted electronically through the CIRS website www.sii.cl using Form 1929. Form 1929 is due on June 30 of each year, depending on the assets and/or taxes being reported.

CHINA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in People's Republic of China ("PRC"), the RSUs granted to Employees in PRC shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

Notifications

Exchange Control Notice

The following terms and conditions will apply to Employees who are subject to exchange control restrictions and regulations in the PRC, including the requirements imposed by the State Administration of Foreign Exchange ("SAFE"), as determined by the Company in its sole discretion:

The Employee understands and agrees that, pursuant to local exchange control requirements, the Employee will not be permitted to vest in an RSU or receive any cash or Shares under the Plan unless or until the Company, its Subsidiary or Affiliate, or the Employer in the PRC has obtained all necessary approvals from SAFE for the Plan.

The Employee further understands and agrees that, pursuant to local exchange control requirements, the Employee will be required to immediately repatriate any cash payments or proceeds obtained with respect to participation in the Plan to the PRC. The Employee further understands that such repatriation of any cash payments or proceeds may need to be effectuated through a special exchange control account established by the Company, any Subsidiary or Affiliate, or the Employer, and the Employee hereby consents and agrees that any payment or proceeds may be transferred to such special account prior to being delivered to the Employee.

Any payment or proceeds may be paid to the Employee in U.S. dollars or local currency at the Company's discretion. If the payments or proceeds are paid to the Employee in U.S. dollars, the Employee will be required to set up a U.S. dollar bank account in the PRC so that the payments or proceeds may be deposited into this account. If the payments or proceeds are paid to the Employee in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the payments or proceeds to local currency due to exchange control restrictions.

The Employee further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in the PRC.

COLOMBIA

Notifications

Labor Law Acknowledgement

The following provision supplements Section 14 of the Grant Agreement:

The Employee acknowledges that pursuant to Article 128 of the Colombian Labor Code, the Plan and related benefits do not constitute a component of the Employee's "salary" for any legal purpose. The Plan and related benefits will not be included and / or considered for purposes of calculating any and all labor benefits, such as legal / fringe benefits, vacation, indemnities, payroll taxes, social insurance contributions and / or any other labor related amount which may be payable.

Securities Law Notice

The Shares subject to the RSUs are not and will not be registered with the Colombian registry of publicly traded securities (*Registro Nacional de Valores y Emisores*) and therefore the Shares may not be offered to the public in Colombia. Nothing in this document should be construed as the making of a public offer of securities in Colombia.

Exchange Control Notice

The Employee must register his or her investments with the Central Bank of Colombia (Banco de la República). The registration method will vary depending on whether cash is remitted from Colombia (either by the Employee or the Employer), or no cash consideration is paid at all. Upon liquidation of assets held abroad, the Employee must (i) cancel the registration with the Central Bank and (ii) repatriate the proceeds from the sale or liquidation to Colombia and file the appropriate Central Bank form (usually through the Employee's own local bank). The Employee personally is responsible for complying with applicable exchange control requirements in Colombia.

COSTA RICA

There are no country-specific provisions.

CROATIA

Notifications

Exchange Control Notice

The Employee must report any foreign investments (including Shares acquired under the Plan) to the Croatian National Bank for statistical purposes and obtain prior approval of the Croatian National Bank for bank accounts opened abroad. However, because exchange control regulations may change without notice, the Employee should consult with his or her personal legal advisor to ensure compliance with current regulations. It is the Employee's responsibility to comply with Croatian exchange control laws.

CZECH REPUBLIC

Notifications

Exchange Control Notice

The Czech National Bank may require residents of the Czech Republic to fulfill certain notification duties in relation to the opening and maintenance of a foreign account. In addition, residents of the Czech Republic may need to report certain events in the absence of a request from the Czech National Bank. Because exchange control regulations change frequently and without notice, residents of the Czech Republic should consult with their legal advisor prior to the sale of Shares to ensure compliance with current regulations. It is the Employee's responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

DENMARK

Terms and Conditions

Danish Stock Option Act

By participating in the Plan, the Employee acknowledges that he or she received an Employer Statement translated into Danish, which is being provided to comply with the Danish Stock Option Act. To the extent more favorable to the Employee, the terms set forth in the Employer Statement will apply to the Employee's participation in the Plan.

Notifications

Foreign Asset/Account Reporting Notice

The Employee understands that if he or she establishes an account holding Shares or an account holding cash outside Denmark, the Employee must report the account to the Danish Tax Administration. The form which should be used in this respect can be obtained from a local bank. (These obligations are separate from and in addition to the obligations described below.)

Securities/Tax Reporting Notice

If the Employee holds Shares acquired under the Plan in a brokerage account with a broker or bank outside Denmark, the Employee is required to inform the Danish Tax Administration about the account. For this purpose, the Employee must file a Form V (*Erklaering V*) with the Danish Tax Administration. The Form V must be signed both by the Employee and by the applicable broker or bank where the account is held, unless an exemption from the broker/bank signature requirement is obtained from the Danish Tax Administration. It is possible to seek an exemption on the Form V, and it is strongly recommended that it be done at the time the Form V is submitted. The Employee understands that by signing the Form V, the broker or bank (to the extent the exemption is not obtained) and the Employee undertake to forward information to the Danish Tax Administration concerning the Shares in the account without further request each year. In the event that an exemption is not obtained and the applicable broker or bank with which the account is held does not wish to, or pursuant to the laws of the country in question, is not allowed to assume such obligation to report, the Employee acknowledges that he or she is solely responsible for providing certain details regarding the foreign brokerage account and Shares deposited therein to the Danish Tax Administration as part of the Employee's annual income tax return. By signing the Form V, the Employee authorizes the Danish Tax Administration to examine the account. A sample of Form K can be found at the following website: www.skat.dk.

In addition, the Employee acknowledges that if he or she opens a brokerage account (or a deposit account with a U.S. bank) for the purpose of holding cash outside Denmark, the Employee is also required to inform the Danish Tax Administration of this account. To do so, the Employee must file a Form K (*Erklaering K*) with the Danish Tax Administration. The Form K must be signed both the Employee and by the applicable broker or bank where the account is held, unless an exemption from the broker/bank signature requirement is obtained from

the Danish Tax Administration. It is possible to seek an exemption on the Form K, and it is strongly recommended that it be done at the time the Form V is submitted. The Employee understands that by signing the Form K, the broker or bank (to the extent the exemption is not obtained) and the Employee undertake an obligation to forward information to the Danish Tax Administration concerning the content of the account without further request each year. In the event that an exemption is not obtained and the applicable broker or bank with which the account is held, does not wish to, or pursuant to the laws of the country in question, is not allowed to assume such obligation to report, the Employee acknowledges that he or she is solely responsible for providing certain details regarding the foreign brokerage or bank account to the Danish Tax Administration as part of the Employee's annual income tax return. The Employee understands that, by signing the Form K, the Employee authorizes the Danish Tax Administration to examine the account. A sample of Form K can be found at the following website: www.skat.dk.

FINLAND

There are no country-specific provisions.

FRANCE

Terms and Conditions

Language Consent

The Employee confirms having read and understood the Plan and the Grant Agreement, which were provided in English language. The Employee accepts the terms of those documents accordingly.

Consentement Relatif à la Langue Utilisée

L'Employé confirme avoir lu et compris le Plan et le Contrat d'Attribution qui m'ont été transmis en langue anglaise. L'Employé accepte les termes et conditions incluses dans ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Notice

French residents are required to report all foreign accounts (whether open, current or closed) to the French tax authorities when filing his or her annual tax return.

Tax Information

The RSUs are not intended to qualify for special tax or social security treatment in France.

GERMANY

Notifications

Exchange Control Notice

Cross-border payments in excess of € 12,500 must be reported monthly to the German Federal Bank. The report must be made electronically by the fifth day of the month following the month in which the payment was received. The form of the report (" *Allgemeine Meldeportal Statistik* ") can be accessed via the Bundesbank's website (www.bundesbank.de) and is available in both German and English. The Employee understands he or she is responsible for making this report.

GREECE

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Sale Restriction

Any Shares received at vesting are accepted as a personal investment. Notwithstanding anything contrary in the Grant Agreement or the Plan, in the event the RSUs vest and Shares are issued to the Employee or his or her legal representatives or estate within six months of the Grant Date, the Employee agrees that the Employee or his or her legal representatives or estate will not offer to the public or otherwise dispose of any Shares acquired prior to the six-month anniversary of the Grant Date.

Payout of RSUs in Shares Only

Pursuant to its discretion under Section 2(ii) of the Plan, with respect to all Employees residing in Hong Kong, the Company will convert all vested RSUs only into an equivalent number of Shares. The Employees residing in Hong Kong (or in the event of death, the Employee's legal representative or estate) will not receive an equivalent cash payment with respect to vested RSUs.

Notifications

Securities Warning

The Employee understands that the contents of the Plan, the Grant Agreement, including this Appendix and other incidental communication materials have not been reviewed by any regulatory authority in Hong Kong. The Employee should exercise caution in relation to the offer. If the Employee is in any doubt about any of the contents of the Plan, the Employee should obtain independent professional advice. The Employee understands that this grant of RSUs does not constitute a public offer of securities under Hong Kong law. The grant of RSUs is available only to employees. The Employee understands that the Plan, Grant Agreement, including this Appendix and other incidental communication materials that the Employee may receive (i) are not intended to constitute a "prospectus" for a public offering of securities under applicable securities legislation in Hong Kong and (ii) are intended only for the personal use of each Employee and may not be distributed to any other person.

Nature of Scheme

The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

HUNGARY

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Hungary, the RSUs granted to Employees in Hungary shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

INDIA

Notifications

Exchange Control Notice

The Employee understands that any proceeds from the sale of Shares acquired under the Plan must be repatriated to India within 90 days of receipt and converted into local currency. Any cash dividends acquired under the Plan must be repatriated to India within 180 days of receipt and converted into local currency. The Employee understands that he or she will receive a foreign inward remittance certificate ("FIRC") from the bank where the foreign currency is deposited. The Employee understands that he or she should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation.

Foreign Asset/Account Reporting Notice

The Employee understands that he or she is required to declare foreign bank accounts and foreign financial assets (including Shares held outside India) on his or her annual tax return. The Employee acknowledges that it is his or her responsibility to comply with the applicable tax laws in India and that the Employee should consult with his or her personal tax advisor to ensure that the Employee is properly reporting the Employee's foreign assets and bank accounts.

INDONESIA

Exchange Control Notice

If the Employee is an Indonesian resident and remits funds (including proceeds from the sale of Shares) into Indonesia, the Indonesian Bank through which the transaction is made will submit a transaction report to the Bank of Indonesia for statistical reporting purposes. For transactions equal to or exceeding a threshold amount (currently US\$10,000), the report must include a description of the transaction. Although the bank through which the transaction is made must make the report, the Employee must complete a "Transfer Report Form." The bank through which the transaction is made will provide the Transfer Report Form to the Employee. The Employee is personally responsible for complying with applicable exchange control requirements in Indonesia.

IRELAND

There are no country-specific provisions.

ISRAEL

Terms and Conditions

Israeli Sub-Plan

The RSUs are granted to the Employee pursuant to the Israeli Sub-Plan to the HP Inc. Second Amended and Restated 2004 Stock Incentive Plan (the "Israeli Sub-Plan"), and are subject to the terms and conditions stated in the Israeli Sub-Plan, the Plan and the Grant Agreement, including this Appendix. The Employee acknowledges and agrees to be bound by the terms of the Israeli Sub-Plan. The Israeli Sub-Plan is incorporated herein by reference and references to the Plan include the Israeli Sub-Plan.

The RSUs and Shares issued upon vesting of such RSUs are intended to qualify for the tax treatment available in Israel pursuant to the provisions of the "capital gain route" under Section 102 of the Israeli Tax Ordinance ("Section 102"), including the provisions of the Income Tax (Tax Abatement on the Grant of Shares to Employees) Regulations 2003 (the "Regulations"), and any tax ruling or agreement obtained by the Company or the Employer with regard to the Plan. It is clarified that in order to qualify for the "capital gains route," the RSUs may be settled only in Shares.

Custody of RSUs

The following provisions replace Section 5 of the Grant Agreement:

5. Custody of Restricted Stock Units.

(a) The RSUs subject hereto shall be held in trust by IBI Capital, as trustee (the "Trustee") and further recorded in a restricted book entry account in the name of the Employee. Each RSU will be deemed granted on the date stated above, provided that (i) the Company has provided a copy of this Agreement to the Trustee and (ii) the Employee has signed all documents required pursuant to Applicable Law and under the Plan. Upon completion of the Restriction Period, Shares issued pursuant to Section 3 above shall be deposited with the Trustee (as further detailed below) in lieu of the RSUs previously held by the Trustee; provided, however, that a portion of such Shares may be surrendered in payment of any Tax-Related in accordance with Section 11 of this Grant Agreement, unless the Company, in its sole discretion, establishes alternative procedures for the payment of such taxes.

(b) Without derogating from the above, the Shares shall further be held in accordance with the undertakings of the Company and the Trustee, under a Trust Agreement in accordance with Section 102(b)(2) of the Israeli Tax Ordinance. Under the conditions of Section 102(b)(2), the RSUs and the Shares may be issued to the Employee only through the Trustee. To receive the tax treatment provided for in Section 102(b)(2), the RSUs and the Shares must be issued to the Trustee for a period of no less than 24 months from their Grant Date and deposit with the Trustee (the "Lock-Up Period"). In order for the tax benefits of Section 102(b)(2) to apply, as long as the RSUs are held by the Trustee, the RSUs or the underlying Shares may not be sold, transferred, assigned, pledged or mortgaged (other than through a transfer by will or by operation of law), nor may they be the subject of an attachment or security interest, and no power of attorney or transfer deed shall be given in respect thereof prior to the payment of the tax liability. Upon the conclusion of the Lock-Up Period the Trustee may release the Shares issued hereunder to the Employee only after (i) the receipt by the Trustee of an acknowledgment from the Israeli Income Tax Authority that the Employee has paid all applicable tax due pursuant to the Israeli Tax Ordinance and Section 102, or (ii) the Trustee withholds any applicable tax due pursuant to the Israeli Tax Ordinance and Section 102. Notwithstanding the foregoing, in the event the Employee shall elect to release the Shares prior to the conclusion of the Lock-up Period, the sanctions under Section 102 shall apply to and shall be borne solely by the Employee.

(c) The Employee understands that in the event of a distribution of rights, including an issuance of stock dividend or bonus shares, in connection with the RSU (the "Additional Rights"), all such Additional Rights shall be deposited with and/or issued to the Trustee for the benefit of the Employee, and shall also be subject to the provisions of Section 102(b)(2). The Lock-Up Period for such Additional Rights shall be measured from the commencement of the Lock-Up Period of the RSU to be issued hereunder, from which the Additional Rights were declared or distributed.

Death of the Employee

The following provision supplements Section 9 of the Grant Agreement:

As long as the Shares are held by the Trustee for the benefit of the Employee, all rights of the Employee over the Shares cannot be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

* * * * *

TO BE SIGNED BY THE ISRAELI EMPLOYEE WITH A COPY RETURNED TO PAYROLL ADMINISTRATION:

I have read and understood this Grant Agreement, including this Appendix. I understand that the rights granted and the Shares issued to me under this Grant Agreement are subject to the terms and provisions of Section 102(b)(2) of the Israeli Tax Ordinance and its related rules and regulations and I hereby accept such rights and Shares subject to such terms and provisions. I acknowledge that my holding, sale and transfer of the Shares and/or any Additional Rights is therefore subject to various restrictions and limitations that are imposed by such Section and its related rules and regulations, of which I am aware and with which I agree to comply.

Signed by: _____

Date: _____

ITALY

Terms and Conditions

Data Privacy Notice

Notwithstanding Section 12 or any other provision of the Grant Agreement, the Employee agrees that the following shall apply with regard to data privacy in Italy:

The Employee understands that the Employer, the Company and any of its other Subsidiaries and Affiliates may collect, use, transfer and hold certain personal information about the Employee, including but not limited to, the Employee's name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, residency status, job title, any shares of stock or directorships held in the Company, details of all RSUs, options or any other entitlement to shares of stock granted, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the exclusive purpose of implementing, managing and administering the Plan.

The Employee also understands that providing the Company with the Data is necessary for the performance of the Plan and without such Data it would be impossible for the Company to perform its contractual obligations and may affect the Employee's ability to participate in the Plan. The Controller of personal data processing is HP Inc., with registered offices at 1501 Page Mill, Palo Alto, California 94304, USA, and, pursuant to Legislative Decree no. 196/2003, its representative in Italy is HP Italiana S.r.l., with registered offices at Via Giuseppe di Vittorio n. 9, 20063 Cernusco sul Naviglio, Italy. The Employee understands that Data will not be publicized, but it may be transferred to Merrill Lynch or other third parties, banks, other financial institutions or brokers involved in the management and administration of the Plan. The Employee further understands that the Company and/or its Subsidiaries and Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Employee's participation in the Plan, and that the Company and/or its Subsidiaries and Affiliates may each further transfer Data to third parties assisting the Company in the implementation, administration and management of the Plan, including any requisite transfer to Merrill Lynch or another third party with whom the Employee may elect to deposit any Shares acquired under the Plan. Such recipients may receive, possess, use, retain and transfer the Data in electronic or other form, for the purposes of implementing, administering and managing the Employee's participation in the Plan. The Employee understands that these recipients may be located in the European Economic Area, or elsewhere, such as the U.S. or Asia. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan. In any event, Data will be stored only for the time needed to fulfill the purposes mentioned above.

The Employee understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by Applicable Laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Union, as herein specified and pursuant to Applicable Laws and regulations, does not require the Employee's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan, which represents the legal basis for the processing. The Employee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, the Employee has the right to, including but not limited to, access, delete, update, ask for rectification of Data and estop, for legitimate reasons, the Data processing. The Employee also understands that he or she has the right to data portability and to lodge a complaint with the Italian supervisory authority. Furthermore, the Employee is aware that Data will not be used for direct marketing purposes. In addition, the Data provided can be reviewed and questions or complaints can be addressed by contacting the Employee's local human resources department.

Plan Document Acknowledgment

The Employee acknowledges that he or she has received a copy of the Plan and the Grant Agreement and has reviewed the Plan and the Plan Agreement, including this Appendix, in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement, including this Appendix. The Employee acknowledges having read and specifically and expressly approves the following sections of the Grant Agreement: Section 2 ("Vesting Schedule"), Section 4 ("Restrictions"), Section 5 ("Custody of Restricted Stock Units"), Section 11 ("Taxes"), Section 13 ("Plan Information"), Section 14 ("Acknowledgment and Waiver"), Section 15 ("No Advice Regarding Grant"), Section 17(d) ("Language"), Section 17(h) ("Appendix"), Section 17(i) ("Imposition of Other Requirements") Section 17(j) and (k) ("Notices") and the Data Privacy Notice below.

Notifications

Exchange Control Notice

The Employee acknowledges that he or she is entitled to participate in investments, divestitures and other transactions that entail transfer of assets to or from Italy subject only to certain reporting, record-keeping and disclosure requirements which the Employee hereby agrees to undertake as necessary.

Foreign Asset / Account Reporting Notice

Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax return (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations will also apply to beneficial owners of foreign financial assets, even if they do not directly hold investment abroad or foreign assets.

Foreign Asset Tax Information

The value of the financial assets held outside of Italy by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets (e.g. , Shares) assessed at the end of the calendar year.

JAPAN

Notifications

Foreign Asset/Account Reporting Notice

The Employee is required to report details of any assets held outside Japan as of December 31 (including any Shares acquired under the Plan) to the extent such assets have a total net fair market value exceeding JPY 50,000,000. Such report will be due by March 15 each year. The Employee understands that he or she should consult with the Employee's personal tax advisor as to whether the reporting obligation applies to the Employee and whether the Employee will be required to report details of any outstanding rights, Shares or cash that he or she holds.

KAZAKHSTAN

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Kazakhstan, the RSUs granted to Employees in Kazakhstan shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

LUXEMBOURG

There are no country-specific provisions.

MALAYSIA

Data Privacy Consent

The following provision supplements Section 12 of the Grant Agreement:

<p>The Employee hereby explicitly, voluntarily and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Agreement and any other Plan materials by and among, as applicable, the Employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.</p>	<p>Penerima dengan ini secara eksplisit, secara sukarela dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi Penerima seperti yang dinyatakan dalam Perjanjian ini dan apa-apa bahan Pelan, oleh dan di antara, sebagaimana yang berkenaan, Majikan, Syarikat, dan anak-anak syarikat bagi tujuan eksklusif untuk melaksanakan, mentadbir, dan menguruskan penyertaan Penerima dalam Pelan tersebut.</p>
<p>The Employee understands that the Company and the Employer may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of any entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding in the Employee's favor for the purpose of implementing, administering and managing the Plan ("Data").</p>	<p>Penerima memahami bahawa Syarikat dan Majikan mungkin memegang maklumat peribadi tertentu tentang Penerima, termasuk, tetapi tidak terhad kepada, nama, alamat rumah, alamat emel dan nombor telefon, , tarikh lahir, insurans sosial, nombor pasport atau nombor pengenalan lain, gaji, kewarganegaraan, jawatan Penerima, apa-apa syer dalam saham atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir apa-apa hak untuk syer yang dianugerahkan, dibatalkan, dilaksanakan, terletak hak, tidak diletak hak ataupun tertunggak bagi faedah Penerima untuk melaksanakan, mentadbir dan menguruskan Pelan tersebut ("Data").</p>
<p>The Employee understands that the Data will be transferred to Merrill Lynch or such other stock plan providers as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Employee understands that those receiving the Data may be located in the United States or elsewhere, and that the applicable country (e.g., the United States) may have different data privacy laws and protections than the Employee's country. The Employee understands that he or she may request a list with the names and addresses of any potential Employees of Data by contacting his or her human resources representative. The Employee authorizes the Company, and any other possible Employees who may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess use retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Employee's participation in the Plan. The Employee understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Employee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case, without cost, by contacting your local human resources representative, whose contact details are shelly.rajpal@hp.com.</p>	<p>Penerima memahami bahawa Data akan dipindah kepada Merrill Lynch atau pembekal-pembekal pelan saham yang lain sebagaimana yang dipilih oleh Syarikat pada masa depan, yang membantu Syarikat dalam pelaksanaan, pentadbiran dan pengurusan Pelan tersebut. Penerima memahami bahawa mereka yang menerima Data mungkin berada di Amerika Syarikat atau di tempat lain, dan negara yang berkenaan (contohnya, Amerika Syarikat) mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara Penerima. Penerima memahami bahawa dia boleh meminta senarai nama dan alamat mana-mana pihak yang mungkin menerima Data dengan menghubungi wakil sumber manusianya. Penerima memberi kuasa kepada Syarikat, dan mana-mana penerima lain yang mungkin membantu Syarikat (masa sekarang atau pada masa depan) untuk melaksanakan, mentadbir dan menguruskan Pelan tersebut untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, semata-mata dengan tujuan untuk melaksanakan, mentadbir dan menguruskan penyertaan Penerima dalam Pelan tersebut. Penerima memahami bahawa Data akan dipegang hanya untuk tempoh yang diperlukan untuk melaksanakan, mentadbir dan menguruskan penyertaannya dalam Pelan tersebut. Penerima memahami bahawa dia boleh, pada bila-bila masa, melihat data, meminta maklumat tambahan mengenai penyimpanan dan pemrosesan Data, meminta apa-apa pindaan dilaksanakan ke atas Data atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes, tanpa kos, dengan menghubungi secara bertulis wakil sumber manusianya, di mana butir-butir hubungannya adalah shelly.rajpal@hp.com.</p>
<p>Further, the Employee understands that he or she is providing the consents herein on a purely voluntary basis. If the Employee does not consent, or later seeks to revoke the consent, the Employee's employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing the consent is that the Company would not be able to grant the RSUs or other equity awards under the Plan, or administer or maintain such awards. Therefore, the Employee understands that refusing or withdrawing his or her consent may affect the Employee's ability to participate in the Plan. The refusal and/or withdrawal of consent will have no further impact. For more information on the consequences of the refusal to consent or withdrawal of consent, the Employee understands that he or she may contact his or her human resources representative.</p>	<p>Selanjutnya, Penerima memahami bahawa dia memberikan persetujuan di sini secara sukarela. Jika Penerima tidak bersetuju, kemudian membatalkan persetujuannya, status dan perkhidmatan pekerjaan Penerima dengan Majikan tidak akan terjejas; satunya akibat jika dia tidak bersetuju atau menarik balik persetujuannya adalah bahawa Syarikat tidak akan dapat memberikan Unit Saham Terbatas ("UST") atau anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah tersebut. Oleh itu, Penerima memahami bahawa keengganan atau penarikan balik persetujuannya boleh menjejaskan keupayaan Penerima untuk mengambil bahagian dalam Pelan tersebut. Untuk maklumat lanjut mengenai akibat keengganannya untuk memberikan keizinan atau penarikan balik keizinan, Penerima memahami bahawa dia boleh menghubungi wakil sumber manusianya.</p>

Director Reporting Notice

If the Employee is a director of a Malaysian Subsidiary or Affiliate, the Employee is subject to certain notification requirements under the Malaysian Companies Act, 2016. Among these requirements is an obligation to notify the Malaysian Subsidiary or Affiliate in writing when the Employee receives or disposes of an interest (e.g ., RSUs or Shares) in the Company or any Subsidiary or Affiliate. These notifications must be made within 14 days of receiving or disposing of any interest in the Company or any of its Subsidiaries or Affiliates.

MEXICO

Terms and Conditions

The following provisions supplement Section 14 of the Grant Agreement:

Labor Law Acknowledgment

The Employee acknowledges that he or she understands and agrees that:

(i) the RSUs are not related to the salary and other contractual benefits granted to the Employee by the Employer; and (ii) any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement

The invitation the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability to the Employee.

The Company, with its registered office at 1501 Page Mill, Palo Alto, California 94304, USA, is solely responsible for the administration of the Plan. Participation in the Plan and the acquisition of Shares does not, in any way, establish an employment relationship between the Employee and the Company since the Employee is participating in the Plan on a wholly commercial basis and the sole employer is the Employer, nor does it establish any rights between the Employee and Employer.

Plan Document Acknowledgment

The Employee acknowledges he or she has received a copy of the Plan, has reviewed the Plan and the Grant Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Grant Agreement.

In addition, by signing below, the Employee further acknowledges that having read and specifically and expressly approved the terms and conditions in Section 14 of the Grant Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company, its Subsidiaries and its Affiliates are not responsible for any decrease in the value of the Shares underlying the RSUs.

Finally, the Employee does not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of participation in the Plan and the Employee therefore grants a full and broad release to his/her Employer and the Company and its other Subsidiaries and Affiliates with respect to any claim that may arise under the Plan.

Spanish Translation

Las siguientes disposiciones complementan la Sección 14 del Acuerdo de Otorgamiento:

Reconocimiento de la Ley Laboral

El Empleado reconoce que entiende y acepta que:

(i) las Unidades de Acciones no se encuentran relacionadas con el salario ni con otras prestaciones contractuales concedidas al Empleado por parte del Empleador; y (ii) cualquier modificación del Plan o su terminación no constituye un cambio o desmejora de los términos y condiciones de empleo.

Declaración de Política

La invitación por parte de la Compañía bajo el Plan, es unilateral y discrecional; por lo tanto, la Compañía se reserva el derecho absoluto de modificar el mismo y discontinuarlo en cualquier tiempo, sin ninguna responsabilidad para el Empleado.

La Compañía, con oficinas registradas ubicadas en 1501 Page Mill, Palo Alto, California 94304, USA es la única responsable de la administración del Plan y de la participación en el mismo y la adquisición de Acciones Comunes no establece de forma alguna, una relación de trabajo entre el Empleado y la Compañía, ya que la participación del Empleado en el Plan es completamente comercial y el único empleador es el Empleador, así como tampoco establece ningún derecho entre el Empleado y su Empleador.

Reconocimiento del Documento del Plan

Por medio de la aceptación las Unidades de Acciones, el Empleado reconoce que ha recibido una copia del Plan, que el mismo ha sido revisado al igual que la totalidad del Acuerdo de Otorgamiento y, que ha entendido y aceptado completamente todas las disposiciones contenidas en el Plan y en el Acuerdo de Otorgamiento.

Adicionalmente, al firmar abajo, el Empleado reconoce que ha leído, y que aprueba específica y expresamente los términos y condiciones contenidos en la Sección 14 del Acuerdo, en la cual se encuentra claramente descrito y establecido que: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el mismo es ofrecida por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, así como sus Subsidiarias y Afiliadas no son responsables por cualquier detrimento en el valor de las Acciones Comunes en relación con las Unidades de Acciones.

Finalmente, el Empleado declara que no se reserva ninguna acción o derecho para interponer una demanda en contra de la Compañía por compensación, daño o perjuicio alguno como resultado de su participación en el Plan y en consecuencia, otorga el más amplio finiquito a su Empleador, así como a la Compañía, a sus otras Subsidiarias y Afiliadas con respecto a cualquier demanda que pudiera originarse en virtud del Plan.

MOROCCO

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Morocco, the RSUs granted to Employees in Morocco shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

NETHERLANDS

Notifications

Securities Law Notice

NEW ZEALAND

Securities Warning

In compliance with New Zealand securities laws, the Employee is hereby notified that the documents listed below are available for review on the Company's external and internal sites at the following web addresses listed: [\[Insert Link\]](#) (for (i) and (ii)) and <http://h30261.www3.hp.com/> (for (iii)). The items in (iii) are also available at www.sec.gov.

- i. the Grant Agreement, including this Appendix, which sets forth the terms and conditions of the grant of RSUs;
- ii. a copy of the Plan and its accompanying prospectus; and
- iii. a copy of the Company's most recent annual report and most recent financial statements.

The Employee understands that he or she is advised to carefully read the available materials before making a decision whether to participate in the Plan. The Employee is advised to contact his or her tax advisor for specific information concerning the Employee's personal tax situation with regard to the grant of RSUs.

Warning

This is a grant of RSUs. The underlying Shares give you a stake in the ownership of the Company. The Employee may receive a return if dividends are paid.

If the Company runs into financial difficulties and is wound up, the Employee will be paid only after all creditors and holders of preference shares have been paid. The Employee may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision.

The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, the Employee may not be given all the information usually required. The Employee will also have fewer other legal protections for this investment.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

NIGERIA

There are no country-specific provisions.

NORWAY

There are no country-specific provisions.

PAKISTAN

Notifications

Exchange Control Notice

The Employee's participation in the Plan may be subject to certain terms and conditions imposed by the State Bank of Pakistan, as well as general foreign exchange controls. The Employee is required to immediately repatriate to Pakistan the proceeds from the sale of Shares. The Employee may be required to register ownership of foreign shares with the State Bank of Pakistan using the prescribed Form V-96. The Employee should consult his or her personal advisor prior to repatriation of the sale proceeds to ensure compliance with applicable exchange control regulations in Pakistan, as such regulations are subject to frequent change. Please note that the Employee should keep copies of any documents, certificates or invoices involving foreign currency transactions connected in any way to the Employee's participation in the Plan. The Employee is responsible for ensuring compliance with all exchange control laws in Pakistan.

PERU

Notifications

Securities Law Notice

The grant of RSUs under the Plan is considered a private offering in Peru and is therefore not subject to registration. For more information concerning this offer, please refer to the Plan, the Grant Agreement, the Plan Prospectus and any other materials made available by the Company. For more information regarding the Company, please refer to the Company's most recent annual report on Form 10-K and quarterly report on Form 10-Q available at www.sec.gov, as well as on the Company's website at <http://h30261.www3.hp.com>,

Labor Law Acknowledgement

The following provision supplements Section 14 of the Grant Agreement:

The Employee acknowledges, understands and agrees that the RSUs are being granted *ex gratia* to the Employee with the purpose of rewarding him or her as set forth in the Plan.

PHILIPPINES

Notifications

Securities Law Notice

The grant of RSUs made under the Plan is being made pursuant to an exemption from registration under Section 10.2 of the Philippines Securities Regulation Code that has been approved by the Philippines Securities and Exchange Commission.

The Employee bears (without limitation) the risk of fluctuation in the price of the Shares on the New York Stock Exchange and the risk of currency fluctuations between the U.S. Dollar and the Employee's local currency. The value of any Shares the Employee may acquire under the Plan may decrease, and fluctuations in foreign exchange rates between the Employee's local currency and the U.S. Dollar may affect the value of the subsequent sale of any Shares acquired under the Plan. The Company is not making any representations, projections or assurances about the value of the Shares now or in the future.

For further information on risk factors impacting the Company's business that may affect the value of the Shares, the Employee can refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's website at <http://h30261.www3.hp.com>. In addition, the Employee may receive, free of charge, a copy of the Company's Annual Report, Quarterly Reports or any other reports, proxy statements or communications distributed to the Company's stockholders by contacting Investor Relations at 1501 Page Mill Road, Palo Alto, California 94304, U.S.A.

The Employee acknowledges that he or she is permitted to sell Shares acquired under the Plan through the designated broker appointed by the Company (or such other broker to whom the Employee may transfer the Shares), provided that such sale takes place outside the Philippines through the facilities of the New York Stock Exchange on which the Shares are listed.

Issuance of Shares

The Employee acknowledges, understands and agrees that, if the issuance of Shares on the vesting date does not comply with all applicable Philippines securities laws, Shares will not be issued. In particular, Shares will not be issued unless and until the Philippines Securities and Exchange Commission authorizes the issuance of Shares under the Plan by approving the Company's request for exemption from the securities registration requirement.

POLAND

Notifications

Exchange Control Notice

The Employee acknowledges that Polish residents holding foreign securities (including Shares) and maintaining accounts abroad must report information to the National Bank of Poland if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

Further, the Employee acknowledges that any transfer of funds in excess of € 15,000 into or out of Poland must be effected through a bank account in Poland. The Employee understands that he or she is required to store all documents connected with any foreign exchange transactions the Employee engages in for a period of five years.

PORTUGAL

Terms and Conditions

Language Consent

The Employee hereby expressly declares that he or she has full knowledge of the English language and has read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Grant Agreement.

Consentimento sobre Língua

O Empregado Contratado, pelo presente instrumento, declara expressamente que domina a língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidos no Plano e no Acordo de Atribuição.

Notifications

Exchange Control Notice

If the Employee holds Shares upon vesting of the RSUs, the acquisition of such Shares should be reported to the Banco de Portugal for statistical purposes. If the Shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report to the Banco de Portugal. If the Shares are not deposited with a commercial bank or financial intermediary in Portugal, the Employee is responsible for submitting the report to the Banco de Portugal.

PUERTO RICO

Notifications

Securities Law Notice

The offer of the Plan is subject exclusively to U.S. securities laws, including the U.S. Securities Exchange Act of 1934, as amended.

ROMANIA

Notifications

Exchange Control Notice

Any transfer of funds exceeding € 15,000 (whether via one transaction or several transactions that appear to be linked to each other) must be reported to the National Office for Prevention and Control of Money Laundering on specific forms by the relevant bank or financial institution. If the Employee deposits the proceeds from the sale of Shares in a bank account in Romania, the Employee may have to provide the Romanian bank through which the operations are effected with appropriate documentation regarding the receipt of the income. The Employee should consult with a personal legal advisor to determine whether you will be required to submit such documentation to the Romanian bank.

RUSSIA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Russia, the RSUs granted to Employees in Russia shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

Notifications

Securities Law Notice

The Grant Agreement, the Plan and all other materials the Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Exchange Control Notice

The Employee is required to repatriate certain cash amounts you receive with respect to the RSUs, including proceeds from the sale of Shares that may be issued to the Employee pursuant to the RSUs, from the Employee's U.S. brokerage account to Russia as soon as the Employee intends to use those cash amounts for any purpose, including reinvestment. Such funds must initially be credited to the Employee through a foreign currency account at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

As an express statutory exception to the above-mentioned repatriation rule, cash dividends paid on the Shares can be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD (Organization for Economic Co-operation and Development) or FATF (Financial Action Task Force) country. As of January 1, 2018, cash proceeds from the sale of shares listed on one of the foreign stock exchanges on the list provided for by the Russian Federal law "On the Securities Market" (which currently includes the New York Stock Exchange) can also be paid directly to a foreign bank or brokerage account opened with a bank located in an OECD or FATF country. Other statutory exceptions may apply, and the Employee should consult with his or her personal legal advisor in this regard.

The Employee is encouraged to contact his or her personal advisor as exchange control requirements may change and significant penalties apply in the case of non-compliance with the exchange control requirements.

Foreign Asset/Account Reporting Notice

The Employee is required to report the opening, closing or change of details of any foreign bank account to Russian tax authorities within one month of opening, closing or change of details of such account. The Employee is also required to report (i) the beginning and ending balances in such a foreign bank account each year and (ii) transactions related to such a foreign account during the year to the Russian tax authorities, on or before June 1 of the following year. The tax authorities can require the Employee to provide appropriate supporting documents related to transactions in a foreign bank account. The Employee should consult with his or her personal legal advisor to determine the applicability of these reporting requirements to any brokerage account opened in connection with the Employee's participation in the Plan.

Anti-Corruption Information

Anti-corruption laws prohibit certain public servants, their spouses and their dependent children from owning any foreign-source financial instruments (e.g. , shares of foreign companies such as the Corporation). Accordingly, if the Employee is covered by these laws, the Employee should inform the Company because the Employee should not hold Shares acquired under the Plan.

SERBIA AND MONTENEGRO

Notifications

Securities Law Notice

The grant of RSUs and the issuance of any Shares are not subject to the regulations concerning public offers and private placements under the Law on Capital Markets.

Exchange Control Notice

Pursuant to the Law on Foreign Exchange Transactions, Serbian residents may freely acquire Shares under the Plan. However, the National Bank of Serbia generally requires residents to report the acquisition of Shares, the value of the Shares at vesting and, on a quarterly basis, any changes in the value of the underlying Shares. An exemption from this reporting obligation may apply on the basis that the Shares are acquired for no consideration. The Employee is advised to consult with his or her personal legal advisor to determine the Employee's reporting obligations upon the acquisition of Shares under the Plan as such obligations are subject to change based on the interpretation of applicable regulations by the National Bank of Serbia.

SINGAPORE

Terms and Conditions

Payout of RSUs in Cash Only for Mobile Employees

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Singapore, the RSUs granted to Employees in Singapore shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

Notifications

Securities Law Notice

The grant of RSUs is being made to the Employee in reliance on the “Qualifying Person” exemption under section 273(1)(f) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Further, the Employee acknowledges that the RSUs are subject to section 257 of the SFA and the Employee will not be able to make any subsequent sale of the Shares in Singapore unless such sale or offer is made (i) after six months from the Grant Date or (ii) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

Chief Executive Officer and Director Notification Obligation

A Chief Executive Officer (“CEO”) or a director of a Singapore Subsidiary or Affiliate must notify the Singapore Subsidiary or Affiliate in writing within two business days of (i) receiving or disposing of an interest (e.g. , Shares) in the Company, (ii) any change in a previously disclosed interest or (iii) becoming the CEO or a director if such an interest exists at the time. This notification requirement also applies to an associate director and to a shadow director (i.e., an individual who is not on the board of directors but who has sufficient control so that the board of directors acts in accordance with the “directions and instructions” of the individual) of a Singapore Subsidiary or Affiliate.

Insider Trading Notification

The Employee acknowledges that he or she should be aware of the Singapore insider-trading rules, which may impact the Employee’s ability to acquire or dispose of Shares. Under the Singapore insider-trading rules, the Employee is prohibited from selling Shares when the Employee is in possession of information concerning the Company which is not generally available and which the Employee knows or should know will have a material effect on the price of such Shares once such information is generally available.

SLOVAKIA

There are no country-specific provisions.

SOUTH AFRICA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company’s discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in South Africa, the RSUs granted to Employees in South Africa shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

Notifications

Exchange Control Notice

Because no transfer of funds from South Africa is required under the RSUs, no filing or reporting requirements should apply when the RSUs are granted or when a payment is received upon vesting and settlement of the RSUs. However, because the exchange control regulations are subject to change, the Employee should consult his or her personal advisor prior to vesting and settlement of the RSUs to ensure compliance with current regulations. The Employee is responsible for ensuring compliance with all exchange control laws in South Africa.

Tax Reporting Notice

The Employee agrees to notify the Employer of the amount of income realized at vesting of the RSUs. If the Employee fails to advise the Employer of the income at vesting, he or she may be liable for a fine. The Employee will be responsible for paying any difference between the actual tax liability and the amount withheld.

SOUTH KOREA

Notifications

Foreign Asset/Account Reporting Notice

Korean residents must declare all foreign financial accounts (e.g. , non-Korean bank accounts, brokerage accounts) to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 1 billion (or an equivalent amount in foreign currency) on any month-end date in the calendar year. The Employee understands that he or she should consult with the Employee’s personal tax advisor to determine how to value his or her foreign accounts for purposes of this reporting requirement and whether the Employee is required to file a report with respect to such accounts.

SPAIN

Terms and Conditions

Acknowledgment and Waiver

The following provisions supplement Section 14 of the Grant Agreement:

The Employee acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan.

The Employee understands that the Company has unilaterally, gratuitously and discretionally decided to grant RSUs under the Plan to individuals who may be employees of the Company or its Subsidiaries or Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Subsidiaries or Affiliates on an ongoing basis except as provided in the Plan. Consequently, the Employee understands that the RSUs are granted on the assumption and condition that the RSUs or the Shares acquired upon vesting shall not become a part of any employment contract (either with the Company or any of its Subsidiaries or Affiliates) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Employee understands that this grant would not be made to the Employee but for the assumptions and conditions referred to above; thus, the Employee acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the RSUs shall be null and void.

The RSUs are a conditional right to Shares and can be forfeited in the case of, or affected by, the Employee's termination of service or employment. This will be the case, for example, even if (1) the Employee is considered to be unfairly dismissed without good cause; (2) the Employee is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) the Employee terminates employment or service due to a change of work location, duties or any other employment or contractual condition; (4) the Employee terminates employment or service due to unilateral breach of contract of the Company, the Employer, or any other Subsidiary or Affiliate; or (5) the Employee's employment or service terminates for any other reason whatsoever, except for reasons specified in the Grant Agreement. Consequently, upon termination of the Employee's employment or service for any of the reasons set forth above, the Employee may automatically lose any rights to the unvested RSUs granted to him or her as of the date of the Employee's termination of employment, as described in the Plan and the Grant Agreement.

Notifications

Securities Law Notice

No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. The Plan and the Grant Agreement, including this Appendix, have not been nor will they be registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and do not constitute a public offering prospectus.

Exchange Control Notice

The acquisition, ownership and sale of Shares under the Plan must be declared to the Spanish *Dirección General de Comercio e Inversiones* (the "DGCI"), which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made in by filing the appropriate form with the DGCI. The ownership of any Shares must also be declared with the DGCI each January while the Shares are owned. However, if the value of the Shares acquired or sold during the year exceeds a particular threshold, the declaration must be filed within one month of the acquisition or sale, as applicable.

Foreign Asset/Account Reporting Notice

The Employee understands that to the extent he or she holds assets (e.g. , cash or Shares held in a bank or brokerage account) outside Spain with a value in excess of € 50,000 per type of asset (e.g. , cash or Shares) as of December 31 each year, the Employee is required to report information on such rights and assets on his or her tax return for such year. After such rights or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than € 20,000. The reporting must be completed by March 31 following the end of the relevant tax year.

Further, the Employee understands that he or she is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), as well as the securities (including Shares acquired under the Plan) held in such accounts, and any transaction carried out with non-residents, if the value of the transactions or the balances in such accounts as of December 31st of the prior tax year exceeds € 1,000,000.

The Employee understands that he or she is solely responsible for complying with these reporting obligations. The Employee acknowledges that he or she should consult with the Employee's personal advisor to determine his or her personal reporting obligations.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Notice

The Employee acknowledges that the Plan is considered a private offering in Switzerland and is therefore not subject to securities registration in Switzerland. Neither this document nor any other materials relating to the RSUs constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the RSUs may be publicly distributed nor otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing materials relating to the grant of RSUs under the Plan has been or will be filed with, approved or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

TAIWAN

Terms and Conditions

Data Privacy

The following provision supplements Section 12 of the Grant Agreement:

The Employee acknowledges that he or she has read and understood the terms regarding collection, processing and transfer of the Employee's Data contained in the Data Privacy Consent section of the Grant Agreement and agree that the Employee is agreeing to such terms. In this regard, upon request of the Company or the Employer, the Employee agrees to provide any executed data privacy consent form to the Company or the Employer (or any other agreements or consents that may be required by the Company or the Employer) that the Company and/or the Employer may deem necessary to obtain under the data privacy laws in the Employee's country, either now or in the future. The Employee understands he or she will not be able to participate in the Plan if the Employee fails to execute any such consent or agreement.

Notifications

Securities Law Notice

The grant of RSUs is only to employees of the Company and its Subsidiaries. The grant of RSUs under the Plan is not a public offer of securities by a Taiwanese country.

Exchange Control Notice

If the Employee is a Taiwanese resident, the Employee understands that he or she may acquire and remit foreign currency (including proceeds from the sale of Shares) into Taiwan up to US\$5,000,000 per year without submission of supporting documentation. If the transaction amount is TWD 500,000 or more in a single transaction, the Employee must submit a Foreign Exchange Transaction Form and also provide supporting documentation to the satisfaction of the remitting bank. The Employee understands he or she is personally responsible for complying with exchange control restrictions in Taiwan.

THAILAND

Notifications

Exchange Control Notice

If the Employee is a Thai resident and the Employee realizes sale proceeds equal to or in excess of a specified threshold (currently US\$50,000) in a single transaction, the Employee understands he or she is required to repatriate the cash proceeds to Thailand immediately following the receipt of such proceeds and then either convert such repatriation proceeds into Thai Baht or deposit the proceeds into a foreign currency account opened with any commercial bank in Thailand within 360 days of repatriation. Further, for repatriated amounts equal to or in excess of the specified threshold, the Employee understands he or she must specifically report the inward remittance to the Bank of Thailand on a Foreign Exchange Transaction Form. The Employee is responsible for ensuring compliance with all exchange control laws in Thailand.

TUNISIA

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Tunisia, the RSUs granted to Employees in Tunisia shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

TURKEY

Notifications

Securities Law Notice

The Employee understands that he or she is not permitted to sell any Shares acquired under the Plan in Turkey. The Shares are currently traded on the New York Stock Exchange, which is located outside of Turkey, under the ticker symbol "HPQ" and the Shares may be sold through this exchange.

Exchange Control Notice

Pursuant to Decree No. 32 on the Protection of the Value of the Turkish Currency ("Decree 32") and Communiqué No. 2008-32/34 on Decree No. 32, any activity by Turkish residents related to investments in foreign securities (e.g. , the sale of Shares acquired under the Plan) must be conducted through a bank or financial intermediary institution licensed by the Turkish Capital Markets Board and should be reported to the Turkish Capital Markets Board. The Employee understands that he or she is solely responsible for complying with this requirement and is advised to contact his or her personal legal advisor for further information regarding the Employee's obligations in this respect.

UNITED ARAB EMIRATES

Notifications

Securities Law Notice

The grant of RSUs under the Plan is made only to employees and is in the nature of providing equity incentives to employees of the Company, its Subsidiaries and Affiliates. The Plan, the Grant Agreement and any other Plan materials (collectively, the "Plan Documents") are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. The Emirates Securities and Commodities Authority have no responsibility for reviewing or verifying any Plan Documents. Neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Plan Documents nor taken steps to verify the information set out therein, and has no responsibility for them. The securities to which the offer under the Plan relates may be illiquid and/or subject to restrictions on their resale.

The United Arab Emirates securities and financial authorities have no responsibility for reviewing or verifying any Plan Documents and have not approved the Plan Documents nor taken steps to verify the information set out in them, and thus are not responsible for their content.

Employees should, as prospective stockholders, conduct their own due diligence on the securities. The Employee acknowledges that if he or she does not understand the contents of the Plan Documents, the Employee should consult an authorized financial advisor.

UNITED KINGDOM

Terms and Conditions

Payout of RSUs in Shares Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in United Kingdom, the RSUs granted to Employees in United Kingdom shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.

Exclusion of Claim

The Employee acknowledges and agrees that the Employee will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Employee ceasing to have rights under or to be entitled to the RSUs, whether or not as a result of termination of employment (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the RSUs. Upon the grant of the RSUs, the Employee shall be deemed to have waived irrevocably such entitlement.

VIETNAM

Terms and Conditions

Payout of RSUs in Cash Only

Pursuant to the Company's discretion under Section 2(ii) of the Plan and Section 3 of the Grant Agreement, due to legal considerations in Vietnam, the RSUs granted to Employees in Vietnam shall be settled in cash paid in local currency by the Employer through local payroll (less any Tax-Related Items and/or fees) and do not provide any right for the Employee to receive Shares.



GRANT AGREEMENT for use from [Insert Date]

Name: fld_NAME_AC

Employee ID: fld_EMPLID

Grant Date:	expGRANT_DATE
Grant ID:	fld_GRANT_NBR
Target Amount:	0
Plan:	fld_DESCR

Performance-Adjusted Restricted Stock Units

GRANT SUMMARY

Target Amount	0 Shares
Performance Period	01 November 2017 – 31 October 2020
Segment 1 - Year 1 EPS	01 November 2017 – 31 October 2018
Segment 2 – Year 2 EPS	01 November 2018 – 31 October 2019
Segment 2 – Year 3 EPS	01 November 2019 – 31 October 2020
Segment 1 – 2-year TSR	01 November 2017 – 31 October 2019
Segment 2 – 3-year TSR	01 November 2017 – 31 October 2020

THIS PERFORMANCE-ADJUSTED RESTRICTED STOCK UNITS GRANT AGREEMENT (this "Grant Agreement"), as of the Grant Date noted above between HP Inc., a Delaware Corporation ("Company"), and the employee named above ("Employee"), is entered into as follows:

WHEREAS, the continued participation of the Employee is considered by the Company to be important for the Company's continued growth; and

WHEREAS, in order to give the Employee an incentive to continue in the employ of the Company (or its Affiliates or Subsidiaries), to accept ancillary agreements designed to protect the legitimate business interests of the Company that are made a condition of this grant and to participate in the affairs of the Company, the HR and Compensation Committee of the Board of Directors of the Company or its delegates ("Committee") has determined that the Employee shall be granted performance-adjusted restricted stock units ("PARSUs") representing hypothetical shares of the Company's common stock (the "Grant") and dividend equivalents. The target amount stated above reflects the target number of PARSUs that may be granted to Employee (the "Target Amount"). The number of PARSUs achieved will be determined after the end of the time periods reflected in the matrix above and paid out at the end of each Segment (as defined below). Each PARSU will be equal in value to one share of the Company's \$0.01 par value common stock ("Share"), subject to the restrictions stated below and in accordance with the terms and conditions of the plan named above ("Plan"), a copy of which can be found on the Long-term Incentives website along with a copy of the related prospectus. The Plan and the related prospectus also can be obtained by written or telephonic request to the Company Secretary. Unless otherwise defined in this Grant Agreement, any capitalized terms in this Grant Agreement shall have the meaning ascribed to such terms in the Plan.

THEREFORE, the parties agree as follows:

1. Grant of Performance-Adjusted Restricted Stock Units.
Subject to the terms and conditions of this Grant Agreement and of the Plan, the Company hereby grants to the Employee PARSUs together with dividend equivalent units, as set forth below.

2. Performance Criteria and Performance Periods.
The Grant is divided into two separate segments, each with different performance periods, as set forth in the Grant Summary above. Segment 1 will consist of 1/3 of the EPS Units (as defined below) and 1/2 of the TSR Units (as defined below), and Segment 2 will consist of 2/3 of the EPS Units and 1/2 of the TSR Units. Segment 1 will vest after the end of the first two fiscal years, and Segment 2 will vest after the end of the third fiscal year. Segment 1 and Segment 2 are jointly referred to herein as "Segments".

For each Segment, the Employee may be credited with PARSUs based on (a) the Company achieving goals for that Segment related to earnings per share ("EPS") and relative total shareholder return ("TSR"), (b) the Employee's continued employment through the last U.S. business day of the relevant Segment, and (c) the Employee's compliance with the requirements and conditions provided for in the Plan and this Grant Agreement.

The goals associated with the PARSUs shall be established by the Committee, and will be communicated separately to the Employee by the Company. Shares delivered at the end of each Segment with respect to the PARSUs will range from 0% to 200% of the Target Amount of PARSUs, based upon the Company's performance against the EPS and TSR goals as certified by the Committee. No PARSUs will be achieved for a segment if performance is below minimum levels.

3. Crediting of Units For Each Segment.
 - (a) EPS Units. One-half (1/2) of the Target Amount of units will be determined based upon performance against the EPS goals, as certified by the Committee (the "EPS Units"). One-third (1/3) of the EPS Units will be determined based upon performance against the EPS goals for Year 1, one-third (1/3) of the EPS Units will be determined based upon performance against the EPS goals for Year 2, and the remaining one-third (1/3) will be determined based upon performance against the EPS goals for Year 3. The relevant number of EPS Units shall be credited in the Employee's name, based on the Company's performance during the relevant Segment as follows: 0% if performance is below the minimum level, 50% if performance is at the minimum level, 100% if performance is at target level and 200% if performance is at or above the maximum level. For performance between the minimum level and target level or between target level and the maximum level, a proportionate percentage will be applied based on straight-line interpolation between levels. Any units achieved in Year 1 will not be credited in the Employee's name until the end of Year 2, and any units achieved in Years 2 and 3 will not be credited in the Employee's name until the end of Year 3.

If EPS goals are met for the relevant Segment, the EPS Units that are achieved for that Segment will be credited to the Employee even if the TSR goals for the Segment are not met.

- (b) TSR Units. One-half (1/2) of the Target Amount of units for each Segment (i.e., one-fourth (1/4) of the total Target Amount of units) will be determined based upon performance against the TSR goal for that Segment, as certified by the Committee (the "TSR Units"). The TSR Units shall be credited in the Employee's name based on the Company's performance during the relevant Segment as follows: 0% if performance is below the minimum level, 50% if performance is at the minimum level, 100% if performance is at target level and 200% if performance is at or above the maximum level. For performance between the minimum level and target, or between target and the maximum levels, a proportionate percentage will be applied based on straight-line interpolation between levels.

If TSR goals are met for the relevant Segment, the TSR Units that are achieved for that Segment will be credited to the Employee even if the EPS goals for the Segment are not met.

- (c) Service Requirement. Notwithstanding (a) and (b) above, the Employee must be employed on the last U.S. business day of the relevant Segment in order to be credited with any PARSUs for that Segment.

4. Payout of Performance-Adjusted Restricted Stock Units and Dividend Equivalents.

Except as otherwise provided in Sections 9 through 11 below, following the Committee's certification (if applicable) at the end of the relevant Segment that the goals associated with the PARSUs have been met and that the terms and conditions set forth in this Grant Agreement have been fulfilled (and in any event within 75 days of the last day of the relevant Segment), the Company shall deliver to the Employee's account (or the Employee's estate or beneficiary or legal guardian in the event of Sections 9 through 11 below, as applicable) a number of Shares equal to the following:

- (a) a number of Shares corresponding to the number of PARSUs that have become vested pursuant to Section 3 (and Section 9 through 11, as applicable); plus

(b) a dividend equivalent payment credited in the form of additional PARSUs for each ordinary cash dividend the Company pays on its Shares and for which the record date occurs between the grant date and the date the PARSUs are settled, determined by:

- (1) multiplying the per share cash dividend paid by the Company on its Shares by the total number the number of PARSUs that became vested as determined in Section 3 as of the record date for the dividend; and
- (2) dividing the amount determined in (1) above by the Fair Market Value of a Share on the dividend payment date to determine the number of additional whole and fractional PARSUs to be credited to the Employee;

provided, however, that if any aggregated dividend equivalent payments in Section (b)(2) above result in a payment of a fractional Share, such fractional Share shall be rounded up to the nearest whole Share.

Notwithstanding the foregoing, the Company may, in its sole discretion, settle the PARSUs in the form of a cash payment to the extent settlement in Shares: (i) is prohibited under local law; (ii) would require the Employee, the Company and/or any Subsidiary or Affiliate to obtain the approval of any governmental and/or regulatory body in the Employee's country; (iii) would result in adverse tax consequences for the Employee, the Company or any Subsidiary or Affiliate; or (iv) is administratively burdensome. Alternatively, the Company may, in its sole discretion, settle the PARSUs in the form of Shares but require the Employee to sell such Shares immediately or within a specified period of time following the Employee's termination of employment (in which case the Employee expressly authorizes the Company to issue sales instructions on the Employee's behalf).

5. Restrictions.

Except as otherwise provided for in this Grant Agreement, the PARSUs or rights granted hereunder may not be sold, pledged or otherwise transferred.

6. Custody of Performance-Adjusted Restricted Stock Units.

The PARSUs subject hereto shall be held in a restricted book entry account in the name of the Employee. Upon completion of the relevant Segment, any Shares deliverable pursuant to Section 4 above shall be released into an unrestricted brokerage account in the name of the Employee; provided, however, that a portion of such Shares shall be surrendered in payment of Tax-Related Items in accordance with Section 13 below, unless the Company, in its sole discretion, establishes alternative procedures for the payment of such taxes. Any Shares not deliverable pursuant to Section 4 above shall be forfeited from the Employee's account.

7. No Stockholder Rights.

PARSUs represent hypothetical Shares. Until Shares are delivered to the Employee pursuant to the terms of this Grant Agreement, the Employee shall not be entitled to any of the rights or benefits generally accorded to stockholders, including, without limitation, the receipt of dividends.

8. Termination of Employment.

Except in the case of a termination of employment due to the Employee's death, retirement or Total and Permanent Disability, the Employee must remain in the employ of the Company on a continuous basis through the last U.S. business day of the relevant Segment in order to be eligible to receive any amount of the PARSUs except to the extent a severance plan applicable to the Employee provides otherwise, subject to the terms and conditions of this Grant Agreement.

For purposes of this Grant Agreement, the Employee's employment or service will be considered terminated as of the date he or she is no longer actively providing services to the Company or any Subsidiary or Affiliate. The Committee shall have the exclusive discretion to determine when the Employee's employment or service is terminated for purposes of this Grant Agreement (including whether the Employee may still be considered to be providing service while on a leave of absence).

9. Benefit in Event of Death of the Employee.

In the event that termination of employment is due to the death of the Employee, all unvested PARSUs shall vest immediately based on deemed attainment of the performance criteria at target levels, or based on actual performance as determined in accordance with Sections 3(a) and/or 3(b) for a termination occurring after the completion of a performance period, including any Shares representing dividend equivalent payments calculated in accordance with Section 4(b), except that the calculation will be based on the number of PARSUs that vest in accordance with this Section 9, and any such Shares representing the vested PARSUs and dividend equivalent payments shall be delivered within 75 days of vesting.

10. Retirement of the Employee.

If the Employee's termination is due to retirement in accordance with an applicable retirement policy, a Pro Rata Portion of the PARSUs shall vest at the end of the relevant Segment based on actual performance as determined in accordance with Sections 3(a) and/or 3(b). The Company's obligation to deliver the amounts that vest pursuant to this Section 10 is subject to the condition that (i) the

Employee shall have executed a current Agreement Regarding Confidential Information and Proprietary Developments ("ARCIPD") that is satisfactory to the Company, and (ii) during the portion of the Performance Period following termination of the Employee's active employment, the Employee is in compliance with any-post employment restrictions in the ARCIPD and does not engage in any conduct that creates a conflict of interest in the opinion of the Company.

11. Total and Permanent Disability of the Employee.

In the event that termination of employment is due to the Total and Permanent Disability of the Employee, all unvested PARSUs shall vest immediately based on deemed attainment of the performance criteria at target levels, or based on actual performance as determined in accordance with Sections 3(a) and/or 3(b) for a termination occurring after the completion of a performance period, including any Shares representing dividend equivalent payments calculated in accordance with Section 4(b), except that the calculation will be based on the number of PARSUs that vest in accordance with this Section 11, and any such Shares representing the vested PARSUs and dividend equivalent payments shall be delivered within 75 days of vesting. The Company's obligation to deliver the amounts that vest pursuant to this Section 11 is subject to the condition that (a) the Employee shall have executed a current ARCIPD that is satisfactory to the Company, and (b) during the portion of the Performance Period following termination of the Employee's active employment, the Employee is in compliance with any-post employment restrictions in the ARCIPD and does not engage in any conduct that creates a conflict of interest in the opinion of the Company.

12. Section 409A.

The following provisions apply to the extent the Employee is subject to taxation in the U.S. Payments made pursuant to this Plan and this Grant Agreement are intended to comply with or qualify for an exemption from Section 409A of the Code ("Section 409A"). The Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend or modify the Plan and/or this Grant Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, including any amendments or actions that would result in the reduction of benefits payable under this Grant Agreement, as the Company determines are necessary or appropriate to ensure that all PARSUs and dividend equivalent payments are made in a manner that qualifies for an exemption from, or complies with, Section 409A or mitigate any additional tax, interest and/or penalties or other adverse tax consequences that may apply under Section 409A; provided however, that the Company makes no representations that the PARSUs or the dividend equivalents will be exempt from any taxes, interest, and/or penalties that may apply under Section 409A and makes no undertaking to preclude Section 409A from applying to the PARSUs or the dividend equivalents. For the avoidance of doubt, the Employee hereby acknowledges and agrees that neither the Company nor any Affiliate or Subsidiary will have any liability to the Employee or any other party if any amounts payable under this Grant Agreement are not exempt from, or compliant with, Section 409A, or for any action taken by the Company with respect thereto. Any PARSUs or dividend equivalents that are considered non-qualified deferred compensation subject to Section 409A ("NQDC") and the settlement of which is triggered by "separation from service" (within the meaning of Section 409A) of a "specified employee" (as defined under Section 409A) shall be made on a date that is the earliest of (a) the Employee's death, (b) the specified settlement date, and (c) the date which is one day following six months after the date of the Employee's separation from service. If the PARSUs or dividend equivalents are considered NQDC and the payment period contemplated in Sections 10 or 11 crosses a calendar year, the PARSUs or dividend equivalents shall be paid in the second calendar year.

13. Taxes.

(a) The Employee shall be liable for any and all taxes, including income tax, social insurance, fringe benefit tax, payroll tax, payment on account, employer taxes or other tax-related items related to the Employee's participation in the Plan and legally applicable to or otherwise recoverable from the Employee by the Company and/or, if different, the Employee's employer (the "Employer") whether incurred at grant, vesting, sale, prior to vesting or at any other time ("Tax-Related Items"). In the event that the Company or the Employer (which, for purposes of this Section 13, shall include a former employer) is required, allowed or permitted to withhold taxes as a result of the grant or vesting of PARSUs (including dividend equivalents) or the issuance or subsequent sale of Shares acquired pursuant to such PARSUs, or due upon receipt of dividend equivalent payments or dividends, the Employee shall surrender a sufficient number of whole Shares, make a cash payment or make adequate arrangements satisfactory to the Company and/or the Employer to withhold such taxes from the Employee's wages or other cash compensation paid to the Employee by the Company and/or the Employer at the election of the Company, in its sole discretion, or, if permissible under local law, the Company may sell or arrange for the sale of Shares that Employee acquires as necessary to cover all Tax-Related Items that the Company or the Employer has to withhold or that are legally recoverable from the Employee (such as fringe benefit tax) at the time the restrictions on the PARSUs lapse, unless the Company, in its sole discretion, has established alternative procedures for such payment. However, with respect to any PARSUs subject to Section 409A, the Employer shall limit the surrender of Shares to the minimum number of Shares permitted to avoid a prohibited acceleration under Section 409A. The Employee will receive a cash refund for any fraction of a surrendered Share or Shares in excess of any and all Tax-Related Items. To the extent that any surrender of Shares or payment of cash or alternative procedure for such payment is insufficient, the Employee authorizes the Company, its Affiliates and Subsidiaries, which are qualified to deduct tax at source, to deduct from the Employee's compensation all Tax-Related Items. The Employee agrees to pay any Tax-Related Items that cannot be satisfied from wages or other cash compensation, to the extent permitted by Applicable Law.

The Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case the Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Employee is deemed to have been issued the full number of

Shares subject to the vested PARSUs, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Employee's participation in the Plan.

- (b) Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges that the Company and/or the Employer: (i) make no representations nor undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this grant of PARSUs or dividend equivalents, including, but not limited to, the grant, vesting or settlement of PARSUs or dividend equivalents, the subsequent delivery of Shares and/or cash upon settlement of such PARSUs or the subsequent sale of any Shares acquired pursuant to such PARSUs and receipt of any dividends or dividend equivalent payments; and (ii) notwithstanding Section 12, do not commit to and are under no obligation to structure the terms or any aspect of this grant of PARSUs and/or dividend equivalents to reduce or eliminate the Employee's liability for Tax-Related Items or to achieve any particular tax result. Further, if the Employee has become subject to tax in more than one jurisdiction, the Employee acknowledges that the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Employee shall pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Employee's participation in the Plan or the Employee's receipt of PARSUs that cannot be satisfied by the means previously described. The Company may refuse to deliver the benefit described in Section 4 if the Employee fails to comply with the Employee's obligations in connection with the Tax-Related Items.
- (c) In accepting the PARSUs, the Employee consents and agrees that in the event the PARSUs or the dividend equivalents become subject to an employer tax that is legally permitted to be recovered from the Employee, as may be determined by the Company and/or the Employer at their sole discretion, and whether or not the Employee's employment with the Company and/or the Employer is continuing at the time such tax becomes recoverable, the Employee will assume any liability for any such taxes that may be payable by the Company and/or the Employer in connection with the PARSUs and dividend equivalents. Further, by accepting the PARSUs, the Employee agrees that the Company and/or the Employer may collect any such taxes from the Employee by any of the means set forth in this Section 13. The Employee further agrees to execute any other consents or elections required to accomplish the above, promptly upon request of the Company.

14. Data Privacy Consent.

- (a) *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's personal data as described in this Grant Agreement and any other materials by and among, as applicable, the Company, its Subsidiaries or Affiliates, and the Employer for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan.*
- (b) *The Employee understands that the Company, its Subsidiaries or Affiliates, and the Employer may hold certain personal information about the Employee, including, but not limited to, name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, residency, status, job title, any shares of stock or directorships held in the Company, details of all PARSUs, options or any other entitlement to shares of stock granted, canceled, purchased, exercised, vested, unvested or outstanding in the Employee's favor ("Data") for the exclusive purpose of implementing, managing and administering the Plan.*
- (c) *The Employee understands that Data may be transferred to Merrill Lynch and any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Employee's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. The Company is committed to protecting the privacy of Data in such cases. The Employee understands that by contract both with the Company and/or any of its Subsidiaries or Affiliates and with Merrill Lynch and/or the Company's other vendors, the people and companies that have access to the Employee's Data are bound to handle such Data in a manner consistent with the Company's privacy policy and law. The Company periodically performs due diligence and audits on its vendors in accordance with good commercial practices to ensure their capabilities and compliance with those commitments. The Employee further understands that that Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan.*
- (d) *The Employee understands that if he or she resides outside the United States, the Employee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Employee understands that he or she is providing the consents herein on a purely voluntary basis. If the Employee does not consent, or if the Employee later seeks to revoke his or her consent, the Employee's employment status or service with the Company or his or her Employer will not be affected; the only consequence of refusing or withdrawing the Employee's consent is that the Company would not be able to grant the Employee PARSUs or other equity awards or administer and manage the Employee's participation in the Plan. Therefore, the Employee understands that refusing or withdrawing his or her consent may affect the Employee's ability to participate in the Plan. For more information on the consequences of the Employee's refusal to consent or withdrawal of consent, the Employee understands that he or she may contact the Employee's local human resources representative.*

15. Plan Information.

The Employee agrees to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with Applicable Laws outside the United States, from the Long-term Incentives website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the investor relations section of the Company's website at www.hp.com. The Employee acknowledges that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Company Secretary. The Employee hereby consents to receive any documents related to current or future participation in the Plan by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

16. Acknowledgment and Waiver.

By accepting this grant of PARSUs and any Shares, the Employee understands, acknowledges and agrees that:

- (a) this Grant Agreement and its incorporated documents reflect all agreements on its subject matters and the Employee is not accepting this Grant Agreement based on any promises, representations or inducements other than those reflected in this Grant Agreement;
- (b) all good faith decisions and interpretations of the Committee regarding the Plan and PARSUs granted under the Plan are binding, conclusive and final;
- (c) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time;
- (d) the grant of PARSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PARSUs or other awards, or benefits in lieu of PARSUs, even if Shares or PARSUs have been granted in the past;
- (e) all decisions with respect to future grants, if any, will be at the sole discretion of the Company;
- (f) the Employee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Employee's employment relationship at any time and it is expressly agreed and understood that employment is terminable at the will of either party;
- (g) the Employee is voluntarily participating in the Plan;
- (h) PARSUs and their resulting benefits are extraordinary items that are outside the scope of the Employee's employment contract, if any;
- (i) PARSUs and their resulting benefits are not intended to replace any pension rights or compensation;
- (j) PARSUs and their resulting benefits are not part of normal or expected compensation or salary for any purposes, including, but not limited to calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments;
- (k) unless otherwise agreed by the Company, the PARSUs and their resulting benefits are not granted as consideration for, or in connection with, the service the Employee may provide as a director of Subsidiary or Affiliate;
- (l) this grant of PARSUs will not be interpreted to form an employment contract or relationship with the Company, and furthermore, this grant of PARSUs will not be interpreted to form an employment contract with any Subsidiary or Affiliate;
- (m) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;
- (n) no claim or entitlement to compensation or damages shall arise from forfeiture of the PARSUs resulting from termination of Employee's employment (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Employee is employed or retained or the terms of the Employee's employment or service agreement, if any), and in consideration of the grant of the PARSUs to which the Employee is otherwise not entitled, the Employee irrevocably agrees never to institute any claim against the Company, the Employer or any other Subsidiary or Affiliate and releases the Company, the Employer and any other Subsidiary and Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Employee shall be deemed irrevocably to have agreed not to pursue such claim and to have agreed to execute any and all documents necessary to request dismissal or withdrawal of such claims;
- (o) the Company, the Employer or any other Subsidiary or Affiliate will not be liable for any foreign exchange rate fluctuation between the Employee's local currency and the United States dollar that may affect the value of the PARSUs or any amounts due to the Employee pursuant to the settlement of the PARSUs or the subsequent sale of any Shares acquired upon settlement;
- (p) if the Company's performance is below minimum levels as set forth in this Grant Agreement, no PARSUs or dividend equivalents will vest and no Shares will be delivered to the Employee;

- (q) if the Company determines that the Employee has engaged in misconduct prohibited by Applicable Law or any applicable policy of the Company, as in effect from time to time, or the Company is required to make recovery from the Employee under Applicable Law or a Company policy adopted to comply with applicable legal requirements, then the Company may, in its sole discretion, to the extent it determines appropriate, (i) recover from the Employee the proceeds from PARSUs vested up to three (3) years prior to the Employee's termination of employment or any time thereafter, (ii) cancel the Employee's outstanding PARSUs, and (iii) take any other action it deems to be required and appropriate; and
- (r) the delivery of any documents related to the Plan or Awards granted under the Plan, including the Plan, this Grant Agreement, the Plan prospectus and any reports of the Company generally provided to the Company's stockholders, may be made by electronic delivery. Such means of electronic delivery may include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via electronic mail or other such means of electronic delivery specified by the Company. The Employee may receive from the Company a paper copy of any documents delivered electronically at no cost to the Employee by contacting the Company in writing in accordance with Section 19(l). If the attempted electronic delivery of any document fails, the Employee will be provided with a paper copy of such document. The Employee may revoke his or her consent to the electronic delivery of documents or may change the electronic mail address to which such documents are to be delivered (if the Employee has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised electronic mail address in accordance with Section 19(l). The Employee is not required to consent to the electronic delivery of documents.

17. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or the Employee's acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan

18. Additional Eligibility Requirements Permitted.

In addition to any other eligibility criteria provided for in the Plan, the Company may require that the Employee execute a separate document agreeing to the terms of a current arbitration agreement and/or a current ARCIPD, each in a form acceptable to the Company and/or that the Employee be in compliance with the ARCIPD throughout the entire Performance Period. If such separate documents are required by the Company and the Employee does not accept them within 75 days of the Grant Date or such other date as of which the Company shall require in its discretion, the PARSUs shall be canceled and the Employee shall have no further rights under this Grant Agreement.

19. Insider Trading Policy.

The Employee acknowledges and understands that, depending on his or her broker's country of residence or where the Company shares are listed, the Employee may be subject to insider trading restrictions and/or market abuse laws which may affect the Employee's ability to accept, acquire, purchase, sell or otherwise dispose of Shares or, rights to Shares during such times when the Employee is considered to have "inside information" regarding the Company as defined in the laws or regulations in the Employee's country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Employee placed before he or she possessed inside information. Furthermore, the Employee could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties or causing them otherwise to buy or sell securities. The Employee understands that third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Employee acknowledges that it is his or her responsibility to comply with such regulations; therefore, he or she should consult with the Employee's personal advisor on this matter.

20. Miscellaneous.

- (a) The Company shall not be required to treat as owner of PARSUs and any associated benefits hereunder any transferee to whom such PARSUs or benefits shall have been transferred in violation of any of the provisions of this Grant Agreement.
- (b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Grant Agreement.
- (c) The Plan is incorporated herein by reference. The Plan and this Grant Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Employee with respect to the subject matter hereof, other than the terms of any severance plan applicable to the Employee that provides more favorable vesting. Notwithstanding the foregoing, nothing in the Plan or this Grant Agreement shall affect the validity or interpretation of any duly authorized written agreement between the Company and the Employee under which an award properly granted under and pursuant to the Plan serves as any part of the consideration furnished to the Employee, including without limitation, any agreement that imposes restrictions during or after employment regarding confidential information and proprietary developments. This Grant Agreement is governed by the laws of the state of Delaware without regard to its conflict of law provisions.

- (d) If the Employee has received this or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
- (e) The provisions of this Grant Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.
- (f) Notwithstanding Section 19(e), the Company's obligations under this Grant Agreement and the Employee's agreement to the terms of an arbitration agreement and/or an ARCIPD, if any, are mutually dependent. In the event that the Employee breaches the arbitration agreement or the Employee's ARCIPD is breached or found not to be binding upon the Employee for any reason by a court of law, then the Company will have no further obligation or duty to perform under the Plan or this Grant Agreement.
- (g) A waiver by the Company of a breach of any provision of this Grant Agreement shall not operate or be construed as a waiver of any other provision of this Grant Agreement, or of any subsequent breach by the Employee or any other Awardee.
- (h) Notwithstanding any provisions in this Grant Agreement, the grant of the PARSUs shall be subject to any special terms and conditions set forth in the Appendix to this Grant Agreement for the Employee's country of employment (and country of residence, if different), if any. Moreover, if the Employee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal, regulatory, tax or administrative reasons. The Appendix, if any, constitutes part of this Grant Agreement.
- (i) The Company reserves the right to impose other requirements on the Employee's participation in the Plan, on the PARSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.
- (j) Any notice required or permitted hereunder to the Employee shall be given in writing and shall be deemed effectively given upon delivery to the Employee at the address then on file with the Company.
- (k) Any notice to be given under the terms of this Grant Agreement to the Company will be addressed in care of Attn: Global Equity at HP Inc., 1501 Page Mill, Palo Alto, California 94304, USA.
- (l) The Employee acknowledges that there may be certain foreign asset and/or account reporting requirements which may affect his or her ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalent payments) in a brokerage or bank account outside the Employee's country. The Employee may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Employee also may be required to repatriate sale proceeds or other funds received as a result of the Employee's participation in the Plan to his or her country through a designated bank or broker within a certain time after receipt. The Employee acknowledges that it is his or her responsibility to be compliant with such regulations, and the Employee is advised to consult his or her personal legal advisor for any details.

HP Inc.

Dion Weisler
CEO and President

Tracy Keogh
Chief Human Resources Officer

RETAIN THIS GRANT AGREEMENT FOR YOUR RECORDS

Important Note: Your grant is subject to the terms and conditions of this Grant Agreement and to the Company obtaining all necessary government approvals. If you have questions regarding your grant, please contact global.equity@hp.com.

Subsidiaries of HP Inc.

The registrant’s subsidiaries and affiliates as of October 31, 2018 are included in the list below.

ANGOLA
—Hewlett-Packard Angola, Lda.

ARGENTINA
—HP Inc Argentina S.R.L.

AUSTRALIA
—HP PPS Australia Pty Ltd
—Tower Software Engineering Pty Ltd

AUSTRIA
—HP Austria GmbH

BAHRAIN
—Aptitude Management Consulting W.L.L.

BELGIUM
—Hewlett-Packard Industrial Printing Solutions Europe BVBA
—HP Belgium BVBA

BERMUDA
—HP Bermuda Holding One L.P.
—Phoenix Holding L.P.

BRAZIL

- HP Brasil Indústria e Comércio de Equipamentos Eletrônicos Ltda
- HP Brasil Indústria e Comércio de Equipamentos Eletrônicos Ltda.—Branch 01 (Tamboré)
- HP Brasil Indústria e Comércio de Equipamentos Eletrônicos Ltda.—Branch 2 (Sorocaba)
- HP Brasil Indústria e Comércio de Equipamentos Eletrônicos Ltda.—Branch 3 (Porto Alegre)
- Nur do Brasil Ltda
- Palm Comércio de Aparelhos Eletrônicos Ltda.
- Simpres Comércio, Locação e Serviços S.A.

BRITISH VIRGIN ISLANDS

- AOME Holdings Ltd.

BULGARIA

- HP Inc Bulgaria EOOD

CANADA

- HP Canada Co. HP Canada Cie
- PrinterOn Inc.

CAYMAN ISLANDS

- Compaq Cayman Holdings Company
- Compaq Cayman Holdings General Partnership II
- Compaq Cayman Islands Vision Company
- Hewlett-Packard West Indies Limited
- HP Holdgate Co.
- Quartz Holding Co

CHILE

- HP Inc Chile Comercial Limitada

CHINA

- China HP Co., Ltd. Chengdu Branch
 - China HP Co., Ltd. Guangzhou Branch
 - China HP Co., Ltd., Jiangnan Branch
-

—China HP Co., Ltd. Nanjing Branch

—China HP Co., Ltd. Shanghai Branch

—HP (Chongqing) Manufacturing, Export, Procurement and Settlement Co., Ltd.

—HP Co., Ltd. Shanghai Branch

—HP Information Technology R & D (Shanghai) Co. Ltd.

—HP Technology (Shanghai) Co., Ltd

—HP Trading (Shanghai) Co. Ltd.

—HP Trading (Shanghai) Co., Ltd. Dalian Branch

—HP Trading (Shanghai) Co., Ltd. Zhangjiang Branch

COLOMBIA

—HP Colombia SAS

COSTA RICA

—HP Inc Costa Rica Limitada

—HP PPS Costa Rica Limitada

CROATIA

—HP Computing and Printing d.o.o. (Zagreb)

CZECH REPUBLIC

—HP Inc Czech Republic s.r.o.

DENMARK

—HP Inc Danmark ApS

FINLAND

—HP Finland Oy

FRANCE

—HP France Holding SAS

—HP France SAS

GERMANY

—HP Deutschland GmbH

—HP Deutschland Holding GmbH

GREECE

—HP Printing and Personal Systems Hellas EPE

HONG KONG

—HP Inc AP Hong Kong Limited

—HP Inc Hong Kong Limited

—Palm Asia Pacific Limited

HUNGARY

—HP Inc Magyarország Kft.

INDIA

—HP Computing and Printing Systems India Private Limited

—HP India Sales Private Limited

—HP PPS India Operations Private Limited

—HP PPS Services India Private Limited

INDONESIA

—PT Hewlett-Packard Indonesia

IRELAND

—Gram Global Operations Limited

—Hewlett-Packard Ireland (Holdings) Ltd.

—Hewlett-Packard Ireland 1, Limited

—HP Print Services Ireland Limited

—HP Production Company Limited

—HP Technology Ireland Limited

—Palm Global Operations Limited

—Palm Ireland Investment Unlimited Company

ISRAEL

—HP Indigo Ltd.

—HP Israel Ltd

—HP Scitex Ltd

—HP Technology Israel Ltd.

—PFE Investments Ltd.

ITALY

—HP Italy S.r.l.

JAPAN

—Hewlett-Packard G.K.

—HP Japan Inc.

—Nihon HP Nin-I Kumiai

—SYC Corporation, Ltd.

KAZAKHSTAN

—HP Global Trading B.V., Kazakhstan Branch

KENYA

—HP Kenya Limited

KOREA, REPUBLIC OF

—HP Korea Inc.

—HP Printing Korea Co., Ltd.

LUXEMBOURG

—Aquarius Holding S.C.A.

—HP Luxembourg S.C.A.

MALAYSIA

—HP Malaysia Manufacturing Sdn. Bhd.

—HP PPS Malaysia Sdn. Bhd.

—HP PPS Multimedia Sdn. Bhd.

—HP PPS Sales Sdn. Bhd.

MEXICO

—Computing and Printing Global Services Mexico, S. de R.L. de C.V.

—Computing and Printing Mexico, S. de R.L. de C.V.

—Computing and Printing Professional Services Mexico, S. de R.L. de C.V.

MOROCCO

—HP PPS Maroc

NETHERLANDS

—Alpha Holding One B.V.

—Alpha Holding Two B.V.

—Anatolus Holding B.V.

—Antila Holding B.V.

—Arnon Holding B.V.

—Bamberger Holding B.V.

—Columba Holding B.V.

—Dorado Holding B.V.

—Elara Holding B.V.

—Eunomia Holding B.V.

—Flame Holding B.V.

—Hewlett-Packard (Japan NK) Holdings C.V.

—Hewlett-Packard Cambridge B.V.

—Hewlett-Packard Copenhagen B.V.

—Hewlett-Packard Global Holdings B.V.

—Hewlett-Packard Global Investments B.V.

—Hewlett-Packard Japan Holding B.V.

—Hewlett-Packard Lisbon B.V.

—Hewlett-Packard Mercator B.V.

—Hewlett-Packard Munich B.V.

—Hewlett-Packard Sunnyvale B.V.

—HP China Holding B.V.

—HP Europe B.V.

—HP Global Trading B.V.

—HP Indigo B.V.

—HP International Trading B.V.

—HP Nederland B.V.

- HP Print Technology B.V.
- HP Products C.V.
- HP Technology Nederland B.V.
- Iseo Holding B.V.
- Kale Holding B.V.
- Lyra Holding B.V.
- Perseus Holding B.V.
- Regor Holding B.V.
- Scorpius Holding B.V.
- Vesta Holding B.V.

NEW ZEALAND

- HP New Zealand

NIGERIA

- HP Computing and Printing Nigeria Ltd

NORWAY

- HP Norge AS

PAKISTAN

- HP Pakistan (Private) Limited

PANAMA

- Hewlett Packard Distribution Center Panama S. de R.L

PERU

- HP Inc. Perú S.R.L.

PHILIPPINES

- HP PPS Philippines Inc.

POLAND

- HP Inc Polska sp. z o.o.

PORTUGAL

- HPCP Computing and Printing Portugal, Unipessoal, Lda.

PUERTO RICO

- HP International Sàrl (Puerto Rico Branch) LLC
- HP International Trading B.V. (Puerto Rico Branch) LLC
- HP Puerto Rico LLC
- Kale Holding B.V. (Puerto Rico Branch) LLC

QATAR

- Hewlett-Packard KSA Ltd., Qatar Branch

ROMANIA

- HP Inc Romania SRL

RUSSIAN FEDERATION

- Limited Liability Company HP Inc
- OOO “Hewlett-Packard RUS”
- ZAO Hewlett-Packard A.O.

SAUDI ARABIA

- HP KSA Ltd.
- Hewlett-Packard Services Saudi Arabia Company

SERBIA

- HP Computing and Printing d.o.o. (Beograd)

SINGAPORE

- HP International Pte. Ltd.
- HP PPS Asia Pacific Pte. Ltd.
- HP PPS Singapore (Sales) Pte. Ltd.
- HP R&D Singapore Pte. Ltd.
- HP Singapore (Private) Limited

SLOVAKIA

- HP Inc Slovakia, s.r.o.

SOUTH AFRICA

- HP South Africa Proprietary Limited
 - HP South Africa Trust SPAIN
-

—HP Printing and Computing Solutions, S.L.U.

—HP Solutions Creation and Development Services S.L.U.

STATE OF LIBYA

—Hewlett-Packard MENA FZ-LLC Libya Branch

SWEDEN

—HP PPS Sverige AB

SWITZERLAND

—HP Europe BV, Amsterdam, Meyrin Branch

—HP International Sàrl

—HP Schweiz GmbH

TAIWAN

—HP International Pte. Ltd., Taiwan Branch

—HP Taiwan Information Technology Ltd.

THAILAND

—HP Inc (Thailand) Ltd.

TUNISIA

—HP Inc Tunisie SARL

TURKEY

—HP Bilgisayar ve Baskı Teknolojileri Limited Şirketi

—HP Bilgisayar ve Baskı Teknolojileri Limited Şirketi Ankara Şubesi

UNITED ARAB EMIRATES

—Hewlett-Packard MENA F-LLC

—HP Computing and Printing Middle East FZ-LLC

—HP Europe B.V., Abu Dhabi Branch

—HP Europe B.V., Regional Dubai Branch

—HP Inc Gulf

UNITED KINGDOM

—Albacore Holdings Jersey Ltd

—Aurasma Limited

—HP Inc UK Holding Limited

—HP Inc UK Limited

—Palm Europe Limited

—Perigee Holdco UK Limited

—Perigee Midco UK Limited

—PrinterOn Europe Limited

UNITED STATES

—Compaq Information Technologies, LLC

—Computer Insurance Company

—Hewlett-Packard Company Archives LLC

—Hewlett Packard Development Company, L.P.

—Hewlett-Packard Enterprises, LLC

—Hewlett-Packard Products CV 1, LLC

—Hewlett-Packard Products CV 2, LLC

—Hewlett-Packard World Trade, LLC

—HP Hewlett Packard Group LLC

—HP R&D Holding LLC

—HP US Digital LLC

—HPI Bermuda Holdings LLC

—HPI Brazil Holdings LLC

—HPI CCHGP II Sub LLC

—HPI CCHGP II LLC

—HPI Federal LLC

—HPI J1 Holdings LLC

—HPI Luxembourg LLC

—HPQ Holdings, LLC

—Indigo America, Inc.

—Palm Latin America, Inc.

—Palm Trademark Holding Company, LLC

—Palm, Inc.

—PrinterOn America Corporation

—Shoreline Investment Management Company

—Tall Tree Insurance Company

VIET NAM

—HP Technology Vietnam Company Ltd

—HP Technology Vietnam Company Ltd. (Hanoi Branch)

QuickLinks

Exhibit 21

Subsidiaries of HP Inc.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-124281) pertaining to the Executive Deferred Compensation Plan,
- (2) Registration Statement (Form S-8 No. 333-114253) pertaining to the 2004 Stock Incentive Plan,
- (3) Registration Statement (Form S-8 No. 333-35836) pertaining to the 2000 Stock Plan,
- (4) Registration Statement (Form S-8 No. 333-124282) pertaining to the 2005 Executive Deferred Compensation Plan,
- (5) Registration Statement (Form S-8 No. 002-92331) pertaining to the Hewlett-Packard Company 401(k) Plan,
- (6) Registration Statement (Form S-8 No. 033-31496) pertaining to the Employee Stock Purchase Plan and Service Anniversary Stock Plan,
- (7) Registration Statement (Form S-8 No. 333-142175) pertaining to the PolyServe, Inc. 2000 Stock Plan,
- (8) Registration Statement (Form S-8 No. 333-153302) pertaining to the Amended and Restated 2003 Incentive Plan of Electronic Data Systems Corporation and the 1997 Nonqualified Stock Option Plan of Electronic Data Systems Corporation,
- (9) Registration Statement (Form S-8 No. 333-166270) pertaining to the Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan,
- (10) Registration Statement (Form S-8 No. 333-168101) pertaining to the Palm, Inc. 2009 Stock Plan, as amended, and the Amended and Restated Palm, Inc. 1999 Stock Plan,
- (11) Registration Statement (Form S-8 No. 333-169854) pertaining to the Amended and Restated 3PAR Inc. 2007 Equity Incentive Plan, the 3PARDATA, Inc. 2000 Management Stock Option Plan, as amended, and the 3PARDATA, Inc. 1999 Stock Plan, as amended,
- (12) Registration Statement (Form S-8 No. 333-173784) pertaining to the Hewlett-Packard Company 2011 Employee Stock Purchase Plan,
- (13) Registration Statement (Form S-8 No. 333-188108) pertaining to the Second Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan, and
- (14) Registration Statement (Form S-3ASR No. 333-215116) pertaining to an unspecified amount of debt securities, common stock, preferred stock, depository shares and warrants;

of HP Inc. of our reports dated December 13, 2018, with respect to the consolidated financial statements of HP Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of HP Inc. and subsidiaries included in this Annual Report (Form 10-K) of HP Inc. for the year ended October 31, 2018.

/s/ ERNST & YOUNG LLP

San Jose, California
December 13, 2018

QuickLinks

Exhibit 23

Consent of Independent Registered Public Accounting Firm

CERTIFICATION

I, Dion J. Weisler, certify that:

1. I have reviewed this Annual Report on Form 10-K of HP Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2018

/s/ DION J. WEISLER

Dion J. Weisler
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Steve Fieler, certify that:

1. I have reviewed this Annual Report on Form 10-K of HP Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2018

/s/ STEVE FIELER

Steve Fieler
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER
AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dion J. Weisler, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of HP Inc. for the fiscal year ended October 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of HP Inc.

December 13, 2018

/s/ DION J. WEISLER

Dion J. Weisler
President and Chief Executive Officer
(Principal Executive Officer)

I, Steve Fieler, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of HP Inc. for the fiscal year ended October 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of HP Inc.

December 13, 2018

/s/ STEVE FIELER

Steve Fieler
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to HP Inc. and will be retained by HP Inc. and furnished to the Securities and Exchange Commission or its staff upon request.