



2018 Annual Report 2019 Proxy Statement





The HP Board of Directors

Fiscal 2018 Board (not pictured: Yoky Matsuoka)

About us

Our vision is to create technology that makes life better for everyone, everywhere — every person, every organization, and every community around the globe. This motivates us — inspires us — to do what we do. To make what we make. To invent, and to reinvent. To engineer experiences that amaze. We won't stop pushing ahead, because you won't stop pushing ahead. You're reinventing how you work. How you play. How you live. With our technology, you'll reinvent your world.

This is our calling. This is a new HP.

Keep reinventing.

1

Annual Report

- i** Message from Our President and CEO
- ii** Strategy
- iii** Performance
- iv** Good Governance
- v** Meet the HP Board
- vi** Meet HP's Executives
- vii** Stockholder Engagement
- viii** Sustainable Impact
- xii** Our Compensation Philosophy

2

Proxy Statement

- 11** Corporate Governance
- 36** Audit Matters
- 38** Executive Compensation
- 63** Ownership of our Stock
- 65** Stockholder Proposals
- 68** Other Matters

3

Form 10-K

- 2** Part I
- 26** Part II
- 121** Part III
- 122** Part IV

Delivering on our reinvention



Dion J. Weisler
President and CEO

“I am truly energized about the future of HP.”

Dear Stockholders:

Looking back at the past few years, I'm enormously proud of how far we've come. We set out on a journey to reinvent everything about our company – from our brand and our products, to our culture and the role we play in the communities we serve.

Our 2018 results demonstrate the incredible progress we've made. It was an exceptional year for HP and a clear indication that our strategy is paying off. We are innovating across our core businesses, capitalizing on new growth opportunities, and making strategic investments to position our company for success well into the future.

We drove 12% revenue growth in FY18, adding more than \$6.4 billion to our top line. We delivered 22% non-GAAP diluted net earnings per share (“EPS”) growth, reflecting the strength of our operational performance, disciplined investment strategy, and prudent cost-management. We generated \$4.2 billion free cash flow and returned \$3.5 billion to stockholders in the form of share repurchases and dividends. And we did all of this while advancing key strategic initiatives that are enhancing our long-term competitiveness.

We are consistently executing and winning with customers and partners, while simultaneously fulfilling the commitments we made to our shareholders. With our strong financials and industry-leading innovations, we enter 2019 well positioned to compete across Personal Systems and Printing including 3D Printing.

In **Personal Systems**, we are reinventing the personal computer (“PC”) experience with amazing innovations that are setting new standards for the category and driving profitable growth for our business. Our design and engineering prowess is fueling our momentum in high-value segments such as premium and gaming. At the same time, we continue to make security a key differentiator by offering the most secure and manageable PCs. And we are accelerating the shift to more contractual relationships with customers through the expansion of our award-winning Device as a Service offerings.

In **Printing** we are driving a renaissance. By leveraging insights, design and innovation we are reinventing home printing and connecting with new customers. In office print, we are driving innovation across both product and go-to-market, and similarly to Personal Systems, we are accelerating the shift towards more contractual business models and Managed Print Services. While in Graphics, we continue to drive the analog to digital transformation, and demand for more personalized products and experiences is propelling us toward new sources of growth.

In **3D Printing** we have made great strides towards disrupting the \$12T manufacturing industry by expanding our product portfolio and partner ecosystem. In less than 2 years, we've become the #1 player in commercial plastics printing and we continue to pursue new markets and new materials. In 2018 we again broke new ground by announcing our Metal Jet platform, bringing 3D mass production to the metal manufacturing industry.

Across each of our businesses, HP is winning in the marketplace. More importantly, we are winning the right way – operating with a deep sense of purpose and integrity, and having a sustainable impact on our planet, people and communities around the world. It is not just the right thing to do, it fuels our innovation, our growth, and creates a stronger and healthier company for the long term.

I am truly energized about the future of HP. By staying true to our strategy, innovating with purpose, and delivering long term value for our shareholders, I believe there is a world of opportunity ahead.

On behalf of the entire leadership team, our partners and our employees, thank you for your continued support.

Sincerely,

Dion Weisler

Delivering on our reinvention



Our journey to keep reinventing

Looking back at the past few years, we are enormously proud of how far we've come, and how well we've executed. Our results reinforce our ability to consistently execute and win in the marketplace while simultaneously fulfilling the commitments we made to our stockholders. But we're just getting started. Our strategy remains consistent and spans **core**, **growth**, and **future**. We're leading in the **core**, setting ourselves up for sustained **growth** and building momentum to capture the **future**.

Our **core** businesses operate in incredibly large markets, and are where we make most of our revenue and operating profit today. Profits from the **core** enable us to pursue strategic **growth** in natural adjacencies. Our **growth** pillar is the bridge to the third pillar of our strategy, the **future**. This is pure innovation and category creation. We're making investments in research and development and building new businesses today that will set us up for the long-term **future** success of HP. We're confident in our strategy, and believe it enables us to engineer experiences that amaze and deliver attractive, long-term returns for our stockholders.

Our Three Pillars

Core



Printing

- Revitalize consumer
- Drive commercial



Personal Systems

- Lead commercial
- Grow premium

Growth



Printing

- Disrupt the copier market
- Accelerate graphics



Personal Systems

- Drive commercial transformation

Future



Printing

- Lead 3D printing



Personal Systems

- Create new immersive categories

Executing on our strategy and driving financial returns

Looking across our portfolio, there are tremendous opportunities for us to continue driving innovation and long-term sustainable growth. These opportunities are fueled by trends that are transforming not only the categories where we operate, but the world at large. We are uniquely positioned to capitalize on these trends with a powerful innovation engine that is turning customer insights into experiences that amaze. We are truly energized about the future of HP, but we're not taking our success, our scale, or our leadership for granted. As an organization, we remain humble, grounded in the needs of our customers and our partners, and relentlessly focused on execution.

Our results in fiscal 2018 demonstrate sustained operational performance, a disciplined investment framework, and prudent cost management. Our **core**, **growth** and **future** strategy is working. And we are well positioned for continued success across our categories and our regions.

In fiscal 2018, we grew net revenue 12% year-over-year, adding over \$6.4 billion of revenue from the prior year period for a fiscal year net revenue of \$58.5 billion. We also delivered strong non-GAAP diluted net earnings per share growth of 22% to \$2.02, generated \$4.2 billion in free cash flow, above our previously provided guidance of at least \$3.7 billion, and returned 83%, or \$3.5 billion, of that free cash flow to stockholders through share repurchases and dividends, above the high-end of our long-term range of 50% to 75%.

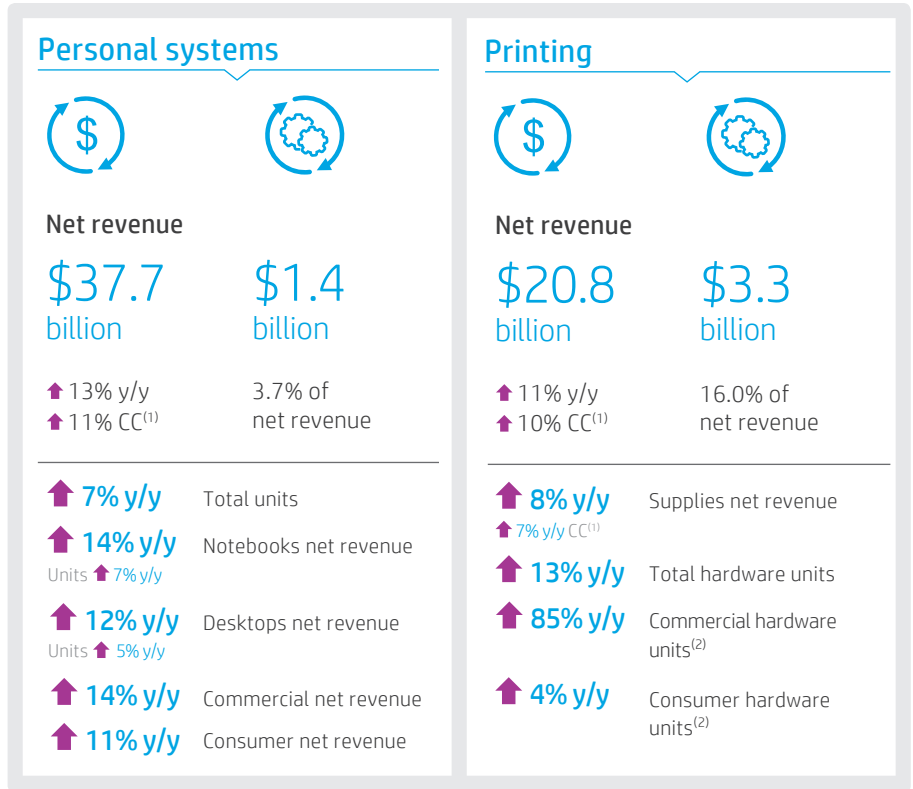
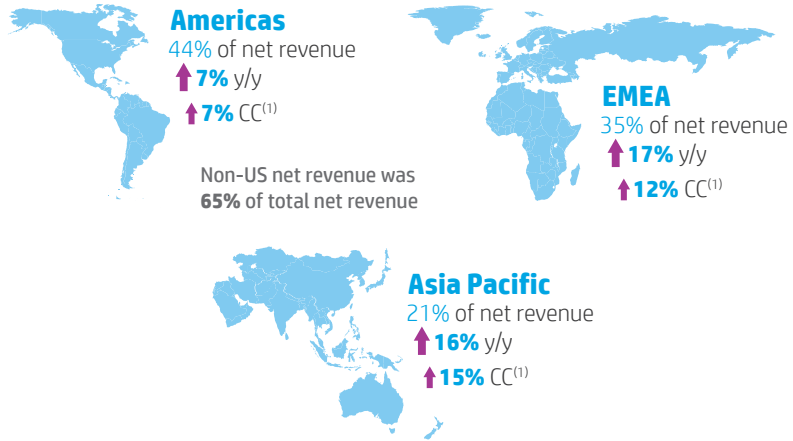
We generated these results while continuing to invest in our strategic initiatives that are helping to strengthen our long-term competitiveness. We are consistently executing and winning with customers and partners while simultaneously fulfilling the commitments we made to our stockholders. With our winning portfolio and strong financials, we enter fiscal 2019 well positioned to compete across Personal Systems and Printing including 3D Printing.

Performance

How we executed on our commitments

Fiscal 2018 Operating Highlights

- For the full year, Personal Systems revenue grew 13% year-over-year, with operating profit growth of 17% adding more than \$200 million to the bottom line.
- We continued to lead in PC design including the leather Spectre Folio which won high praise for design, versatility and performance; the Spectre X360 13 which delivers the world's longest battery life in a quad core convertible; and the Spectre X360 15 which is the most powerful convertible we've ever created.
- In Gaming, we also launched our latest OMEN desktop and our remote service called Game Stream that turns the OMEN PC into a cloudbased gaming server to enable experiences on the go.
- Our Device as a Service ("DaaS") offerings continue to deliver to our customers and lead the industry, winning HP one of the highest honors in the technology services industry for our DaaS innovations.
- For the full year, Printing revenue was up 11% year-over-year, with growth in all regions and across businesses.
- We introduced the world's first smart home printer, HP Tango. We also strengthened our leadership in the office space to drive new contractual and A3 growth opportunities.
- We further accelerated our penetration of the copier market by completing the acquisition of Apogee, providing us with deep solutions and services expertise.
- We made great strides in 3D Printing, including expanding our portfolio, increasing the number of customer applications tenfold, signing numerous strategic partnerships, and generating multi-unit customer orders. Multi Jet Fusion is now the most used industrial 3D printer in the world.



¹ CC = Constant currency; adjusted to eliminate the effects of foreign exchange fluctuations calculated by translating current period revenues using monthly average exchange rates from the comparative period and excluding any hedging impact recognized in the current period

² Commercial Hardware includes Office Printing Solutions including Samsung branded and OEM hardware, Graphics Solutions and 3D Printing, excluding supplies. Consumer Hardware includes Home Printing Solutions, excluding supplies

NOTE: Arrows represent the mathematical direction of the amount the arrow is associated with.

Governance Highlights

Best-Practices in Governance

Independent board leadership

- ✓ Robust board oversight and leadership by an independent Chairman (more details in the proxy statement beginning on page 26).
- ✓ Our independent Chairman participates in a robust stockholder outreach program.
- ✓ Our independent Chairman leads and coordinates the annual performance evaluation of the CEO.
- ✓ Our independent Chairman oversees the Board and committee evaluations and recommends changes to improve Board, committee, and individual Director effectiveness

Other governance best practices

- ✓ Our Bylaws provide our stockholders with a proxy access right.
- ✓ All members of our committees are independent.
- ✓ Our stockholders owning 15% or more of our common stock have a right to call special meetings. We lowered this right from 25% after engaging with our stockholders on how they would prefer to act outside of the annual meeting.
- ✓ Directors are elected annually by majority vote in uncontested Director elections.
- ✓ Each Director nominee has agreed to resign from the Board in the event that he or she fails to receive a majority vote.
- ✓ We have a robust and ongoing stockholder outreach program.
- ✓ Non-employee Directors are expected to own Company stock equal to at least five times their annual cash Board retainer within five years of joining the Board.

Recent Governance Updates

HP's corporate governance policies and practices are continuously evolving – from our time as Hewlett-Packard Company to our new identity as HP Inc., we've always led by example, adopting changes in line with our commitment to the highest standards of governance. Stockholder input has been key to our progression and as we continue to evolve our corporate governance policies and practices, we will continue to solicit feedback from our stockholders regarding our governance profile. The following examples highlight some of the key features of our corporate governance policies and practices, including updates we have recently made to strengthen our policies and practices:

- Our Board continues to believe that it is in the current best interests of our stockholders and the Company to have an independent Chairman. Charles V. ("Chip") Bergh has served as our independent Chairman since July 2017.
- We continue to engage in a robust and ongoing stockholder engagement program. In fiscal 2018, in addition to our CEO and independent Chairman, the Chair of our HRC Committee also met with stockholders during our stockholder engagement program. As described in detail on our stockholder engagement page on page vii and within the proxy statement beginning on page 21, we also conducted robust outreach to stockholders in the fall of 2018 focused specifically on our governance profile and engaged in substantive discussions regarding desired responses to the 2018 stockholder proposal on stockholder action by written consent.
- Since 2016, our NGSR Committee has reviewed and discussed our environmental, sustainability, diversity and social impact strategy at every regular meeting of the Committee, providing valuable advice and insights. As a result, in 2018 HP was awarded the highest possible score during ISS's first-ever Environmental & Social (E&S) Disclosure QualityScore review process.
- Effective as of February 7, 2019, we amended our stockholders' right to call special meetings in our Bylaws to lower the threshold requirement to call such a meeting from 25% to 15% of our outstanding shares. We decided to amend this right after extensive outreach to our top 75 stockholders regarding their desired response to the 2018 stockholder proposal on stockholder action by written consent.
- As part of our commitment to the highest standards of governance, in 2018 we became a signatory to the Commonsense Principles of Corporate Governance 2.0, a set of corporate governance principles we and the other signatories believe serve the best interests of U.S. corporations and financial markets. We have also evaluated our governance practices against the Corporate Governance Principles for U.S. Listed Companies published by the Investor Stewardship Group ("ISG"), a collective of some of the largest U.S.-based institutional investors and global asset managers, and we believe that our governance policies and practices are consistent with the ISG principles.

Annual Meeting Experience

HP's virtual format for the annual meeting allows stockholders to submit questions and comments in our stockholder forum both before and during the meeting. We respond to all stockholder submissions received through the forum in writing on our investor relations website. The virtual meeting format allows our stockholders to engage with us no matter where they live in the world, and is accessible and available on any internet-connected device, be it a phone, a tablet, or a computer. We're able to reach a base of stockholders that is broader than just those who can afford to travel to an in-person meeting. The virtual meeting gives us the opportunity to respond in thoughtful detail to every question all of our stockholders may have, rather than just the limited number of questions stockholders are able to ask at in-person meetings, which are answered on the fly.

All of these benefits of a virtual meeting allow our stockholders to have truly robust engagement with HP.

Please join us for our Virtual Annual Meeting at www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>

Contact the HP Board*

You can reach us by emailing us at bod@hp.com or by writing to us at:



























The HP Board of Directors
1501 Page Mill Road
Palo Alto, CA
94304

* All directors have access to this correspondence. In accordance with instructions from the Board, the Secretary to the Board reviews all correspondence, organizes the communications for review by the Board and posts communications to the full Board or to individual directors, as appropriate. Our independent directors have requested that certain items that are unrelated to the Board's duties, such as spam, junk mail, mass mailings, solicitations, resumes and job inquiries, not be posted.

Communications that are intended specifically for the Chairman of the Board, other independent directors or the non-employee directors should be sent to the e-mail address or street address noted above, to the attention of the Chairman of the Board.

Meet the HP Board

Leading HP into the future

											
	Aida Alvarez	Shumeet Banerji	Robert R. Bennett	Charles V. Bergh	Stacy Brown-Philpot	Stephanie A. Burns	Mary Anne Citrino	Yoky Matsuoka	Stacey Mobley	Subra Suresh	Dion J. Weisler
 Academics	●	●	●	●	●	●	●	●	●	●	●
 Disruptive Innovation	●	●	●	●	●	●	●	●	●	●	●
 Engagement	●	●	●	●	●	●	●	●	●	●	●
 Finance	●	●	●	●	●	●	●	●	●	●	●
 Government	●	●	●	●	●	●	●	●	●	●	●
 International Business	●	●	●	●	●	●	●	●	●	●	●
 Operations	●	●	●	●	●	●	●	●	●	●	●
 Robust Business Experience	●	●	●	●	●	●	●	●	●	●	●
 Science	●	●	●	●	●	●	●	●	●	●	●
 Strategy	●	●	●	●	●	●	●	●	●	●	●
 Sustainability	●	●	●	●	●	●	●	●	●	●	●
 Technology	●	●	●	●	●	●	●	●	●	●	●
 Independent	●	●	●	●	●	●	●	●	●	●	●
 Diversity	●	●	●	●	●	●	●	●	●	●	●
 Tenure (including HP Co.)	3 years	8 years	6 years	4 years	4 years	4 years	4 years	<1 year	4 years	4 years	4 years

International experience

North America



Europe



Asia



Australia



Meet HP's executives

Engineer experiences that amaze



Dion Weisler

President & Chief Executive Officer



Steve Fieler

Chief Financial Officer



Tracy Keogh

Chief Human Resources Officer



Alex Cho

President, Personal Systems



Kim M. Rivera

President, Strategy and Business Management and Chief Legal Officer



Enrique Lores

President, Imaging & Printing



Claire Bramley

Global Controller and Head of Finance Services

Commitments Delivered

+22%
Non-GAAP diluted net EPS Growth¹

\$4.2B
Free Cash Flow

83%
Return of Capital

Reinventing Personal Systems

- Outpaced Markets
- Breakthrough Innovation
- Services & Solutions

Reinventing Print

- Predictable Supplies
- Portfolio Innovation
- Advancing Services

Disrupting \$12T Industry 3D Printing

- Platform Expanded
- Applications Enabled
- HP Metal Jet Announced

Trends Driving Transformation

- One Life
- Security
- As-A-Service

Operating in

170 Countries

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

over 70 years of history

¹ All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for the current and prior periods is included as a part of a Q4 FY18 earnings presentation available at <https://investor.hp.com>

Dialogue with HP investors



Fiscal 2018 Engagement

In fiscal 2018, we conducted two outreach programs: the first in early 2018, as part of our annual investor outreach cycle, and the second in September and October 2018, as part of our outreach regarding our governance profile and the 2018 written consent proposal, described below. Through these two programs, we met or spoke with institutional investors representing more than 50% of our outstanding stock during fiscal 2018 as well as with proxy advisor firms.

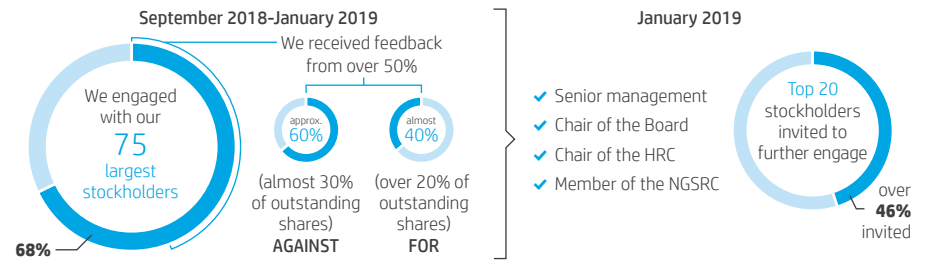


Our investor calendar

We believe that effective corporate governance should include regular, constructive conversations with our stockholders. Over the past year, the Board has continued to engage with stockholders, including seeking and encouraging feedback from stockholders about our corporate governance practices by conducting stockholder outreach and engagement throughout the year. Our Executive Leadership Team, Chairman of the Board, Chair of the HRC and other directors participate in investor and customer events, including our annual corporate governance investor outreach cycle, highlights of which are outlined to the right.

Outreach on Written Consent

HP values input from stockholders throughout the year. We currently afford stockholders the opportunity to act between annual meetings through the combination of a special meeting right as well as a robust stockholder outreach program that demonstrates our openness to direct stockholder engagement. At our 2018 Annual Meeting, holders of 37.5% of our outstanding shares expressed support for an advisory proposal to provide stockholders with the ability to act by written consent without a meeting of stockholders. Of the votes cast, 50.4% supported the proposal while 49.2% voted against it, with 0.3% abstaining.



During these interactions, we discussed HP's record of strong governance practices and responsiveness to stockholder concerns. We specifically focused on the 2018 written consent proposal with our stockholders, explaining the Board's reasons for opposing the proposal and asking the stockholders to provide their perspectives on the rationale underlying their particular vote decisions and on potential next steps for HP. Our stockholders were pleased to be consulted and overall expressed their appreciation of our current corporate governance profile, long record of engagement with and responsiveness to stockholders, commitment to transparency, and openness to addressing stockholders' desires through a more accessible opportunity to act between annual meetings. Not one of the stockholders with whom we spoke raised any concerns or issues with the approach we took with respect to seeking additional feedback and conducting further engagement rather than unilaterally acting without the benefit of such additional outreach.

November 2017

- Q4 2017 HP Inc. Earnings Conference Call
- Credit Suisse Technology, Media & Telecom Conference

December 2017

- 2017 Wells Fargo Tech Summit
- Global Mizuho Investor Conference (MIC) 2017
- Barclays Global Technology, Media & Telecommunications Conference

January 2018

- CES 2018
- Citi 2018 Global TMT West Conference
- 2018 HP Inc. Sustainability Webcast

Annual Stockholder outreach conducted*

February 2018

- Q1 2018 HP Inc. Earnings Conference Call
- Morgan Stanley Technology, Media & Telecom Conference, San Francisco

April 2018

- HP Inc Annual Stockholder Meeting*

May 2018

- Q2 2018 HP Inc. Earnings Conference Call
- Bernstein's 34th Annual Strategic Decisions Conference (SDC)

June 2018

- 2018 Bank of America Merrill Lynch Global Technology Conference

August 2018

- Q3 2018 HP Inc. Earnings Conference Call

September 2018

- Citi 2018 Global Technology Conference
- HPQ 3D Printing Metal Jet Technology Briefing
- Deutsche Bank's Technology Conference

October 2018

- HP Securities Analyst Meeting*
- HP Inc. Announces Fiscal 2019 Financial Outlook

Stockholder outreach regarding governance and the 2018 written consent proposal conducted

* Event attended by a member of the HP Board.

Reinventing for impact

Sustainable Impact is at the heart of our reinvention journey—fueling our innovation and growth, and strengthening our business for the long term.



Planet

Grow our business, not our footprint—and support our customers to do the same



People

Champion dignity, respect, and empowerment for all people with whom we work



Community

Catalyze positive change in communities where we live, work, and do business

Our commitment to integrity enables our Sustainable Impact journey

Sustainable Impact Delivers:

Business value

Sustainable Impact was a key differentiator for

\$700+
million

in new business

↑ 38%

Year-over-year increase in sales bids with sustainability requirements

Employee engagement

87%

of employees agree that HP is socially and environmentally responsible

73%

of employees agreed that they see HP values being demonstrated in their everyday lives

Recognition



Engaging stakeholders and identifying priorities

For our Sustainable Impact strategy to succeed, we need to hear from everyone our business affects. Key stakeholders include suppliers, customers, peer companies, public policy makers, industry bodies, NGOs, sector experts, and others. We engage in ways that are most relevant to their objectives and operations, including partnerships, sponsorships, collaboration on industry initiatives, customer and supplier education, supplier capability building programs and audits, employee surveys, white papers – and more.

We conduct periodic materiality assessments, to review relevant environmental, social, and governance topics, reconfirm our long-standing areas of focus, and clarify and shape our Sustainable Impact strategy and investments. This enables us to focus on the areas where we can have the greatest positive impact, determine any gaps, and identify relevant trends and leadership opportunities for our business. We have set aggressive goals related to several of our most material topics, to manage performance and drive long-term progress.

Sustainable impact governance

At all levels of the company, starting with our Board of Directors, we embed Sustainable Impact throughout our strategy, policies, programs, and value chain. The HP Board of Directors' Nominating, Governance, and Social Responsibility Committee oversees global citizenship policies and programs as well as other legal, regulatory, and compliance matters. Our executive leadership team, led by our CEO, has overall responsibility for Sustainable Impact as part of our business strategy. A team of executives, led by our Global Head of Sustainability and Product Compliance, set HP's Sustainable Impact strategy and drives progress company-wide.

Additional Information

For more information on our efforts in this space and additional detail to the information presented herein, please view our Sustainable Impact Report at <https://www8.hp.com/us/en/hp-information/global-citizenship/index.html>.

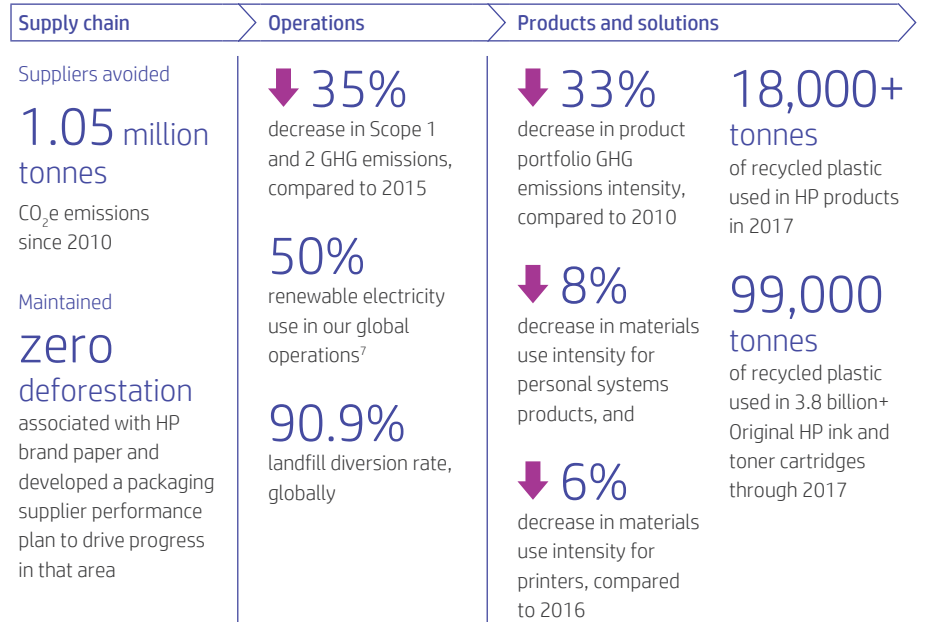


Planet

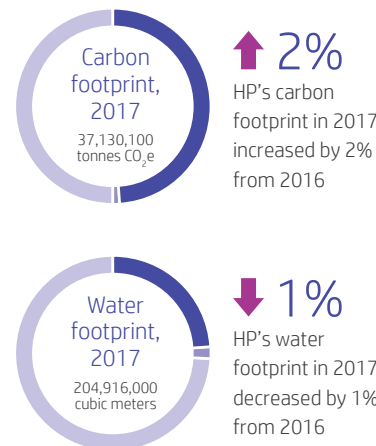


Rising standards of living and population growth worldwide present market opportunities for HP and other companies, while putting tremendous pressure on natural resources and the environment. At HP, we seek to decouple growth from consumption and drive progress toward a more efficient, circular, and low-carbon economy. We aim to deliver the most environmentally sustainable product and services portfolio in the IT industry so that our partners and customers can achieve more, with less impact.

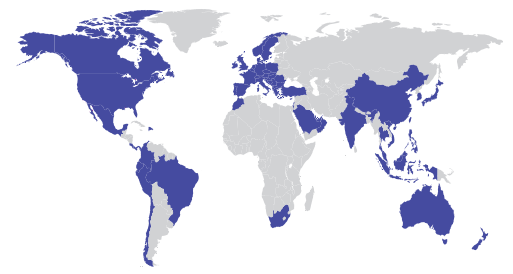
We are contributing to a more efficient, circular, and low-carbon economy



Reducing impact for HP, our partners and customers



271,400 tonnes of hardware and supplies recycled since the beginning of 2016



HP provides take-back programs in 74 countries and territories worldwide

- Supply chain
- Operations
- Products and solutions



People



We work with our suppliers to protect and empower all workers in our supply chain

↑ 8%

increase in average supplier performance on Sustainability Scorecard, compared to 2016

Expanding supply chain transparency, published an **industry first**

detailed list of our global recycling vendor sites in 2017

243,600

supplier factory workers

participated in skill-building and well-being programs since the beginning of 2015

We are reinventing the standard for diversity and inclusion in our industry

Board of Directors

Leadership

Driving progress from the top - our Board is one of the most diverse of any technology company in the United States.

We've increased women in our executive levels

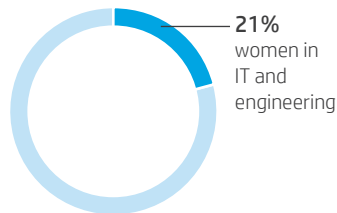
↑ 6.5% from 21.7% in 2015 to 28.2% in 2017.

Investing in future talent

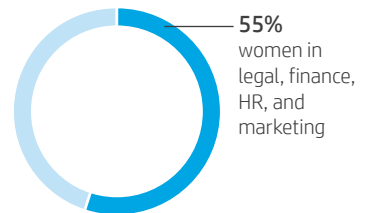
↑ 7.7% increase in minority hiring in the United States in the past year, from 26.8% in 2016 to 34.5% in 2017.

Global inequality has the potential to stagnate economic growth and hold back innovation. From our supply chain, to our employees, to our partners and beyond, we stand for equality and human rights for all so that business and society can thrive.

Technical roles



Global functions



85%

of employees feel HP values diversity

\$647 million

spent with small companies in 2017

\$230 million

spent with minority- and women-owned businesses in 2017



Community



Photo credit ©InZone/Georg Schaumberger

We partner to deliver quality technology-enabled learning for millions

Our goal

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

Progress

14.5 million people have benefited from HP's education programs through 2017

To help us reach our 2025 goal:

80+ schools

have received HP Learning Studios, impacting 4,000 students in 2017

15+ million people

aimed to be reached by HP's World on Wheels program by 2022

~4,000

Syrian refugee students

expected to be reached in the first year of HP's partnership with the Clooney Foundation for Justice and UNICEF

1 million users

enrollment goal for HP LIFE, between 2016 and 2025

We embrace the opportunity and responsibility to positively impact the communities where we live, work, and do business. Through our products and solutions, global programs, and key strategic partnerships, we are working to deliver quality technology-enabled learning that engages students, empowers educators.

We invest in helping to build vibrant and resilient communities

HP giving:

\$4.19 million

in cash and product donations in 2017

\$755,000

provided by the HP Foundation to assist with disaster preparedness, relief, and recovery efforts in 2017

Employee engagement:

\$1.7 million

in cash donated by employees through our HP Inspires Giving program, 97.6% matched by the HP Foundation

5,600+ employees

contributed

89,000+

hours to local volunteer efforts in 2017, with a value of \$3.5 million

A conversation with the HRC Committee

Tracy Keogh, HP's Chief Human Resources Officer, talks with Chair of the HRC Committee **Stephanie Burns** about the Company's executive compensation program and the Committee's duties in overseeing its design and implementation.

The Committee consists of Ms. Burns and four of our other independent Directors: Ms. Alvarez, Mr. Banerji, Mr. Bergh and Mr. Mobley. All bring valuable experience and understanding of the role that setting appropriate executive compensation plays in ensuring company performance and stockholder value.



TK: Stephanie, so good to have you with us today. You've been a member of the HP Board since 2015 and have chaired the HRC Committee since November 2017. Can you talk about the role the HR and Compensation Committee plays?

SB: Certainly. The Committee oversees and provides strategic direction to management regarding our pay-for-performance program. The Committee sets Dion's compensation, and reviews and approves the compensation of the rest of the leadership team. We also review senior management selections and oversee succession planning. To do this, the Committee works with its own independent compensation consultant to help analyze competitive pay practices and market trends, and to generally strengthen the pay-for-performance relationship and alignment with stockholders. The Committee also gets an update at every meeting on the key people practices and initiatives going on in the organization. Everything from employee engagement to workforce planning to key hires is within our remit.

TK: Can you describe HP's overall philosophy and strategy on executive compensation?

SB: Our compensation program is closely aligned with HP's company goals. It focuses on driving the right behaviors while simplifying executive compensation plans. Ultimately it's designed to help us attract, retain, and reward the executive team for delivering value to stockholders over the long term. We have a pay-for-performance philosophy that forms the foundation for all decisions regarding compensation, with a strong bias towards variable pay in our executive compensation. Our program is also designed to facilitate strong corporate governance. Our executive compensation is aligned with shareholder value through equity-based programs, shareholder value-based performance measures (like relative Total Shareholder Return), and using financial performance measures that executives can control and are closely correlated with shareholder value over time.

TK: Are there specific elements of our program that you've found to showcase our best practices?

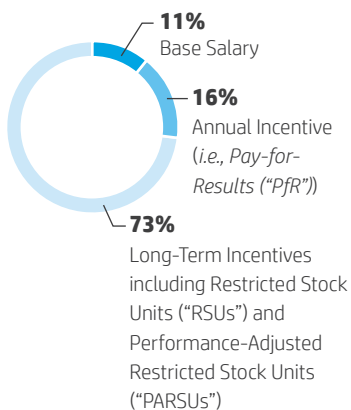
SB: HP's program includes many robust best practices and we are continuously working to improve.

Some specific elements of our program that are best-in-class include:

- We target compensation to approximate the median level among a group of relevant peers, and only go above this level when performance warrants
- We utilize non-discretionary financial metrics, and specific management objectives in our annual cash incentive plan, which we believe are correlated to long-term value creation
- We do not use employment contracts with any of our executives, and have consistent and market-aligned severance

TK: Thanks for that great overview Stephanie.

Components of Compensation



For more information regarding compensation details for all of our NEOs, including our CEO, please see page 31 of the Proxy Statement for our complete Compensation Discussion and Analysis.



2019

Proxy Statement

2



Message from the Chairman



Charles "Chip" V. Bergh
Chairman of the Board

"We welcome all our stockholders to join and participate in the meeting, regardless of location, by accessing the virtual meeting. We look forward to hearing from you and responding to your questions."

To our Stockholders:

We are pleased to invite you to attend the annual meeting of stockholders of HP Inc. on Tuesday, April 23, 2019 at 2:00 p.m., Pacific Time. This year's annual meeting will again be a virtual meeting of stockholders, conducted via live audio webcast. You will be able to attend the annual meeting of stockholders online and submit questions before and during the meeting by visiting www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>. You will also be able to vote your shares electronically at the annual meeting (other than shares held through our 401(k) Plan, which must be voted prior to the meeting).

We are embracing the latest technology to provide expanded access, improved communication and cost savings for our stockholders and the Company. As we've learned, hosting a virtual meeting enables increased stockholder attendance and participation from locations around the world. In addition, the online format allows us to communicate more effectively via a pre-meeting forum that you can enter by visiting www.hpannualmeeting.com or www.proxyvote.com/HP.

Further details about how to attend the meeting online, submit questions before or during the meeting, and information on the business to be conducted at the annual meeting are included in the accompanying Notice of Annual Meeting and Proxy Statement.

We are again providing access to our proxy materials online under the U.S. Securities and Exchange Commission's "notice and access" rules. As a result, we are mailing to many of our stockholders a notice instead of a paper copy of this proxy statement and our 2018 Annual Report. The notice contains instructions on how to access documents online. The notice also contains instructions on how stockholders can receive a paper copy of our materials, including this proxy statement, our 2018 Annual Report, and a form of proxy card or voting instruction card. Those who do not receive a notice, including stockholders who have previously requested to receive paper copies of proxy materials, will receive a paper copy by mail unless they have previously requested delivery of materials electronically. This distribution process is more resource- and cost-efficient.

Your vote is important. Regardless of whether you participate in the annual meeting, we hope you vote as soon as possible. You may vote by proxy online or by phone, or, if you received paper copies of the proxy materials by mail, you may also vote by mail by following the instructions on the proxy card or voting instruction card. Voting online or by phone, written proxy or voting instruction card ensures your representation at the annual meeting regardless of whether you attend the virtual meeting.

Thank you for your ongoing support of, and continued interest in, HP Inc.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chip".

Charles "Chip" V. Bergh
Chairman of the Board

Join by internet at either
www.hpannualmeeting.com or
<https://hp.onlineshareholdermeeting.com>



1501 Page Mill Road
Palo Alto, California 94304
(650) 857-1501

Notice of Annual Meeting of Stockholders

This notice of annual meeting, proxy statement and form of proxy for HP Inc. (“HP” or the “Company”) are being distributed and made available on or about February 26, 2019.

Time and Date

2:00 p.m., Pacific Time,
on Tuesday, April 23, 2019

Place

Online at www.hpannualmeeting.com or
<https://hp.onlineshareholdermeeting.com>

Voting



Internet

www.hpannualmeeting.com or
www.proxyvote.com/HP prior to the
meeting. During the meeting please
visit www.hpannualmeeting.com or
<https://hp.onlineshareholdermeeting.com>



Telephone

1-800-690-6903



Mail

You can vote by mail by requesting a
paper copy of the materials, which will
include a proxy card. Return the card
to Vote Processing, c/o Broadridge,
51 Mercedes Way, Edgewood,
NY 11717.

Your vote is very important. Regardless of whether you plan to virtually attend the annual meeting, we hope you will vote as soon as possible. You may vote your shares over the Internet or via a toll-free telephone number. If you received a paper copy of a proxy or voting instruction card by mail, you may submit your proxy or voting instruction card for the annual meeting by completing, signing, dating and returning your proxy or voting instruction card in the pre-addressed envelope provided. Stockholders of record and beneficial owners will be able to vote their shares electronically at the annual meeting (other than shares held through the HP Inc. 401(k) Plan, which must be voted prior to the meeting). For specific instructions on how to vote your shares, please refer to the section entitled *Questions and Answers—Voting Information* beginning on page 68 of the proxy statement.

Items of Business

Management Proposals

- (1) To elect the 11 Directors named in this proxy statement
- (2) To ratify the appointment of the independent registered public accounting firm for the fiscal year ending October 31, 2019
- (3) To approve, on an advisory basis, the Company’s executive compensation (“say on pay” vote)

Stockholder Proposals

- (4) To consider and vote on a stockholder proposal, if properly presented at the meeting
- (5) Such other business as may properly come before the meeting

Virtual Meeting Admission

Stockholders of record as of February 22, 2019, will be able to participate in the annual meeting by visiting our annual meeting website www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>. To participate in the annual meeting, you will need the 16-digit control number included on your notice of Internet availability of the proxy materials, on your proxy card or on the instructions that accompanied your proxy materials.

The annual meeting will begin promptly at 2:00 p.m., Pacific Time. Online check-in will begin at 1:30 p.m., Pacific Time, and you should allow ample time for the online check-in procedures.

Annual Meeting Website and Pre-Meeting Forum

The online format used by HP Inc. for the annual meeting also allows us to communicate more effectively with you. Stockholders can access our pre-meeting forum, where you can submit questions in advance of the annual meeting, by visiting our annual meeting website at www.hpannualmeeting.com or www.proxyvote.com/HP. Stockholders can also access copies of our proxy statement and annual report at the annual meeting website.

Adjournments and Postponements

Any action on the items of business described above may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.

Record Date

You are entitled to vote only if you were an HP Inc. stockholder as of the close of business on February 22, 2019.

By order of the Board of Directors,

Kim M. Rivera

President, Strategy and Business Management and
Chief Legal Officer, General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 23, 2019. The definitive proxy statement and HP Inc.’s 2018 Annual Report are available electronically at www.proxyvote.com/HP.



Proxy Statement Summary

The following is a summary of certain key disclosures in our proxy statement. This is only a summary, and it may not contain all of the information that is important to you. For more complete information, please review the proxy statement as well as our 2018 Annual Report, which includes our Annual Report on Form 10-K. References to “HP,” “the Company,” “we,” “us” or “our” refer to HP Inc. (formerly known as Hewlett-Packard Company (“HP Co.”)).

Management Proposal No. 1














Election of Directors

The Board recommends a vote FOR each Director nominee

- Our Board is committed to independent oversight of HP.
- 10 of our 11 Director nominees are independent.
- Our Board is led by an independent Chairman.
- Key information regarding all of our 11 Board nominees is summarized in the table below.

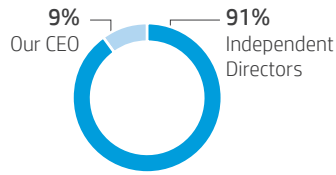
Further information beginning on page 11.

Name Principal Occupation	Age	HP Director Since	Committees	Other Current Public Company/ Public Registrant Boards
 Aida M. Alvarez Independent Chair, Latino Community Foundation	69	2016	H N	K12 Inc.
 Shumeet Banerji Independent Co-Founder and Partner, Condorcet, LP	59	2011	H N	Reliance Industries Ltd.
 Robert R. Bennett Independent Managing Director, Hilltop Investments, LLC	60	2013	A F	Discovery Communications, Inc. Liberty Media Corporation
 Charles “Chip” V. Bergh Independent President and Chief Executive Officer, Levi Strauss & Co.	61	2015	H N	Levi Strauss & Co.
 Stacy Brown-Philpot Independent Chief Executive Officer, TaskRabbit	43	2015	A N	Nordstrom, Inc.
 Stephanie A. Burns Independent Former Chief Executive Officer and Chairman, Dow Corning	64	2015	F H	Corning Incorporated Kellogg Company
 Mary Anne Citrino Independent Senior Advisor and former Senior Managing Director, The Blackstone Group	59	2015	A F	Barclays plc Royal Ahold Delhaize Alcoa Corporation
 Yoky Matsuoka Independent Vice President, Healthcare Google	46	2019	A F	None
 Stacey Mobley Independent Former Senior Vice President, Chief Administrative Officer and General Counsel, E.I. du Pont de Nemours and Company	73	2015	H N	None
 Subra Suresh Independent President, Nanyang Technological University	62	2015	A F	Singapore Exchange Limited
 Dion J. Weisler President and Chief Executive Officer, HP Inc.	51	2015		Thermo Fisher Scientific Inc.

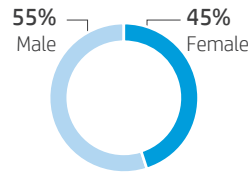
A Audit Committee **F** Finance, Investment and Technology Committee **H** HR and Compensation Committee **N** Nominating, Governance and Social Responsibility Committee **●** Chair

Board Composition

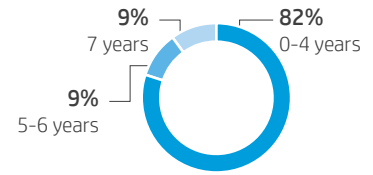
Independence



Gender Diversity



Tenure (inc. HP Co. tenure)



Governance Highlights

Independent Board Leadership

- ✓ Robust board oversight and leadership by an independent Chairman (more details beginning on page 26).
- ✓ Our independent Chairman participates in a robust stockholder outreach program.
- ✓ Our independent Chairman leads and coordinates the annual performance evaluation of the CEO.
- ✓ Our independent Chairman oversees the Board and committee evaluations and recommends changes to improve Board, committee, and individual Director effectiveness.

Other Governance Best Practices

- ✓ Our Bylaws provide our stockholders with a proxy access right.
- ✓ All members of our committees are independent.
- ✓ Our stockholders owning 15% or more of our common stock have a right to call special meetings. We lowered this right from 25% after engaging with our stockholders on how they would prefer to act outside of the annual meeting.
- ✓ Directors are elected annually by majority vote in uncontested Director elections.
- ✓ Each Director nominee has agreed to resign from the Board in the event that he or she fails to receive a majority vote.
- ✓ We have a robust and ongoing stockholder outreach program.
- ✓ Non-employee Directors are expected to own Company stock equal to at least five times their annual cash Board retainer within five years of joining the Board.

Management Proposal No. 2



Ratification of Independent Registered Public Accounting Firm

The Board recommends a vote FOR this Proposal

- The Audit Committee of the Board has selected Ernst & Young LLP to act as HP's registered public accounting firm for the fiscal year ending October 31, 2019 and seeks ratification of the selection.

Further information beginning on page 36.

Management Proposal No. 3



Advisory Vote to Approve Executive Compensation ("Say on Pay" Vote)

The Board recommends a vote FOR this Proposal

- Our Board and the HRC Committee are committed to excellence in corporate governance and to an executive compensation program that aligns the interests of our executives with those of our stockholders. To fulfill this mission, we have a pay-for-performance philosophy that forms the foundation for decisions regarding executive compensation.
- Our compensation programs have been structured to balance near-term results with long-term success, and enable us to attract, retain, focus, and reward our executive team for delivering stockholder value.

Further information, including an overview of the compensation of our Named Executive Officers ("NEOs"), beginning on page 38.

Stockholder Proposal



Stockholder Proposal: Independent Board Chairman

The Board recommends a vote AGAINST this Proposal

- This stockholder proposal, which would require HP to amend its governance documents to require an independent Chairman of the Board, if properly presented, will be voted on at the annual meeting.

Further information beginning on page 65.

Business Overview and Performance

HP Inc. is a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions and services. We sell to individual consumers, small- and medium-sized businesses and large enterprises, including customers in the government, health and education sectors. HP is comprised of the following business segments: Personal Systems, Printing, and Corporate Investments. In fiscal 2018, HP delivered profitable growth in both Personal Systems and Printing segments while investing strategically to fuel growth and capture the future.

Our continued efforts resulted in the following accomplishments:

- Delivered revenue growth and margin expansion in Personal Systems, driven by innovation and focus on strategic growth areas such as Device as a Service.

- Executed effectively in Printing with consistent revenue and profit growth combined with progress in strategic growth areas including Graphics and A3 printing.
- Continued the integration of Samsung Electronics Co., Ltd.'s printer business expanding our A3 product portfolio and acquired Apogee Corporation, which enhanced our ability to deliver value-added services while accelerating the deployment of our superior technology into the growing A3 contractual market.
- Strengthened our leadership position in 3D printing by extending our product portfolio with the addition of full color and metals, expanding our application ecosystem, and increasing the number of repeat orders and larger scale customer deployments.
- Returned over \$3.5 billion of capital to stockholders in the form of dividends and share repurchases.

The global-macroeconomic and foreign-currency environment was challenging in fiscal 2018. Nevertheless, as illustrated below for the three key financial measures used to fund our annual pay-for-performance incentive awards, we exceeded rigorous goals that reflected our business plan. In the three years since we separated from Hewlett Packard Enterprise "HPE," ending in fiscal 2018, our relative total shareholder return ("TSR") performance has been in the top-quartile of the S&P 500, which attests to the rigor of our goals:

Corporate Revenue

\$58.5

billion

(as defined on page 43) compared to a target goal of \$54.7 billion under our annual incentive plan.

Corporate Net Earnings

\$3.5

billion

(as defined on page 43) compared to a target goal of \$3.2 billion under our annual incentive plan.

Corporate Free Cash Flow

7.1%

(as a percentage of revenue; as defined on page 43) compared to a target goal of 5.85% under our annual incentive plan.

As a company, we are delivering on our commitments to our stockholders and optimizing the business to consistently deliver long-term, sustainable and profitable growth. We are continuing to grow with profitable market share in our core expansion efforts, to advance our position in our growth segments, and to invest in future categories where we can disrupt with innovation and new business

models. At the same time, we are focused on increasing productivity and taking cost out of the business. We have an incredible channel network, passionate employees and a culture committed to keep reinventing. And just as importantly, we are winning the right way with a sustainable impact framework focused on people, planet and the communities in which we operate.

Executive Compensation Philosophy

Alignment with Stockholders and Compensation Best Practices

Pay-for-Performance

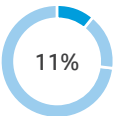
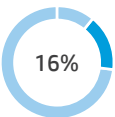
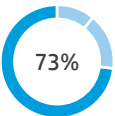
- ✓ The majority of target total direct **compensation** for executives is **performance-based** as well as **equity-based** to **align executives' rewards with stockholder value**.
- ✓ Total direct compensation is **targeted** at or near the market **median**.
- ✓ **Actual realized** total direct compensation and **pay positioning** are designed to fluctuate with, and be **commensurate with, actual annual and long-term performance recognizing company-wide, business, and individual results**.
- ✓ **Incentive awards** are heavily dependent upon our stock performance and are measured against **objective financial metrics** that we believe **link** either directly or indirectly **to the creation of value** for our stockholders. In addition, 25% of our target annual incentives are contingent upon the achievement of qualitative objectives that we believe will contribute to our long-term success.
- ✓ We **balance** growth, cash flow, revenue and profit objectives, as well as short- and long-term objectives to **reward for overall performance** that does not over-emphasize a singular focus.
- ✓ A significant portion of our long-term incentives are delivered in the form of performance-adjusted restricted stock units, referred to as **"PARSUs,"** which vest only upon the achievement of **relative TSR** and **EPS** objectives.
- ✓ We validate our **pay-for-performance** relationship on an annual basis and our HRC Committee is actively involved in the review and approval of performance goals under our incentive plans.
- ✓ The compensation of **peer companies** is considered in order to ensure that pay levels for the NEOs are **appropriate** and **competitive**.
- ✓ The maximum payouts under annual incentive awards and under long-term incentives ("**PARSUs**") are **capped**.

Corporate Governance

- ✓ We **do not utilize executive employment contracts for senior officers**.
- ✓ We **devote significant time** to management succession planning and leadership development efforts.
- ✓ We maintain a **market-aligned** severance policy for executives and a conservative change in control policy which requires a double trigger for execution.
- ✓ The HRC Committee engages an **independent** compensation consultant.
- ✓ Our compensation programs **are designed to mitigate compensation-related risk (both financial and reputational) and promote long-term growth for the organization** by determining award payouts based on a wide range of performance goals.
- ✓ We maintain strong **stock ownership guidelines** for executive officers and non-employee Directors.
- ✓ We **prohibit** executive officers and Directors from engaging in any form of **hedging** transaction, holding HP securities in margin accounts and **pledging** stock as collateral for loans in a manner that could create compensation-related risk for the Company.
- ✓ We conduct a robust **stockholder outreach** program throughout the year.
- ✓ We **disclose** our corporate performance goals and achievements relative to these goals.
- ✓ We do not provide **excessive perquisites** to our employees including our executive officers.
- ✓ We do not allow our executives to **participate in the determination of their own compensation**.

Components of Compensation

Our primary focus in compensating executives is on the longer-term and performance-based elements of compensation. The table below shows our pay components, along with the role and factors for determining each pay component. The percentages are based on the average percentage among the NEOs including the CEO.

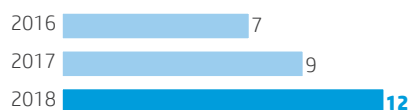
Pay Component	Role	Determination Factors
Base Salary 	<ul style="list-style-type: none"> Provides a fixed portion of annual cash income 	<ul style="list-style-type: none"> Value of role in competitive marketplace Value of role to the Company Skills and performance of individual compared to the market as well as others in the Company
Annual Incentive <i>(i.e., Pay-for-Results (“PFR”))</i> 	<ul style="list-style-type: none"> Provides a variable and performance-based portion of annual cash income Focuses executives on annual objectives that support the long-term strategy and creation of value 	<ul style="list-style-type: none"> Target awards based on competitive marketplace, level of position, skills and performance of executive Actual awards based on achievement against annual corporate, business unit, and individual goals as set and approved by the HRC
<i>Payments to executives for annual PFR incentive purposes are made under the Stock Incentive Plan (the “Plan”)</i> Long-term Incentives 	<ul style="list-style-type: none"> Supports need for long-term sustained performance Aligns interests of executives and stockholders, reflecting the time-horizon and risk to investors Encourages equity ownership and stockholder alignment Retains key employees 	<ul style="list-style-type: none"> Target awards based on competitive marketplace, level of position, skills and performance of the executive Actual values based on performance against corporate goals and total stockholder return (“TSR”) performance
All others: <ul style="list-style-type: none"> Benefits Perquisites Severance protection 	<ul style="list-style-type: none"> Supports the health and security of our executives and their ability to save on a tax-deferred basis Enhances executive productivity 	<ul style="list-style-type: none"> Competitive market practices for similar roles Level of executive Standards of best-in-class governance

Participation in our Virtual Annual Meeting

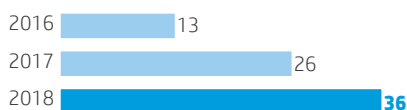
HP's Board considers the appropriate format of the meeting on an annual basis. HP's current virtual format allows stockholders to submit questions and comments in our stockholder forum both before and during the meeting. We respond to all stockholder submissions received through the forum in writing on our investor relations website. The virtual meeting format allows our stockholders to engage with us no matter where they live in the world, and is accessible and available on any internet-connected

device, be it a phone, a tablet, or a computer. We're able to reach a base of stockholders that is broader than just those who can afford to travel to an in-person meeting. The virtual meeting gives us the opportunity to respond in thoughtful detail to every question all of our stockholders may have, rather than just the limited number of questions stockholders are able to ask at in-person meetings, which are answered on the fly. **All of these benefits of a virtual meeting allow our stockholders to have truly robust engagement with HP.**

Previous Virtual Meeting Highlights



Questions answered during the virtual annual meeting



Total questions asked and answered before and during the annual meeting



Meeting attendance year over year

HP commits to answering every question received, in writing, within one week of the annual meeting.

Please visit our HP investor events page at <https://investor.hp.com> to read previously answered questions.

Please join us for our Virtual Annual Meeting at www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>

To participate in the annual meeting, you will need the **16-digit control number** included on your notice of Internet availability of the proxy materials, on your proxy card or on the instructions that accompanied your proxy materials.

Stockholders can access our pre-meeting forum, where you can **submit questions** in advance of the annual meeting, by visiting our annual meeting website. All questions received, both during and prior to the meeting, are presented as submitted, uncensored and unedited with the exception of certain personal details for data protection purposes. If we receive substantially similar questions, we will group such questions together and provided a single response to avoid repetition.

We will have technicians ready to assist you with any **technical difficulties** you may have accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call:

1-855-449-0991 (Toll-free)
1-720-378-5962 (Toll line)

— Before You Vote —
How to Access the Proxy Materials

Proxy Materials Available to VIEW or RECEIVE:
2018 NOTICE AND PROXY STATEMENT AND 2017 ANNUAL REPORT WITH FORM 10-K/A

How to View Online:
Have the information that is printed in the box marked by the arrow →XXXX XXXX XXXX XXXX (located on the following page) and visit: www.proxyvote.com/HP

How to Request and Receive a PAPER or E-MAIL Copy:
If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:

- 1) BY INTERNET: www.proxyvote.com/HP
- 2) BY TELEPHONE: 1-800-579-1639
- 3) BY E-MAIL*: sendmaterial@proxyvote.com

* If requesting materials by e-mail, please send a blank e-mail with the information that is printed in the box marked by the arrow →XXXX XXXX XXXX XXXX (located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before April 10, 2018 to facilitate timely delivery.

— How To Vote —
Please Choose One of the Following Voting Methods

Vote By Internet
Before The Meeting:
Go to www.proxyvote.com/HP. Have the information that is printed in the box marked by the arrow →XXXX XXXX XXXX XXXX (located on the following page) available and follow the instructions.

During The Meeting:
Go to HPonlineshareholdersmeeting.com. Have the information that is printed in the box marked by the arrow →XXXX XXXX XXXX XXXX (located on the following page) available and follow the instructions.

Vote By Mail: You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

Table of Contents

CORPORATE GOVERNANCE	11
Management Proposal No. 1 Election of Directors	11
Vote Required	11
Director Election Voting Standard and Resignation Policy	11
Stockholder Outreach	21
Response to 2018 Written Consent Proposal	22
Recent Corporate Governance Updates	23
Director Independence	24
Board Leadership Structure	26
Board Risk Oversight	26
Executive Sessions	32
Communications with the Board	32
Code of Conduct	32
Director Compensation and Stock Ownership Guidelines	32
Non-Employee Director Stock Ownership Guidelines	34
Related-Person Transactions Policies and Procedures	35
Fiscal 2018 Related-Person Transactions	35
AUDIT MATTERS	36
Management Proposal No. 2 Ratification of Independent Registered Public Accounting Firm	36
Vote Required	36
Report of the Audit Committee of the Board of Directors	36
Principal Accountant Fees and Services	37
Pre-Approval of Audit and Non-Audit Services Policy	37
EXECUTIVE COMPENSATION	38
Management Proposal No. 3 Advisory Vote to Approve Executive Compensation	38
Vote Required	38
Compensation Discussion and Analysis	38
Long-term Incentive Compensation	45
Fiscal 2018 Long-term Incentive Compensation at Target	46
Fiscal 2019 Compensation Program	47
Succession Planning	49
Accounting and Tax Effects	49
Policy for Recoupment of Performance-Based Incentives	50
OWNERSHIP OF OUR STOCK	63
Common Stock Ownership of Certain Beneficial Owners and Management	63
Section 16(a) Beneficial Ownership Reporting Compliance	64
STOCKHOLDER PROPOSALS	65
Stockholder Proposal: Independent Board Chairman	65
Proposal 4 – Independent Board Chairman	65
Statement in Opposition	66
Board Recommendation	67
Vote Required	67
OTHER MATTERS	68
Proxy Materials	68

Corporate Governance

Management Proposal No. 1



Election of Directors

The Board recommends a vote FOR each Director nominee

The Board of Directors of HP Inc. (the “Board”) currently consists of eleven (11) Directors. On the recommendation of the Nominating, Governance and Social Responsibility (“NGSR”) Committee, the Board has nominated the 11 persons named below for election as Directors this year, each to serve for a one-year term and until the Director’s successor is elected and qualified or, if earlier, until his or her resignation or removal.

Vote Required

Each Director nominee who receives more “FOR” votes than “AGAINST” votes representing shares of HP common stock present in person or represented by proxy and entitled to be voted at the annual meeting will be elected.

If you sign your proxy or voting instruction card but do not give instructions with respect to voting for Directors, your shares will be voted by Dion J. Weisler, Steven J. Fieler and Kim M. Rivera, as proxy holders. If you wish to give specific instructions with respect to voting for Directors, you may do so by indicating your instructions on your proxy or voting instruction card.

Director Election Voting Standard and Resignation Policy

We have adopted a policy whereby any incumbent Director nominee who receives a greater number of votes “AGAINST” his or her election than votes “FOR” such election will tender his or her offer of resignation for consideration by the NGSR Committee. The NGSR Committee will then make a recommendation to the Board regarding the appropriate response to such an offer of resignation.

Identifying and Evaluating Candidates for Directors

The NGSR Committee uses a variety of methods for identifying and evaluating nominees for Director. The NGSR Committee, in consultation with the Chairman, regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the NGSR Committee considers various potential candidates for Director. Candidates may come to the attention of the NGSR Committee through current Board members, professional search firms, stockholders or other persons. Identified candidates are evaluated at regular or special meetings of the NGSR Committee and may be considered at any point during the year. As described above, the NGSR Committee considers properly submitted stockholder recommendations of candidates for the Board to be included in our proxy statement. Following verification of the stockholder status of individuals proposing candidates, recommendations are considered

collectively by the NGSR Committee at a regularly scheduled meeting, which is generally the first or second meeting prior to the issuance of the proxy statement for our annual meeting. If any materials are provided by a stockholder in connection with the nomination of a Director candidate, such materials are forwarded to the NGSR Committee. The NGSR Committee also reviews materials provided by professional search firms and other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, the NGSR Committee seeks to achieve a balance of diverse knowledge, experience and capability on the Board. The NGSR Committee evaluates nominees recommended by stockholders using the same criteria it uses to evaluate all other candidates. In the case of Ms. Matsuoka, a third-party professional search firm identified her as a potential director nominee.

Stockholder Recommendations

The policy of the NGSR Committee is to consider properly submitted stockholder recommendations of candidates for membership on the Board as described above under “Identifying and Evaluating Candidates for Directors.” In evaluating such recommendations, the NGSR Committee seeks to achieve a balance of diverse knowledge, experience and capability on the Board and to address the membership criteria set forth below. Any stockholder recommendations submitted for consideration by the NGSR Committee should include verification of

the stockholder status of the person submitting the recommendation and the recommended candidate’s name and qualifications for Board membership and should be addressed to:



Corporate Secretary
HP Inc.
1501 Page Mill Road
Palo Alto, California 94304
Fax: 650-275-9138

Stockholder Nominations

In addition, our Bylaws permit stockholders to nominate Directors for consideration at an annual stockholder meeting and, under certain circumstances, to include their nominees in the HP proxy statement. For a description of the process for nominating Directors in accordance with our Bylaws, see “Questions and Answers—Voting Information.”

Director Nominees and Director Nominees’ Experience and Qualifications

The Board annually reviews the appropriate skills and characteristics required of Directors in the context of the current composition of the Board, our operating requirements and the long-term interests of our stockholders. The Board believes that its members should possess a variety of skills, professional experience, and backgrounds in order to effectively oversee our business. In addition, the Board believes that each Director should possess certain attributes, as reflected in the Board membership criteria described below.

Our Corporate Governance Guidelines contain the current Board membership criteria that apply to nominees recommended for a position on the Board. Under those criteria, members of the Board should:

- have the highest professional and personal ethics and values, consistent with our long-standing values and standards;
- have broad experience at the policy-making level in business, government, education, technology or public service;
- be committed to enhancing stockholder value and represent the interests of all of our stockholders; and
- have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience (which means that Directors’ service on other boards of public companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all Director duties).

In addition, the NGSR Committee takes into account a potential Director’s ability to contribute to the diversity of background (such as race, gender, and cultural background) and experience represented on the Board, and it reviews its effectiveness in balancing these

considerations when assessing the composition of the Board. Although the Board uses these and other criteria as appropriate to evaluate potential nominees, it has no stated minimum criteria for nominees. Our Corporate Governance Guidelines can be found on our website at <https://investor.hp.com/governance/governance-documents/default.aspx>.

All members of the HP Board are provided with opportunities for in-person and remote Director education on an ongoing basis, covering a variety on subjects relevant to HP. Recent topics have included strategy, innovation, people and culture development, best-practices in governance and leadership, industry updates and technology trends.

The Board believes that all the nominees named below are highly qualified, and have the skills and experience required for effective service on the Board. The biographies describe each Director’s qualifications and relevant experience in more detail. The biographies include key qualifications, skills, and attributes most relevant to the decision to nominate candidates to serve on the Board.

All of the nominees have indicated to us that they will be available to serve as Directors. In the event that any nominee should become unavailable, the proxy holders, Dion J. Weisler, Steven J. Fieler and Kim M. Rivera, will vote for a nominee or nominees designated by the Board, or the Board may choose to decrease the size of the Board or leave a vacancy on the Board.

There are no family relationships among our executive officers and Directors.

HP's Philosophy on Director Skills and Background



Academics

HP benefits from having leading academics in relevant fields sharing their expertise and providing valuable guidance on research trends and emerging areas of innovation.



Disruptive Innovation

At HP we continually seek to reinvent the Print and PC industries to deliver amazing innovative experiences to our customers - having disruptive innovators on our Board helps inform our strategy and drive us forward.



Finance

As a Fortune 100 company with a vast financial footprint, it's essential that we have Directors with strong financial acumen and experience to provide sound oversight and guide our investment strategies.



Government

Substantive government experience on our Board offers us insight into the regulatory environment of the many jurisdictions in which we operate, their legislative and administrative priorities, and the potential implications for our business.



International Business

HP operates in 180 countries worldwide, making international business experience a vital perspective on our Board and enabling us to succeed in the many markets in which we operate.



Sustainability

Sustainability fuels HP's innovation and growth while strengthening our business for the long term. Directors with a background and interest in cutting-edge sustainability initiatives offer important leadership as we pursue a more sustainable future.

Our Directors bring an extraordinary wealth of skills and backgrounds to the Board. From Subra Suresh, an acclaimed scientist whose background in microfluidics gives him key understanding into the future of technologies including 3D printing, to Stacy Brown-Philpot, CEO of TaskRabbit, a company at the forefront of today's personal services-oriented disruptive technology boom, our Board members are advising us based on real world experiences. MacArthur Fellow Yoky Matsuoka brings her leadership and research and development experiences from acclaimed academic institutions and industry leading companies. Their skills are complementary. Chip Bergh's experience at Procter & Gamble and now Levi's means he can instantly grasp the complexities of our supply chain while Shumeet Banerji and Mary Anne Citrino both come from financial industry careers, lending keen eyes to our financial management, risk oversight and investment strategy. Former public company CEOs Stephanie Burns and Robert Bennett lend the benefit of their experience at the helms of companies and Aida Alvarez and Stacey Mobley provide perspectives from the fields of government and corporate law, respectively. Together, these Directors and their skills help us to keep reinventing.



Technology

With our deep history of innovation, we know that design, technology and user experience add valuable and vital components to our Board dialogue.



Operations

HP operates one of the world's largest supply chains, spanning a diverse mix of geographies, suppliers, contractors and partners – we benefit from Directors who have successfully led complex operations and can help us to optimize our business model.



Robust Business Experience

As a large global company serving a diverse set of customer segments, HP requires a Board well-versed in navigating complexity and capitalizing on business opportunities to further our innovation and growth.



Science

Cutting edge R&D, science and engineering have been core to HP's success for decades – Directors with scientific backgrounds can provide technical advice and bring a deep understanding of the innovative core of our company.



Strategy

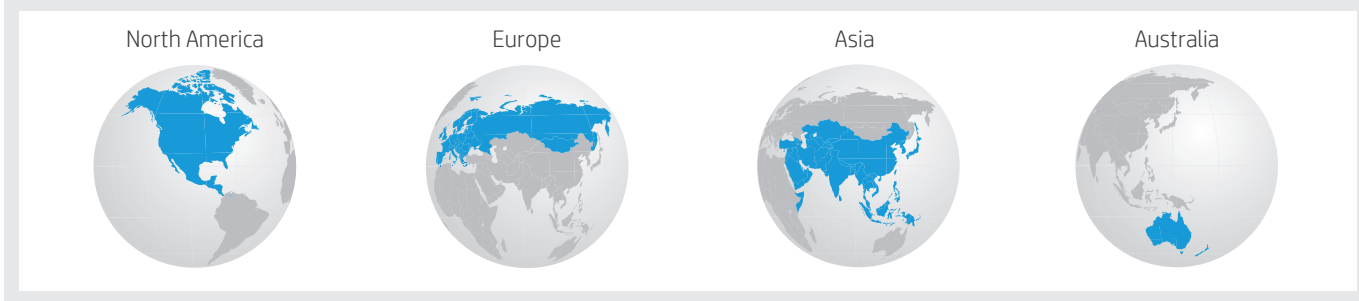
The dynamic and fast-moving markets in which HP operates globally require a Board with strong strategic insights gained through multi-faceted and challenging prior experiences.



Engagement

Engagement with our stockholders and customers provides HP's Directors with a unique understanding of the Company and the individuals and institutions we serve worldwide.

International Experience of our Directors



Collective Skills of the Director Nominees

	Aida Alvarez	Shumeet Banerji	Robert R. Bennett	Charles V. Bergh	Stacy Brown-Philpot	Stephanie A. Burns	Mary Anne Citrino	Yoky Matsuoka	Stacey Mobley	Subra Suresh	Dion J. Weister
Academics	●	●	●	●	●	●	●	●	●	●	●
Disruptive Innovation	●	●	●	●	●	●	●	●	●	●	●
Engagement	●	●	●	●	●	●	●	●	●	●	●
Finance	●	●	●	●	●	●	●	●	●	●	●
Government	●	●	●	●	●	●	●	●	●	●	●
International Business	●	●	●	●	●	●	●	●	●	●	●
Operations	●	●	●	●	●	●	●	●	●	●	●
Robust Business Experience	●	●	●	●	●	●	●	●	●	●	●
Science	●	●	●	●	●	●	●	●	●	●	●
Strategy	●	●	●	●	●	●	●	●	●	●	●
Sustainability	●	●	●	●	●	●	●	●	●	●	●
Technology	●	●	●	●	●	●	●	●	●	●	●
Independent	●	●	●	●	●	●	●	●	●	●	●
Diversity	●	●	●	●	●	●	●	●	●	●	●
Tenure (including HP Co.)	3 years	8 years	6 years	4 years	4 years	4 years	4 years	<1 year	4 years	4 years	4 years

Aida M. Alvarez



Current Role

- Chair, Latino Community Foundation (since 2003)

Current Public Company Boards

- HP
- K12 Inc.

Prior Public Company Boards

- MUFG Americas Holdings Corporation
- Wal-Mart Stores, Inc.

Qualifications:

Prior Business and Other Experience

- Administrator, U.S. Small Business Administration (1997–2001)
- Director, Office of Federal Housing Enterprise Oversight (1993–1997)
- Vice President, First Boston Corporation and Bear Stearns & Co. (prior to 1993)

Independent Director

Age **69**

Director since **2016**

HP Board Committees:
HRC
NGSR

Other Key Qualifications

The Honorable Aida Alvarez brings to the Board a wealth of expertise in media, public affairs, finance, and government. She led important financial and government agencies and served in the Cabinet of U.S. President William J. Clinton. She has also been a public finance executive, has chaired a prominent philanthropic organization and was an award-winning journalist. The Board also benefits from Ms. Alvarez's knowledge of investment banking and finance.



Engagement



Finance



Government

Shumeet Banerji



Current Role

- Co-founder and Partner of Condorcet, LP, an advisory and investment firm that specializes in developing early stage companies (since 2013)

Current Public Company Boards

- HP
- Reliance Industries Limited

Prior Public Company Boards

- Innocoll AG

Qualifications:

Prior Business and Other Experience

- Senior Partner, Booz & Company, a consulting company (May 2012–March 2013)
- Chief Executive Officer, Booz & Company (July 2008–May 2012)
- President of the Worldwide Commercial Business, Booz Allen Hamilton (February 2008–July 2008)
- Managing Director, Europe, Booz Allen Hamilton (2007–2008)
- Managing Director, United Kingdom, Booz Allen Hamilton (2003–2007)
- Faculty, University of Chicago Graduate School of Business

Independent Director

Age **59**

Director since **2011**

HP Board Committees:
HRC
NGSR, Chair

Other Key Qualifications

Mr. Banerji brings to the Board a robust understanding of the issues facing companies and governments in both mature and emerging markets around the world through his two decades of work with Booz & Company. In particular, Mr. Banerji has valuable experience in addressing a variety of complex issues ranging from corporate strategy, organizational structure, governance, transformational change, operational performance improvement, and merger integration.



Academics



Finance



**International
Business**



**Robust Business
Experience**



Strategy

Robert R. Bennett



Current Role

- Managing Director, Hilltop Investments, LLC, a private investment company (since 2005)

Current Public Company Boards

- HP
- Discovery Communications, Inc.
- Liberty Media Corporation

Prior Public Company Boards

- Sprint Corporation
- Demand Media, Inc.
- Discovery Holding Company
- Liberty Interactive Corporation
- Sprint Nextel Corporation

Qualifications:

Prior Business and Other Experience

- President, Discovery Holding Company (2005–2008)
- President and Chief Executive Officer, Liberty Media Corporation (now Liberty Interactive Corporation) (prior to 2005)

Independent Director

Age **60**

Director since **2013**

HP Board Committees:

Audit

FIT, Chair

Other Key Qualifications

Mr. Bennett brings to the Board in-depth knowledge of the media and telecommunications industry and his knowledge of the capital markets and other financial and operational matters from his experience as the president and chief executive officer of another public company, which allows him to provide an important perspective to the Board's discussions on financial and operational issues. Mr. Bennett also has an in-depth understanding of finance and has held various financial management positions during the course of his career. He also contributes valuable insight to the Board due to his experience serving on the boards of both public and private companies.



Finance



Operations



Robust Business Experience



Strategy

Charles “Chip” V. Bergh



Current Role

- President, Chief Executive Officer, and Director of Levi Strauss & Co., an apparel/retail company (since September 2011)

Current Public Company and Public Registrant Boards

- HP
- Levi Strauss & Co.

Prior Public Company Boards

- VF Corporation

Qualifications:

Prior Business and Other Experience

- Group President, Global Male Grooming, Procter & Gamble Co. (2009–September 2011)
- In 28 years at Procter & Gamble, Mr. Bergh served in a variety of executive roles, including managing business in multiple regions worldwide

Independent Chairman of the Board

Age **61**

Director since **2015**
Chairman since **2017**

HP Board Committees:
HRC
NGSR

Other Key Qualifications

Mr. Bergh brings to the Board extensive experience in executive leadership at large global companies and international business management. From his more than 30 years at Levi Strauss and Procter & Gamble, Mr. Bergh has a strong operational and strategic background with significant experience in brand management. He also brings public company governance experience as a board member and chair of boards and board committees of other public and private companies.



International Business



Operations



Robust Business Experience



Strategy

Stacy Brown-Philpot



Current Role

- Chief Executive Officer, TaskRabbit, an online labor interface company (since April 2016)

Current Public Company Boards

- HP
- Nordstrom, Inc.

Prior Public Company Boards

- None

Qualifications:

Prior Business and Other Experience

- Chief Operating Officer, TaskRabbit (January 2013–April 2016)
- Entrepreneur-in-Residence, Google Ventures, the venture capital investment arm of Google, Inc., a technology company (“Google”) (May 2012–December 2012)
- Senior Director of Global Consumer Operations, Google (2010–May 2012)
- Prior to 2010, Ms. Brown-Philpot served in a variety of Director-level positions at Google
- Prior to joining Google in 2003, Ms. Brown-Philpot served as a senior analyst and senior associate at the financial firms Goldman Sachs and PwC

Independent Director

Age **43**

Director since **2015**

HP Board Committees:
Audit
NGSR

Other Key Qualifications

Ms. Brown-Philpot brings to the Board extensive operational, analytical, financial, and strategic experience. In addition to her current role as CEO of TaskRabbit, Ms. Brown-Philpot’s decade of experience leading various operations at Google and her prior financial experience from her roles at Goldman Sachs and PwC provide unique operational and financial expertise to the Board.



Disruptive Innovation



Finance



Operations



Robust Business Experience



Strategy

Stephanie A. Burns



Current Role

- Director

Current Public Company Boards

- HP
- Corning Incorporated
- Kellogg Company

Prior Public Company Boards

- Dow Corning Corporation
- GlaxoSmithKline plc
- Manpower, Inc.

Qualifications:

Prior Business and Other Experience

- Chief Executive Officer, Dow Corning Corp., a silicon-based manufacturing company (2004–May 2011)
- President, Dow Corning (2003–November 2010)
- Executive Vice President, Dow Corning (2000–2003)

Independent Director

Age 64

Director since 2015

HP Board Committees:
FIT
HRC, Chair

Other Key Qualifications

Dr. Burns has more than 30 years of global innovation and business leadership experience and brings significant expertise in scientific research, product development, issues management, science and technology leadership, and business management to the Board. Dr. Burns also brings public company governance experience to the Board as a member of boards and board committees of other public companies.



Finance



International Business



Operations



Robust Business Experience



Science



Strategy

Mary Anne Citrino



Current Role

- Senior Advisor and former Senior Managing Director, The Blackstone Group, an investment firm (since 2004)

Current Public Company Boards

- HP
- Royal Ahold Delhaize
- Alcoa Corporation
- Barclays

Prior Public Company Boards

- Health Net, Inc.
- Dollar Tree Inc.

Qualifications:

Prior Business and Other Experience

- Managing Director, Global Head of Consumer Products Investment Banking Group, and Co-head of Health Care Services Investment Banking, Morgan Stanley (1986–2004)

Independent Director

Age 59

Director since 2015

HP Board Committees:
Audit, Chair
FIT

Other Key Qualifications

Ms. Citrino's more than 30-year career as an investment banker provides the Board with substantial knowledge regarding business operations strategy, as well as valuable financial and investment expertise. She also brings public company governance experience as a member of boards and board committees of other public companies.



Finance



International Business



Strategy

Yoky Matsuoka



Current Role

- Vice President, Healthcare at Google, a subsidiary of Alphabet Inc. (“Alphabet”), a technology company (since 2018)

Current Public Company Boards

- None

Prior Public Company Boards

- None

Qualifications:

Prior Business and Other Experience

- Chief Technology Officer, Nest, Alphabet (2010–2015; 2017–2018)
- Executive experience in healthcare, Apple Inc., a technology company (May 2016–December 2016)
- Chief Executive Officer, Quanttus, a technology company (2015–2016)
- Head of Innovation and Co-Founder, Google [X], Alphabet (2009–2010)
- Academic experience including professorships at Carnegie Mellon University and the University of Washington (2000–2011)
- MacArthur Fellow (2007)

Independent Director

Age **46**

Director since **2019**

HP Board Committees:

Audit
FIT

Other Key Qualifications

Yoky Matsuoka is an accomplished executive and technologist who brings more than two decades of leadership experience to the HP Board. Throughout her career, she has held innovation-centric roles in both Silicon Valley and in academia and brings her strong background in management, strategy and research & development to the Board.



Academics



Disruptive Innovation



Finance



Robust Business Experience



Science



Technology

Stacey Mobley



Current Role

- Director

Current Public Company Boards

- HP

Prior Public Company Boards

- International Paper Company

Qualifications:

Prior Business and Other Experience

- Senior Counsel and Advisor, Dickstein Shapiro, LLP, a law firm (2008–2016)
- Senior Vice President, Chief Administrative Officer and General Counsel, E.I. du Pont de Nemours and Company (“DuPont”), a chemical company (1999–2008)
- 35 years of experience at DuPont (1973–2008) serving in a variety of leadership roles

Independent Director

Age **73**

Director since **2015**

HP Board Committees:

HRC
NGSR

Other Key Qualifications

Mr. Mobley’s more than 35 years of legal and senior management experience at DuPont brings a deep understanding of governance, regulations and risk management. He also brings public company governance experience as a member of boards and board committees of other public and private companies.



International Business



Operations



Robust Business Experience



Technology

Subra Suresh



Current Role

- President, Nanyang Technological University, autonomous university in Singapore (since January 2018)

Current Public Company Boards

- HP
- Singapore Exchange Limited

Prior Public Company Boards

- None

Qualifications:

Prior Business and Other Experience

- Senior Advisor, Temasek International Private Ltd., an investment company headquartered in Singapore (since September 2017)
- President, Carnegie Mellon University, a global research university (July 2013–June 2017)
- Director, National Science Foundation, a federal agency charged with advancing science and engineering research and education (October 2010–March 2013)
- Dean, School of Engineering, and the Vannevar Bush Professor of Engineering, Massachusetts Institute of Technology (2007–2010)

Independent Director

Age 62

Director since 2015

HP Board Committees:
Audit
FIT

Other Key Qualifications

Mr. Suresh's experience as the president of a prominent research university and his experience leading new entrepreneurship, innovations, and creativity efforts bring the Board valuable insights with respect to strategic opportunities and a robust understanding of the organizational, scientific, and technological requirements of ongoing innovation.



Academics



Disruptive
Innovation



Finance



Government



Science



Strategy



Technology

Dion J. Weisler



Current Role

- President and Chief Executive Officer, HP (since November 2015)

Current Public Company Boards

- HP
- Thermo Fisher Scientific Inc.

Prior Public Company Boards

- None

Qualifications:

Prior Business and Other Experience

- Executive Vice President, the Printing and Personal Systems Group, Hewlett-Packard Company (June 2013–November 2015)
- Senior Vice President and Managing Director, Printing and Personal Systems, Asia Pacific and Japan, Hewlett-Packard Company (January 2012–June 2013)
- Vice President and Chief Operating Officer, the Product and Mobile Internet Digital Home Groups, Lenovo Group Ltd. (January 2008–December 2011)

President, Chief Executive Officer and Director

Age 51

Director since 2015

HP Board Committees:
N/A

Other Key Qualifications

Mr. Weisler's international business and leadership experience provide the Board with an enhanced global perspective. Mr. Weisler's more than 25 years of experience in the information & technology industry and his position as HP's Chief Executive Officer provide the Board with valuable industry insight and expertise.



Disruptive
Innovation



International
Business



Operations



Robust Business
Experience



Strategy



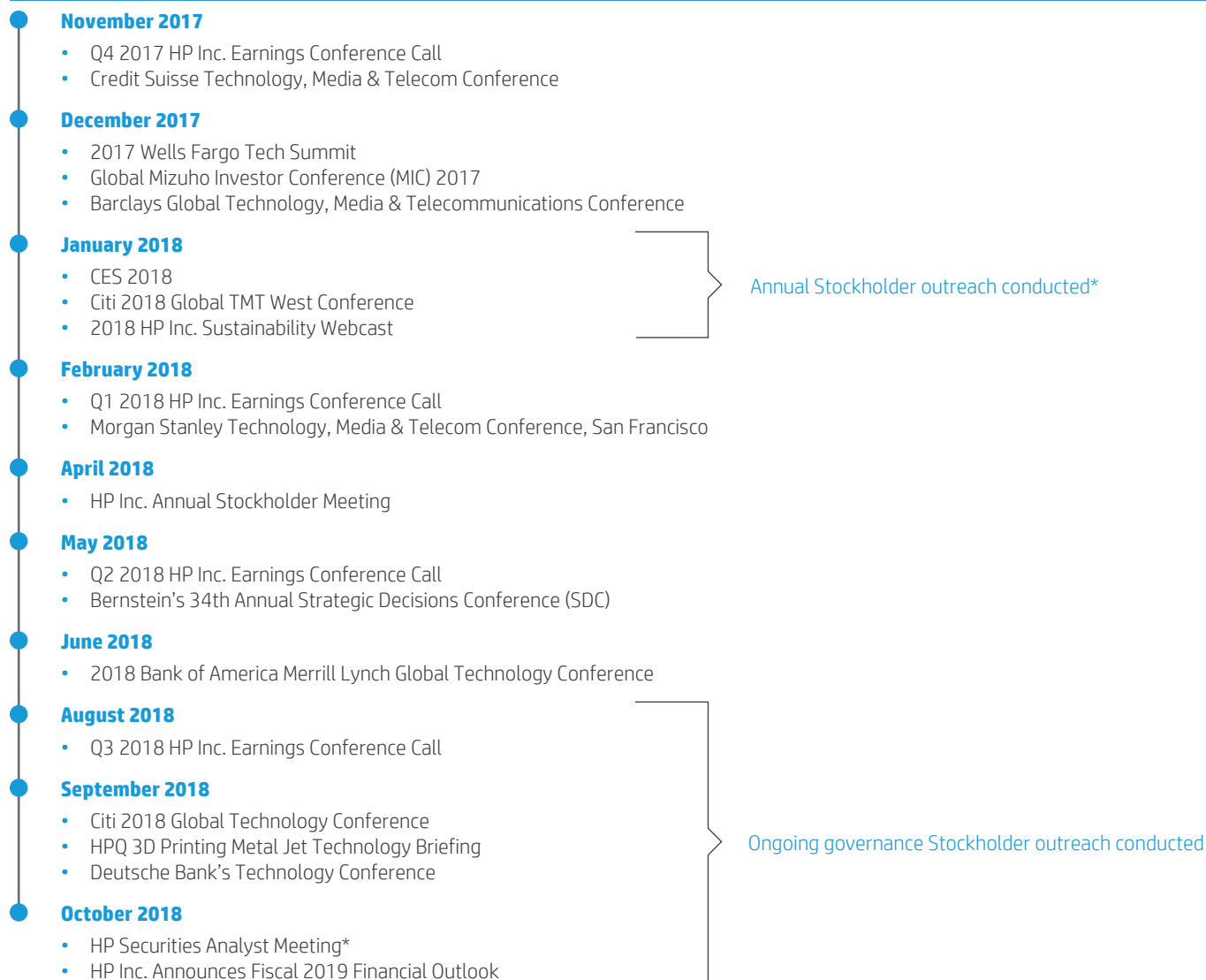
Technology

Stockholder Outreach

We believe that effective corporate governance should include regular, constructive conversations with our stockholders. Over the past year, the Board has continued to engage with stockholders, including seeking and encouraging feedback from stockholders about our corporate governance practices by conducting stockholder

outreach and engagement throughout the year. Our annual corporate governance investor outreach cycle, in which the Chair of the Board, Chair of the HRC and other Directors typically participate, is outlined below.

Our Investor Outreach Calendar



* Event attended by member(s) of the HP Board.

In fiscal 2018, we conducted two outreach programs: the first in early 2018, as part of our annual investor outreach cycle, and the second in September and October 2018, as part of our outreach regarding our governance profile and the 2018 written consent proposal, described below. Through these two programs, we met or spoke with institutional investors representing more than 50% of our outstanding stock during fiscal 2018 as well as with proxy advisor firms.

Response to 2018 Written Consent Proposal

HP values input from stockholders throughout the year. We currently afford stockholders the opportunity to act between annual meetings through the combination of a special meeting right as well as a robust stockholder outreach program that demonstrates our openness to direct stockholder engagement. At our 2018 Annual Meeting, holders of 37.5% of our outstanding shares expressed support for an advisory proposal to provide stockholders with the ability to act by written consent without a meeting of stockholders. Of the votes cast, 50.4% supported the proposal while 49.2% voted against it, with 0.3% abstaining.

In 2018, the Board recommended voting against this proposal for the following key reasons:

- HP's commitment to good corporate governance;
- the existing right of HP stockholders to call a special meeting of stockholders; and
- the Board's belief that the proposal would circumvent the protections, procedural safeguards and advantages provided to all stockholders by stockholder meetings.

The Board remains concerned about the disruptive effect a stockholder written consent solicitation could have on the Board's and stockholders' ability to thoroughly consider significant corporate actions and possible alternatives. The Board also is mindful of the closeness of the written consent proposal vote at the 2018 Annual Meeting and the significant lack of consensus reflected in the vote, as well as the importance of respecting the perspectives expressed by all stockholders. The Board determined that, in light of these and other concerns raised regarding written consent, the appropriate approach would be to conduct further engagement with our stockholders to better understand the vote results and incorporate stockholder feedback into any actions we might take.

We view our relationships with stockholders and other stakeholders as fundamental to good corporate governance practices, and we have a strong record of stockholder engagement and responsiveness to stockholder concerns. We believe that effective corporate governance should include regular, constructive conversations with our stockholders. The Board and management have continued to seek out and encourage feedback from stockholders about our corporate governance practices by conducting annual stockholder outreach and engagement in January 2019. In addition, consistent with our commitment to soliciting and considering feedback from stockholders, during September and October 2018, and again in January 2019, we solicited specific feedback from our stockholders related to the written consent proposal to better understand how stockholders think about responsiveness in light of the closeness of the vote for the proposal. We also sought to assess from stockholders whether support for the proposal in fact represents a desire for written consent or was intended to convey other preferences or priorities (for example, a view that our original 25% threshold for calling a special meeting was higher than that particular stockholder preferred).

On this particular issue, HP representatives engaged with our 75 largest stockholders in September and October of 2018 and again in January of 2019, representing over 68% of our outstanding shares

as of September 2018. We received feedback from stockholders that represented over 50% of our outstanding shares. Of those that provided feedback, approximately 60% (representing almost 30% of our outstanding shares at the time) voted against the proposal and almost 40% (representing over 20% of our outstanding shares at the time) voted for the proposal. Senior management and three members of the Board, including the Chair of the Board and the Chair of the HRC and a member of the NGSRC, then invited our top 20 stockholders, representing an aggregate of over 46% of our outstanding shares at the time, to engage in further discussions during our annual stockholder outreach program in January 2019.

During these interactions, we discussed HP's record of strong governance practices and responsiveness to stockholder concerns. We specifically focused on the 2018 written consent proposal with our stockholders, explaining the Board's reasons for opposing the proposal and asking the stockholders to provide their perspectives on the rationale underlying their particular vote decisions and on potential next steps for HP. Our stockholders were pleased to be consulted and overall expressed their appreciation of our current corporate governance profile, long record of engagement with and responsiveness to stockholders, commitment to transparency, and openness to addressing stockholders' desires through a more accessible opportunity to act between annual meetings. Not one of the stockholders with whom we spoke raised any concerns or issues with the approach we took with respect to seeking additional feedback and conducting further engagement rather than unilaterally acting without the benefit of such additional outreach.

We heard the following key perspectives from our stockholders. First, a large majority of the stockholders we consulted prefer the right to call a special meeting over the right to act by written consent, expressing the views that the former is more protective of stockholders, accessible and inclusive, among other reasons. Nearly 76% of the stockholders we conversed with during our engagement (representing over 38% of our outstanding shares at the time) preferred that we consider lowering our special meeting threshold instead of implementing written consent. Many of those with whom we spoke volunteered that they had voted against the written consent proposal specifically because HP already afforded stockholders the right to call a special meeting. Many of these stockholders further noted they prefer the right to call a special meeting over the right to act by written consent because, while both provide stockholders an avenue to be heard outside the annual meeting cycle, special meetings better facilitate participation of all stockholders to discuss the topic under consideration through an orderly process.

Regardless of their views on the right to act by written consent, stockholders believed it was important that the Board appropriately respond to the various views expressed in the vote outcome regarding the written consent proposal, including through engagement. Before taking action, however, the Board wanted to understand how our stockholders would view the Board unilaterally amending our Bylaws to lower the special meeting threshold in lieu of adopting written consent, and whether they would consider this approach responsive to the close vote outcome on the written consent proposal.

In addition to stockholder feedback, the Board considered the following factors when considering implementation of the proposal:

- the slim margin by which the proposal passed (50.4% of the votes cast, representing 37.5% of the outstanding shares), and the significant number of stockholders that opposed the proposal (49.2% of the votes cast);
- the lack of consensus among our stockholders regarding whether written consent would in fact be a desirable feature if included in our governance profile;
- a nearly identical written consent stockholder proposal having failed at our 2015 Annual Meeting, with support of only 43.3% of votes cast;
- our special meeting threshold of 25% was appropriate at the time Hewlett-Packard Company adopted the right in 2007, and it continues to be the median threshold for stockholders to call a special meeting among S&P 500 companies;
- evolving voting policies and guidelines of investors and third-party advisory firms regarding the ability to act in between annual meetings;
- the rights we already provide our stockholders, which include the right to call a special meeting and nominate Directors to the Board through proxy access; and
- our current stockholder base and the relatively constant presence of at least one stockholder that has owned or controlled the vote of more than ten percent of our outstanding shares over the past few years, which led the Board to believe a 15% threshold was appropriate for the right to call a special meeting.

Recent Corporate Governance Updates

HP's corporate governance policies and practices are continuously evolving – from our time as Hewlett-Packard Company to our new identity as HP Inc., we've always led by example, adopting changes in line with our commitment to the highest standards of governance. Stockholder input has been key to our progression and as we continue to evolve our corporate governance policies and practices, we will continue to solicit feedback from our stockholders regarding our governance profile. The following examples highlight some of the key features of our corporate governance policies and practices, including updates we have recently made to strengthen our policies and practices:

- Our Board continues to believe that it is in the current best interests of our stockholders and the Company to have an independent Chairman. Accordingly, Chip Bergh has served as our independent Chairman since July 2017.
- We continue to engage in a robust and ongoing stockholder engagement program. In fiscal 2018, in addition to our CEO and independent Chairman, the Chair of our HRC Committee also met with stockholders during our stockholder engagement program. In particular, as described in detail above, we also conducted robust outreach to stockholders in the fall of 2018 focused specifically on our governance profile and engaged in substantive discussions regarding desired responses to the 2018 stockholder proposal on stockholder action by written consent.

During our engagement, all stockholders we conversed with approved of or did not express an adverse view on the Board's process in responding to the stockholder proposal and thoughtful approach to gathering feedback. Many stockholders even expressed the view that HP's then-current governance regime, including the right for stockholders to call a special meeting at a 25% threshold, provides appropriate stockholder rights and that the Board did not need to take any action to provide additional stockholder rights. The Board and management, however, are mindful of some stockholders' desires for accessible rights, and therefore concluded that non-action would not be necessarily responsive to stockholders' concerns in our particular circumstances.

Accordingly, the Board determined it would be consistent with the wishes of the broadest group of our stockholders and responsive to the vote on the written consent proposal to facilitate the ability of stockholders to act in between annual meetings. Specifically, the Board determined, taking into account the feedback received from stockholders among other factors, to amend the existing stockholder right to call special meetings in our Bylaws to lower the threshold requirement to call a special meeting from 25% to 15% of our outstanding shares in lieu of adopting the right to act by written consent. This amendment was made effective as of February 7, 2019. We will continue to welcome stockholder feedback on these and other matters of importance to our investors and will incorporate such feedback appropriately into our decision-making actions and approach to engagement and governance.

- Since 2016, our NGSR Committee has reviewed and discussed our environmental, sustainability, diversity and social impact strategy at every regular meeting of the Committee, providing valuable advice and insights. As a result, in 2018 HP was awarded the highest possible score during ISS's first-ever Environmental & Social (E&S) Disclosure QualityScore review process. For more information on our efforts in this space including our Sustainable Impact Report please visit <https://www8.hp.com/us/en/hp-information/global-citizenship/index.html>.
- As described above, effective as of January 22, 2019, we have amended the stockholder right to call special meetings in our Bylaws to lower the threshold requirement to call such a meeting from 25% to 15% of our outstanding shares. We decided to amend this right after extensive outreach to our top 75 stockholders regarding their desired response to the 2018 stockholder proposal on stockholder action by written consent.
- As part of our commitment to the highest standards of governance, in 2018 we became a signatory to the Commonsense Principles of Corporate Governance 2.0, a set of corporate governance principles we and the other signatories believe serve the best interests of U.S. corporations and financial markets.

- We have evaluated our governance practices against the Corporate Governance Principles for U.S. Listed Companies published by the Investor Stewardship Group (“ISG”), a collective of some of the largest U.S.-based institutional investors and global asset managers, and we believe that our governance policies and practices are consistent with the ISG principles. The following table shows how certain of our key governance practices align with the ISG principles:

ISG Principle	HP Governance Policy or Practice
Principle 1: Boards are accountable to stockholders.	<ul style="list-style-type: none"> Annual election of each Director, for a one-year term Proxy access that allows stockholder to nominate Directors Each Director has agreed to tender his or her resignation if they fail to receive a majority of votes cast Annual stockholder outreach program that typically includes the Chair of the Board, the Chair of the HRC and other Directors No poison pill Extensive disclosure of our corporate governance and Board practices
Principle 2: Stockholders should be entitled to voting rights in proportion to their economic interest.	<ul style="list-style-type: none"> One share, one vote
Principle 3: Boards should be responsive to stockholders and be proactive in order to understand their perspectives.	<ul style="list-style-type: none"> Directors participate in our stockholder outreach programs, including in our outreach regarding the 2018 written consent proposal Directors are available for stockholder engagement outside our engagement programs Many Directors participate in and attend our annual meeting, at which management and those Directors present respond to each stockholder question
Principle 4: Boards should have a strong, independent leadership structure.	<ul style="list-style-type: none"> Independent Chair of the Board, with clearly defined responsibilities Structure for a Lead Independent Director if the Chair is not independent Robust independent key committees and other structures for facilitating contribution of independent Directors
Principle 5: Boards should adopt structures and practices that enhance their effectiveness.	<ul style="list-style-type: none"> Ten of our eleven Director nominees are independent, with our Director nominees representing diverse backgrounds, skills and experiences Each Board committee is fully independent Track record of open dialogue between the Board and management Robust annual self-evaluation program
Principle 6: Boards should develop management incentive structures that are aligned with the long-term strategy of the company.	<ul style="list-style-type: none"> Performance-oriented LTI mix with metrics that support our long-term strategy Combination of short- and long-term performance goals Executive and Director share ownership requirements

Director Independence

Our Corporate Governance Guidelines, which are available on our website at <https://investor.hp.com/governance/governance-documents/default.aspx>, provide that a substantial majority of the Board will consist of independent Directors and that the Board can include no more than three Directors who are not independent Directors. The independence standards can be found as Exhibit A to our Corporate Governance Guidelines. Our Director independence standards are consistent with, and in some respects more stringent than, the New

York Stock Exchange (“NYSE”) Director independence standards. In addition, each member of the Audit Committee meets the heightened independence standards required for audit committee members under the applicable listing and the U.S. Securities and Exchange Commission (the “SEC”) standards and each member of the HRC Committee meets the heightened independence standards required for compensation committee members under the applicable listing standards and SEC standards.

Under our Corporate Governance Guidelines, a Director will not be considered independent in the following circumstances:

- The Director is, or has been within the last three years, an employee of HP, or an immediate family member of the Director is, or has been within the last three years, an executive officer of HP.
- The Director has been employed as an executive officer of HP, its subsidiaries or affiliates within the last five years.
- The Director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from HP, other than compensation for Board service, compensation received by a Director's immediate family member for service as a non-executive employee of HP, and pension or other forms of deferred compensation for prior service with HP that is not contingent on continued service.
- (A) The Director or an immediate family member is a current partner of the firm that is HP's internal or external auditor; (B) the Director is a current employee of such a firm; (C) the Director has an immediate family member who is a current employee of such a firm and who personally worked on HP's audit; or (D) the Director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on HP's audit within that time.
- The Director or an immediate family member is, or has been in the past three years, employed as an executive officer of another company where any of HP's present executive officers at the same time serves or has served on that company's compensation committee.
- The Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, HP for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- The Director is affiliated with a charitable organization that receives significant contributions from HP.
- The Director has a personal services contract with HP or an executive officer of HP.

For these purposes, an "immediate family" member includes a person's spouse, parents, step-parents, children, step-children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the Director's home.

In determining independence, the Board reviews whether Directors have any material relationship with HP. An independent Director must not have any material relationship with HP, either directly or as a partner, stockholder or officer of an organization that has a relationship with HP, nor any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. In assessing the materiality of a Director's relationship to HP, the Board considers all relevant facts and circumstances, including consideration of the issues from the Director's standpoint and from the perspective of the persons or organizations with which the Director has an affiliation, and is guided by the standards set forth above.

In making its independence determinations, the Board considered transactions occurring since the beginning of fiscal 2016 between HP and entities associated with the independent Directors or their immediate family members. In addition to the transactions described below under "Fiscal 2018 Related-Person Transactions," if any, the Board's independence determinations included consideration of the following transactions:

Current Directors:

- Mr. Bergh has served as President and Chief Executive Officer and a Director of Levi Strauss & Co. since September 2011. HP has entered into transactions for the purchase and sale of goods and services in the ordinary course of its business during the past three fiscal years with Levi Strauss & Co. The amount that HP paid in each of the last three fiscal years to Levi Strauss & Co., and the amount received in each fiscal year by HP from Levi Strauss & Co., did not, in any of the previous three fiscal years, exceed the greater of \$1 million or 2% of either company's consolidated gross revenues.
- Mr. Suresh has served as President of Nanyang Technological University since January 2018. HP has entered into transactions for the purchase and sale of goods and services in the ordinary course of its business during the past three fiscal years with Nanyang Technological University. The amount that HP paid in each of the last three fiscal years to Nanyang Technological University, and the amount received in each fiscal year by HP from Nanyang Technological University, did not, in any of the previous three fiscal years, exceed the greater of \$1 million or 2% of either entity's consolidated gross revenues.
- Ms. Matsuoka has served as Vice President, Healthcare at Google, a subsidiary of Alphabet, since 2018. HP has entered into transactions for the purchase and sale of goods and services in the ordinary course of its business during the past three fiscal years with Google and Alphabet. The amount that HP paid in each of the last three fiscal years to Google and Alphabet, and the amount received in each fiscal year by HP from Google and Alphabet, did not, in any of the previous three fiscal years, exceed the greater of \$1 million or 2% of either company's consolidated gross revenues.
- Each of Mr. Banerji, Mr. Bennett, Ms. Brown-Philpot, Ms. Burns, Ms. Citrino, Ms. Matsuoka, and Mr. Mobley, or one of their immediate family members, is a non-employee Director, trustee or advisory board member of another company that did business with HP at some time during the past three fiscal years. These business relationships were as a supplier or purchaser of goods or services in the ordinary course of business.

As a result of this review, the Board has determined the transactions described above and below under "Fiscal 2018 Related-Person Transactions," if any, would not interfere with the Director's exercise of independent judgment in carrying out the responsibilities of a Director. The Board has also determined that, with the exception of Mr. Weisler, (i) each of HP's independent Directors, including Ms. Alvarez, Mr. Banerji, Mr. Bennett, Mr. Bergh, Ms. Brown-Philpot, Ms. Burns, Ms. Citrino, Ms. Matsuoka, Mr. Mobley and Mr. Suresh, and (ii) each of the members of the Audit Committee, the HRC Committee and the NGRS Committee, has (or had) no material relationship with HP (either directly or as a partner, stockholder or officer of an organization that has a relationship with HP) and is (or was) independent within the meaning of the NYSE and our Director independence standards. The Board has determined that Mr. Weisler is not independent because of his status as our current President and CEO.

Board Leadership Structure

The HP Board continuously evaluates its leadership structure. Our Board continues to believe that it is in the best interests of the Company and its stockholders to separate the Chairman of the Board and Chief Executive Officer roles and for our Chairman to be independent. Currently, Mr. Bergh serves as our independent Chairman of the Board. Our Board believes that our current structure, with an independent Chairman, who is well-versed in the needs of a complex business and has strong, well-defined governance duties,

gives our Board a strong leadership and corporate governance structure that best serves the needs of HP and its stockholders. The Board will continue to evaluate its leadership structure on an ongoing basis and may make changes as appropriate to HP and its future needs. For additional information regarding HP's board leadership structure please read the Board's Opposition Statement to the Stockholder Proposal, beginning on page 66.

Independent Chairman

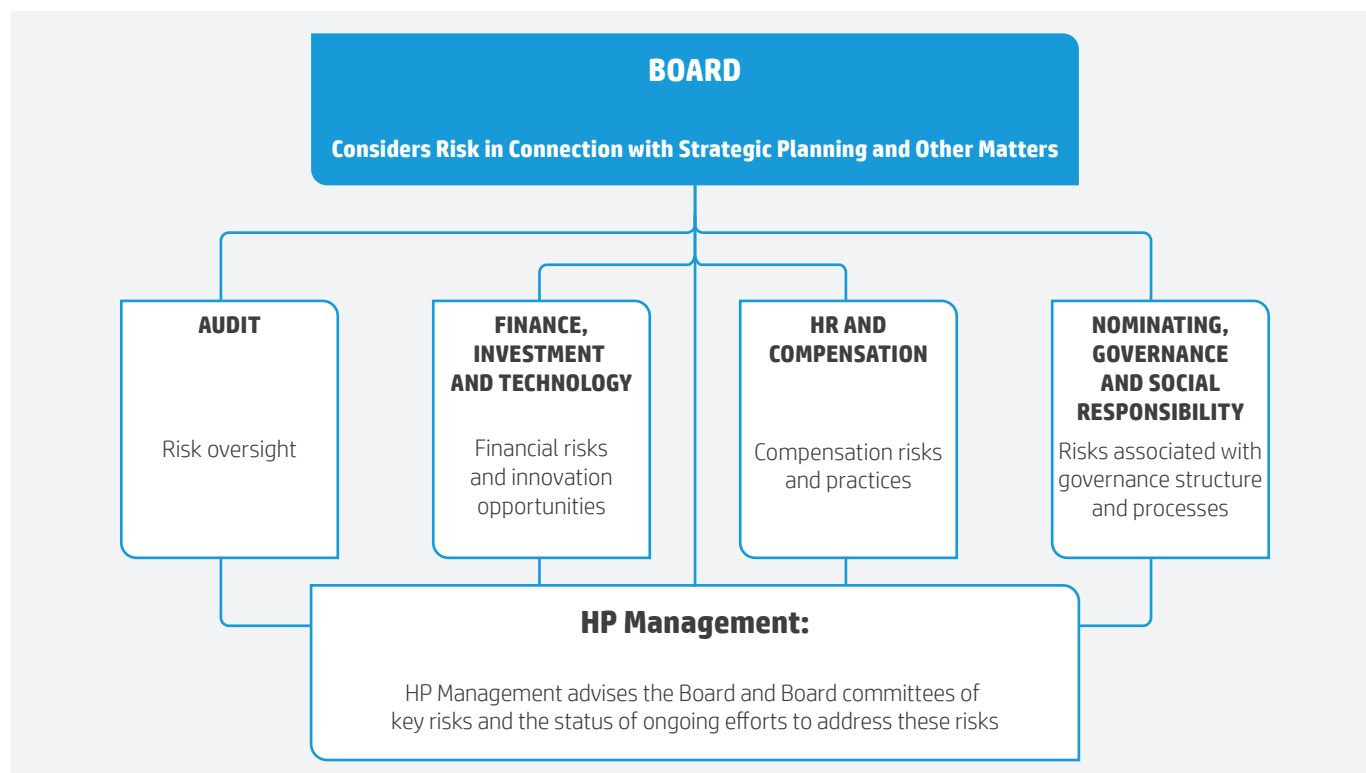
- oversees the planning of the annual Board of Directors calendar
- in consultation with the CEO and the other Directors, schedules, approves and sets the agenda for meetings of the Board and chairs and leads the discussion at such meetings
- chairs HP's annual meeting of stockholders
- is available in appropriate circumstances to speak on behalf of the Board and for consultation and direct communication with major stockholders upon request
- provides guidance and oversight to management
- helps with the formulation and implementation of HP's strategic plan
- serves as the Board liaison to management
- has the authority to call meetings of the independent Directors and schedules, sets the agenda for, and presides at executive sessions of the independent Directors
- approves information sent to the Board of Directors
- assists the Chairs of the Board committees in preparing agendas for the respective committee meetings
- works with the HRC Committee to coordinate the annual performance evaluation of the CEO
- works with the NGSR Committee to oversee the Board and committee evaluations and recommends changes to improve the Board, the committees, and individual Director effectiveness
- performs such other functions and responsibilities as set forth in the Corporate Governance Guidelines or as requested by the Board from time to time

Board Risk Oversight

The Board, with the assistance of committees of the Board as discussed below, reviews and oversees our enterprise risk management ("ERM") program. This enterprise-wide program is designed to enable effective and efficient identification of, and management's visibility into, critical enterprise risks. It also facilitates the incorporation of risk considerations into decision making. The ERM program was established to clearly define risk management roles and responsibilities, bring together senior management to discuss risk, promote visibility and constructive dialogue around risk at the senior management and Board levels and facilitate appropriate risk response strategies. Under the ERM program, management develops a holistic portfolio of our enterprise risks by facilitating business and

function risk assessments, performing targeted risk assessments and incorporating information regarding specific categories of risk gathered from various internal HP organizations. Management then develops risk response plans for risks categorized as needing management focus and response and monitors other identified risk focus areas. Management provides regular reports on the risk portfolio and risk response efforts to senior management and to the Audit Committee.

The Board oversees management’s implementation of the ERM program, including reviewing our enterprise risk portfolio and evaluating management’s approach to addressing identified risks. Various Board committees also have responsibilities for oversight of risk management that supplement the ERM program as follows:







Compensation Risk Assessment

During fiscal 2018, Frederic W. Cook and Co., Inc. (“FW Cook”), independent compensation consultants to the HRC Committee, conducted a risk assessment of our executive compensation programs, policies and processes for all employees, reviewing our practices relative to market “best practice” and considering risk mitigation factors. FW Cook concluded that our compensation programs and practices do not create risks that are reasonably likely to have a material adverse effect on HP.

Overall, we believe that our compensation programs contain an appropriate balance of fixed and variable features and short- and long-term incentives, as well as complementary metrics with reasonable, performance-based goals and linear payout curves under most plans. We believe that these factors, combined with effective Board and management oversight, operate to mitigate risk and reduce the likelihood of employees engaging in excessive risk-taking behavior with respect to the compensation-related aspects of their jobs.

Current Committee Memberships

Name	Audit	Finance, Investment and Technology	HR and Compensation	Nominating, Governance and Social Responsibility
Independent Directors				
Aida M. Alvarez			●	●
Shumeet Banerji			●	Chair
Robert R. Bennett 	●	Chair		
Charles “Chip” V. Bergh			●	●
Stacy Brown-Philpot 	●			●
Stephanie A. Burns		●	Chair	
Mary Anne Citrino 	Chair	●		
Yoky Matsuoka	●	●		
Stacey Mobley			●	●
Subra Suresh 	●	●		
Other Directors				
Dion J. Weisler				

● — Member

 — Audit Committee “financial expert”

During fiscal 2018, the Board held 7 meetings, all of which included executive sessions. Each incumbent Director serving during fiscal 2018 attended at least 75% of the aggregate of all Board and applicable committee meetings held during the period that he or she served as a Director. During fiscal 2018, we had the following four standing committees, which held the number of meetings indicated in parentheses during fiscal 2018: Audit Committee (13); FIT Committee (7); HRC Committee (5); and NGSR Committee (5). All of the

committee charters are available on our investor relations website at <https://investor.hp.com/governance/governance-documents/default.aspx>.

Directors are encouraged to participate in our annual meeting of stockholders. At our last annual meeting on April 24, 2018, 6 of our 10 then-Directors, all 10 of whom are standing for re-election this year, attended the meeting.

Audit Committee

We have an Audit Committee established in accordance with the requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Audit Committee represents and assists the Board in fulfilling its responsibilities for overseeing our financial

reporting processes and the audit of our financial statements. Specific duties and responsibilities of the Audit Committee include, among other things:

Independent Registered Public Accounting Firm

- appointing, overseeing the work of, evaluating, compensating and retaining the independent registered public accounting firm;
- discussing with the independent registered public accounting firm its relationships with HP and its independence, and periodically considering whether there should be a regular rotation of the accounting firm in order to assure continuing independence;
- overseeing the rotation of the independent registered public accounting firm’s lead audit and concurring partners at least once every five years and the rotation of other audit partners at least once every seven years in accordance with SEC regulations, with the Audit Committee directly involved in the selection of the accounting firm’s lead partner; and
- determining whether to retain or, if appropriate, terminate the independent registered public accounting firm.

Audit & Non-Audit Services; Financial Statements; Audit Report

- reviewing and approving the scope of the annual independent audit, the audit fee, other audit services, and the financial statements;
- preparing the Audit Committee report for inclusion in the annual proxy statement; and
- overseeing our financial reporting processes and the audit of our financial statements, including the integrity of our financial statements.

Disclosure Controls; Internal Controls & Procedures; Legal Compliance	<ul style="list-style-type: none"> • reviewing our disclosure controls and procedures, internal controls, information security policies, internal audit function, and corporate policies with respect to financial information and earnings guidance; and • overseeing compliance with legal and regulatory requirements.
Risk Oversight	<ul style="list-style-type: none"> • reviewing risks facing HP and management’s approach to addressing these risks, including significant risks or exposures relating to litigation and other proceedings and regulatory matters that may have a significant impact on our financial statements; and • discussing policies with respect to risk assessment and risk management.
Related Party Transactions	<ul style="list-style-type: none"> • overseeing relevant related party transactions governed by applicable accounting standards (other than related-person transactions addressed by the NGRS Committee).
Annual Review/Evaluation	<ul style="list-style-type: none"> • annually reviewing the Audit Committee’s charter and performance.

The Board determined that each of Ms. Citrino, chair of the Audit Committee, and the other Audit Committee members (Mr. Bennett, Ms. Brown-Philpot, Ms. Matsuoka and Mr. Suresh) is independent within the meaning of the NYSE and SEC standards of independence for Directors and audit committee members, and has satisfied the

NYSE financial literacy requirements. The Board also determined that each of Mr. Bennett, Ms. Brown-Philpot, Ms. Citrino and Mr. Suresh is an “audit committee financial expert” as defined by the SEC rules.

The report of the Audit Committee is included on page 36.

Finance, Investment and Technology Committee

The FIT Committee provides oversight of the finance and investment functions of HP. The FIT Committee’s responsibilities and duties include, among other things:

Treasury Matters	<ul style="list-style-type: none"> • reviewing or overseeing significant treasury matters such as capital structure and allocation strategy, derivative policy, global liquidity, fixed income investments, borrowings, currency exposure, dividend policy, share issuances and repurchases, and capital spending.
M&A Transactions & Strategic Alliances	<ul style="list-style-type: none"> • assisting the Board in evaluating investment, acquisition, enterprise services, joint venture and divestiture transactions in which we engage as part of our business strategy from time to time and reporting and making recommendations to the Board as to scope, direction, quality, investment levels and execution of such transactions; • evaluating and revising our approval policies with respect to such transactions; • overseeing our integration planning and execution and the financial results of such transactions after integration; • evaluating the execution, financial results and integration of our completed transactions; and • overseeing and approving our strategic alliances.
Capitalization; Debt & Obligations; Swaps	<ul style="list-style-type: none"> • reviewing or overseeing our capital structure and allocation strategy; • overseeing our loans and loan guarantees of third-party debt and obligations; and • annually reviewing and approving certain swaps and other derivative transactions.
Technology Strategies & Guidance	<ul style="list-style-type: none"> • making recommendations to the Board as to scope, direction, quality, investment levels, and execution of our technology strategies; • overseeing the execution of technology strategies formulated by management; and • providing guidance on technology as it may pertain to, among other things, market entry and exit, investments, mergers, acquisitions and divestitures, new business divisions and spin-offs, research and development investments, and key competitor and partnership strategies.

Nominating, Governance and Social Responsibility Committee

The NGSR Committee oversees, and represents and assists the Board (and management, as applicable) in fulfilling its responsibilities relating to, our corporate governance, Director nominations and elections, HP's policies and programs relating to global citizenship

and other legal, regulatory and compliance matters relating to current and emerging political, environmental, global citizenship and public policy trends. Specific duties and responsibilities of the NGSR Committee include, among other things:

Board Matters

- developing and recommending to the Board the criteria for identifying and evaluating Director candidates and periodically reviewing these criteria;
- identifying and recommending candidates to be nominated for election as Directors at our annual meeting, consistent with criteria approved by the Board;
- annually assessing the size, structure, functioning, and composition of the Board and recommending assignments of Directors to Board committees and chairs of Board committees;
- identifying and recruiting new Directors, establishing procedures for the consideration of Director candidates recommended by stockholders and considering candidates proposed by stockholders;
- assessing the contributions and independence of Directors in determining whether to recommend them for election or reelection to the Board; and
- periodically reviewing the Board's leadership structure, recommending changes to the Board as appropriate and, if the Chairman of the Board is not independent, making a recommendation to the independent Directors regarding the appointment of the Lead Independent Director.

HP Governing Documents & Corporate Governance Guidelines & Other Policies

- conducting a preliminary review of Director independence and the financial literacy and expertise of Audit Committee members, and making recommendations to the Board related to such matters;
- developing and regularly reviewing corporate governance principles, including our Corporate Governance Guidelines;
- reviewing proposed changes to our Certificate of Incorporation, Bylaws and Board committee charters; and
- establishing policies and procedures for the review and approval of related-person transactions and conflicts of interest, including the reviewing and approving all potential "related-person transactions" as defined under SEC rules.

Stockholder Rights

- assessing and making recommendations regarding stockholder rights plans or other stockholder protections, as appropriate; and
- reviewing stockholder proposals in conjunction with the CEO and recommending Board responses.

Public Policy Trends & Issues

- reviewing emerging corporate governance issues and practices;
- identifying, evaluating, and monitoring social, political, and environmental trends, issues, concerns, legislative proposals, and regulatory developments that could significantly affect the public affairs of HP; and
- reviewing, assessing, reporting, and providing guidance to management and the full Board relating to activities, policies, and programs with respect to public policy matters and policies and programs relating to global citizenship, as applicable.

Annual Review/Evaluation

- overseeing the policies relating to, and the manner in which HP conducts, its government relations activities;
- annually reviewing the NGSR Committee's charter and performance; and
- overseeing the annual self-evaluation of the Board and its committees.

The Board determined that each of Mr. Banerji, who serves as chair of the NGSR Committee, and the other NGSR Committee members (Ms. Alvarez, Mr. Bergh, Ms. Brown-Philpot and Mr. Mobley) is independent within the meaning of the NYSE Director independence standards.

HR and Compensation Committee

The HRC Committee discharges the Board's responsibilities related to the compensation of our executives and Directors and provides general oversight of our compensation structure, including our equity compensation plans and benefits programs. Specific duties and responsibilities of the HRC Committee include, among other things:

Executive Compensation, Stock Ownership & Performance Reviews	<ul style="list-style-type: none"> recommending all elements of the CEO's compensation to the independent members of the Board for their review and approval; reviewing and approving objectives relevant to other executive officer compensation and evaluating performance and determining the compensation of other executive officers in accordance with those objectives; conducting annual performance evaluation of CEO; soliciting 360 feedback across organization; reviewing performance feedback on executive team members; approving severance arrangements and other applicable agreements and policies for executive officers; and adopting and monitoring compliance with stock ownership guidelines for executive officers.
Non-Equity Compensation Plans, Incentive Plans & Other Employee Benefit Plans	<ul style="list-style-type: none"> overseeing and monitoring the effectiveness of non-equity-based benefit plan offerings, including but not limited to non-qualified deferred compensation, fringe benefits, and any perquisites, in particular those pertaining to Section 16 officers, and approving any material new employee benefit plan or change to an existing plan that creates a material financial commitment by HP.
Director Compensation & Stock Ownership	<ul style="list-style-type: none"> establishing compensation policies and practices for service on the Board and its committees, including annually reviewing the appropriate level of Director compensation and recommending to the Board any changes to that compensation; and adopting and monitoring compliance with stock ownership guidelines for Directors.
Executive Succession Planning & Leadership Development	<ul style="list-style-type: none"> reviewing senior management selection and overseeing succession planning, leadership development, diversity and pay equity; and driving CEO succession planning process in partnership with chairman and full board.
Compensation Consultants	<ul style="list-style-type: none"> engaging compensation consultants on various topics to understand market perspectives; engaging compensation consultant for independent perspective on compensation programs; and assessing the independence of all advisors (whether retained by the HRC Committee or management) that provide advice to the HRC Committee, in accordance with applicable listing standards.
Risk Assessment; Other Disclosure	<ul style="list-style-type: none"> overseeing, approving, and evaluating HP's overall human resources and compensation structure, policies and programs, and assessing whether these establish appropriate incentives and leadership development opportunities for management and other employees, and confirming they do not encourage risk taking that is reasonably likely to have a material adverse effect on HP; reviewing and discussing with management the Compensation Discussion and Analysis and performing other reviews and analyses and making additional disclosures as required of compensation committees by the rules of the SEC or applicable exchange listing requirements; and reviewing the results of stockholder advisory votes on HP's executive compensation program and recommending to the Board or the NGRS Committee how to respond to such votes.
Annual Review/Evaluation	<ul style="list-style-type: none"> overseeing the annual evaluation of the CEO with input from all non-employee Board members; and annually evaluating the HRC Committee's performance and charter.
People Processes & Culture	<ul style="list-style-type: none"> reviewing employee engagement and cultural initiatives including key training and development programs (executive and manager training, unconscious bias), diversity and inclusion programs and results of the employee engagement survey; and monitoring the key health metrics to evaluate the workforce including workforce diversity, key hires, turnover and restructuring.

The Board determined that each of Ms. Burns, who serves as chair of the HRC Committee, and the other HRC Committee members (Ms. Alvarez, Mr. Banerji, Mr. Bergh and Mr. Mobley) is independent within the meaning of the NYSE standards of independence for Directors and compensation committee members.

Executive Sessions

During fiscal 2018, the Directors regularly met in executive session, including executive sessions of only the independent Directors. In fiscal 2019, HP plans to hold additional executive sessions of only the independent Directors. Throughout fiscal 2018, Mr. Bergh served as independent Chairman. As such, Mr. Bergh scheduled and chaired each executive session held during fiscal 2018. Any independent Director may request that an additional executive session be scheduled.

Communications with the Board

Stockholders and other interested parties can contact the HP Board by email at bod@hp.com or by mail at:

The HP Board of Directors
1501 Page Mill Road
Palo Alto, California 94304

All Directors have access to this correspondence. In accordance with instructions from the Board, the Secretary to the Board reviews all correspondence, organizes the communications for review by the

Board and posts communications to the full Board or to individual Directors, as appropriate. Our independent Directors have requested that certain items that are unrelated to the Board's duties, such as spam, junk mail, mass mailings, solicitations, resumes and job inquiries, not be posted. Communications that are intended specifically for the Chairman of the Board, other independent Directors, or the non-employee Directors should be sent to the e-mail address or street address noted above, to the attention of the Chairman of the Board.

Code of Conduct

We maintain a code of business conduct and ethics for Directors, officers and employees known as Integrity at HP, which is available on our website at <https://investor.hp.com/governance/integrity-at-hp/default.aspx>. If the Board grants any waivers from our Standards of Business Conduct to any of our Directors or executive officers, or if we amend our Standards of Business Conduct, we will, if required, disclose these matters via updates to our website on a timely basis.

Director Compensation and Stock Ownership Guidelines

Non-employee Director compensation is determined annually by the Board acting on the recommendation of the HRC Committee. In formulating its recommendation, the HRC Committee considers market data for our peer group and input from the third-party compensation consultant retained by the HRC Committee regarding market practices for Director compensation. Mr. Weisler, as an employee of the Company, does not receive any separate compensation for his HP Board activities.

For the 2018 Board year, which began March 1, 2018, each non-employee Director was entitled to receive an annual cash retainer of \$105,000, an increase of \$5,000 from the previous Board year. For fiscal 2018, this therefore equaled an aggregate annual retainer of \$103,267, as our board and fiscal years end in February and October, respectively. Non-employee Directors may elect to defer up to 50% of their annual cash retainer. Additionally, in lieu of the annual cash retainer, non-employee Directors may elect to receive an equivalent value of equity either entirely in fully vested shares or in equal values of shares and stock options. For fiscal 2018, one non-employee Director elected to receive an equivalent value of equity in shares and stock options, and two non-employee Directors elected to defer their annual cash retainer.

Each non-employee Director also received an annual equity retainer of \$205,000 for service during the 2018 Board year. Under special circumstances, the annual equity retainer may be paid in cash.

No annual equity retainer was paid in cash during fiscal 2018. Typically, the annual equity retainer is paid at the election of the Director either entirely in fully vested shares or in equal values of shares and stock options. The number of shares subject to the equity awards is determined based on the fair market value of our stock on the grant date, and the number of shares subject to the stock option awards is determined as of the grant date based on a Black-Scholes-Merton option pricing formula. Equity grants to outside Directors are primarily intended to strengthen alignment with shareholder interests and to reinforce a long-term ownership view of the company and its value. Retention is not the focus of equity grants for outside Directors and could cause entrenchment, which is why the HRC Committee eliminated service-related vesting on equity awards in July 2017. Non-employee Directors may elect to defer the settlement of shares received as part of the Director compensation program until either (a) upon the first to occur of the Director's death, disability (as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) or when the Director no longer serves as a member of the HP Board (a "Separation From Service" as defined in Section 409A of the Code) or (b) April 1 of a given year; however, non-employee Directors may not defer the settlement of any stock options received.

The Chairman of the Board receives an additional \$200,000 annual Chairman retainer in recognition of the greater duties that his position requires. In addition to the regular annual cash and equity retainers, and the Chairman retainer described above, the non-employee Directors who served as chairs of standing committees during fiscal 2018 received cash retainers for such service. The Board approved annual cash retainers for committee chairs as follows for chair service during fiscal 2018:

- \$25,000 for the Audit Committee Chair from November 1, 2017-March 1, 2018 - effective March 1, 2018, the committee approved an increase of \$5,000 to the Audit Committee Chair fee, raising it to \$30,000;
- \$20,000 for the HRC Committee Chair; and
- \$15,000 for Chairs of other Board standing committees.

Each non-employee Director also receives \$2,000 for Board meetings attended in excess of ten meetings per Board year (which begins in March and ends the following February), and \$2,000 for each committee meeting attended in excess of a total of ten meetings of each committee per Board year.

Non-employee Directors are reimbursed for their expenses in connection with attending Board meetings (including expenses related to spouses when spouses are invited to attend Board events), and non-employee Directors may use the Company aircraft for travel to and from Board meetings and other company events.

Fiscal 2018 Director Compensation

Name ⁽³⁾	Fees Earned or Paid in Cash ⁽¹⁾ (\$)	Stock Awards ⁽²⁾ (\$)	Option Awards ⁽²⁾ (\$)	All Other Compensation (\$)	Total (\$)
Aida Alvarez	\$103,267	\$205,004	\$ —	\$—	\$308,271
Shumeet Banerji	\$118,257	\$205,004	\$ —	\$—	\$323,261
Robert R. Bennett	\$122,257	\$205,004	\$ —	\$—	\$327,261
Charles “Chip” V. Bergh	\$233,083	\$155,014	\$155,005	\$—	\$543,102
Stacy Brown-Philpot	\$107,267	\$205,004	\$ —	\$—	\$312,271
Stephanie A. Burns	\$123,253	\$205,004	\$ —	\$—	\$328,257
Mary Anne Citrino	\$135,586	\$102,502	\$102,502	\$—	\$340,590
Stacey Mobley	\$103,267	\$205,004	\$ —	\$—	\$308,271
Subra Suresh	\$105,267	\$205,004	\$ —	\$—	\$310,271
Dion J. Weisler⁽⁴⁾	\$ —	\$ —	\$ —	\$—	\$ —

⁽¹⁾ For purposes of determining Director compensation, the board year begins in March and ends the following February, which does not coincide with our November through October fiscal year. Cash amounts included in the table above represent the portion of the annual retainers and committee chair fees earned with respect to service during fiscal 2018, as well as any additional meeting fees paid during fiscal 2018. See “Additional Information about Fees Earned or Paid in Cash in Fiscal 2018” below.

⁽²⁾ Represents the grant date fair value of stock awards and option awards granted in fiscal 2018 calculated in accordance with applicable accounting standards relating to share-based payment awards. For awards of shares, that amount is calculated by multiplying the closing price of HP’s stock on the date of grant by the number of shares awarded. For elective options, that amount is calculated by multiplying the Black-Scholes-Merton value determined as of the date of grant by the number of options awarded. For information on the assumptions used to calculate the value of the stock awards, refer to Note 5 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, as filed with the SEC on December 13, 2018. See “Additional Information about Non-Employee Director Equity Awards” below.

⁽³⁾ Ms. Matsuoka was appointed to our Board during our Fiscal 2019 year. Accordingly, she did not receive any compensation during Fiscal 2018.

⁽⁴⁾ Mr. Weisler has served as President and CEO of HP since November 1, 2015. Accordingly, he does not receive compensation for his Board service.

Additional Information about Fees Earned or Paid in Cash in Fiscal 2018

Name	Annual Retainers ⁽¹⁾ (\$)	Committee Chair and Chairman Fees ⁽²⁾ (\$)	Additional Meeting Fees ⁽³⁾ (\$)	Total (\$)
Aida Alvarez	\$103,267	\$ —	\$ —	\$103,267
Shumeet Banerji	\$103,267	\$ 14,990	\$ —	\$118,257
Robert R. Bennett	\$103,267	\$ 14,990	\$4,000	\$122,257
Charles “Chip” V. Bergh	\$ 33,219	\$199,863	\$ —	\$233,082
Stacy Brown-Philpot	\$103,267	\$ —	\$4,000	\$107,267
Stephanie A. Burns	\$103,267	\$ 19,986	\$ —	\$123,253
Mary Anne Citrino	\$103,267	\$ 28,318	\$4,000	\$135,585
Stacey Mobley	\$103,267	\$ —	\$ —	\$103,267
Subra Suresh	\$103,267	\$ —	\$2,000	\$105,267

- ⁽¹⁾ The board year begins in March and ends the following February, which does not coincide with HP's November through October fiscal year. The dollar amounts shown include cash annual retainers earned for service during the last four months of the March 2017 through February 2018 Board year and cash annual retainers earned for service during the first eight months of the March 2018 through February 2019 Board year. This also includes cash earned in the period described that was deferred by Director election into the 2005 Executive Deferred Compensation Plan, which provides that Directors may elect when to receive their deferred cash annual retainer. Directors may not receive their deferred cash annual retainer earlier than January 2021. In the case of a termination of service, Directors can elect to receive the deferred money in the January following the termination of the service if the date occurs prior to the specified distribution year elected.
- ⁽²⁾ Committee chair fees are calculated based on service during each Board term. The dollar amounts shown include such fees earned for service during the last four months of the March 2017 through February 2018 Board term and fees earned for service during the first eight months of the March 2018 through February 2019 Board term.
- ⁽³⁾ Additional meeting fees are calculated based on the number of designated Board meetings and the number of committee meetings attended during each Board term. The dollar amounts shown include any additional meeting fees paid during fiscal 2018 for service in the 2017 Board term ending February 2018. Additional meeting fees for the 2018 Board term, if any, will be paid during fiscal 2019.

Additional Information about Non-Employee Director Equity Awards

The following table provides additional information about non-employee Director equity awards, including the stock awards and elective options made to non-employee Directors during fiscal 2018, the grant date fair value of each of those awards and the number of stock awards and option awards outstanding as of the end of fiscal 2018:

Name	Stock Awards Granted During Fiscal 2018 (#)	Option Awards Granted During Fiscal 2018 (#)	Grant Date Fair Value of Stock and Option Awards Granted During Fiscal 2018 ⁽¹⁾ (\$)	Stock Awards Outstanding at Fiscal Year End ⁽²⁾ (#)	Option Awards Outstanding at Fiscal Year End (#)
Aida Alvarez	9,670	0	\$205,004	11,061	
Shumeet Banerji	9,670	0	\$205,004		
Robert R. Bennett	9,670	0	\$205,004		
Charles "Chip" V. Bergh	7,312	32,564	\$310,019	22,295	107,218
Stacy Brown-Philpot	9,670	0	\$205,004	39,577	
Stephanie A. Burns	9,670	0	\$205,004	9,781	
Mary Anne Citrino	4,835	21,534	\$205,004	27,238	133,515
Stacey Mobley	9,670	0	\$205,004	39,577	
Subra Suresh	9,670	0	\$205,004	18,736	

- ⁽¹⁾ Represents the grant date fair value of stock awards and elective options granted in fiscal 2018 calculated in accordance with applicable accounting standards. For stock awards, that number is calculated by multiplying the closing price of HP's stock on the date of grant by the number of shares awarded. For elective options, that amount is calculated by multiplying the Black-Scholes-Merton value determined as of the date of grant by the number of options awarded. For information on the assumptions used to calculate the value of the stock awards, refer to Note 5 to our Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, as filed with the SEC on December 13, 2018.
- ⁽²⁾ Includes dividend equivalent units accrued with respect to share awards granted in fiscal 2018 and RSUs granted in previous years, that have been deferred at the election of the Director.

Non-Employee Director Stock Ownership Guidelines

Under our stock ownership guidelines, non-employee Directors are required to accumulate, within five years of election to the Board, shares of HP's stock equal in value to at least five times the amount of their annual cash retainer. Shares counted toward these guidelines include any shares held by the Director directly or indirectly, including deferred vested awards.

All non-employee Directors with more than five years of service have met our stock ownership guidelines and all non-employee Directors with less than five years of service have either met or are on track to meet our stock ownership guidelines within the required time based on current trading prices of HP's stock. See "Common Stock Ownership of Certain Beneficial Owners and Management" on page 63 of this proxy statement.

Related-Person Transactions Policies and Procedures

We have adopted a written policy for approval of transactions between us and our Directors, Director nominees, executive officers, beneficial owners of more than 5% of HP's stock, and their respective immediate family members where the amount involved in the transaction exceeds or is expected to exceed \$100,000 in a single calendar year.

The policy provides that the NGSR Committee reviews certain transactions subject to the policy and decides whether or not to approve or ratify those transactions. In doing so, the NGSR Committee determines whether the transaction is in the best interests of HP. In making that determination, the NGSR Committee takes into account, among other factors it deems appropriate:

- the extent of the related-person's interest in the transaction;
- whether the transaction is on terms generally available to an unaffiliated third party under the same or similar circumstances;
- the benefits to HP;
- the impact or potential impact on a Director's independence in the event the related-person is a Director, an immediate family member of a Director or an entity in which a Director is a partner, 10% stockholder or executive officer;
- the availability of other sources for comparable products or services; and
- the terms of the transaction.

The NGSR Committee has delegated authority to the chair of the NGSR Committee to pre-approve or ratify transactions where the aggregate amount involved is expected to be less than \$1 million.

Fiscal 2018 Related-Person Transactions

We enter into commercial transactions with many entities for which our executive officers or Directors serve as Directors and/or employees in the ordinary course of our business. All of those transactions were pre-approved transactions as defined above. There have otherwise been no related-person transactions (actual or proposed) since the beginning of HP's last completed fiscal year.

A summary of any new transactions pre-approved by the chair is provided to the full NGSR Committee for its review at each of the NGSR Committee's regularly scheduled meetings.

The NGSR Committee has adopted standing pre-approvals under the policy for limited transactions with related-persons. Pre-approved transactions include:

- compensation of executive officers that is excluded from reporting under SEC rules where the HRC Committee approved (or recommended that the Board approve) such compensation;
- Director compensation;
- transactions with another company with a value that does not exceed the greater of \$1 million or 2% of the other company's annual revenues, where the related-person has an interest only as an employee (other than executive officer), Director or beneficial holder of less than 10% of the other company's shares;
- contributions to a charity in an amount that does not exceed the greater of \$1 million or 2% of the charity's annual receipts, where the related-person has an interest only as an employee (other than executive officer) or Director; and
- transactions where all stockholders receive proportional benefits.

A summary of new transactions covered by the standing pre-approvals relating to other companies (as described above) is provided to the NGSR Committee for its review in connection with that committee's regularly scheduled meetings.

Audit Matters

Management Proposal No. 2



Ratification of Independent Registered Public Accounting Firm

Our Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2019 fiscal year.

The Audit Committee has appointed, and as a matter of good corporate governance, is requesting ratification by the stockholders of Ernst & Young LLP as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending October 31, 2019. During fiscal 2018, Ernst & Young LLP served as our independent registered public accounting firm and also

provided certain other audit-related and tax services. See “Principal Accounting Fees and Services” and “Report of the Audit Committee of the Board of Directors” below. Representatives of Ernst & Young LLP are expected to participate in the annual meeting, where they will be available to respond to appropriate questions and, if they desire, to make a statement.

Vote Required

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the 2019 fiscal year requires the affirmative vote of a majority of the shares of HP common stock present in person or represented by proxy and entitled to be voted at the annual meeting. If the appointment is

not ratified, the Board will consider whether it should select another independent registered public accounting firm. The members of the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as HP’s independent registered public accounting firm is in the best interests of HP and its investors.

Report of the Audit Committee of the Board of Directors

The Audit Committee represents and assists the Board in fulfilling its responsibilities for general oversight of the integrity of HP’s financial statements, HP’s compliance with legal and regulatory requirements, the independent registered public accounting firm’s qualifications and independence, the performance of HP’s internal audit function and independent registered public accounting firm, and risk assessment and risk management. The Audit Committee manages HP’s relationship with its independent registered public accounting firm (which reports directly to the Audit Committee) and is responsible for the audit fee negotiations associated with HP’s retention of the independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and receives appropriate funding, as determined by the Audit Committee, from HP for such advice and assistance.

HP’s management is primarily responsible for HP’s internal control and financial reporting process. HP’s independent registered public accounting firm, Ernst & Young LLP, is responsible for performing an independent audit of HP’s consolidated financial statements and issuing opinions on the conformity of those audited financial statements with United States generally accepted accounting principles and the effectiveness of HP’s internal control over financial reporting. The Audit Committee monitors HP’s financial reporting process and reports to the Board on its findings.

In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with HP’s management.

2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed under the rules adopted by the Public Company Accounting Oversight Board (“PCAOB”).
3. The Audit Committee has received from the independent registered public accounting firm the written disclosures and the letter required by the applicable requirements of the PCAOB regarding the independent registered public accounting firm’s communications with the Audit Committee concerning independence and has discussed with the independent registered public accounting firm its independence.
4. Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in HP’s Annual Report on Form 10-K for the fiscal year ended October 31, 2018, for filing with the SEC.

The undersigned members of the Audit Committee have submitted this Report to the Board of Directors.

AUDIT COMMITTEE

Mary Anne Citrino, Chair
Robert R. Bennett
Stacy Brown-Philpot
Subra Suresh

Principal Accountant Fees and Services

Fees incurred by HP for Ernst & Young LLP

The following table shows the fees paid or accrued by HP for audit and other services provided by Ernst & Young LLP for fiscal 2018 and 2017.

	2018	2017
	In Millions	
Audit Fees ⁽¹⁾	\$15.9	\$15.3
Audit-Related Fees ⁽²⁾	\$ 3.3	\$ 1.7
Tax Fees ⁽³⁾	\$ 4	\$ 3.3
All Other Fees ⁽⁴⁾	\$ 0.2	\$ 0.3
Total	\$23.4	\$20.6

⁽¹⁾ Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

⁽²⁾ Audit-related fees for fiscal 2018 consisted primarily of accounting consultations, employee benefit plan audits and other attestation services. Audit-related fees for fiscal 2017 consisted primarily of accounting consultations, employee benefit plan audits, and other attestation services.

⁽³⁾ Tax fees consisted primarily of tax advice and tax planning fees of \$1.6 million and \$3 million for fiscal 2018 and fiscal 2017, respectively. For fiscal 2018 and fiscal 2017, tax fees also included tax compliance fees of \$2.3 million and \$0.2 million, respectively.

⁽⁴⁾ For fiscal 2018 and fiscal 2017, all other fees included primarily advisory service fees.

Pre-Approval of Audit and Non-Audit Services Policy

The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve audit-related and non-audit services not prohibited by law to be performed by our independent registered public accounting firm and associated fees up to a maximum for any one service of \$250,000, provided that the chair shall report any decisions to pre-approve services and fees to the full Audit Committee at its next regular meeting.

Executive Compensation

Management Proposal No. 3



Advisory Vote to Approve Executive Compensation

Our Board recommends a vote FOR the approval of the compensation of our NEOs, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion following such compensation tables, and the other related disclosures in this proxy statement.

In accordance with SEC rules, our stockholders are being asked to approve, on an advisory or non-binding basis, the compensation of our NEOs as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K — a detailed description of our compensation program is available in the “Compensation Discussion and Analysis.”

Our Board and the HRC Committee believe that we have created a compensation program that is tied to performance, aligns with stockholder interests and merits stockholder support. Accordingly, we are asking for stockholder approval of the compensation of our NEOs as disclosed in this proxy statement in the Compensation

Discussion and Analysis, the compensation tables and the narrative discussion following the compensation tables.

Although this vote is non-binding, the Board and the HRC Committee value the views of our stockholders and will review the voting results. If there are significant negative votes, we will take steps to understand those concerns that influenced the vote, and consider them in making future decisions about executive compensation. We currently conduct annual advisory votes on executive compensation, and expect to conduct the next advisory vote at our next annual meeting of stockholders in 2020.

Vote Required

The affirmative vote of a majority of the shares of HP common stock present in person or represented by proxy and entitled to be voted on the proposal at the annual meeting is required for advisory approval of this proposal.

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis describes our executive compensation philosophy and programs, the compensation decisions the HRC Committee has made under the program, and the considerations in making those decisions in fiscal 2018.

Named Executive Officers

Our NEOs for fiscal 2018 are:

- Dion J. Weisler, President and CEO;
- Steven J. Fieler, Chief Financial Officer;
- Catherine A. Lesjak, former Chief Financial Officer and Interim Chief Operating Officer¹;
- Enrique J. Lores, President, Imaging, Printing and Solutions;
- Kim M. Rivera, President, Strategy and Business Management and Chief Legal Officer and General Counsel;
- Tracy S. Keogh, Chief Human Resources Officer;
- Ron V. Coughlin, former President, Personal Systems²; and
- Jon E. Flaxman, former Chief Operating Officer³.

⁽¹⁾ Ms. Lesjak served as Chief Financial Officer from the beginning of our fiscal year until June 30, 2018 when she was succeeded by Mr. Fieler. She served as Interim Chief Operating Officer from July 1, 2018 until January 1, 2019, when she was succeeded by Ms. Rivera who was appointed to the role of President, Strategy and Business Management.

⁽²⁾ Mr. Coughlin resigned from this role effective June 13, 2018.

⁽³⁾ Mr. Flaxman served as Chief Operating Officer until he passed away on March 28, 2018.

Executive Summary

The HRC Committee continues to review and refine our compensation programs to support our evolving business strategy and attract high caliber executive talent. The HRC Committee's assessment includes regular stockholder engagement and consideration of stockholder feedback. HP's fiscal 2018 executive compensation structure remained the same as its fiscal 2017 program.

Below are brief highlights of key compensation decisions with respect to NEOs:

Fiscal 2018 NEO Pay Action	HRC Committee Decision	HRC Committee Rationale
Adjusted base salaries	Salary changes for NEOs ranged from 0% to 7.7% based on market competitiveness and performance.	Reflect peer group market positioning, individual experience, performance, advancement potential, and internal equity.
Determined earned annual incentives for fiscal 2018 performance	Annual incentives for fiscal 2018 were earned, ranging from 165.5% to 180.5% of target, with the CEO at 178% of target and the average payout of other NEOs at 170.2%. ⁽¹⁾ At the beginning of the year, the HRC Committee set target award opportunities at competitive levels versus peers and subject to rigorous threshold-to-maximum performance goals.	Earned awards reflected performance against applicable enterprise-wide, business, and individual goals. The HRC and management ensured that U.S. tax reform's effects during fiscal 2018 did not result in any windfalls on earned awards. Goals were set for the overall Company and businesses against internal budgets for revenues, net earnings/profits, and free cash flow as a percentage of revenue. Non-financial individual performance goals under the Management by Objectives program ("MBOs") were set for individuals. The Company delivered strong results in fiscal 2018, achieving above-target results with respect to each financial goal. Further, NEOs successfully delivered against their MBOs as further detailed on pages 43-44.
Determined long-term incentive grants	Fiscal 2018 long-term incentives were granted using a mix of 60% PARSUs and 40% time-based RSUs. Grant values for all our NEOs were set at competitive levels versus peers with appropriate incumbent-specific variability for performance, experience, and internal equity.	PARSUs are based on relative TSR compared to the S&P 500 and Earnings Per Share ("EPS") during the three year performance period. The intent was to align pay delivery with stockholder returns. RSUs vest based on continued service to encourage stockholder alignment and to support executive retention.

⁽¹⁾ Excluding Mr. Coughlin, who did not receive a performance bonus in fiscal 2018 as he left the company prior to the end of the fiscal year.

Oversight and Authority over Executive Compensation

Role of the HRC Committee and its Advisors

The HRC Committee oversees and provides strategic direction to management regarding all aspects of our pay program for senior executives. It makes recommendations regarding the CEO's compensation to the independent members of the Board for approval, and it reviews and approves the compensation of the remaining Section 16 officers, including our NEOs. Each HRC Committee member is an independent non-employee Director with significant experience in executive compensation matters.

The HRC Committee continually considers feedback from stockholders and the potential executive compensation implications of evolving business and strategic objectives. Based on these considerations, the HRC determined that it would be appropriate to maintain the same overall program structure for 2019. We believe that our current compensation structure incentivizes and rewards achievement of specific goals, reinforces year-over-year results and provides an attractive pay-for-performance opportunity that encourages retention and leadership engagement.

During fiscal 2018, the HRC Committee continued to engage Frederic W. Cook and Co., Inc. ("FW Cook") as its independent compensation consultant. FW Cook provides analyses and recommendations that inform the HRC Committee's decisions; identifies peer group companies for competitive market comparisons; evaluates market pay data and competitive-position benchmarking; provides analyses and inputs on program structure, performance measures, and goals; provides updates on market trends and the regulatory environment as it relates to executive compensation; reviews various management proposals presented to the HRC

Committee related to executive and director compensation; and works with the HRC Committee to validate and strengthen the pay-for-performance relationship and alignment with stockholder interests. FW Cook does not perform other services for HP, and will not do so without the prior consent of the HRC Committee chair. FW Cook meets with the HRC Committee chair and the HRC Committee outside the presence of management while in executive session.

The HRC Committee met five times in fiscal 2018, and all five of these meetings included an executive session. FW Cook participated in all of the meetings and, when requested by the HRC Committee chair, in the preparatory meetings and the executive sessions.

Role of Management and the CEO in Setting Executive Compensation

The Board works with an outside consultant and management in evaluating and defining pay programs. The Board considered market competitiveness, business results, experience, and individual performance in evaluating fiscal 2018 NEO compensation and the overall compensation structure. The Chief Human Resources Officer and other members of our executive compensation team, together with members of our finance and legal organizations, work with the CEO to design and develop the compensation program, to recommend changes to existing program provisions applicable to NEOs and other senior executives, as well as financial and other targets to be achieved under those programs, prepare analyses of financial data, peer comparisons and other briefing materials to assist the HRC Committee in making its decisions, and implement the decisions of the HRC Committee.

During fiscal 2018, management continued to engage Meridian Compensation Partners, LLC (“Meridian”) as its compensation consultant. The HRC Committee took into consideration that Meridian provided executive compensation-related services to management when it evaluated any information and analyses provided by Meridian, all of which were also independently reviewed by FW Cook, as applicable, on the HRC Committee’s behalf.

During fiscal 2018, Mr. Weisler provided input to the HRC Committee

regarding performance metrics and the setting of appropriate performance targets for his direct reports. Mr. Weisler also recommended MBOs for the NEOs (other than himself) and the other senior executives who report directly to him. Mr. Weisler is subject to the same financial performance goals as the executives who lead global functions, and Mr. Weisler’s MBOs and compensation are established by the HRC Committee and recommended to the independent members of the Board for approval.

Use of Comparative Compensation Data and Compensation Philosophy

The HRC Committee reviews the compensation of our Section 16 officers in comparison to that of executives in similar positions at our peer group companies. Our peer group includes companies we compete with for executive talent due to our geographical proximity and technology industry overlap. The HRC Committee takes size differentiations into consideration when reviewing the results of market data analysis. The HRC Committee uses this information to evaluate how our pay levels and practices compare to market practices.

When determining the peer group, the following characteristics were considered:

- Companies that are U.S.-based, listed on a major U.S. exchange, and with executives primarily living in the United States
- Companies in the information technology industry sector, as well as non-technology peers in industrial, consumer discretionary, consumer staples, and telecommunications services

- Technology companies with 1/5x to 5x HP’s revenue and non-technology companies with 1/2x to 3x HP’s revenue
- Companies with non-U.S. revenue greater than or equal to 40% of total revenue
- Companies with market capitalizations that are within a reasonable range of HP’s market capitalization
- Companies with comparable organizational complexity (i.e., at least two operating segments and products and services components)
- Companies with R&D greater than or equal to 2.5% of total revenue
- Companies with primarily B2B, or business-to-business, focus

We believe the resulting peer group provides HP and the HRC Committee with a valid comparison and benchmark for the Company’s executive compensation program and governance practices. For fiscal 2018, the HRC Committee removed EMC from the peer group due to its merger with Dell Inc. The peer group for fiscal 2018 consisted of the following companies:

Fiscal 2018 Peer Group

Company	Revenue (Fiscal Year End - \$Billions)*
Amazon.com Inc.	177.9
Verizon Communications Inc.	126.0
General Electric Company	122.1
Microsoft Corporation	110.4
IBM Corporation	79.1
Procter & Gamble Company	66.8
PepsiCo, Inc.	63.5
Intel Corporation	62.8
HP Inc.	58.5
Cisco Systems, Inc.	49.3
Honeywell International Inc.	40.5
Oracle Corporation	39.8
Nike, Inc.	36.4
Hewlett Packard Enterprise Company	30.9
Qualcomm Incorporated	22.7
Western Digital Corporation	20.6
Texas Instruments Incorporated	15.0
Seagate Technology PLC	11.2
Xerox Corporation	10.3

* Represents fiscal 2018 reported revenue, except fiscal 2017 reported revenue is provided for Amazon, Verizon, General Electric, IBM, PepsiCo, Intel, Honeywell, Texas Instruments and Xerox.

Process for Setting and Awarding Executive Compensation

A broad range of facts and circumstances is considered in setting our overall executive compensation levels. In fiscal 2018, the HRC Committee continued to set target compensation levels within a competitive range of the market median, although in some cases lower or higher based on each executive's situation (e.g., attraction and retention of critical talent). The Board maintains a total CEO target compensation package that approximates the median of our competitive market and is consistent with our pay positioning strategy and pay-for-performance philosophy.

The primary factors considered when determining pay opportunities for our NEOs are market competitiveness, internal equity, and individual performance. The weight given to each factor is not formulaic and may differ from year to year or by individual NEO. For example, when we recruit externally, market competitiveness, experience, and the candidate-specific circumstances may weigh more heavily in the compensation decision process. In contrast, when determining year-over-year compensation changes for current NEOs, internal equity and individual performance may factor more heavily in the decision.

The HRC Committee spends significant time determining the appropriate goals for our annual and long-term incentive plans, which make up the majority of NEO compensation. Management makes an initial recommendation of the goals, which is then assessed by the HRC Committee's independent compensation consultant and discussed and approved by the HRC Committee. Major factors considered in setting financial goals for each fiscal year are business results from the most recently completed fiscal year, budgets and strategic plans, macroeconomic factors, guidance and analyst expectations, industry performance, conditions or goals specific to a particular business segment, and strategic initiatives. MBOs are set based on major shared and individual strategic, operating, and tactical initiatives.

Following the close of the fiscal year, the HRC Committee reviews actual financial results and MBO performance against the goals that it had set for the applicable plans for that year, with payouts under the plans determined based on performance against the established goals. The HRC Committee meets in executive session to review the MBO performance of the CEO and to determine a recommendation for his annual PFR incentive award to be approved by the independent members of the Board. See "2018 Annual Incentives" below for a further description of our results and corresponding incentive payouts.

Listening to our Stockholders on Compensation

HP believes in aligning our compensation with our stockholders' interests. We regularly engage with our stockholders on a variety of issues, including their views on best practices in executive compensation. Some changes during the last few years to our executive compensation program, shown here, have reflected those conversations with stockholders.

- Increased focus on enterprise-wide corporate revenue and corporate net earnings/profit in our annual PFR incentive plan to encourage greater collaboration and teamwork among business leaders.

- Replaced Return on Invested Capital ("ROIC") with EPS in our PARSU grants for stronger alignment with stockholder interests and because it is a more appropriate measure for HP after the separation of HPE.
- At the Company's 2018 annual meeting, the Company's executive compensation proposal received the support of over 92% of the votes cast. As part of its 2018 executive compensation discussions, the Compensation Committee reviewed the advisory vote result and considered it to be supportive of the Company's compensation practices.

Determination of Fiscal 2018 Executive Compensation

Under our Total Rewards Program, executive compensation consists of: base salary, annual incentives, long-term incentives, benefits, and perquisites.

The HRC Committee regularly explores ways to improve our executive compensation program by considering stockholder feedback, our current business needs and strategy, and peer group practices. For 2018 the Committee decided to maintain a consistent compensation structure for executives since it supports the business strategy and aligns pay with stockholder interests.

2018 Base Salary

Our executives receive a small percentage of their overall compensation in the form of base salary, which is consistent with our philosophy of tying the majority of pay to performance. The NEOs are paid an amount in the form of base salary sufficient to attract qualified executive talent and maintain a stable management team.

The HRC Committee aims to have executive base salaries set at or near the market median for comparable positions. In fiscal 2018, salaries comprise on average 11% of our NEOs' overall compensation, which is consistent with the practice of our peers. To decide the CEO's salary, the HRC Committee reviews analyses and recommendations provided by FW Cook.

For fiscal 2018, Mr. Weisler's salary was increased from \$1.3 million to \$1.4 million, to better align with the market median. The HRC Committee did not change Ms. Lesjak's base salary. Based on market competitiveness and performance, both Mr. Coughlin's and Mr. Lores' base salaries were increased from \$725,000 to \$750,000, Mr. Flaxman's base salary was increased from \$700,000 to \$715,000, Ms. Rivera's base salary was increased from \$645,000 to \$675,000 and Ms. Keogh's base salary was increased from \$600,000 to \$630,000. Mr. Fieler's base salary was increased from \$480,000 to \$690,000 in conjunction with his promotion to CFO on July 1, 2018.

2018 Annual Incentives

The fiscal 2018 annual PfR incentive plan consisted of the following three core financial metrics: revenue, net earnings/profit, and corporate free cash flow as a percentage of revenue. A fourth metric, MBOs, was used to further drive individual performance and achievement of key strategic goals. Each metric was weighted at 25% of the target award value. Each individual metric may fund up to 250% of target; however, the maximum annual PfR incentive for each executive is capped at 200% of target.

The target annual PfR incentive awards for fiscal 2018 were set at 200% of salary for the CEO and 125% of salary for the other NEOs.

The HRC and management ensured that U.S. tax reform's effects during fiscal 2018 did not result in any windfalls on earned awards.

For fiscal 2018, the HRC Committee again established an “umbrella” formula governing the maximum bonus and then exercised negative discretion in setting actual bonuses. Under the umbrella formula, each Section 16 officer was allocated a pro rata share of 0.75% of net earnings based on his or her target annual PfR incentive award, subject to a maximum bonus of 200% of the NEO's target bonus, and the maximum \$15 million individual cap under the Stock Incentive Plan. Below this umbrella funding structure, actual payouts were determined based upon financial metrics and MBOs established and evaluated by the HRC Committee for Section 16 officers and by the independent members of the Board for the CEO.

Fiscal 2018 Annual Incentive Plan

Key Design Elements	Corporate Goals			MBOs	% Payout Metric ⁽²⁾ (%)
	Revenue (\$ in billions)	Net Earnings/Profit (\$ in billions)	Free Cash Flow as a % of Revenue ⁽¹⁾ (%)		
Weight	25%	25%	25%	25%	
Linkage					
Global Functions Executives ⁽³⁾	Corporate	Corporate	Corporate	Individual	
Business Unit (“BU”) Executives ⁽⁴⁾	Corporate/BU	Corporate/BU	Corporate	Individual	
<i>Corporate Performance Goals</i>					
Maximum	—	—	—	Various	250
Target	\$54.7	\$3.2	5.85%	Various	100
Threshold	—	—	—	Various	0

⁽¹⁾ Maximum funding for corporate free cash flow as a percentage of revenue is capped at 150% of target if corporate net earnings/profit achievement was below target and is capped at 100% of target if corporate net earnings/profit achievement was below threshold. If corporate net earnings/profit achievement was above target, the maximum funding level is 250% for this metric. Maximum and threshold information are not disclosed on the basis of competitive harm. However, goals are set at levels we believe to be achievable in connection with strong performance.

⁽²⁾ Interpolate for performance between discrete points. Each individual metric may fund up to 250% of target; however, the maximum annual PfR incentive for each executive is capped at 200% of target. As a general administrative discretionary guideline, the HRC Committee may decide that financial funding for Global Functions Executives, including the CEO, cannot exceed the highest funding for a Business Unit Executive.

⁽³⁾ The Global Functions Executives include Mr. Weisler, Mr. Fieler, Ms. Lesjak, Mr. Flaxman, Ms. Rivera, and Ms. Keogh.

⁽⁴⁾ The Business Unit Executives include Mr. Coughlin and Mr. Lores. Specific Business Unit goals are excluded on the basis of competitive harm. However, goals are set at levels we believe to be achievable in connection with strong performance.

The specific metrics, their linkage to corporate results, and the weighting that was placed on each were chosen because the HRC Committee believed that:

- performance against these metrics, in combination, enhances value for stockholders, capturing both the top and bottom line, as well as cash and capital efficiency;
- a balanced weighting of metrics limits the likelihood of rewarding executives for excessive risk-taking;

- different measures avoid paying for the same performance twice; and
- MBOs enhance focus on business objectives, such as operational objectives, strategic initiatives, succession planning, and people development, which are important to the long-term success of the Company.

The following chart sets forth the definition of and rationale for each of the financial performance metrics that was used for the Fiscal 2018 Annual Incentive Plan:

Financial Performance Metrics ⁽¹⁾	Definition	Rationale for Metric
Corporate Revenue	Net revenue as reported in our Annual Report on Form 10-K for fiscal 2018	Reflects top line financial performance, which is a strong indicator of our long-term ability to drive stockholder value
Business Revenue	Segment net revenue as reported in our Annual Report on Form 10-K for fiscal 2018	
Corporate Net Earnings	Non-GAAP net earnings, as defined and reported in our fourth quarter fiscal 2018 earnings press release, excluding bonus net of income tax ⁽²⁾	Reflects bottom line financial performance, which is directly tied to stockholder value on a short-term basis
Business Net Profit ("BNP")	Business net profit, excluding bonus net of income tax	
Corporate Free Cash Flow	Cash flow from operations less net capital expenditures (gross purchases less retirements) divided by net revenue (expressed as a percentage of revenue)	Reflects efficiency of cash management practices, including working capital and capital expenditures

⁽¹⁾ While we report our financial results in accordance with generally accepted accounting principles ("GAAP"), our financial performance targets and results under our incentive plans are sometimes based on non-GAAP financial measures. The financial results, whether GAAP or non-GAAP, may be further adjusted as permitted by those plans and approved by the HRC Committee. We review GAAP to non-GAAP adjustments and any other adjustments with the HRC Committee to ensure performance takes into account the way the goals were set and executive accountability for performance. These metrics and the related performance targets are relevant only to our executive compensation program and should not be used or applied in other contexts.

⁽²⁾ Fiscal 2018 non-GAAP net earnings of \$3.5 billion excludes after-tax costs of \$2 billion related to the amortization of intangible assets, restructuring charges, and acquisition-related charges. Management uses non-GAAP net earnings to evaluate and forecast our performance before gains, losses, or other charges that are considered by management to be outside of our core business segment operating results. We believe that presenting non-GAAP net earnings provides investors with greater visibility with respect to the information used by management in its financial and operational decision making. We further believe that providing this additional non-GAAP information helps investors understand our operating performance and evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance. This additional non-GAAP information is not intended to be considered in isolation or as a substitute for GAAP diluted net earnings.

Following fiscal 2018, the HRC Committee reviewed performance against the financial metrics and certified the results as follows:

Fiscal 2018 Annual PFR Incentive Performance Against Financial Metrics^(1,2)

Metric	Weight ⁽³⁾	Target (\$ in billions)	Result (\$ in billions)	Percentage of Target Annual Incentive Funded
Corporate Revenue	25.0%	\$54.7	\$58.5	40.5%
Corporate Net Earnings	25.0%	\$ 3.2	\$ 3.5	37.5%
Corporate Free Cash Flow (% of revenue)	25.0%	5.85%	7.1%	62.5%
Total	75.0%			140.5%

⁽¹⁾ Mr. Weisler, Mr. Fieler, Ms. Lesjak, Ms. Rivera, Ms. Keogh and Mr. Flaxman received annual PFR incentive payments based on corporate financial metrics. Mr. Loes received an annual PFR incentive payment based on corporate and business financial metrics. Mr. Coughlin's annual PFR Incentive goals were based on corporate and business financial metrics. However, Mr. Coughlin didn't receive an annual PFR incentive payment since he left the company on June 13, 2018, prior to the end of the fiscal year.

⁽²⁾ As a general administrative discretionary guideline, the HRC Committee may decide that financial funding for Global Functions Executives, including the CEO, cannot exceed the highest funding for a Business Unit Executive.

⁽³⁾ The financial metrics were equally weighted to account for 75% of the target annual PFR incentive.

Mr. Weisler. At the end of the fiscal year, the independent members of the Board evaluated Mr. Weisler's performance against all of his MBOs, which included, but were not limited to: set strategic direction for the company based on optimizing shareholder value, maintain supplies stabilization, fully integrate Samsung printing business, grow profitable share in Personal Systems, accelerate adoption of multi-jet fusion to extend leadership in 3D printed plastics and announce technology for metals, engage with all major constituents including financial analysts, media, key governmental figures, partners and customers to execute the HP strategy, and ensure HP has a robust evaluation and talent program. After conducting a thorough review

of Mr. Weisler's performance, the independent members of the Board determined that his MBO performance had been achieved above target. Mr. Weisler's accomplishments included:

- Added \$2.2B in market cap over the fiscal year 2018 and out-paced the S&P 500 by 7 points for the year.
- Beat external expectations on all key metrics: revenue, non-GAAP EPS and free cash flow, despite several critical challenges through the year.

- In Print, maintained supplies stabilization growing +7% versus prior year. Integrated Samsung Printing business. Gained share in A3 printer market and grew the Managed Print Services business double-digits. In Graphics, entered corrugated post-print market.
- In Personal Systems business, delivered profitable share growth in the core business while expanding Device as a Service offering. Further, supported the successful transition of Mr. Cho as new leader of the business.
- In 3D print business, achieved #1 position for thermoplastic solutions above \$100k. Introduced HP Metal Jet to take metal 3D printing from specialized to mass production. Mr. Weisler has also supported the successful transition of Mr. Schell as leader of the 3D business.
- Mr. Weisler worked to maintain market access and competitive pricing in the face of 301 tariffs and non-tariff barriers.
- Mr. Weisler continued his emphasis on talent and assignment planning which helped the successful transition of leaders into executive leadership positions.

As CEO, Mr. Weisler evaluated the performance of each of the other Section 16 officers and presented the results of those evaluations to the HRC Committee at its November 2018 meeting. The evaluations included an analysis of the officers' performance against all of their MBOs. The HRC Committee reviewed the CEO's assessment of the degree of attainment of the MBOs of the other Section 16 officers and set their MBO scores. The results of these evaluations for the other NEOs are summarized below.

Mr. Fieler. Mr. Fieler was eligible for and participated in two different bonus programs during fiscal 2018 on a pro-rata basis. Prior to his promotion to CFO, from November 1 to June 30, he participated in the annual PFR incentive plan for the non-Executive Leadership Team ("ELT"). In conjunction with his promotion to CFO on July 1, Mr. Fieler began participating in the annual PFR incentive plan for the ELT. His MBOs as CFO were approved by the HRC Committee at their June meeting.

The HRC Committee determined that Mr. Fieler's MBOs performance had been achieved at target. Mr. Fieler made a very strong transition into his new role as CFO. He brought strong operational perspective and excellent experience in areas such as cash flow. Mr. Fieler is a thoughtful, strategic and engaged leader and was critical in delivering against financial expectations.

Ms. Lesjak. Ms. Lesjak served in two important capacities at HP this year, serving as CFO from November 1 to June 30 and as interim Chief Operating Officer after July 1. The HRC Committee determined that

Ms. Lesjak's MBOs performance in both capacities had been achieved above target. She drove efficiencies in the Finance organization and was critical in the successful transition of Mr. Fieler as CFO. Further, Ms. Lesjak was vital in stabilizing the COO organization after Mr. Flaxman's passing, leading a complex portfolio of critical business areas while reenergizing the organization.

Mr. Lores. The HRC Committee determined that Mr. Lores's MBOs performance had been achieved above target. Mr. Lores did a great job in delivering profitable growth in supplies, Graphics Solutions Business, Managed Print Services and Instant Ink. He significantly over-performed on Print transformation goals to substantially improve Print's cost position. Mr. Lores also did an excellent job leading Samsung integration and delivering on the first-year plan.

Ms. Rivera. The HRC Committee determined that Ms. Rivera's MBO performance had been achieved above target. Ms. Rivera worked closely with the businesses on critical matters such as supplies counterfeiting, IP protections and Samsung deal close and integration. She did an excellent job on tariffs, revamping government relations and internal programs such as Integrity@HP. Ms. Rivera is a well-respected leader who not only gives solid legal advice but also is a strong partner in business and technology matters.

Ms. Keogh. The HRC Committee determined that Ms. Keogh's MBO performance had been achieved above target. Ms. Keogh's strong focus on executive talent development and succession planning set a strong foundation to support the leadership changes in 2018. Ms. Keogh did a remarkable job in creating company culture, increasing employee engagement across the organization, reducing employee attrition and completing a successful year in outstanding talent acquisition.

Mr. Coughlin. Resigned from HP on June 13, 2018 and was not eligible to receive the bonus payout for fiscal 2018.

Mr. Flaxman. The HRC Committee determined that Mr. Flaxman's MBOs performance had been achieved at target. Mr. Flaxman managed critical business areas while delivering on key critical projects such as Enterprise Resource Planning (ERP) and the consolidation of our robotics capabilities.

Based on the findings of these performance evaluations, the HRC Committee (and, in the case of the CEO, the independent members of the Board) evaluated performance against the non-financial metrics for the NEOs as follows:

Fiscal 2018 Annual PFR Incentive Performance Against Non-Financial Metrics (MBOs)

Named Executive Officer	Weight (%)	Percentage of Target Annual Incentive Funded (%)
Dion J. Weisler	25.0	37.5
Steven J. Fieler	25.0	25.0
Catherine A. Lesjak	25.0	30.0
Enrique J. Lores	25.0	40.0
Kim M. Rivera	25.0	30.0
Tracy S. Keogh	25.0	40.0
Ron V. Coughlin	25.0	n/a
Jon E. Flaxman	25.0	25.0

Based on the level of performance described above on both the financial and non-financial metrics for fiscal 2018, the payouts to the NEOs under the annual PFR incentive were as follows:

Fiscal 2018 Annual PFR Incentive Payout

Named Executive Officer	Percentage of Target Annual Incentive Funded		Total Annual Incentive Payout	
	Financial Metrics (%)	Non-Financial Metrics (%)	As % of Target Annual Incentive (%)	Payout (\$)
Dion J. Weisler	140.5%	37.5%	178.0%	\$4,984,348
Steven J. Fieler⁽¹⁾	140.5%	25.0%	165.5%	\$ 793,632
Catherine A. Lesjak	140.5%	30.0%	170.5%	\$1,811,695
Enrique J. Lores	128.5%	40.0%	168.5%	\$1,579,331
Kim M. Rivera	140.5%	30.0%	170.5%	\$1,438,699
Tracy S. Keogh	140.5%	40.0%	180.5%	\$1,421,536
Ron V. Coughlin	0.0%	0.0%	0.0%	\$ —
Jon E. Flaxman⁽²⁾	140.5%	25.0%	165.5%	\$ 857,821

⁽¹⁾ Mr. Fieler's annual PFR incentive target was 60% before his promotion to CFO. On July 1, 2018, Mr. Fieler's annual PFR incentive target was increased to 125%. Total Annual Incentive Payout reflects the combined total value of his annual PFR incentive for both roles.

⁽²⁾ Mr. Flaxman's incentive payout is based upon the base salary received for the year (prior to his death) and is paid to his beneficiaries.

Long-term Incentive Compensation

The HRC Committee established a total long-term incentive target value for each NEO in early fiscal 2018 that was 60% weighted in the form of PARSUs and 40% weighted in the form of time-based RSUs. The high proportion of performance-based awards reflects our pay-for-performance philosophy. The time-based awards support retention and are linked to stockholder value and ownership, which are important goals of our executive compensation program.

2018 PARSUs

The fiscal 2018-2020 PARSUs have a two- and three-year vesting period, subject to one-, two-, and three-year performance periods that began at the start of fiscal 2018 and continue through the end of fiscal 2018, 2019 and 2020. Under this program, 50% of the

PARSUs (including dividend equivalent units) are eligible for vesting based on EPS and 50% are eligible for vesting based on relative TSR performance. These PARSUs vest as follows: 16.6% of the units are eligible for vesting based on EPS performance of year one with continued service over two years, 16.6% of the units are eligible for vesting based on EPS performance of year two with continued service over three years, 16.6% of the units are eligible for vesting based on EPS performance of year three with continued service over three years, 25% of the units are eligible for vesting based on TSR performance over two years with continued service over two years, 25% of the units are eligible for vesting based on TSR performance over three years with continued service over three years. This structure is depicted in the chart below:

2018 PARSUs

Key Design Elements	EPS vs. Internal Goals			Relative TSR vs. S&P 500		Payout	
	Weight	Year 1	Year 2	Year 3	Year 2		Year 3
Weight	16.6%	16.6%	16.6%	25%	25%	% of Target ⁽³⁾	
Performance Periods ⁽¹⁾		Year 1	Year 2	Year 3	2 Years		3 Years
Vesting Periods ⁽²⁾		Year 2	Year 3	Year 3	Year 2		Year 3
Performance Levels:							
Max					> 90 th percentile	200%	
> Target					70 th percentile	150%	
Target					50th percentile	100%	
Threshold					25 th percentile	50%	
< Threshold					< 25 th percentile	0%	

⁽¹⁾ Performance measurement occurs at the end of the one-, two-, and three-year periods.

⁽²⁾ Vesting occurs at the end of the two- and three-year periods, subject to continued service.

⁽³⁾ Interpolate for performance between discrete points.

EPS was chosen because it is a critical driver of long-term stockholder value and because of our focus on bottom-line profitability in the business transformation strategy. Year 1 (fiscal 2018) EPS goals were set after consideration of historical performance, internal budgets, external expectations, and peer group performance.

Relative TSR was chosen as a performance measure because it is a direct measure of stockholder value and rewards for outperformance relative to the broader market.

EPS and Relative TSR will be weighted equally in determining earned PARSUs. The first segment (42% of total target units) will vest after the end of fiscal 2019, subject to Year 1 EPS performance and Relative TSR performance for the first two years. The second

segment (58% of total target units) will vest after the end of fiscal 2020, subject to Year 2 EPS performance, Year 3 EPS performance, and Relative TSR performance for the three years.

For more information on grants of PARSUs to the NEOs during fiscal 2018, see “Executive Compensation—Grants of Plan-Based Awards in Fiscal 2018.”

2018 RSUs

2018 RSUs and related dividend equivalent units vest ratably on an annual basis over three years from the grant date. Three-year vesting is common in our industry and supports executive retention and alignment with stockholder value.

Fiscal 2018 Long-term Incentive Compensation at Target

The following table shows combined total grant values for grants attributable to fiscal 2018. It is important to note that these values are target opportunities to earn future value-based compensation and are not actual earned amounts, which will be determined after three years based on continued employment and performance against the EPS and relative TSR goals.

Named Executive Officer	Total Fiscal 2018		
	PARSUs	RSUs	Long-term Incentive Grant
Dion J. Weisler	\$8,100,000	\$5,400,000	\$13,500,000
Steven J. Fieler	\$1,200,000	\$1,550,000	\$2,750,000
Catherine A. Lesjak	\$3,240,000	\$2,160,000	\$5,400,000
Enrique J. Lores	\$3,000,000	\$2,000,000	\$5,000,000
Kim M. Rivera	\$1,980,000	\$1,320,000	\$3,300,000
Tracy S. Keogh	\$1,971,000	\$1,314,000	\$3,285,000
Ron V. Coughlin	\$3,210,000	\$2,140,000	\$5,350,000
Jon E. Flaxman	\$2,595,000	\$1,730,000	\$4,325,000

Values in the Summary Compensation Table are different than the target values described in the table above. In the Summary Compensation Table, consistent with accounting standards, amounts reflect the grant date fair value for the full TSR component (two and three-year performance period), and the EPS component for Year 1 (2018), for which goals were approved in January 2018. Grant date fair values for the EPS component for Year 2 and Year 3 are not included in the grant date fair value reported in the Summary Compensation Table since EPS goals for those years are approved in their respective fiscal year. However, the Summary Compensation Table for fiscal 2018 also includes a portion of the fiscal 2017 PARSUs for which the Year 2 EPS goal was approved in fiscal 2018 – EPS component Year 2 (2018).

For more information on grants to the NEOs during fiscal 2018, see “Executive Compensation—Grants of Plan-Based Awards in Fiscal 2018.”

Actual Performance – Segment 1

Segment	EPS vs. Internal Goals		Relative TSR vs. S&P 500 ⁽¹⁾	
	Fiscal 2017 Result	Payout	Fiscal 2017-2018 Results	Payout
Segment 1 (42%)	\$1.65	141.7%	86 th percentile	191%
	Target: \$1.60			

⁽¹⁾ Through October 2018, HP's actual TSR performance was at the 86th percentile of the S&P 500 which corresponds to a payout of 191% of target.

2016 PARSUs

The fiscal 2016–2018 PARSUs have a two- and three-year performance period that began at the start of fiscal 2016 and continued through the end of fiscal 2017 and 2018, respectively. Under this program, 50% of the PARSUs (including dividend equivalent units) are eligible for vesting based on performance over two years with continued service through such time, and 50% are eligible for vesting based on performance over three years with continued service through such time. The two- and three-year awards are equally weighted between ROIC and relative TSR. This structure is depicted in the chart below:

Key Design Elements	HP ROIC vs. Internal Goals		HP Relative TSR vs. S&P 500		Payout
	25%	25%	25%	25%	
Weight	25%	25%	25%	25%	% of Target ⁽²⁾
Performance/Vesting Periods ⁽¹⁾	2 years	3 years	2 years	3 years	
Performance Levels:					
Max			> 90 th percentile		200%
> Target			70 th percentile		150%
Target	Target disclosed below		50th percentile		100%
Threshold			25 th percentile		50%
< Threshold			< 25 th percentile		0%

⁽¹⁾ Performance measurement and vesting occur at the end of the two- and three-year periods, subject to continued service.

⁽²⁾ Interpolate for performance between discrete points.

The actual performance achievement for the two-year period (i.e., fiscal 2016–2017), as a percentage of target for the HP PARSUs as of October 31, 2017, was summarized in our proxy statement for fiscal 2017. The actual performance achievement for the three-year period (i.e., fiscal 2016–2018) as a percentage of target for the HP PARSUs as of October 31, 2018 is summarized in the table below:

Actual Performance – Segment 2

Segment	ROIC vs. Internal Goals			Payout	Relative TSR vs. S&P 500 ⁽¹⁾		Percent of Target Vested
	2016	2017 ⁽²⁾	2018 ⁽³⁾		Fiscal 2016–2018 Results	Payout	
Segment 2 (50%)	106.1%	108.1%	80.4%	85.2%	87 th percentile	193.0%	139.1%
	Target: 114%		Target: 120%	Target: 79%			

⁽¹⁾ Through October 2018, HP's actual TSR performance was at the 87th percentile of the S&P 500 which corresponds to a payout of 193% of target.

⁽²⁾ For the final payout calculation of the fiscal 2017 portion of Segment 2 of the fiscal 2016 PARSU award, the Committee approved using the adjusted ROIC results of 108.1%, which excludes share repurchases funded by cash in that fiscal year.

⁽³⁾ Due to the impact of extraordinary items (in particular U.S. tax reform), fiscal 2018 ROIC result was adjusted from ~88% to 80.4%.

Fiscal 2019 Compensation Program

The HRC Committee regularly identifies and evaluates ways to improve our executive compensation program. We believe that our current compensation structure effectively aligns real pay delivery with critical financial and strategic non-financial goals, reinforces year-over-year improvement and growth, offers a stable and consistent message to both stockholders and participants, and provides an attractive pay-for-performance opportunity to encourage retention and leadership engagement. As such, our fiscal 2019 incentive plan is consistent with our fiscal 2018 plan discussed in this CD&A.

In fiscal 2019, the HRC Committee plans to continue to carefully review our talent needs and compensation programs in order to:

- support the current and long-term business strategy;
- continue to align pay with stockholder interests; and
- maintain best-in-class governance standards.

Benefits

We do not provide our executives, including the NEOs, with special or supplemental U.S. defined benefit pension or health benefits. Our NEOs receive health and welfare benefits (including retiree medical benefits, if eligibility conditions are met) under the same programs and subject to the same eligibility requirements that apply to our employees generally.

Benefits under all U.S. pension plans were frozen effective December 31, 2007. Benefits under the Electronic Data Systems

(“EDS”) Pension Plan ceased upon HP's acquisition of EDS in 2008. As a result, no NEO or any other HP employee accrued a benefit under any HP U.S. defined benefit pension plan during fiscal 2018. The amounts reported as an increase in pension benefits in the Summary Compensation Table are for those NEOs who previously accrued a benefit in a defined benefit pension plan prior to the cessation of accruals and reflect changes in actuarial values only, not additional benefit accruals.

The NEOs, along with other executives who earn base pay or an annual incentive in excess of certain limits of the Code or greater than \$150,000, are eligible to participate in the 2005 Executive Deferred Compensation Plan (the “EDCP”). This plan is maintained to permit executives to defer some of their compensation in order to also defer taxation on such amounts. This is a standard benefit plan also offered by most of our peer group companies. The EDCP permits deferral of base pay in excess of the amount taken into account under the qualified HP 401(k) Plan (the 401(k) deferral limit for calendar 2018 was \$18,500) and up to 95% of the annual incentive payable under the Stock Incentive Plan, the PFR Plan and other eligible plans. In addition, we make a 4% matching contribution to the EDCP on base pay contributions in excess of IRS limits up to a maximum of two times that limit (maximum of \$11,000 in calendar 2018). This is the same percentage of matching contributions those executives are eligible to receive under the 401(k) Plan. In effect, the EDCP permits these executives and all eligible employees to receive a 401(k)-type matching contribution on a portion of base-pay deferrals in excess of IRS limits. Amounts deferred or matched under the EDCP are credited with hypothetical investment earnings based on investment options selected by the participant from among nearly all of the proprietary funds available to employees under the 401(k) Plan. No amounts

earn above-market returns. Benefits payable under the EDCP are unfunded and unsecured.

Executives are also eligible to have a yearly HP-paid medical exam as part of the HP U.S. executive physical program. This includes a comprehensive exam, thorough health assessment and personalized health advice. This benefit is also offered by our peer group companies.

Consistent with its practice of not providing any special or supplemental executive defined benefit programs, including arrangements that would otherwise provide special benefits to the family of a deceased executive, in 2011 the HRC Committee adopted a policy that, unless approved by our stockholders pursuant to an advisory vote, we will not enter into a new plan, program or agreement or modify an existing plan, program or agreement with a Section 16 officer that provides for payments, grants or awards following the death of the officer in the form of unearned salary or unearned annual incentives, accelerated vesting or the continuation in force of unvested equity grants, perquisites, and other payments or awards made in lieu of compensation, except to the extent that such payments, grants or awards are provided or made available to our employees generally.

Perquisites

We provide a small number of perquisites to our senior executives, including the NEOs. For a list of all perquisites provided to our NEOs for fiscal 2018, please refer to the All Other Compensation Table on page 53.

We provide our NEOs with financial counseling services to assist them in obtaining professional financial advice, which is a common benefit among our peer group companies, for convenience and to increase the understanding and effectiveness of our executive compensation program.

Due to our global presence, we maintain one corporate aircraft. In the event an NEO is accompanied by a guest or family member on the aircraft for personal reasons, as approved by the CEO, the NEO is taxed on the value of this usage according to the relevant Code rules. There is no tax gross-up paid on the income attributable to this value. Among our NEOs, Mr. Weisler is the only executive that used the corporate aircraft for personal use during fiscal 2018.

Our Audit Committee periodically conducts global risk management reviews, which include reviewing home security services of NEOs. Services considered necessary by the Audit Committee may be paid for by HP, due to the range of security issues that may be encountered by key executives of any large, multinational corporation.

Severance and Long-term Incentive Change in Control Plan for Executive Officers

Our Section 16 officers (including all of the NEOs) are covered by the Severance and Long-term Incentive Change in Control Plan for Executive Officers (“SPEO”), which is intended to protect us and our stockholders, and provide a level of transition assistance in the event of an involuntary termination of employment. Under the SPEO, participants who incur an involuntary termination (i.e., a termination not for cause), and who execute a full and effective release of claims

following such termination, are eligible to receive severance benefits in an amount determined as a multiple of base pay, plus the average of the actual annual incentives paid for the preceding three years. In the case of the NEOs other than the CEO, the multiplier is 1.5. In the case of the CEO, the multiplier is 2.0. In all cases, this benefit will not exceed 2.99 times the sum of the executive’s base pay plus target annual incentive as in effect immediately prior to the termination of employment.

Although the majority of compensation for our executives is performance-based and largely contingent upon the achievement of financial goals, the HRC Committee continues to believe that the SPEO is appropriate for the attraction and retention of executive talent. In addition, we find it more equitable to offer severance benefits based on a standard formula for the Section 16 officers because severance often serves as a bridge when employment is involuntarily terminated, and should therefore not be affected by other, longer-term accumulations. As a result, and consistent with the practice of our peer group companies, other compensation decisions are not generally based on the existence of this severance protection.

In addition to the cash benefit, SPEO participants are eligible to receive (1) a pro-rata annual incentive for the year of termination based on actual performance results, at the discretion of the HRC Committee, (2) pro-rata vesting of unvested equity awards (and for performance-based equity awards, only if any applicable performance conditions have been satisfied), and (3) payment of a lump-sum health-benefit stipend of an amount equal to 18 months’ COBRA premiums for continued group medical coverage for the executive and his or her eligible dependents.

Benefits in the Event of a Change in Control

The SPEO also includes change in control terms for our NEOs. In addition to the benefits provided for involuntary terminations, the SPEO provides for full vesting of outstanding stock options, RSUs, Performance Contingent Stock Options (“PCSOs”), and PARSUs upon involuntary termination not for Cause or voluntary termination for Good Reason (as defined in the plan) within 24 months after a change in control (“double trigger”), and in situations where equity awards are not assumed by the surviving corporation (a “modified double trigger”). The SPEO further provides that under a double trigger,

PARSUs will vest based on target performance, whereas under a modified double trigger, PARSUs will vest based upon the greater of the number of PARSUs that would vest based on actual performance and the number of PARSUs that would vest pro-rata based upon target performance.

The HRC Committee approved the change of control provisions in the SPEO as it determined that providing for double trigger and modified double trigger equity acceleration is consistent with market practice, will provide clarity to prospective and current executives, and will help attract and retain talent.

Other Compensation-Related Matters

Succession Planning

Among the HRC Committee’s responsibilities described in its charter is to oversee succession planning and leadership development. The Board plans for succession of the CEO and annually reviews senior management selection and succession planning that is undertaken by the HRC Committee. As part of this process, the independent Directors annually review the HRC Committee’s recommended candidates for senior management positions to see that qualified candidates are available for all positions and that development plans are being utilized to strengthen the skills and qualifications of the candidates. The criteria used when assessing the qualifications of potential CEO successors include, among others, strategic vision and leadership, operational excellence, financial management, executive officer leadership development, ability to motivate employees, and an ability to develop an effective working relationship with the Board. We also host a Board Buddy program through which each executive officer is aligned to a board member as a mentor to aid the executive’s development while giving board members a deeper understanding of the day-to-day operations of the company.

In fiscal 2018, an executive talent review was conducted along with succession plans for each of the executive leaders. Successors were identified to reflect necessary skill sets, performance, potential, and diversity. Development plans for successors were also established to ensure readiness and will be managed throughout the year. In addition to the annual succession planning process, the HRC Committee participates in an in-depth performance discussion of each executive officer at the time of the annual compensation review. Further, there is a People Update at each HRC Committee meeting, which includes a review of key people processes and developments for that quarter.

In addition, the executive team participated in a robust development process that included individual assessments, interviews with executive coaches, and an individualized development plan that can be leveraged throughout the year. Development themes for the entire executive team will be addressed during quarterly face-to-face meetings for full team development.

Stock Ownership Guidelines and Prohibition on Hedging

Our stock ownership guidelines are designed to align executives’ interests more closely with those of our stockholders and mitigate compensation-related risk. The current guidelines provide that, within five years of assuming a designated position, the CEO should attain an investment position in our stock equal to seven times his base salary and all other Section 16 officers reporting directly to the CEO should attain an investment position equal to five times their base salaries. Shares counted toward these guidelines include any shares held by the executive directly or through a broker, shares held through the 401(k) Plan, shares held as restricted stock, shares underlying time-vested RSUs, and shares underlying vested but unexercised stock options (50% of the in-the-money value of such options is used for this calculation). Mr. Weisler, Ms. Lesjak and Ms. Keogh are the

only NEOs who have served in roles covered by our stock ownership guidelines for over five years and their respective ownerships exceed the current guidelines. Our other NEOs are on pace to meet the stock ownership guidelines within the allotted time frame.

The HRC Committee has adopted a policy prohibiting our executive officers from engaging in any form of hedging transaction (derivatives, equity swaps, forwards, etc.) including, among other things, short sales and transactions involving publicly traded options. In addition, with limited exceptions, our executive officers are prohibited from holding our securities in margin accounts and from pledging our securities as collateral for loans. We believe that these policies further align our executives’ interests with those of our stockholders.

Accounting and Tax Effects

The impact of accounting treatment is considered in developing and implementing our compensation programs, including the accounting treatment as it applies to amounts awarded or paid to our executives.

The impact of federal tax laws on our compensation programs is also considered, including the deductibility of compensation paid to the NEOs, as limited by Section 162(m) of the Code. For fiscal year 2018 and prior fiscal years, Section 162(m) included an exception from the deductibility limitation for qualified “performance-based compensation.” This exception, however, has been repealed for tax years beginning in fiscal 2019 under the Tax Cuts and Jobs Act. As such, compensation paid to certain of our executive officers in excess of \$1.0 million will not be deductible unless it qualifies for certain

transition relief applicable for compensation paid pursuant to a written binding contract that was in effect as of November 2, 2017. In addition, the Tax Cuts and Jobs Act increased the scope of individuals subject to the deduction limitation. Thus, compensation originally intended to satisfy the requirements for exemption from Section 162(m) may not be fully deductible. Although our compensation program may take into consideration the Section 162(m) rules as a factor, these considerations will not necessarily limit compensation to amounts deductible under Section 162(m).

Policy for Recoupment of Performance-Based Incentives

In fiscal 2006, the Board adopted a “clawback” policy that provides Board discretion to recover certain annual incentives from senior executives whose fraud or misconduct resulted in a significant restatement of financial results. The policy specifically allows for the recovery of annual incentives paid at or above target from those senior executives whose fraud or misconduct resulted in the restatement where the annual incentives would have been lower absent the fraud or misconduct, to the extent permitted by applicable law. Additionally, our incentive plan document allows for the

recoupment of performance-based annual incentives and long-term incentives consistent with applicable law and the clawback policy.

Also, in fiscal 2014, we added a provision to our grant agreements to clarify that equity awards are subject to the clawback policy. Award agreements also provide Board discretion to cause forfeiture of certain outstanding cash and equity awards for fraud or misconduct that results in reputational harm to HP even when such fraud or misconduct does not result in a significant restatement of financial results.

HR and Compensation Committee Report on Executive Compensation

The HRC Committee of the Board of HP has reviewed and discussed with management this Compensation Discussion and Analysis. Based on this review and discussion, it has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and in the Annual Report on Form 10-K of HP filed for the fiscal year ended October 31, 2018.

HR and Compensation Committee of the Board of Directors

Stephanie A. Burns, Chair
Aida Alvarez
Shumeet Banerji
Charles “Chip” V. Bergh
Stacey Mobley

Fiscal 2018 Summary Compensation Table

The following table sets forth information concerning the compensation of our NEOs for fiscal years 2018, 2017 and 2016, as applicable. Per SEC reporting guidelines, our NEOs for fiscal 2018 include our CEO, (Mr. Weisler), anyone who served as CFO during the year (Ms. Lesjak and Mr. Fieler), the next three most highly

compensated individuals still serving as executive officers at year end (Mr. Lores, Ms. Rivera, Ms. Keogh), and up to two additional officers who would have been amongst our top three most highly compensated had they been employed by HP at year end (Mr. Flaxman and Mr. Coughlin).

Name and Principal Position	Year	Salary ⁽⁵⁾ (\$)	Bonus (\$)	Stock Awards ⁽⁶⁾ (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation ⁽⁷⁾ (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁸⁾ (\$)	All Other Compensation ⁽⁹⁾ (\$)	Total (\$)
Dion J. Weisler President and CEO	2018	1,400,000	—	12,737,004	—	4,984,348	—	94,182	19,215,534
	2017	1,300,033	—	9,841,200	—	3,511,560	—	77,232	14,730,025
	2016	1,200,046	—	18,164,053	6,889,397	2,302,585	—	140,186	28,696,267
Steven J. Fieler⁽¹⁾ Chief Financial Officer	2018	550,000	—	2,382,017	—	793,632	210	19,404	3,745,263
Catherine A. Lesjak⁽²⁾ Interim Chief Operating Officer	2018	850,000	—	5,121,798	—	1,811,695	—	60,763	7,844,256
	2017	850,022	—	4,100,494	—	1,435,012	159,279	39,781	6,584,588
	2016	850,033	—	7,573,319	2,758,055	1,006,092	434,684	43,877	12,666,060
Enrique J. Lores President, Imaging, Printing and Solutions	2018	750,000	—	4,623,686	—	1,579,331	—	43,973	6,996,990
	2017	725,019	—	3,075,370	—	1,219,035	—	23,786	5,043,210
Kim M. Rivera Chief Legal Officer	2018	675,000	—	3,088,732	—	1,438,699	—	72,927	5,275,358
	2017	645,016	—	2,255,264	—	1,088,921	—	193,081	4,182,282
	2016	612,004	1,281,250	5,747,980	—	—	—	304,487	7,945,721
Tracy S. Keogh Chief Human Resources Officer	2018	630,000	—	3,096,651	—	1,421,536	—	39,800	5,187,987
	2017	600,015	—	2,378,294	—	1,012,950	—	38,920	4,030,179
	2016	600,023	—	4,379,891	1,593,592	710,182	—	38,920	7,322,608
Ron V. Coughlin⁽³⁾ (Former) President, Personal Systems	2018	569,708	—	5,013,148	—	—	—	10,800	5,593,656
	2017	725,019	—	3,690,450	—	1,224,612	—	17,986	5,658,067
Jon E. Flaxman⁽⁴⁾ (Former) Chief Operating Officer	2018	414,626	—	4,067,821	—	857,821	—	19,680	5,359,948
	2017	700,018	—	3,075,370	—	1,181,775	211,506	10,500	5,179,169
	2016	700,027	—	3,295,365	84,496	839,484	557,485	10,500	5,487,357

⁽¹⁾ Mr. Fieler was appointed Chief Financial Officer effective July 1, 2018.

⁽²⁾ Ms. Lesjak served as Chief Financial Officer from the beginning of our fiscal year until June 30, 2018 when she was succeeded by Mr. Fieler. She was appointed Interim Chief Operating Officer effective July 1, 2018.

⁽³⁾ Mr. Coughlin resigned from this role effective June 13, 2018.

⁽⁴⁾ Mr. Flaxman served as Chief Operating Officer until he passed away on March 28, 2018.

⁽⁵⁾ Amounts shown represent base salary earned or paid during the fiscal year, as described under "Compensation Discussion and Analysis—Determination of Fiscal 2018 Executive Compensation—2018 Base Salary."

- (6) The grant date fair value of all stock awards has been calculated in accordance with applicable accounting standards. In the case of RSUs, the value is determined by multiplying the number of units granted by the closing price of our stock on the grant date. For PARSUs awarded in fiscal 2018, amounts shown reflect the grant date fair value of the PARSUs for the two- and three-year vesting periods beginning with fiscal 2018 based on the probable outcome of performance conditions related to these PARSUs at the grant date. The 2018 PARSUs include both internal (EPS) and market-related (TSR) performance goals as described under the “*Compensation Discussion and Analysis—Determination of Fiscal 2018 Executive Compensation—Long-Term Incentive Compensation.*” Consistent with the applicable accounting standards, the grant date fair value of the market-related TSR component has been determined using a Monte Carlo simulation model. Further, consistent with accounting standards, grant date fair value reflects the EPS portion of the award for Year 1 only, for which goals were approved in January 2018. This value also reflects grant date fair value of the EPS portion of the 2017 PARSU award for Year 2 (fiscal 2018 EPS), for which goals were approved in January 2018. The table below sets forth the grant date fair value for the 2018 PARSUs granted on December 7, 2017 and the fiscal 2018 EPS portion of the 2017 PARSUs granted on December 7, 2016:

Name	Date of Original PARSU Grant	Probable Outcome of Performance Conditions Grant Date Fair Value (\$)*	Maximum Outcome of Performance Conditions Grant Date Fair Value (\$)	Market-related Component Grant Date Fair Value (\$)**
Dion J. Weisler	12/7/2017	1,437,505	2,875,010	4,279,984
	12/7/2016	1,619,509	3,239,017	
Steven J. Fieler	7/1/2018	177,572	355,144	654,449
Catherine A. Lesjak	12/7/2017	575,012	1,150,023	1,711,994
	12/7/2016	674,799	1,349,598	
Enrique J. Lores	12/7/2017	532,415	1,064,831	1,585,172
	12/7/2016	506,105	1,012,211	
Kim M. Rivera	12/7/2017	351,388	702,776	1,046,219
	12/7/2016	371,126	742,253	
Tracy S. Keogh	12/7/2017	349,793	699,585	1,041,469
	12/7/2016	391,389	782,778	
Ron V. Coughlin	12/7/2017	569,678	1,139,356	1,696,138
	12/7/2016	607,322	1,214,643	
Jon E. Flaxman	12/7/2017	460,533	921,066	1,371,179
	12/7/2016	506,105	1,012,211	

* Amounts shown represent the grant date fair value of the PARSUs subject to the internal EPS performance goal (i) based on the probable or target outcome as of the date the goals were set and (ii) based on achieving the maximum level of performance for the performance period beginning in fiscal 2018. The grant date fair value of the 2018 PARSUs Year 1 EPS units awarded on December 7, 2017 and of the 2017 PARSUs Year 2 EPS units awarded on December 7, 2016 was \$23.81 per unit, which was the closing share price of our common stock on January 23, 2018 when the EPS goal was approved. The grant date fair value of the 2018 PARSUs Year 1 EPS units for Mr. Fieler’s grant on July 1, 2018 was \$22.69, the closing stock price on June 29, 2018. The values of 2018 PARSUs Year 2 and Year 3 EPS units will not be available until January 2019 and January 2020 respectively, and therefore are not included for fiscal 2018, but will be included for their respective fiscal years.

** Amounts shown represent the grant date fair value of PARSUs subject to the market-related TSR goal component of the PARSUs, for which expense recognition is not subject to probable or maximum outcome assumptions. The grant date fair value of the market-related TSR goal component of the PARSUs granted December 7, 2018 was \$23.63 per unit, which was determined using a Monte Carlo simulation model. The significant assumptions used in this simulation model were a volatility rate of 29.8%, a risk-free interest rate of 1.9%, and a simulation period of 2.9 years. For Mr. Fieler’s grant on July 1, 2018 the weighted grant date fair value for the TSR component was \$27.88 determined using a Monte Carlo simulation assuming volatility rate of 24.8%, risk-free interest rate of 2.5%, and simulation period of 2.3 years. For information on the assumptions used to calculate the fair value of the awards, refer to Note 5 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended October 31, 2018, as filed with the SEC on December 13, 2018.

- (7) Amounts shown represent payouts under the annual PFR incentive (amounts earned during the applicable fiscal year but paid after the end of that fiscal year).
- (8) Amounts shown represent the increase in the actuarial present value of NEO pension benefits during the applicable fiscal year. As described in more detail under “Narrative to the Fiscal 2018 Pension Benefits Table” below, pension accruals have ceased for all NEOs, and NEOs hired after the dates that pension accruals ceased are not eligible to participate in any U.S. defined benefit pension plan. Accordingly, the amounts reported for the NEOs do not reflect additional accruals but reflect the passage of one more year from the prior present value calculation and changes in other actuarial assumptions. The assumptions used in calculating the changes in pension benefits are described in footnote (2) to the “Fiscal 2018 Pension Benefits Table” below. No HP plan provides for above-market earnings on deferred compensation amounts, so the amounts reported in this column do not reflect any such earnings.
- (9) The amounts shown are detailed in the “Fiscal 2018 All Other Compensation Table” below.

Fiscal 2018 All Other Compensation Table

The following table provides additional information about the amounts that appear in the “All Other Compensation” column in the “Summary Compensation Table” above.

Name	401(k) Company Match ⁽¹⁾ (\$)	NQDC Company Match ⁽²⁾ (\$)	Mobility Program ⁽³⁾ (\$)	Security Services/ Systems ⁽⁴⁾ (\$)	Legal Fees ⁽⁵⁾ (\$)	Personal Aircraft Usage ⁽⁶⁾ (\$)	Tax Gross-Up ⁽⁷⁾ (\$)	Miscellaneous ⁽⁸⁾ (\$)	Total AOC (\$)
Dion J. Weisler	11,000	10,800	12,810	984	17,610	14,742	10,236	16,000	94,182
Steven J. Fieler	11,000	8,404	—	—	—	—	—	—	19,404
Catherine A. Lesjak	11,000	10,800	—	20,963	—	—	—	18,000	60,763
Enrique J. Lores	11,000	10,800	9,300	—	—	—	544	12,329	43,973
Kim M. Rivera	11,000	—	40,427	—	—	—	—	21,500	72,927
Tracy S. Keogh	11,000	10,800	—	—	—	—	—	18,000	39,800
Ron V. Coughlin	—	10,800	—	—	—	—	—	—	10,800
Jon E. Flaxman	6,710	—	—	—	—	—	—	12,970	19,680

⁽¹⁾ Represents matching contributions made under the HP 401(k) Plan that were earned for fiscal year 2018.

⁽²⁾ Represents matching contributions credited during fiscal 2018 under the HP Executive Deferred Compensation Plan with respect to the 2017 calendar year of that plan.

⁽³⁾ For Ms. Rivera, represents benefits provided under our domestic executive mobility program. For Mr. Weisler and Mr. Lores, represents tax preparation, filing, equalization and compliance services paid under HP’s tax assistance due to Korea business travel. Due to the taxation impact on US taxpayers who travel to Korea on business and the increase in Korea travel due to the closing of our acquisition of Samsung’s Print business, the HRC approved a Tax Assistance Program during its July 2017 meeting that covers our Section 16 officers. The program has the same characteristics as the existing tax equalization program for all other employees. Both programs together ensure a tax neutral scenario for all HP employees who must comply with Korean tax requirements due to business travel to Korea.

⁽⁴⁾ Represents home security services provided to the NEOs and, consistent with SEC guidance, the expense is reported here as a perquisite due to the fact that there is an incidental personal benefit.

⁽⁵⁾ Represents legal fees paid on behalf of Mr. Weisler for immigration related expenses.

⁽⁶⁾ Represents the value of personal usage of HP corporate aircraft. For purposes of reporting the value of such personal usage in this table, we use data provided by an outside firm to calculate the hourly cost of operating each type of aircraft. These costs include the cost of fuel, maintenance, landing and parking fees, crew, catering and supplies. For trips by NEOs that involve mixed personal and business usage, we include the incremental cost of such personal usage (i.e., the excess of the cost of the actual trip over the cost of a hypothetical trip without the personal usage). For income tax purposes, the amounts included in NEO income are calculated based on the standard industry fare level valuation method. No tax gross-ups are provided for this imputed income.

⁽⁷⁾ Represents tax gross up for Korean state and social taxes under HP’s Tax Assistance Program for Korea business travel.

⁽⁸⁾ Includes amounts paid either directly to the executives or on their behalf for financial counseling, tax preparation and estate planning services. For Mr. Flaxman amounts represent company-paid airfare for his family related to his passing.

Grants of Plan-Based Awards in Fiscal 2018

The following table provides information on annual Pfr incentive awards for fiscal 2018 and awards of RSUs and PARSUs granted during fiscal 2018 as a part of our long-term incentive program:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	Grant-Date Fair Value of Stock and Option Awards ⁽²⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Dion J. Weisler									
Pfr		28,000	2,800,000	5,600,000					
RSU	12/7/2017							257,511	5,400,006
PARSU	12/7/2017				120,750	241,499	482,998		5,717,489
PARSU	12/7/2016				34,009	68,018	136,036		1,619,509
Steven J. Fieler									
Pfr		4,795	479,500	1,055,000					
RSU	7/1/2018							35,258	800,004
RSU	12/7/2017							35,765	749,992
PARSU	7/1/2018				15,652	31,304	62,608		832,021
Catherine A. Lesjak									
Pfr		10,625	1,062,500	2,125,000					
RSU	12/7/2017							103,004	2,159,994
PARSU	12/7/2017				48,300	96,600	193,200		2,287,005
PARSU	12/7/2016				14,171	28,341	56,682		674,799
Enrique J. Lores									
Pfr		9,375	937,500	1,875,000					
RSU	12/7/2017							95,374	1,999,993
PARSU	12/7/2017				44,722	89,444	178,888		2,117,587
PARSU	12/7/2016				10,628	21,256	42,512		506,105
Kim M. Rivera									
Pfr		8,438	843,750	1,687,500					
RSU	12/7/2017							62,947	1,319,999
PARSU	12/7/2017				29,517	59,033	118,066		1,397,607
PARSU	12/7/2016				7,794	15,587	31,174		371,126
Tracy S. Keogh									
Pfr		7,875	787,500	1,575,000					
RSU	12/7/2017							62,661	1,314,001
PARSU	12/7/2017				29,383	58,765	117,530		1,391,261
PARSU	12/7/2016				8,219	16,438	32,876		391,389
Ron V. Coughlin									
Pfr		9,375	937,500	1,875,000					
RSU	12/7/2017							102,051	2,140,009
PARSU	12/7/2017				47,853	95,705	191,410		2,265,817
PARSU	12/7/2016				12,754	25,507	51,014		607,322
Jon E. Flaxman									
Pfr		8,938	893,750	1,787,500					
RSU	12/7/2017							82,499	1,730,004
PARSU	12/7/2017				38,685	77,369	154,738		1,831,712
PARSU	12/7/2016				10,628	21,256	42,512		506,105

⁽¹⁾ Amounts represent the range of possible cash payouts for fiscal 2018 Pfr incentive awards, under the Stock Incentive Plan based upon annual salary.

⁽²⁾ PARSU amounts represent the range of shares that may be released at the end of the two- and three-year vesting periods applicable to the PARSUs assuming achievement of threshold, target, or maximum performance. 50% of the PARSUs are eligible for vesting based on EPS performance and 50% are eligible for vesting based on TSR performance. PARSUs vest as follows: 16.6% of the units are eligible for vesting based on EPS performance on year one with continued

service over two years, 16.6% of the units are eligible for vesting based on EPS performance of year two with continued service over three years, 16.6% of the units are eligible for vesting based on EPS performance of year three with continued service over three years, 25% of the units are eligible for vesting based on TSR performance over two years with continued service over two years, 25% of the units are eligible for vesting based on TSR performance over three years with continued service over three years. 2018 PARSU year 1 EPS units and all TSR units are reflected in this table. Further, the 2017 PARSU – fiscal 2018 EPS units are also included. If our EPS and relative TSR performance are below threshold for the performance period, no shares will be released for the applicable segment. For additional details, see the discussion of PARSUs under “Compensation Discussion and Analysis—Determination of Fiscal 2018 Executive Compensation—Long-Term Incentive Compensation—2018 PARSUs.”

⁽³⁾ RSUs vest as to one-third of the units on each of the first three anniversaries of the grant date, subject to continued service.

Outstanding Equity Awards at 2018 Fiscal Year-End

The following table provides information on stock and option awards held by the NEOs as of October 31, 2018:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options ⁽¹⁾ (#)	Option Exercise Price ⁽²⁾ (\$)	Option Expiration Date ⁽³⁾	Number of Shares or Units of Stock That Have Not Vested ⁽⁴⁾ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽⁵⁾ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁶⁾ (#)	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ⁽⁵⁾ (\$)
Dion J. Weisler	369,020	—	—	17.29	12/9/2022	788,653	19,038,083	550,882	13,298,291
			525,719	13.83	11/1/2023				
Steven J. Fieler						456,956	11,030,918	38,779	936,125
Catherine A. Lesjak	277,020	—	—	17.29	12/9/2022	318,715	7,693,780	224,452	5,418,271
	—		202,200	13.83	11/1/2023				
Enrique J. Lores	156,976			12.47	10/29/2023	205,166	4,952,707	189,793	4,581,603
Kim M. Rivera						230,429	5,562,556	130,899	3,159,902
Tracy S. Keogh	201,284			17.29	12/9/2022	220,105	5,313,335	133,636	3,225,973
			117,276	13.83	11/1/2023				
Ron V. Coughlin						0	0	0	0
Jon E. Flaxman						0	0	0	0

⁽¹⁾ Option awards in this column will fully vest as to one-third of the shares on the third anniversary of November 2, 2015, the respective date of the grant (if stock price performance conditions have been satisfied), and subject to continued service in each case.

⁽²⁾ Option exercise prices are the fair market value of our stock on the grant date. In connection with the separation of HPE and in accordance with the employee matters agreement, HP 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 were converted to similar awards of the entity where the employee was working post-separation. RSUs and performance-contingent awards were adjusted to provide holders with RSUs and performance-contingent awards in the Company that employs such employee following the separation.

⁽³⁾ All options have an eight-year term.

⁽⁴⁾ The amounts in this column include shares underlying dividend equivalent units credited with respect to outstanding stock awards through October 31, 2018. The release dates and release amounts for all unvested stock awards are as follows, assuming continued service and satisfaction of any applicable financial performance conditions:

- Mr. Weisler: November 2, 2018 (156,665 shares plus accrued dividend equivalent shares); December 7, 2018 (184,908 shares plus accrued dividend equivalent shares); December 9, 2018 (132,123 shares plus accrued dividend equivalent shares); December 7, 2019 (184,909 shares plus accrued dividend equivalent shares); December 7, 2020 (85,837 shares plus accrued dividend equivalent shares).

- Mr. Fieler: December 7, 2018 (11,921 shares plus accrued dividend equivalent shares); January 3, 2019 (168,350 shares plus accrued dividend equivalent shares); January 11, 2019 (15,618 shares plus accrued dividend equivalent shares); July 1, 2019 (11,752 shares plus accrued dividend equivalent shares); December 7, 2019 (11,922 shares plus accrued dividend equivalent shares); January 3, 2020 (168,351 shares plus accrued dividend equivalent shares); January 11, 2020 (15,618 shares plus accrued dividend equivalent shares); July 1, 2020 (11,753 shares plus accrued dividend equivalent shares); December 7, 2020 (11,922 shares plus accrued dividend equivalent shares); July 1, 2021 (11,753 shares plus accrued dividend equivalent shares).
 - Ms. Lesjak: November 2, 2018 (60,256 shares plus accrued dividend equivalent shares); December 7, 2018 (75,614 shares plus accrued dividend equivalent shares); December 9, 2018 (55,051 shares plus accrued dividend equivalent shares); December 7, 2019 (75,615 shares plus accrued dividend equivalent shares); December 7, 2020 (34,335 shares plus accrued dividend equivalent shares).
 - Mr. Lores: December 7, 2018 (62,751 shares plus accrued dividend equivalent shares); December 9, 2018 (38,536 shares plus accrued dividend equivalent shares); December 7, 2019 (62,751 shares plus accrued dividend equivalent shares); December 7, 2020 (31,792 shares plus accrued dividend equivalent shares).
 - Ms. Rivera: November 9, 2018 (79,308 shares plus accrued dividend equivalent shares); December 7, 2018 (43,686 shares plus accrued dividend equivalent shares); December 9, 2018 (28,627 shares plus accrued dividend equivalent shares); December 7, 2019 (43,686 shares plus accrued dividend equivalent shares); December 7, 2020 (20,983 shares plus accrued dividend equivalent shares).
 - Ms. Keogh: November 2, 2018 (34,949 shares plus accrued dividend equivalent shares); December 7, 2018 (44,829 shares plus accrued dividend equivalent shares); December 9, 2018 (31,930 shares plus accrued dividend equivalent shares); December 10, 2018 (28,936 shares plus accrued dividend equivalent shares); December 7, 2019 (44,830 shares plus accrued dividend equivalent shares); December 7, 2020 (20,887 shares plus accrued dividend equivalent shares).
 - Mr. Coughlin: has no outstanding equity as all shares were forfeited when he departed the company.
 - Mr. Flaxman: All outstanding equity was paid out to his estate/beneficiaries after his death, per appropriate terms.
- ⁽⁵⁾ Value calculated based on the \$24.14 closing price of our stock on October 31, 2018.
- ⁽⁶⁾ The amounts in this column include the amounts of PARSUs granted in fiscal 2017 (Year 2 EPS units and 50% of TSR units) and fiscal 2018 (Year 1 EPS units and all TSR units) plus accrued dividend equivalent shares. The shares are reported at target, except for 2017 PARSUs Year 2 EPS units and 2018 PARSUs Year 1 EPS units since those results have been certified (fiscal 2018 EPS period). Actual payout will be on achievement of performance goals at the end of the two- and three-year vesting periods.

Option Exercises and Stock Vested in Fiscal 2018

The following table provides information about options exercised and stock awards vested for the NEOs during the fiscal year ended October 31, 2018:

Name	Option Awards		Stock Awards ⁽¹⁾	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ⁽²⁾ (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ⁽³⁾ (\$)
Dion J. Weisler	525,719	3,886,618	1,194,116	27,509,840
Steven J. Fieler	—	—	188,040	4,035,115
Catherine A. Lesjak	496,399	5,616,378	512,424	11,773,873
Enrique J. Lores	530,149	6,384,161	475,522	11,128,546
Kim M. Rivera	—	—	304,825	6,952,913
Tracy S. Keogh	234,551	2,268,108	327,559	7,468,390
Ron V. Coughlin	405,836	4,704,323	87,343	1,836,489
Jon E. Flaxman⁽⁴⁾	393,944	3,801,558	688,909	15,030,414

⁽¹⁾ Includes PARSUs, RSUs, and accrued dividend equivalent shares.

⁽²⁾ Represents the amounts realized based on the difference between the market price of HP stock on the date of grant and the exercise price.

⁽³⁾ Represents the amounts realized based on the fair market value of our stock on the performance period end date for PARSUs (October 31, 2018) and on the vesting date for RSUs and accrued dividend equivalent shares. Fair market value is determined based on the closing price of our stock on the applicable performance period end/vesting date.

⁽⁴⁾ For Mr. Flaxman the stock awards value realized on vesting, after December 7, 2017, is based on the closing stock price of \$21.92, on March 29, 2018, date of transfer of equity to his estate. The number of options and value recognized on exercise represent actual exercises which occurred before Mr. Flaxman's death.

Fiscal 2018 Pension Benefits Table

The following table provides information about the present value of accumulated pension benefits payable to each NEO:

Name	Plan Name ⁽¹⁾	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ⁽²⁾ (\$)	Payments During Last Fiscal Year (\$)
Dion J. Weisler⁽³⁾	—	—	—	—
Steven J. Fieler	CAPP	1.3	\$ 9,623	—
Catherine A. Lesjak	RP	21.3	\$ 427,330	—
	EBP	21.3	\$2,617,417	—
Ron V. Coughlin⁽³⁾	—	—	—	—
Jon E. Flaxman⁽⁴⁾	RP	26.6	\$ 223,064	—
	EBP	—	—	\$3,507,461
Enrique J. Lores⁽³⁾	—	—	—	—
Kim Rivera⁽³⁾	—	—	—	—
Tracy Keogh⁽³⁾	—	—	—	—

(1) The “RP” and the “EBP” are the qualified HP Retirement Plan and the non-qualified HP Excess Benefit Plan, respectively. “CAPP” is the qualified Cash Account Pension Plan. All benefits are frozen under these plans. The RP and CAPP have been merged into the HP Inc. Pension Plan (formerly known as the HP Pension Plan).

(2) The present value of accumulated benefits is shown at the age 65 unreduced retirement age for the RP and the EBP and the immediate unreduced benefit from the CAPP using the assumptions under Accounting Standards Codification (ASC) Topic 715-30 Defined Benefit Plans—Pension for the 2018 fiscal year-end measurement (as of October 31, 2018). The present value is based on a discount rate of 4.54% for the RP (this discount rate also applies for CAPP but since the benefit is currently unreduced, there is no discounting applied) and 4.02% for the EBP, lump sum interest rates of 3.21% for the first five years, 4.26% for the next 15 years and 4.55% thereafter, and applicable mortality for lump sums with the respective mortality improvement scale applied for future years. As of October 31, 2017 (the prior measurement date), the ASC Topic 715-30 assumptions included a discount rate of 3.82% for the RP and 2.99% for the EBP, lump sum interest rates of 1.96% for the first five years, 3.58% for the next 15 years and 4.35% thereafter, and applicable mortality for lump sums with the respective mortality improvement scale applied for future years.

(3) Mr. Weisler, Mr. Coughlin, Mr. Lores, Ms. Rivera and Ms. Keogh are not eligible to receive benefits under any defined benefit pension plan because we ceased benefit accruals under all of our U.S.-qualified defined benefit pension plans prior to the commencement of their employment with HP in the United States.

(4) Mr. Flaxman passed away in March of 2018 and his EBP benefit was transferred to the EDCP and was paid to his estate/beneficiaries pursuant to the terms of the EBP. The amount shown for the EBP as paid was the amount transferred to the EDCP on May 14, 2018 and is reflected in the “Executive Contributions in Last FY” column of the Nonqualified Deferred Compensation Table below. Mr. Flaxman’s wife received the \$223,064 for his RP benefits in November 2018 pursuant to the terms of the RP. This payment from the RP is the survivor benefit which is 50% of the benefit that would have been payable to Mr. Flaxman had he survived to the benefit commencement date for his wife and elected a lump sum.

Narrative to the Fiscal 2018 Pension Benefits Table

No NEO currently accrues a benefit under any qualified or non-qualified defined benefit pension plan because we ceased benefit accruals in all of our U.S.-qualified defined benefit pension plans (and their non-qualified plan counterparts) in prior years. Benefits previously accrued by the NEOs under HP pension plans are payable to them following termination of employment, subject to the terms of the applicable plan.

Terms of the HP Retirement Plan (RP)

Ms. Lesjak and Mr. Flaxman earned benefits under the RP and the EBP based on pay and service prior to 2008. The RP is a traditional defined benefit plan that provided a benefit based on years of service and the participant’s “highest average pay rate,” reduced by a portion of Social Security earnings. “Highest average pay rate” was determined based on the 20 consecutive fiscal quarters when pay was the highest. Pay for this purpose included base pay and bonus, subject to applicable IRS limits. Benefits under the RP may be taken in one of several different annuity forms or in an actuarially equivalent lump sum. Benefits calculated under the RP are offset by the value of benefits earned under the HP Deferred Profit Sharing Plan (the “DPSP”) before November 1, 1993. Together, the RP and the DPSP constitute a “floor-offset” arrangement for periods before November 1, 1993.

Benefits not payable from the RP and the DPSP due to IRS limits are paid from the EBP under which benefits are unfunded and unsecured. When an EBP participant terminates employment, the benefit liability is transferred to the EDCP, where an account is established for the participant. That account is then credited with hypothetical investment earnings (gains or losses) based upon the investment election made by participants from among investment options similar to those offered under the HP 401(k) Plan. There is no formula that would result in above-market earnings or payment of a preferential interest rate on this benefit.

At the time of distribution, amounts representing EBP benefits are paid from the EDCP in a lump sum or installment form, according to pre-existing elections made by those participants, except that participants with a small benefit or who have not qualified for retirement status (age 55 with at least 15 years of continuous service) are paid their EBP benefit in January of the year following their termination, subject to any delay required by Section 409A of the Code.

Fiscal 2018 Non-qualified Deferred Compensation Table

The following table provides information about contributions, earnings, withdrawals, distributions, and balances under the EDCP:

Name	Executive Contributions in Last FY ⁽¹⁾ (\$)	Registrant Contributions in Last FY ⁽²⁾ (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions ⁽³⁾ (\$)	Aggregate Balance at FYE ⁽⁴⁾ (\$)
Dion J. Weisler	10,800	10,800	900	—	54,251
Steven J. Fieler	1,528	8,404	(469)	—	16,843
Catherine A. Lesjak	11,800	10,800	170,443	840,971	1,816,715
Enrique J. Lores	376,284	10,800	(37,055)	—	1,396,077
Kim M. Rivera	—	—	27	—	25,503
Tracy S. Keogh	387,885	10,800	23,178	—	3,042,945
Ron V. Coughlin⁽⁵⁾	378,259	10,800	(44,635)	—	1,011,579
Jon E. Flaxman⁽⁶⁾	3,507,461	—	17,564	3,525,024	—

⁽¹⁾ The amounts reported here as “Executive Contributions” and “Registrant Contributions” are reported as compensation to such NEO in the “Summary Compensation Table” above.

⁽²⁾ The contributions reported here as “Registrant Contributions” were made in fiscal 2018 with respect to calendar year 2017 participant base pay deferrals. During fiscal 2018, the NEOs were eligible to receive a 4% matching contribution on base pay deferrals that exceeded the IRS limit that applies to the qualified HP 401(k) Plan up to a maximum of two times that limit.

⁽³⁾ The distributions reported here were made pursuant to participant elections made prior to the time that the amounts were deferred in accordance with plan rules.

⁽⁴⁾ Of these balances, the following amount was reported as compensation to such NEO in the Summary Compensation Table in prior proxy statements: Mr. Weisler \$30,658, Mr. Lores \$257,727, Ms. Rivera \$21,208, Ms. Keogh \$1,253,817, Mr. Coughlin \$293,196 and Ms. Lesjak \$0 as distributions from her account have been in excess of plan contributions. The information reported in this footnote is provided to clarify the extent to which amounts payable as deferred compensation represent compensation reported in our prior proxy statements, rather than additional earned compensation.

⁽⁵⁾ Mr. Coughlin’s balance will be paid to him in January 2019, per the plan guidelines.

⁽⁶⁾ Reflects the transfer of Mr. Flaxman’s accrued benefit under the EBP at the time of his death. Pursuant to the terms of the EBP, the accrued amount was distributed and transferred to his EDCP account and then transferred from his employee EDCP account to an EBP account established for his beneficiaries on June 18, 2018. It will be paid out to beneficiaries per plan rules in January 2019.

Narrative to the Fiscal 2018 Non-qualified Deferred Compensation Table

HP sponsors the EDCP, a non-qualified deferred compensation plan that permits eligible U.S. employees to defer base pay in excess of the amount taken into account under the qualified HP 401(k) Plan and bonus amounts of up to 95% of the annual PFR incentive bonus payable under the annual PFR incentive plan. In addition, a matching contribution is available under the plan to eligible employees. The matching contribution applies to base pay deferrals on compensation above the IRS limit that applies to the qualified HP 401(k) Plan, up to a maximum of two times that compensation limit (for fiscal 2018 matching contributions, on calendar year 2017 base pay from \$270,000 to \$540,000). During fiscal 2018, the NEOs were eligible for a matching contribution of up to 4% on base pay contributions in excess of the IRS limit, up to a maximum of two times that limit.

Upon becoming eligible for participation or during the annual enrollment period, employees must specify the amount of base pay and/or the percentage of bonus to be deferred, as well as the time and form of payment. If termination of employment occurs before retirement (defined as at least age 55 with 15 years of continuous service), distribution is made in the form of a lump sum in January of the year following the year of termination, subject to any delay required under Section 409A of the Code. This approach was applied

to Mr. Coughlin after his voluntary termination from HP this year and the payout of his EDCP balance will occur in January 2019, as described in footnote (5) to the NQDC table above. At retirement (or earlier, if properly elected), benefits are paid according to the distribution election made by the participant at the time of the deferral election, subject to any delay required under Section 409A of the Code. In the event of death, the remaining vested EDCP account balance will be paid to the designated beneficiary, or otherwise in accordance with the EDCP provisions, in a single lump-sum payment in the month following the month of death. In the event of death, a participant’s EBP account, distributed from the EDCP, will be distributed to the participant’s beneficiary in a single lump-sum in the January following death. This approach was applied to Mr. Flaxman as described in footnote (6) of the NQDC table above. No withdrawals are permitted prior to the previously elected distribution date, other than “hardship” withdrawals as permitted by applicable law.

Amounts deferred or credited under the EDCP are credited with hypothetical investment earnings based on participant investment elections made from among the investment options available under the HP 401(k) Plan. Accounts maintained for participants under the EDCP are not held in trust, and all such accounts are subject to the claims of general creditors of HP. No amounts are credited with above-market earnings.

Potential Payments Upon Termination or Change in Control

The amounts in the following table estimate potential payments due if an NEO had terminated employment with HP effective October 31, 2018 under each of the circumstances specified below. These amounts are in addition to benefits generally available to U.S. employees upon termination of employment, such as distributions from the retirement plans and the HP 401(k) Plan and payment of accrued vacation where required.

Name	Termination Scenario	Total ⁽¹⁾	Severance ⁽²⁾	Long Term Incentive Programs ⁽³⁾		
				Stock Options	Restricted Stock	PARSU
Dion J. Weisler	Voluntary/For Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Disability	\$42,474,691	\$ 0	\$5,420,163	\$19,038,073	\$18,016,455
	Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Death	\$42,474,691	\$ 0	\$5,420,163	\$19,038,073	\$18,016,455
	Not for Cause	\$36,884,144	\$10,024,413	\$5,420,163	\$11,620,164	\$ 9,819,404
	Change in Control	\$52,499,104	\$10,024,413	\$5,420,163	\$19,038,073	\$18,016,455
Steven J. Fieler	Voluntary/For Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Disability	\$12,346,862	\$ 0	\$ 0	\$11,030,918	\$ 1,315,944
	Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Death	\$12,346,862	\$ 0	\$ 0	\$11,030,918	\$ 1,315,944
	Not for Cause	\$ 6,771,511	\$ 1,889,961	\$ 0	\$ 4,277,804	\$ 603,746
	Change in Control	\$14,236,823	\$ 1,889,961	\$ 0	\$11,030,918	\$ 1,315,944
Catherine A. Lesjak⁽⁴⁾	Voluntary	\$10,115,256	\$ 0	\$ 0	\$ 6,102,954	\$ 4,012,302
	Disability	\$17,112,810	\$ 0	\$2,084,682	\$ 7,693,768	\$ 7,334,360
	Retirement	\$10,115,256	\$ 0	\$ 0	\$ 6,102,954	\$ 4,012,302
	Death	\$17,112,810	\$ 0	\$2,084,682	\$ 7,693,768	\$ 7,334,360
	Not for Cause	\$17,209,930	\$ 3,419,178	\$2,084,682	\$ 7,693,768	\$ 4,012,302
	Change in Control	\$20,531,988	\$ 3,419,178	\$2,084,682	\$ 7,693,768	\$ 7,334,360
Enrique J. Lores	Voluntary/For Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Disability	\$11,181,499	\$ 0	\$ 0	\$ 4,952,703	\$ 6,228,796
	Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Death	\$11,181,499	\$ 0	\$ 0	\$ 4,952,703	\$ 6,228,796
	Not for Cause	\$ 8,605,027	\$ 2,877,138	\$ 0	\$ 2,384,639	\$ 3,343,250
	Change in Control	\$14,058,637	\$ 2,877,138	\$ 0	\$ 4,952,703	\$ 6,228,796
Kim M. Rivera	Voluntary/For Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Disability	\$ 9,849,268	\$ 0	\$ 0	\$ 5,562,535	\$ 4,286,733
	Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Death	\$ 9,849,268	\$ 0	\$ 0	\$ 5,562,535	\$ 4,286,733
	Not for Cause	\$ 8,796,164	\$ 2,674,819	\$ 0	\$ 3,798,614	\$ 2,322,731
	Change in Control	\$12,524,087	\$ 2,674,819	\$ 0	\$ 5,562,535	\$ 4,286,733
Tracy S. Keogh	Voluntary/For Cause	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Disability	\$10,893,610	\$ 0	\$1,209,116	\$ 5,313,319	\$ 4,371,175
	Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	Death	\$10,893,610	\$ 0	\$1,209,116	\$ 5,313,319	\$ 4,371,175
	Not for Cause	\$ 9,590,349	\$ 2,534,483	\$1,209,116	\$ 3,465,817	\$ 2,380,933
	Change in Control	\$13,428,093	\$ 2,534,483	\$1,209,116	\$ 5,313,319	\$ 4,371,175
Jon Flaxman⁽⁵⁾	Death	\$15,080,458	\$ 0	\$1,714,650	\$ 5,663,909	\$ 7,701,899

⁽¹⁾ Total does not include amounts earned or benefits accumulated due to continued service by the NEO through October 31, 2018, including vested stock options, PCSOs, RSUs, PARSUs, accrued retirement benefits, and vested balances in the EDCP, as those amounts are detailed in the preceding tables. Total also does not include amounts the NEO was eligible to receive under the annual PfR incentive with respect to fiscal 2018 performance.

⁽²⁾ The amounts reported are the cash benefits payable in the event of a qualifying termination under the SPEO: for CEO, 2x multiple of base pay plus the average of the actual annual incentives paid for the preceding three years; for other NEOs, 1.5x multiple of base pay plus the average of the actual annual incentives paid for the preceding three years, and includes 18 months' COBRA premiums for continued group medical coverage for the NEOs and their eligible dependents.

⁽³⁾ Upon an involuntary termination not for cause, covered executives receive pro-rata vesting on unvested equity awards as discussed under "Executive Compensation—Compensation Discussion and Analysis—Severance and Long-term Incentive Change in Control Plan for Executive Officers." Full vesting of PARSUs based on performance at target levels (to the extent that the actual performance period has not been completed) applies in the event of a

termination due to death or disability for all grant recipients. Pro-rata vesting of PARSUs based on actual performance applies in the event of a termination due to retirement for all grant recipients. To calculate the value of unvested PARSUs for purposes of this table, target performance is used unless the performance period has been completed and the results have been certified. Full vesting of unvested PCSOs applies in the event of a termination due to death or disability for all grant recipients. PCSOs vest pro-rata in the event of a termination due to retirement, with the exception of launch grant PCSOs, which are forfeited; all outstanding launch grant PCSOs vested on November 2, 2018. With respect to the treatment of equity in the event of a change in control of HP, the information reported reflects the SPEO approved change in control terms.

- (4) As of the end of fiscal 2018, Ms. Lesjak is retirement eligible (a minimum age of 55 plus years of service equal to or greater than 70 points). In the event that Ms. Lesjak retires, she would receive retirement equity treatment in regards to the long-term incentive programs. Values in the “Voluntary” section for Ms. Lesjak reflect the retirement equity treatment in a voluntary termination.
- (5) Amounts reflected for Mr. Flaxman represent the transfer of equity to his estate on March 29, 2018 after his death, valued at \$21.92, the closing stock price on that day. For stock options, this represents the potential value based upon the March 29, 2018 stock price and the option strike price at the time the options were transferred to Mr. Flaxman’s beneficiaries.

HP Severance Plan for Executive Officers

An executive will be deemed to have incurred a qualifying termination for purposes of the SPEO if he or she is involuntarily terminated without cause and executes a full release of claims in a form satisfactory to HP promptly following termination. For purposes of the SPEO, “cause” means an executive’s material neglect (other than as a result of illness or disability) of his or her duties or responsibilities to HP or conduct (including action or failure to act) that is not in the best interest of, or is injurious to, HP. The material terms of the SPEO are described under “Executive Compensation—Compensation Discussion and Analysis—Severance and Long-term Incentive Change in Control Plan for Executive Officers.”

Narrative to the Potential Payments Upon Termination or Change in Control Table

Voluntary or “For Cause” Termination

In general, an NEO who remained employed through October 31, 2018 (the last day of the fiscal year) but voluntarily terminated employment immediately thereafter, or was terminated immediately thereafter in a “for cause” termination, would be eligible (1) to receive his or her annual incentive amount earned for fiscal 2018 under the annual PFR incentive (subject to any discretionary downward adjustment or elimination by the HRC Committee prior to actual payment, and to any applicable clawback policy), (2) to exercise his or her vested stock options up to three months following a voluntary termination, and up to the date of termination in the case of termination “for cause,” (3) to receive a distribution of vested amounts deferred or credited under the EDCP, and (4) to receive a distribution of his or her vested benefits, if any, under the HP 401(k) and pension plans. An NEO who terminated employment before October 31, 2018, either voluntarily or in a “for cause” termination, would generally not have been eligible to receive any amount under the annual PFR incentive with respect to the fiscal year in which the termination occurred, except that the HRC Committee has the discretion to make payment of prorated bonus amounts to individuals on leave of absence or in non-pay status, as well as in connection with certain voluntary severance incentives, workforce reductions, and similar programs.

“Not for Cause” Termination

A “not for cause” termination of an NEO who remained employed through October 31, 2018 and was terminated immediately thereafter would qualify the NEO for the amounts described above under a “voluntary” termination in addition to benefits under the SPEO if the NEO signs the required release of claims in favor of HP.

In addition to the cash severance benefits and pro-rata equity awards payable under the SPEO, the NEO would be eligible to exercise vested stock options up to one year after termination and receive distributions of vested, accrued benefits from HP deferred compensation and pension plans.

Termination Following a Change in Control

In the event of a change in control of HP, RSUs, stock options, and PCSOs will vest in full if the successor does not assume such awards or if an individual is terminated without Cause or terminates with Good Reason within 24 months of a change in control. Outstanding PARSUs will vest in full upon a termination in connection with or following a change in control, assuming target performance level. Upon failure of the successor to assume outstanding PARSUs in connection with a change in control, the PARSUs will vest in full based on the better of (i) pro-rata vesting at target, and (ii) 100% of units vesting based on actual performance as determined by the Committee within 30 days of change in control.

Death or Disability Terminations

An NEO who continued in employment through October 31, 2018 whose employment is terminated immediately thereafter due to death or disability would be eligible (1) to receive his or her full annual incentive amount earned for fiscal 2018 under the annual PFR incentive determined by HP in its sole discretion, (2) to receive a distribution of vested amounts deferred or credited under the EDCP, and (3) to receive a distribution of his or her vested benefits under the HP 401(k) and pension plans.

Upon termination due to death or disability, equity awards held by the NEO may vest in full. If termination is due to disability, RSUs, stock options, and PCSOs will vest in full, subject to satisfaction of applicable performance conditions, and must be exercised within three years of termination or by the original expiration date, if earlier; all unvested portions of the PARSUs, including any amounts for dividend equivalent payments, shall vest based on performance at target levels. If termination is due to the NEO’s death, RSUs, stock options, and PCSOs will vest in full and must be exercised within one year of termination or by the original expiration date, if earlier; all unvested portions of the PARSUs, including any amounts for dividend equivalent payments, shall vest based on performance at target levels.

HP Severance Policy for Senior Executives

Under the HP Severance Policy for Senior Executives adopted by the Board in July 2003 (the “HP Severance Policy”), HP will seek stockholder approval for future severance agreements, if any, with certain senior executives that provide specified benefits in an amount exceeding 2.99 times the sum of the executive’s current annual base salary plus annual target cash bonus, in each case as in effect immediately prior to the time of such executive’s termination. Individuals subject to this policy consist of the Section 16 officers designated by the Board. In implementing this policy, the Board may elect to seek stockholder approval after the material terms of the relevant severance agreement are agreed upon.

For purposes of determining the amounts subject to the HP Severance Policy, benefits subject to the limit generally include cash separation payments that directly relate to extraordinary benefits that are not available to groups of employees other than the Section 16 officers upon termination of employment. Benefits that have been earned or accrued, as well as prorated bonuses, accelerated stock or option vesting, and other benefits that are consistent with our practices applicable to employees other than the Section 16 officers, are not counted against the limit. Specifically, benefits subject to the HP Severance Policy include: (a) separation payments based on a multiplier of salary plus target bonus, or cash amounts payable for the uncompleted portion of employment agreements; (b) the value of any service period credited to a Section 16 officer in excess of the period of service actually provided by such Section 16 officer for purposes of any employee benefit plan; (c) the value of benefits and perquisites that are inconsistent with our practices applicable to one or more groups of employees in addition to, or other than, the Section 16 officers (“Company Practices”); and (d) the value of any accelerated vesting of any stock options, stock appreciation rights, restricted stock, RSUs, or long-term cash incentives that is inconsistent with Company Practices. The following benefits are not subject to the HP Severance Policy, either because they have been previously earned or accrued by the employee or because they are consistent with Company Practices: (i) compensation and benefits earned, accrued, deferred or otherwise provided for employment services rendered on or prior to the date of termination of employment pursuant to bonus, retirement, deferred compensation, or other benefit plans (e.g., 401(k) Plan distributions, payments pursuant to retirement plans, distributions under deferred compensation plans or payments for accrued benefits such as unused vacation days), and any amounts earned with respect to such compensation and benefits in accordance with the terms of the applicable plan; (ii) payments of prorated portions of bonuses or prorated long-term incentive payments that are consistent with Company Practices; (iii) acceleration of the vesting of stock options, stock appreciation rights, restricted stock, RSUs or long-term cash incentives that is consistent with Company Practices; (iv) payments or benefits required to be provided by law; and (v) benefits and perquisites provided in accordance with the terms of any benefit plan, program, or arrangement sponsored by HP or its affiliates that are consistent with Company Practices.

For purposes of the HP Severance Policy, future severance agreements include any severance agreements or employment agreements containing severance provisions that we may enter into after the adoption of the HP Severance Policy by the Board, as well as agreements renewing, modifying, or extending such agreements. Future severance agreements do not include retirement plans,

deferred compensation plans, early retirement plans, workforce restructuring plans, retention plans in connection with extraordinary transactions, or similar plans or agreements entered into in connection with any of the foregoing, provided that such plans or agreements are applicable to one or more groups of employees in addition to the Section 16 officers.

HP Retirement Arrangements

Upon retirement immediately after October 31, 2018 with a minimum age of 55 and years of combined age and service equal to or greater than 70, HP employees in the United States receive full vesting of time-based options granted under our stock plans with a post-termination exercise period of up to three years or the original expiration date, whichever comes first, as well as full vesting of RSUs. PCSOs will receive prorated vesting if the stock price appreciation conditions are met and may vest on a prorated basis post-termination to the end of the performance period, subject to stock price appreciation conditions and certain post-employment restrictions. Any unvested Launch Grants (RSUs or PCSOs) will be forfeited upon voluntary retirement. Awards under the PARSU program, if any, are paid on a prorated basis to participants at the end of the performance period based on actual results, and bonuses, if any, under the annual PFR incentive plan may be paid in prorated amounts at the discretion of management based on actual results. In accordance with Section 409A of the Code, certain amounts payable upon retirement (or other termination) of the NEOs and other key employees will not be paid out for at least six months following termination of employment.

We sponsor two retiree medical programs in the United States, one of which provides subsidized coverage for eligible participants based on years of service. Eligibility for this program requires that participants have been continuously employed by HP since January 1, 2003 and have met other age and service requirements. None of the NEOs are eligible for this program.

The other U.S. retiree medical program we sponsor provides eligible retirees with access to coverage at group rates only, with no direct subsidy provided by HP. As of the end of fiscal 2018, Ms. Lesjak is eligible to retire under this program. All the other NEOs could be eligible for this program if they retire from HP on or after age 55 with at least ten years of qualifying service or if they retire at any age with combined age plus service equal to 80 or more years. In addition, beginning at age 45, eligible U.S. employees may participate in the HP Retirement Medical Savings Account Plan (the “RMSA”), under which certain participants are eligible to receive HP matching credits of up to \$1,200 per year, up to a lifetime maximum of \$12,000, which can be used to cover the cost of such retiree medical coverage (or other qualifying medical expenses) if the employee meets the eligibility requirements for HP retiree medical benefits. Ms. Lesjak is the only NEO eligible for the HP matching credits under the RMSA.

Equity Compensation Plan Information

The following table summarizes our equity compensation plan information as of October 31, 2018.

Plan Category	Common shares to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾ (a)	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾ (b)	Common shares available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by HP stockholders	37,309,092 ⁽³⁾	\$13.7919	305,766,637 ⁽⁴⁾⁽⁵⁾
Equity compensation plans not approved by HP stockholders	—	—	—
Total	37,309,092	\$13.7919	305,766,637

⁽¹⁾ This column does not reflect awards of options and RSUs assumed in acquisitions where the plans governing the awards were not available for future awards as of October 31, 2018. As of October 31, 2018, there were no individual awards of options and RSUs outstanding pursuant to awards assumed in connection with acquisitions and granted under such plans.

⁽²⁾ This column does not reflect the exercise price of shares underlying the assumed options referred to in footnote (1) to this table or the purchase price of shares to be purchased pursuant to the ESPP or the legacy HP Employee Stock Purchase Plan (the "Legacy ESPP"). In addition, the weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding awards of RSUs and PARSUs, which have no exercise price.

⁽³⁾ Includes awards of options and RSUs outstanding under the ESPP, the 2004 Plan and the HP 2000 Stock Plan. Also includes awards of PARSUs representing 3,911,062 shares that may be issued under the 2004 Plan. Each PARSU award reflects a target number of shares that may be issued to the award recipient. HP determines the actual number of shares the recipient receives at the end of a three-year performance period based on results achieved compared with Company performance goals and stockholder return relative to the market. The actual number of shares that a grant recipient receives at the end of the period may range from 0% to 200% of the target number of shares.

⁽⁴⁾ Includes (i) 223,582,280 shares available for future issuance under the 2004 Plan; (ii) 78,092,366 shares available for future issuance under the ESPP; (iii) 2,725,611 shares available for future issuances under the Legacy ESPP, a plan under which employee stock purchases are no longer made; and (iv) 1,366,380 shares are reserved for issuance under our Service Anniversary Stock Plan, a plan under which awards are no longer granted. Taking into account these adjustments, 305,766,637 shares were available for future grants as of October 31, 2018.

⁽⁵⁾ In January 2018, the Board approved an amendment and restatement of HP's 2004 Stock Incentive Plan, which included a retirement of 80 million shares from the plan's share reserves.

CEO Pay Ratio Disclosure

In accordance with SEC rules we are reporting our CEO pay ratio for the first time. As set forth in the Summary Compensation Table, our CEO's annual total compensation for fiscal 2018 was \$19,215,534. Our median employee's annual total compensation was \$79,719, resulting in a CEO pay ratio of 241:1.

In calculating the CEO pay ratio, the SEC rules allow companies to adopt a variety of methodologies, apply certain exclusions, and make reasonable estimates and assumptions reflecting their unique employee populations. Therefore, our reported CEO pay ratio may not be comparable to CEO pay ratios reported by other companies due to differences in industries and geographical dispersion, as well as the different estimates, assumptions, and methodologies applied by other companies in calculating their CEO pay ratios.

Our CEO pay ratio is based on the following methodology:

- We identified our employee population as of August 1, 2018, including employees who joined HP as part of the acquisition of Samsung Print on November 1, 2018 and excluding ~895 employees on furlough or Leave of Absence, consistent with SEC rules.
- We utilized annual base salary as the consistently applied compensation measure as of August 1, 2018 to identify the median employee.
- We annualized base salary for permanent employees who were employed for less than the full fiscal year.
- We calculated the median employee's annual total compensation for fiscal 2018 using the same methodology that was used for our named executive officers, as set forth in the Summary Compensation Table.

Ownership of our Stock

Common Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of December 31, 2018 (or as of the date otherwise indicated below) concerning beneficial ownership by:

- holders of more than 5% of HP's outstanding shares of common stock;
- our Directors and nominees;
- each of the named executive officers listed in the Summary Compensation Table on page 51; and
- all of our Directors and executive officers as a group.

The information provided in the table is based on our records, information filed with the SEC and information provided to HP, except where otherwise noted.

The number of shares beneficially owned by each entity or individual is determined under SEC rules, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the entity or individual has sole or shared voting or investment power and also any shares that the entity or individual has the right to acquire as of March 1, 2019 (60 days after December 31, 2018) through the exercise of any stock options, through the vesting/settlement of RSUs payable in shares, or upon the exercise of other rights. Beneficial ownership excludes options or other rights vesting after March 1, 2019 and any RSUs vesting/settling, as applicable, on or before March 1, 2019 that may be payable in cash or shares at HP's election. Unless otherwise indicated, each person has sole voting and investment power (or shares such power with his or her spouse) with respect to the shares set forth in the following table.

Beneficial Ownership Table

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Outstanding
Dodge & Cox⁽¹⁾	80,636,601	5.2%
Black Rock, Inc.⁽²⁾	107,109,970	6.9%
The Vanguard Group⁽³⁾	129,764,707	8.35%
Aida M. Alvarez	39,244	*
Shumeet Banerji	48,609	*
Robert R. Bennett	60,216	*
Charles "Chip" V. Bergh⁽⁴⁾	111,452	*
Stacy Brown-Philpot	42,021	*
Stephanie A. Burns	51,937	*
Mary Anne Citrino⁽⁵⁾	163,802	*
Yoky Matsuoka	0	*
Stacey Mobley	43,810	*
Subra Suresh	25,236	*
Dion J. Weisler⁽⁶⁾	2,004,322	*
Claire Bramley⁽⁷⁾	30,282	*
Alex Cho⁽⁸⁾	58,378	*
Ron V. Coughlin	132,366	*
Steven J. Fieler	200,048	*
Tracy S. Keogh⁽⁹⁾	612,683	*
Catherine A. Lesjak⁽¹⁰⁾	744,067	*
Enrique J. Lores⁽¹¹⁾	410,045	*
Kim M. Rivera	125,899	*
All current EO and Directors as a Group (17 persons)⁽¹²⁾	4,362,007	*

* Represents holdings of less than 1% based on shares of our common stock outstanding as of December 31, 2018.

⁽¹⁾ Based on the most recently available Schedule 13G/A filed with the SEC on February 14, 2019 by Dodge & Cox. According to its Schedule 13G/A, Dodge & Cox reported having sole voting power over 76,665,056 shares, shared voting power over no shares, sole dispositive power over 80,636,601 shares and shared dispositive power over no shares. The securities reported on the Schedule 13G/A are beneficially owned by clients of Dodge & Cox, which clients may include investment companies registered under the Investment Company Act of 1940 and other managed accounts, and which clients have the right to receive or the

power to direct the receipt of dividends from, and the proceeds from the sale of, HP's stock. The Schedule 13G/A contained information as of December 31, 2018 and may not reflect current holdings of HP's stock. The address of Dodge & Cox is 555 California Street, 40th Floor, San Francisco, CA 94104.

- ⁽²⁾ Based on the most recently available Schedule 13G/A filed with the SEC on February 4, 2019 by BlackRock, Inc. According to its Schedule 13G/A, BlackRock, Inc. reported having sole voting power over 90,480,780 shares, shared voting power over no shares, sole dispositive power over 107,109,970 shares and shared dispositive power over no shares. The Schedule 13G/A contained information as of December 31, 2018 and may not reflect current holdings of HP's stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- ⁽³⁾ Based on the most recently available Schedule 13G/A filed by the Vanguard Group on February 12, 2019. According to its Schedule 13G/A, the Vanguard Group reported having sole voting power over 1,866,229 shares, shared voting power over 369,753 shares, sole dispositive power over 127,585,308 shares, and shared dispositive power over 2,179,399 shares. The Schedule 13G/A contained information as of December 31, 2018 and may not reflect current holdings of HP's stock. The address for the Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.
- ⁽⁴⁾ Includes 107,218 shares that Mr. Bergh has the right to acquire by exercise of stock options.
- ⁽⁵⁾ Includes 133,515 shares that Ms. Citrino has the right to acquire by exercise of stock options.
- ⁽⁶⁾ Includes 894,739 shares that Mr. Weisler has the right to acquire by exercise of stock options.
- ⁽⁷⁾ Includes 14,463 shares that Ms. Bramley has the right to acquire by exercise of stock options.
- ⁽⁸⁾ Includes 58,378 shares that Mr. Cho has the right to acquire by exercise of stock options.
- ⁽⁹⁾ Includes 318,560 shares that Ms. Keogh has the right to acquire by exercise of stock options.
- ⁽¹⁰⁾ Includes 306 shares held by Ms. Lesjak's spouse and 479,220 shares that Ms. Lesjak has the right to acquire by exercise of stock options.
- ⁽¹¹⁾ Includes 156,976 shares that Mr. Lores has the right to acquire by exercise of stock options.
- ⁽¹²⁾ Includes 2,163,069 shares that current executive officers and Directors have the right to acquire by exercise of stock options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our Directors, executive officers and holders of more than 10% of HP's stock to file reports with the SEC regarding their ownership and changes in ownership of our securities. Based solely upon our examination of the copies of Forms 3, 4, and 5, and amendments thereto furnished to us and the written representations of our Directors, executive officers and 10% stockholders, we believe that during fiscal 2018, all of our Directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

Stockholder Proposals

Stockholder Proposal



Independent Board Chairman

The Board recommends a vote AGAINST this proposal

This stockholder proposal has been submitted by John Chevedden, 2215 Nelson Avenue, No. 205 Redondo Beach, CA 90278 (the beneficial owner of 200 shares of HP Common Stock). The proponent has requested we include the proposal and supporting statement in this proxy statement, and, if properly presented, the proposal will be voted on at the annual meeting.

This proposal and supporting statement are quoted verbatim below and HP is not responsible for any inaccuracies contained in them.

The HP Board recommends a vote AGAINST this proposal and its opposition statement can be found below.

Proposal 4 – Independent Board Chairman

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next Chief Executive Officer transition, implemented so it does not violate any existing agreement.

If the Board determines that a Chairman who was independent when selected is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. This proposal requests that all the necessary steps be taken to accomplish the above.

Supporting Statement: The current HP Inc. guidelines allow management to flip flop between an independent chairman and a non-independent chairman.

Caterpillar is an example of a company changing course and naming an independent board chairman. Caterpillar had opposed a shareholder proposal for an independent board chairman at its annual meeting. Wells Fargo also changed course and named an independent board chairman.

In the year leading up to the submittal of this proposal our stock went from \$21 to \$24. This mild incline may have even been due almost completely to a June 2018 announcement of additional share repurchase authorization of up to \$4 Billion which is supposed to increase the price of the stock.

However stock buybacks are a sign of short-termism for executives – sometimes boosting share price without boosting the underlying value, profitability, or ingenuity of the firm. A related issue is that

buybacks draw money away from investment. A dollar spent repurchasing a share is a dollar that cannot be spent on new machinery, an acquisition, entry into a new market, or anything else. However the adoption of this proposal will cost HP Inc. virtually nothing – yet it can improve board oversight of company performance.

Shareholders also gave 51% support to a 2018 shareholder proposal for a shareholder right to act by written consent. The 51% vote was an example of shareholders taking the initiative in improving the corporate governance of the company while management took a step backwards and abolished in-person annual meetings. Now our directors can be on the golf course during the annual meeting as long as they turn on their phones for a few minutes.

Investor relations can take control of the annual meeting. Investor relations can screen out the difficult questions and can spoon-feed vague answers to our CEO to any questions that are not screened out. There is no way a shareholder can ask for clarification of a vague or misleading answer on an important issue such as the \$4 Billion share buyback program.

The lack of an in-person annual meeting means that a board meeting can be scheduled months after the virtual meeting – by which time any serious issues raised by shareholders under these onerous conditions will be long forgotten by the directors. Plus a virtual meeting guarantees that there will be no media coverage for the benefit of all shareholders.

Please vote to give us a shareholder right to an independent board chairman to help make up for our management abolishing in-person annual meetings:

Please vote yes:

Independent Board Chairman - Proposal 4

Statement in Opposition

The Board has considered the stockholder proposal and, for the reasons described below, believes that the proposal is unnecessary and not in the best interests of the Company and its stockholders. The Board therefore recommends a vote **AGAINST** this proposal.

HP currently has an independent Chairman of the Board. The Board's existing leadership and board structures enable strong independent oversight.

Our Board is currently led by an independent Chairman and our board leadership structure and practices promote effective and independent Board oversight.

Chairman Role

- ✓ Overseeing the planning of the annual Board calendar
- ✓ In consultation with the CEO and the other Directors, scheduling, approving and setting the agenda for meetings of the Board and chairing and leading the discussion at such meetings
- ✓ Chairing HP's annual meeting of stockholders
- ✓ Being available in appropriate circumstances to speak on behalf of the Board and for consultation and direct communication with major stockholders upon request
- ✓ Providing guidance and oversight to management
- ✓ Helping with the formulation and implementation of HP's strategic plan
- ✓ Serving as the Board liaison to management

While our Board's preferred governance structure is to separate the roles of Chairman and CEO, the Board believes that it should ultimately have the flexibility to tailor its leadership structure to HP's evolving circumstances, and not be limited by this proposal's rigid approach.

Our Directors have a fiduciary duty to regularly evaluate and determine the most appropriate Board leadership structure for HP and our stockholders in light of HP's specific and evolving circumstances. HP's Corporate Governance Guidelines state that HP prefers a leadership structure which separates the Chairman and CEO roles, while also preserving the Board's flexibility to determine the optimal leadership structure for HP, including, when and if appropriate, combining the positions of Chairman and CEO. For example, Mr. Bergh was appointed in 2017 to the position of independent Chairman when Meg Whitman, who served as our CEO from 2011-2015 and as our Chairman from 2015-2017, departed from the Board. As a non-independent Chairman with historical knowledge as well as wide-ranging business experience, Ms. Whitman's appointment was key to HP's immediate transition after its spin-off of Hewlett Packard Enterprise Company in 2015. Following the critical transition period, the company entered a new phase and the Board determined that Mr. Bergh's deep experience in a variety of consumer goods businesses and his independent acumen would provide vital contributions to HP's Board leadership in this changed landscape.

Since July 2017, our Board has been led by Mr. Charles ("Chip") V. Bergh—an independent Chairman who is well-versed in the needs of our complex business, has provided strong leadership to our Board and advice to management, promotes the involvement of all our independent directors in decision-making and has significant authority as described below. Our Board believes that our current structure best serves the present needs of HP and our stockholders by providing a strong governance process, empowerment for our independent Directors and enhancement of the overall function of the Board.

We have established a robust, well-defined and transparent mandate for the role of our independent Chairman. Specifically, our independent Chairman has a broad set of powers and responsibilities as outlined below.

- ✓ Having the authority to call meetings of the independent Directors and schedules, setting the agenda for, and presiding at executive sessions of the independent Directors
- ✓ Approving information sent to the Board
- ✓ Assisting the Chairs of the Board committees in preparing agendas for the respective committee meetings
- ✓ Working with the HRC Committee to coordinate the annual performance evaluation of the CEO
- ✓ Working with the NGSR Committee to oversee the Board and committee evaluations and recommending changes to improve the Board, the committees, and individual Director effectiveness
- ✓ Performing such other functions and responsibilities as set forth in the Corporate Governance Guidelines or as requested by the Board from time to time

The adoption of a policy *requiring* that the Chairman of the Board always be an independent Director would limit the Board's ability to choose the person best suited for the role at a particular time and deprive the Board of the ability to act in the best interests of the Company and all stockholders as circumstances warrant. Importantly, our Board continuously evaluates its leadership structure and has taken advantage of the flexibility afforded to it by the Corporate Governance Guidelines over the years in light of HP's specific circumstances during various periods in our history as described above. Unlike the proposed inflexible mandate of the stockholder proposal, the existing preference set forth in the Corporate Governance Guidelines does not limit the Board's discretion to act in the best interests of HP and our stockholders by selecting the best possible board leadership structure based on the relevant facts, circumstances and criteria as they exist at the time. The Board believes that this flexibility benefits HP and our stockholders because the Board is in the best position to determine our leadership structure given its knowledge of HP's leadership team, strategic goals, opportunities and challenges.

Importantly, regardless of what leadership structure the Board may determine to adopt in the future, our Corporate Governance Guidelines provide for appointment of a Lead Independent Director in situations where the Chairman of the Board is not independent. As such, the Board prioritizes independent Board oversight at all times and believes that eliminating flexibility in the structure of Board leadership as facts and circumstances change and evolve, as the proponent requests, is unnecessarily rigid and could adversely impact the Company's ability to respond to new challenges.

HP's corporate governance policies and practices further promote effective, independent Board oversight.

In addition to having an independent Chairman of the Board, HP's Board has adopted policies and practices that provide our stockholders with meaningful rights and further promote Board independence and effective oversight of management.

As mentioned above, if our Chairman is not independent in the future, the independent Directors of the Board will appoint a Lead Independent Director who will have well-defined powers and duties. We have appointed a Lead Independent Director in such circumstances in the recent past, and the Lead Independent Director was a vital and robust part of our Board leadership. If in the future the independent Directors of the Board were to appoint a Lead Independent Director, the Board would define the Lead Independent Director's powers and duties with thought and consideration to the particular circumstances, taking into account the experience and skill sets of the Chairman and such Lead Independent Director to promote Board independence and effective oversight of management.

Our current Chairman and all members of our key Board committees are independent. We also ensure that our committees themselves have robust governance practices, and our key Board committees are integral features of our commitment to independent Board leadership. With respect to overall independence of the Board, our Corporate Governance Guidelines require that a substantial majority of the Board consist of independent Directors and that the Board include no more than three Directors who are not independent. Our Board meets regularly in executive session and the independent Directors meet in executive session without the presence of management at least three times a year.

To ensure our Board remains robust and engaged, we have ongoing Board refreshment reviews and an annual self-evaluation process to determine whether the Board and its committees are functioning effectively. Our NGSR Committee also annually evaluates each individual Director and recommends to the Board whether each Director should be nominated for election to a further one-year term. When nominated, our Directors are elected annually, with a majority voting standard for uncontested elections and a Director resignation policy.

Board Recommendation

HP's current, flexible board leadership structure is consistent with the policies of a majority of large, publicly traded U.S. companies, and the Board will continue to periodically evaluate the effectiveness of its leadership structure and make any appropriate future decisions based upon the best interest of HP and its stockholders at that time. It is important that our Board can continue to be able to assess all relevant facts and circumstances, in fulfillment of its fiduciary duty, to determine the leadership structure that is best suited to meet the needs of HP in the particular context.

Vote Required

Approval of this stockholder proposal requires the affirmative vote of a majority of the shares of HP common stock present in person or represented by proxy and entitled to vote on the proposal at the annual meeting.

We have demonstrated a strong commitment to diversity of background and experience among our Directors. Our Board has been significantly refreshed in recent years, with 80% of our Directors including the current independent Chairman, having joined the Board from 2015 onwards. Non-employee Directors are expected to own Company stock equal to at least five times their annual cash Board retainer within five years of joining the Board.

Stockholders have meaningful proxy access and special meeting rights which have been strengthened in the past year with the lowering of our special meeting threshold to 15%. We have no supermajority voting provisions. We believe that each stockholder's voice and vote matter and we ensure equality of access by utilizing a virtual meeting format, allowing each and every one of our stockholders to join regardless of location or economic position.

HP and our Board continually engage with stockholders regarding our corporate governance.

As discussed under "Corporate Governance – Stockholder Outreach," our Board engages regularly with our stockholders, both directly and indirectly, such as through our Director video interview series. Our Board also seeks feedback from stockholders about our corporate governance policies and practices by conducting additional stockholder outreach and engagement throughout the year.

In fiscal 2018, we spoke with or received responses from stockholders that hold more than 43% of our outstanding shares as well as with leading proxy advisory firms. Our Board carefully considers stockholder feedback and makes changes to our corporate governance policies and practices as appropriate. For example, as this proposal mentions, in response to the 2018 stockholder support for a stockholder right to act by written consent, after engaging with stockholders representing over 50% of our outstanding shares at the time, stockholders representing over 38% of our outstanding shares at the time supported our proposal to lower our special meeting threshold in response to last year's stockholder vote and preferred that approach to adopting a written consent right. As a result, the Board lowered our special meeting threshold to 15%, providing a robust enhancement to the rights of our stockholders. For more information on our stockholder engagement, please visit: <https://investor.hp.com>.

For the aforementioned reasons, the Board believes that adoption of this proposal is unnecessary and would not be in the best interests of HP or our stockholders. Accordingly, the Board recommends that you vote AGAINST this proposal.

Other Matters

Questions and Answers

Proxy Materials

1. Why am I receiving these materials?

We have made these materials available to you or delivered paper copies to you by mail in connection with our annual meeting of stockholders, which will take place online on Tuesday, April 23, 2019. As a stockholder, you are invited to participate in the annual meeting via live audio webcast and vote on the business items described in this proxy statement. This proxy statement includes information that we are required to provide to you under the SEC rules and that is designed to assist you in voting your shares. See Questions 17 and 18 below for information regarding how you can vote your shares at the annual meeting or by proxy (without attending the annual meeting).

2. What is included in the proxy materials?

The proxy materials include:

- our proxy statement for the 2019 annual meeting of stockholders; and
- our 2018 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended October 31, 2018.

If you received a paper copy of these materials by mail, the proxy materials also include a proxy card or a voting instruction card for the annual meeting. If you received a notice of the Internet availability of the proxy materials instead of a paper copy of the proxy materials, see Questions 17 and 18 below for information regarding how you can vote your shares.

3. What information is contained in this proxy statement?

The information in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, the Board and Board committees, the compensation of our Directors and certain executive officers for fiscal 2018 and other required information.

4. Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the full set of proxy materials?

This year, we are again using the SEC rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing to many of our stockholders a notice of the Internet availability of the proxy materials instead of a paper copy of the proxy materials. All stockholders receiving the notice will have the ability to access the proxy materials over the Internet and request to receive a paper copy of the proxy materials by mail. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the notice of the Internet availability of the proxy materials. In addition, the notice contains instructions on how you may request access to proxy materials in printed form by mail or electronically on an ongoing basis.

5. Why didn't I receive a notice in the mail about the Internet availability of the proxy materials?

We are providing some of our stockholders, including stockholders who have previously requested to receive paper copies of the proxy materials and some of our stockholders who are living outside of the United States, with paper copies of the proxy materials instead of a notice of the Internet availability of the proxy materials.

In addition, we are providing proxy materials or notice of the Internet availability of the proxy materials by e-mail to those stockholders who have previously elected delivery of the proxy materials or notice electronically. Those stockholders should receive an e-mail containing a link to the website where those materials are available and a link to the proxy voting website.

6. How can I access the proxy materials over the Internet?

Your notice of the Internet availability of the proxy materials, proxy card, or voting instruction card will contain instructions on how to:

- view our proxy materials for the annual meeting on the Internet; and
- instruct us to send our future proxy materials to you electronically by e-mail.
- Our proxy materials are available at www.proxyvote.com/HP. Please have your 16-digit control number available to access them.

Our proxy materials are also publicly available on our dedicated annual meeting website at www.hpannualmeeting.com.

Your notice of the Internet availability of the proxy materials, proxy card, or voting instruction card will contain instructions on how you may request access to proxy materials electronically on an ongoing basis. Choosing to access your future proxy materials electronically will help us conserve natural resources and reduce the costs of distributing our proxy materials. If you choose to access future proxy materials electronically, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to access proxy materials by e-mail will remain in effect until you terminate it.

7. How may I obtain a paper copy of the proxy materials?

Stockholders receiving a notice of the Internet availability of the proxy materials will find instructions about how to obtain a paper copy of the proxy materials on their notice. Stockholders receiving notice of the Internet availability of the proxy materials by e-mail will find instructions about how to obtain a paper copy of the proxy materials as part of that e-mail. All stockholders who do not receive a notice or an e-mail will receive a paper copy of the proxy materials by mail.

8. I share an address with another stockholder, and we received only one paper copy of the proxy materials or notice of the Internet availability of the proxy materials. How may I obtain an additional copy?

If you share an address with another stockholder, you may receive only one paper copy of the proxy materials or notice of the Internet availability of the proxy materials, as applicable, unless you have provided contrary instructions. If you are a beneficial owner and wish to receive a separate set of proxy materials or notice of the Internet availability of the proxy materials now, please request the additional copy by contacting your individual broker. If you wish to receive a separate set of the proxy materials or notice of the Internet availability of the proxy materials now, please request the additional copy by contacting Broadridge Financial Solutions, Inc. (“Broadridge”) at:

By Internet: www.proxyvote.com/HP
 By telephone: 1-800-579-1639
 By e-mail: sendmaterial@proxyvote.com

If you request a separate set of the proxy materials or notice of Internet availability of the proxy materials by e-mail, please be sure to include your control number in the subject line. A separate set of proxy materials or notice of the Internet availability of the proxy materials, as applicable, will be sent promptly following receipt of your request.

If you are a stockholder of record and wish to receive a separate set of proxy materials or notice of the Internet availability of the proxy materials, as applicable, in the future, please contact our transfer agent. See Question 22 below.

If you are the beneficial owner of shares held through a broker, trustee, or other nominee and you wish to receive a separate set of proxy materials or notice of the Internet availability of the proxy materials, as applicable, in the future, please call Broadridge at:

1-866-540-7095

All stockholders also may write to HP at the address below to request a separate set of proxy materials or notice of the Internet availability of the proxy materials, as applicable:

HP Inc. Materials Request
 c/o Kris Valukis – West Corp
 11 Farnsworth Street, 4th Floor
 Boston, MA 02210

9. I share an address with another stockholder, and we received more than one paper copy of the proxy materials or notice of the Internet availability of the proxy materials. How do we obtain a single copy in the future?

Stockholders of record sharing an address who are receiving multiple copies of the proxy materials or notice of the Internet availability of the proxy materials, as applicable, and who wish to receive a single copy of such materials in the future may contact our transfer agent. See Question 22 below.

Beneficial owners of shares held through a broker, trustee, or other nominee sharing an address who are receiving multiple copies of the proxy materials or notice of the Internet availability of the proxy materials, as applicable, and who wish to receive a single copy of such materials in the future may contact Broadridge at:

1-866-540-7095

10. What should I do if I receive more than one notice or e-mail about the Internet availability of the proxy materials or more than one paper copy of the proxy materials?

You may receive more than one notice, more than one e-mail, or more than one paper copy of the proxy materials, including multiple paper copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate notice, a separate e-mail, or a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one notice, more than one e-mail or more than one proxy card. To vote all of your shares by proxy, you must complete, sign, date, and return each proxy card and voting instruction card that you receive and vote over the Internet the shares represented by each notice and e-mail that you receive (unless you have requested and received a proxy card or voting instruction card for the shares represented by one or more of those notices or e-mails).

11. How may I obtain a copy of HP’s 2018 Form 10-K and other financial information?

Stockholders may request a free copy of our combined 2018 Annual Report and 2018 Proxy Statement, which includes our 2018 Form 10-K and the financial statements and the financial statement schedules for the last completed fiscal year, from:

HP Inc. Materials Request
 c/o Kris Valukis – West Corp
 11 Farnsworth Street, 4th Floor
 Boston, MA 02210

<https://investor.hp.com/resources/information-request/default.aspx>

Alternatively, stockholders can access the 2018 Annual Report on HP’s Annual Meeting site:

www.hpannualmeeting.com

All of HP’s filings, including the 2018 Form 10-K are also available on HP’s Investor Relations site:

<https://investor.hp.com>

We also will furnish any exhibit to the 2018 Form 10-K if specifically requested.

Voting Information

12. What proposals will be voted at the meeting? How does the Board recommend that I vote and what is the voting requirement for each of the proposals?

Proposals	Board Recommendation	Votes Required	Effect of Abstentions	Effect of Broker Non-Votes
Election of Directors	FOR EACH NOMINEE	Majority of votes cast	None	None
Ratification of Independent Registered Public Accounting Firm	FOR	Majority of the shares present, in person or represented by proxy, and entitled to vote	Same as “AGAINST”	No Broker Non-Votes (Routine Matter)
Advisory Vote to Approve Executive Compensation (“Say on Pay” Vote)	FOR	Majority of the shares present, in person or represented by proxy, and entitled to vote	Same as “AGAINST”	None
Stockholder Proposal: Independent Board Chairman	AGAINST	Majority of the shares present, in person or represented by proxy, and entitled to vote	Same as “AGAINST”	None

We also will consider any other business that properly comes before the annual meeting. See Question 29 below.

13. What are broker non-votes?

If you are the beneficial owner of shares held in the name of a broker, trustee, or other nominee and do not provide that broker, trustee, or other nominee with voting instructions, your shares may constitute “broker non-votes.” Generally, broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Under the rules of the New York Stock Exchange, brokers, trustees, or other nominees may generally vote on routine matters but cannot vote on non-routine matters. Only Proposal No. 2 (ratifying the appointment of the independent registered public accounting firm) is considered a routine matter. The other proposals are not considered routine matters, and without your instructions, your broker cannot vote your shares. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal.

If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you vote by proxy card or voting instruction card and sign the card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board (FOR all of our nominees to the Board, FOR ratification of the appointment of our independent registered public accounting firm, FOR the approval of the compensation of our named executive officers (“say on pay” vote), and AGAINST the stockholder proposal regarding an independent chairman).

For any shares you hold in the HP 401(k) Plan, if your voting instructions are not received by 11:59 p.m., Eastern Time, on April 18, 2019, your shares will be voted in proportion to the way the shares held by the other HP 401(k) Plan participants are voted, except as may be otherwise required by law.

14. Is cumulative voting permitted for the election of Directors?

No, you may not cumulate your votes in the election of Directors. At the 2016 Annual Meeting, our stockholders approved an amendment to the Certificate of Incorporation eliminating cumulative voting. Therefore, cumulative voting is no longer available to our stockholders.

15. What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most of our stockholders hold their shares through a broker, trustee, or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

- **Stockholder of Record**—If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the “stockholder of record.” As the stockholder of record, you have the right to grant your voting proxy directly to HP or to a third party, or to vote your shares during the meeting.
- **Beneficial Owner**—If your shares are held in a brokerage account, by a trustee, or by another nominee (that is, in “street name”), you are considered the “beneficial owner” of those shares. As the beneficial owner of those shares, you have the right to direct your broker, trustee, or nominee how to vote, or to vote your shares during the annual meeting (other than shares held in the HP’s 401(k) Plan (the “HP 401(k) Plan”), which must be voted prior to the annual meeting).

16. Who is entitled to vote and how many shares can I vote?

Each holder of shares of HP common stock issued and outstanding as of the close of business on February 22, 2019, the record date for the annual meeting, is entitled to cast one vote per share on all items being voted upon at the annual meeting. You may vote all shares owned by you as of this time, including (1) shares held directly in your name as the stockholder of record, including shares purchased through our dividend reinvestment program and employee stock purchase plans, and shares held through our Direct Registration Service; and (2) shares held for you as the beneficial owner through a broker, trustee, or other nominee.

On the record date, HP had approximately 1,533,501,819 shares of common stock issued and outstanding.

17. How can I vote my shares during the annual meeting?

This year’s annual meeting will be held entirely online to allow greater participation. Stockholders may participate in the annual meeting by visiting either of the following websites:

www.hpannualmeeting.com or
<https://hp.onlineshareholdermeeting.com>

To participate in the annual meeting, you will need the 16-digit control number included on your notice of Internet availability of the proxy materials, on your proxy card or on the instructions that accompanied your proxy materials.

Shares held in your name as the stockholder of record may be voted electronically during the annual meeting. Shares for which you are the beneficial owner but not the stockholder of record also may be voted electronically during the annual meeting, except that shares held in the HP 401(k) Plan cannot be voted electronically during the annual meeting. If you hold shares in the HP 401(k) Plan, your voting instructions must be received by 11:59 p.m., Eastern Time, on April 18, 2019 for the trustee to vote your shares. However, holders of shares in the HP 401(k) Plan will still be able to view the annual meeting webcast and ask questions during the annual meeting.

Even if you plan to participate in the annual meeting online, we recommend that you also vote by proxy as described below so that your vote will be counted if you later decide not to participate in the annual meeting.

18. How can I vote my shares without participating in the annual meeting?

Whether you hold shares directly as the stockholder of record or through a broker, trustee, or other nominee as the beneficial owner, you may direct how your shares are voted without participating in the annual meeting. There are three ways to vote by proxy:

- **VIA THE INTERNET:** Stockholders who have received a notice of the Internet availability of the proxy materials by mail may submit proxies over the Internet by following the instructions on the notice. Stockholders who have received notice of the Internet availability of the proxy materials by e-mail may submit proxies over the Internet by following the instructions included in the e-mail. Stockholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card.
- **VIA TELEPHONE:** Stockholders of record who live in the United States or Canada may submit proxies by telephone by calling 1-800-690-6903 and following the instructions. Stockholders of record who have received a notice of the Internet availability of the proxy materials by mail must have the control number that appears on their notice available when voting. Stockholders of record who received notice of the Internet availability of the proxy materials by e-mail must have the control number included in the e-mail available when voting. Stockholders of record who have received a proxy card by mail must have the control number that appears on their proxy card available when voting. Most stockholders who are beneficial owners of their shares living in the United States or Canada and who have received a voting instruction card by mail may vote by phone by calling the number specified on the voting instruction card provided by their broker, trustee, or nominee. Those stockholders should check the voting instruction card for telephone voting availability.
- **VIA MAIL:** Stockholders who have received a paper copy of a proxy card or voting instruction card by mail may submit proxies by completing, signing and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope.

19. What is the deadline for voting my shares?

If you hold shares as the stockholder of record, or through HP's 2011 Employee Stock Purchase Plan (the "ESPP"), your vote by proxy must be received before the polls close during the annual meeting.

If you hold shares in the HP 401(k) Plan, your voting instructions must be received by 11:59 p.m., Eastern Time, on April 18, 2019 for the trustee to vote your shares. If you are the beneficial owner of shares held through a broker, trustee, or other nominee, please follow the voting instructions provided by your broker, trustee or nominee.

20. May I change my vote or revoke my proxy?

You may change your vote or revoke your proxy at any time prior to the vote during the annual meeting, except that any change to your voting instructions for shares held in the HP 401(k) Plan must be provided by 11:59 p.m., Eastern Time, on April 18, 2019 as described above.

If you are the stockholder of record, you may change your vote by: (1) granting a new proxy bearing a later date (which automatically revokes the earlier proxy); (2) providing a written notice of revocation to the Corporate Secretary at the address below in Question 33 prior to your shares being voted; or (3) participating in the annual meeting and voting your shares electronically during the annual meeting. Participation in the annual meeting will not cause your previously granted proxy to be revoked unless you specifically make that request. For shares you hold beneficially in the name of a broker, trustee, or other nominee, you may change your vote by submitting new voting instructions to your broker, trustee, or nominee, or by participating in the meeting and electronically voting your shares during the meeting (except that shares held in the HP 401(k) Plan cannot be voted electronically at the annual meeting).

21. Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed, either within HP or to third parties, except: (1) as necessary to meet applicable legal requirements; (2) to allow for the tabulation of votes and certification of the votes; and (3) to facilitate a successful proxy solicitation. Occasionally, stockholders provide on their proxy card written comments, which are then forwarded to management.

22. What if I have questions for our transfer agent?

Please contact our transfer agent, at the phone number or address listed below, with questions concerning stock certificates, dividend checks, transfer of ownership, or other matters pertaining to your stock account.

EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100
1-800-286-5977 (U.S. and Canada)
1-651-450-4064 (International)

A dividend reinvestment and stock purchase program is also available through our transfer agent. For information about this program, please contact our EQ Shareowner Services transfer agent as follows:

EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120-4100
1-800-286-5977 (U.S. and Canada)
1-651-450-4064 (International)

23. How can I attend the annual meeting?

This year's annual meeting will be a completely virtual meeting of stockholders, which will be conducted through an audio webcast. You are entitled to participate in the annual meeting only if you were an HP stockholder or joint holder as of the close of business on February 22, 2019 or if you hold a valid proxy for the annual meeting.

You will be able to attend the annual meeting of stockholders online and submit your questions during the meeting by visiting www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>. You also will be able to vote your shares electronically at the annual meeting (other than shares held through the HP 401(k) Plan, which must be voted prior to the meeting).

To participate in the annual meeting, you will need the 16-digit control number included on your notice of Internet availability of the proxy materials, on your proxy card, or on the instructions that accompanied your proxy materials.

The meeting webcast will begin promptly at 2:00 p.m., Pacific Time. We encourage you to access the meeting prior to the start time. Online access to the meeting will open at 1:30 p.m., Pacific Time, and you should allow ample time to log in to the meeting webcast and test your computer audio system.

24. What is the pre-meeting forum and how can I access it?

The online format for the annual meeting allows us to communicate more effectively with you. Our pre-meeting forum, where you can submit questions in advance of the annual meeting, can be entered by visiting our dedicated annual meeting website www.hpannualmeeting.com or by visiting www.proxyvote.com/HP. The annual meeting website also contains the contents of this proxy statement in a user-friendly format and has complete PDF copies of our proxy statement and annual report available for download.

25. Why a virtual meeting?

We are excited to embrace the latest technology to provide expanded access, improved communication, and cost savings for our stockholders and the Company. Hosting a virtual meeting enables increased stockholder attendance and participation since stockholders can participate from any location around the world.

You will be able to attend the annual meeting of stockholders online and submit your questions during the meeting by visiting www.hpannualmeeting.com or <https://hp.onlineshareholdermeeting.com>. You also will be able to vote your shares electronically at the annual meeting (other than shares held through the HP 401(k) Plan, which must be voted prior to the meeting).

26. What if during the check-in time or during the meeting I have technical difficulties or trouble accessing the virtual meeting website?

We will have technicians ready to assist you with any technical difficulties you may have accessing the virtual meeting. If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call:

1-855-449-0991 (Toll-free)
1-720-378-5962 (Toll line)

27. How many shares must be present or represented to conduct business at the annual meeting?

The quorum requirement for holding the annual meeting and transacting business is that holders of a majority of shares of HP common stock entitled to vote must be present in person or represented by proxy. Both abstentions and broker non-votes described previously in Question 13 above are counted for the purpose of determining the presence of a quorum.

28. What if a quorum is not present at the annual meeting?

If a quorum is not present at the scheduled time of the annual meeting, then either the chairman of the annual meeting or the stockholders by vote of the holders of a majority of the stock present in person or represented by proxy at the annual meeting are authorized by our Bylaws to adjourn the annual meeting until a quorum is present or represented.

29. What happens if additional matters are presented at the annual meeting?

Other than the four items of business described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders, Dion J. Weisler, Steven J. Fieler, and Kim M. Rivera, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any reason any of the nominees named in this proxy statement is not available as a candidate for Director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated by the Board or the Board may choose to reduce the size of the Board or keep a vacancy on the Board.

30. Who will serve as inspector of elections?

The inspector of elections will be a representative from an independent firm, Broadridge.

31. Where can I find the voting results of the annual meeting?

We intend to announce preliminary voting results at the annual meeting and publish final results in a Current Report on Form 8-K to be filed with the SEC within four business days of the annual meeting.

32. Who will bear the cost of soliciting votes for the annual meeting?

HP is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing, and distributing the notices and these proxy materials and soliciting votes. In addition to the mailing of the notices and these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our Directors, officers, and employees, who will not receive any additional compensation for such solicitation activities. We also have hired Innisfree M&A Incorporated ("Innisfree") to assist us in the solicitation of votes described above. We will pay Innisfree a base fee of \$20,000 plus customary costs and expenses for these services. We have agreed to indemnify Innisfree against certain liabilities arising out of or in connection with these services. We also will reimburse brokerage houses and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to stockholders.

33. What is the deadline to propose actions (other than Director nominations) for consideration at next year's annual meeting of stockholders?

You may submit proposals for consideration at future stockholder meetings. For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, the Corporate Secretary must receive the written proposal at our principal executive offices no later than October 29, 2019. Such proposals also must comply with SEC regulations under Rule 14a-8 regarding the inclusion of stockholder proposals in Company-sponsored proxy materials. Proposals should be addressed to:

Corporate Secretary
HP Inc.
1501 Page Mill Road
Palo Alto, California 94304
Fax: 650-275-9138

For a stockholder proposal that is not intended to be included in our proxy statement for next year's annual meeting under Rule 14a-8, the stockholder must provide the information required by our Bylaws and give timely notice to the Corporate Secretary in accordance with our Bylaws, which, in general, require that the notice be received by the Corporate Secretary:

- not earlier than the close of business on December 25, 2019; and
- not later than the close of business on January 24, 2020.

If the date of the stockholder meeting is moved more than 30 days before or 60 days after the anniversary of our annual meeting for the prior year, then notice of a stockholder proposal that is not intended to be included in our proxy statement under Rule 14a-8 must be received no earlier than the close of business 120 days prior to the meeting and not later than the close of business on the later of the following two dates:

- 90 days prior to the meeting; and
- 10 days after public announcement of the meeting date.

Deadlines for the nomination of Director candidates are discussed in Question 35 below.

34. How may I recommend individuals to serve as Directors and what is the deadline for a Director recommendation?

You may recommend Director candidates for consideration by the NGRS Committee. Any such recommendations should include verification of the stockholder status of the person submitting the recommendation and the nominee's name and qualifications for Board membership and should be directed to the Corporate Secretary at the address of our principal executive offices set forth in Question 33 above. See "Proposal No. 1—Election of Directors—Director Nominees and Director Nominees' Experience and Qualifications" for more information regarding our Board membership criteria.

A stockholder may send a recommended Director candidate's name and information to the Board at any time. Generally, such proposed candidates are considered at the first or second Board meeting prior to the issuance of the proxy statement for our annual meeting.

35. How may I nominate individuals to serve as Directors and what are the deadlines for a Director nomination?

Our Bylaws permit stockholders to nominate Directors for consideration at an annual meeting. To nominate a Director for consideration at an annual meeting, a nominating stockholder must provide the information required by our Bylaws and give timely notice of the nomination to the

Corporate Secretary in accordance with our Bylaws, and each nominee must meet the qualifications required by our Bylaws. To nominate a Director for consideration at next year's annual meeting (but not for inclusion in our annual proxy statement), in general the notice must be received by the Corporate Secretary between the close of business on December 25, 2019 and the close of business on January 24, 2020, unless the annual meeting is moved by more than 30 days before or 60 days after the anniversary of the prior year's annual meeting, in which case the deadline will be as described in Question 33 above.

In addition, our Bylaws provide that under certain circumstances, a stockholder or group of stockholders may include Director candidates that they have nominated in our annual meeting proxy statement. These proxy access provisions of our Bylaws provide, among other things, that a stockholder or group of up to 20 stockholders seeking to include Director candidates in our annual meeting proxy statement must own 3% or more of HP's outstanding common stock continuously for at least the previous three years. The number of stockholder-nominated candidates appearing in any annual meeting proxy statement cannot exceed 20% of the number of Directors then serving on the Board. If 20% is not a whole number, the maximum number of stockholder-nominated candidates would be the closest whole number below 20%. Based on the current Board size of 11 Directors, the maximum number of proxy access candidates that we would be required to include in our proxy materials for an annual meeting is two. Nominees submitted under the proxy access procedures that are later withdrawn or are included in the proxy materials as Board-nominated candidates will be counted in determining whether the 20% maximum has been reached. If the number of stockholder-nominated candidates exceeds 20%, each nominating stockholder or group of stockholders may select one nominee for inclusion in our proxy materials until the maximum number is reached. The order of selection would be determined by the amount (largest to smallest) of shares of HP common stock held by each nominating stockholder or group of stockholders. The nominating stockholder or group of stockholders also must deliver the information required by our Bylaws, and each nominee must meet the qualifications required by our Bylaws. Requests to include stockholder-nominated candidates in our proxy materials for next year's annual meeting must be received by the Corporate Secretary:

- not earlier than the close of business on November 25, 2019; and
- not later than the close of business on December 25, 2019.

36. How may I obtain a copy of the provisions of our Bylaws regarding stockholder proposals and Director nominations?

You may contact the Corporate Secretary at our principal executive offices for a copy of the relevant Bylaws provisions regarding the requirements for making stockholder proposals and nominating Director candidates. Our Bylaws also are available on our investor relations website at <https://investor.hp.com>.

37. Who can help answer my questions?

If you have any questions about the annual meeting or how to vote or revoke your proxy, you should contact our proxy solicitor:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, New York 10022
Stockholders: (877) 750-5838 (U.S. and Canada)
(412) 232-3651 (International)
Banks and brokers (call collect):
(212) 750-5833



2018

Financial Report

3



**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

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HP Inc. and Subsidiaries

Form 10-K

For the Fiscal Year ended October 31, 2018

Table of Contents

	Page
Forward-Looking Statements	2
PART I	
<hr/>	
Item 1. Business	2
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	24
Item 2. Properties	25
Item 3. Legal Proceedings	26
Item 4. Mine Safety Disclosures	26
PART II	
<hr/>	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6. Selected Financial Data	27
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	48
Item 8. Financial Statements and Supplementary Data	50
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	120
Item 9A. Controls and Procedures	120
Item 9B. Other Information	120
PART III	
<hr/>	
Item 10. Directors, Executive Officers and Corporate Governance	121
Item 11. Executive Compensation	121
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	121
Item 13. Certain Relationships and Related Transactions, and Director Independence	121
Item 14. Principal Accounting Fees and Services	121
PART IV	
<hr/>	
Item 15. Exhibits and Financial Statement Schedules	122
Item 16. Form 10-K Summary	129

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

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.

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

- *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.

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.

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

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

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.

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.

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).

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.

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 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

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

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

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.

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.

shortening of some product life cycles. Therefore, we believe that backlog information is not material to an understanding of our overall business.

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.

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,

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

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.

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 (CO₂e) 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:

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

<http://www.hp.com/investor/informationrequest>

Additional Information

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Advanced Micro Devices, Inc. Google™ and Google Chrome™ are trademarks of Google LLC. All other trademarks are the property of their respective owners.

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:

Americas Palo Alto, United States	Europe, Middle East, Africa Geneva, Switzerland	Asia Pacific Singapore
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Product Development and Manufacturing

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

<p>Americas United States—Corvallis, San Diego, Boise, Houston, Vancouver, Aguadilla, Puerto Rico</p>	<p>Europe, Middle East, Africa Israel—Kiryat-Gat, Rehovot, Netanya Spain—Barcelona</p>
<p>Asia Pacific China—Chongqing, Shanghai, Weihai India—Pantnagar Malaysia—Penang Singapore—Singapore South Korea—Suwon</p>	<p>Technology office (HP Labs) United Kingdom—Bristol United States—Palo Alto</p>

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.

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

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

Recent Sales of Unregistered Securities

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

Issuer Purchases of Equity Securities

Period	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			
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.....	<u>24,448</u>		<u>24,448</u>	

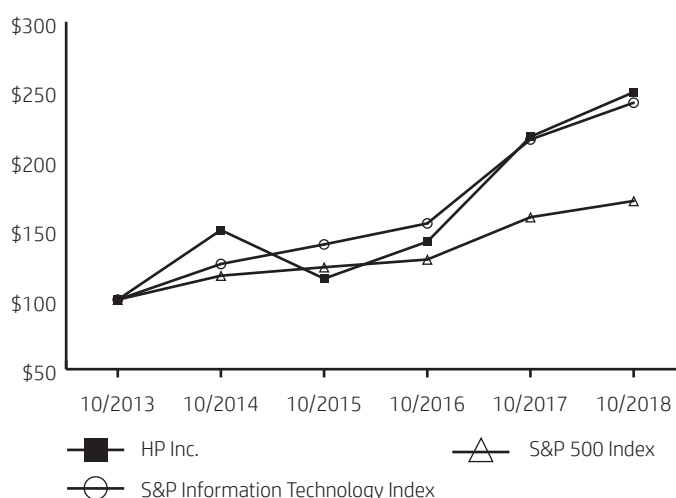
On October 10, 2016, the Board authorized \$3.0 billion for future repurchases of HP's outstanding shares of common stock. On June 19, 2018, HP's Board of Directors authorized an additional \$4.0 billion for future repurchases of its outstanding shares of common stock. This program, which does not have 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.

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

- *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.

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.

HP Inc. and Subsidiaries

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

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.

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.

HP Inc. and Subsidiaries

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

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 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

HP Inc. and Subsidiaries

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

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.

HP Inc. and Subsidiaries

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

In any fiscal year, significant differences may arise between the actual return and the expected long-term return on plan assets. Historically, differences between the actual return and expected long-term return on plan assets have resulted from changes in target or actual asset allocation, short-term performance relative to expected long-term performance, and to a lesser extent, differences between target and actual investment allocations, the timing of benefit payments compared to expectations, and the use of derivatives intended to effect asset allocation changes or hedge certain investment or liability exposures. For the recognition of net periodic benefit cost, the calculation of the expected long-term

return on plan assets uses the fair value of plan assets as of the beginning of the fiscal year unless updated as a result of interim 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

HP Inc. and Subsidiaries

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

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.

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

HP Inc. and Subsidiaries

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

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 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.

HP Inc. and Subsidiaries

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

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.

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.

HP Inc. and Subsidiaries

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

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	<u>\$5,327</u>		<u>\$2,526</u>		<u>\$2,496</u>	

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

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.

HP Inc. and Subsidiaries

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

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

HP Inc. and Subsidiaries

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

tax rates that had the most significant impact on our effective tax rate in the periods presented were Puerto Rico, Singapore, China, Malaysia and Ireland. 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.

HP Inc. and Subsidiaries

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

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%

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	<u>\$37,661</u>	<u>\$33,321</u>	<u>13.0</u>

	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	<u>\$33,321</u>	<u>\$29,946</u>	<u>11.3</u>

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.

HP Inc. and Subsidiaries

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

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 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	<u>\$20,805</u>	<u>\$18,728</u>	<u>11.1</u>

HP Inc. and Subsidiaries

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

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.....	<u>\$18,728</u>	<u>\$18,123</u>	<u>3.3</u>

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 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.

HP Inc. and Subsidiaries

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

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.

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.

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.

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 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.

HP Inc. and Subsidiaries

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

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	<u>\$(1,831)</u>	<u>\$709</u>	<u>\$(11,145)</u>

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	<u>(32)</u>	<u>(30)</u>	<u>(29)</u>

HP Inc. and Subsidiaries

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

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 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.

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%

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.

HP Inc. and Subsidiaries

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

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.

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:

	AS OF OCTOBER 31, 2018
	IN MILLIONS
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⁾	<u>\$10,189</u>	<u>\$2,417</u>	<u>\$3,171</u>	<u>\$1,745</u>	<u>\$2,856</u>

- (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 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.

HP Inc. and Subsidiaries

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

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.

Table of Contents

	Page
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' Equity (Deficit)	59
Notes to Consolidated Financial Statements	61
Note 1: Overview and Summary of Significant Accounting Policies	61
Note 2: Segment Information	68
Note 3: Restructuring and Other Charges	73
Note 4: Retirement and Post-Retirement Benefit Plans	74
Note 5: Stock-Based Compensation	83
Note 6: Taxes on Earnings	88
Note 7: Supplementary Financial Information	94
Note 8: Goodwill and Intangible Assets	98
Note 9: Fair Value	99
Note 10: Financial Instruments	101
Note 11: Borrowings	105
Note 12: Stockholders' Deficit	108
Note 13: Earnings Per Share	110
Note 14: Litigation and Contingencies	111
Note 15: Guarantees, Indemnifications and Warranties	115
Note 16: Commitments	116
Note 17: Discontinued Operations	117
Note 18: Acquisitions and Divestitures	117
Note 19: Subsequent Events	118
Quarterly Summary	119

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	<u>54,408</u>	<u>48,537</u>	<u>44,689</u>
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	<u>\$5,327</u>	<u>\$2,526</u>	<u>\$2,496</u>
Net earnings per share:			
Basic			
Continuing operations	\$3.30	\$1.50	\$1.54
Discontinued operations	—	—	(0.10)
Total basic net earnings per share	<u>\$3.30</u>	<u>\$1.50</u>	<u>\$1.44</u>
Diluted			
Continuing operations	\$3.26	\$1.48	\$1.53
Discontinued operations	—	—	(0.10)
Total diluted net earnings per share	<u>\$3.26</u>	<u>\$1.48</u>	<u>\$1.43</u>
Weighted-average shares used to compute net earnings per share:			
Basic	<u>1,615</u>	<u>1,688</u>	<u>1,730</u>
Diluted	<u>1,634</u>	<u>1,702</u>	<u>1,743</u>

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><u>\$34,622</u></u>	<u><u>\$32,913</u></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><u>\$34,622</u></u>	<u><u>\$32,913</u></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>

FOR THE FISCAL YEARS ENDED OCTOBER 31

2018 2017 2016

IN MILLIONS

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	<u>6,997</u>	<u>6,288</u>	<u>17,433</u>
Cash and cash equivalents at end of period	<u><u>\$5,166</u></u>	<u><u>\$6,997</u></u>	<u><u>\$6,288</u></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				ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL HP STOCKHOLDERS' EQUITY (DEFICIT)	NON- CONTROLLING INTERESTS OF DISCONTINUED OPERATIONS	TOTAL STOCKHOLDERS' EQUITY (DEFICIT)
	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)				
	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

COMMON STOCK

	NUMBER OF SHARES	PAR VALUE	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)
IN MILLIONS, EXCEPT NUMBER OF SHARES IN THOUSANDS								
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	<u>1,560,270</u>	<u>\$16</u>	<u>\$663</u>	<u>\$(473)</u>	<u>\$(845)</u>	<u>\$(639)</u>	<u>\$—</u>	<u>\$(639)</u>

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.

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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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.

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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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.

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.

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.

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

- *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.

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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

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.

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

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	<u>\$34,622</u>	<u>\$32,913</u>

Major Customers

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

Geographic Information

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	<u>\$58,472</u>	<u>\$52,056</u>	<u>\$48,238</u>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information (Continued)

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	<u>\$2,198</u>	<u>\$1,878</u>

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.

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	<u>37,661</u>	<u>33,321</u>	<u>29,946</u>
Supplies	13,575	12,524	11,981
Commercial Hardware	4,674	3,792	3,792
Consumer Hardware	2,556	2,412	2,350
Printing	<u>20,805</u>	<u>18,728</u>	<u>18,123</u>
Corporate Investments	5	8	7
Total segment net revenue	<u>58,471</u>	<u>52,057</u>	<u>48,076</u>
Other	1	(1)	162
Total net revenue	<u>\$58,472</u>	<u>\$52,056</u>	<u>\$48,238</u>

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.....	<u>\$50</u>	<u>\$—</u>	<u>\$5</u>	<u>\$—</u>	<u>\$2</u>	<u>\$2</u>	<u>\$59</u>
Total costs incurred to date as of October 31, 2018	<u>\$253</u>	<u>\$81</u>	<u>\$171</u>	<u>\$27</u>	<u>\$1,075</u>	<u>\$44</u>	<u>\$1,651</u>
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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 3: Restructuring and Other Charges (Continued)

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

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	<u>(207)</u>	<u>(135)</u>	<u>(134)</u>	<u>65</u>	<u>72</u>	<u>56</u>	<u>(42)</u>	<u>(43)</u>	<u>(41)</u>
Curtailment gain	—	—	—	—	—	(1)	—	—	—
Settlement loss	2	3	180	5	2	3	—	—	—
Special termination benefits	—	—	—	—	—	—	—	—	4
Total (credit) benefit cost	<u><u>\$(205)</u></u>	<u><u>\$(132)</u></u>	<u><u>\$46</u></u>	<u><u>\$70</u></u>	<u><u>\$74</u></u>	<u><u>\$58</u></u>	<u><u>\$(42)</u></u>	<u><u>\$(43)</u></u>	<u><u>\$(37)</u></u>

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%

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

Funded Status

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

	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.....	<u>\$10,018</u>	<u>\$10,838</u>	<u>\$850</u>	<u>\$815</u>	<u>\$388</u>	<u>\$351</u>		
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.....	<u>\$11,167</u>	<u>\$12,266</u>	<u>\$1,227</u>	<u>\$1,132</u>	<u>\$397</u>	<u>\$463</u>		
Funded status at end of year.....	<u>\$(1,149)</u>	<u>\$(1,428)</u>	<u>\$(377)</u>	<u>\$(317)</u>	<u>\$(9)</u>	<u>\$(112)</u>		
Accumulated benefit obligation.....	<u>\$11,167</u>	<u>\$12,266</u>	<u>\$1,099</u>	<u>\$1,014</u>				

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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	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:

	AS OF OCTOBER 31					
	2018	2017	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	<u><u>\$(1,149)</u></u>	<u><u>\$(1,428)</u></u>	<u><u>\$(377)</u></u>	<u><u>\$(317)</u></u>	<u><u>\$(9)</u></u>	<u><u>\$(112)</u></u>

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)	<u><u>\$1,285</u></u>	<u><u>\$294</u></u>	<u><u>\$(254)</u></u>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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	\$(31)
Prior service benefit	—	(3)	(13)
Total expected to be recognized in net periodic benefit cost (credit)	<u>\$59</u>	<u>\$29</u>	<u>\$(44)</u>

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

	AS OF OCTOBER 31			
	2018	2017	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	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>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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

Asset Category:	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											
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 Investments 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	—	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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

- (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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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

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.

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

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

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation

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	<u>\$209</u>	<u>\$153</u>	<u>\$119</u>

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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

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.

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	<u>30,784</u>	<u>\$18</u>	<u>31,822</u>	<u>\$14</u>	<u>28,710</u>	<u>\$13</u>

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

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:

	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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 5: Stock-Based Compensation (Continued)

A summary of stock options activity is as follows:

	AS OF OCTOBER 31											
	2018				2017				2016			
	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	SHARES
	IN THOUSANDS	IN YEARS	IN MILLIONS	IN THOUSANDS	IN THOUSANDS	IN YEARS	IN MILLIONS	IN THOUSANDS	IN THOUSANDS	IN YEARS	IN MILLIONS	IN THOUSANDS
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	<u>7,086</u>	\$14	4.2	\$73	<u>18,067</u>	\$13	4.2	\$152	<u>28,218</u>	\$12	5.0	\$73
Vested and expected to vest	<u>7,084</u>	\$14	4.2	\$73	<u>17,692</u>	\$13	4.1	\$149	<u>26,850</u>	\$12	4.9	\$71
Exercisable	<u>4,707</u>	\$14	3.7	\$49	<u>10,898</u>	\$12	3.1	\$102	<u>15,418</u>	\$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	WEIGHTED-AVERAGE	WEIGHTED-AVERAGE	SHARES	WEIGHTED-AVERAGE
	OUTSTANDING	REMAINING	EXERCISE	EXERCISABLE	EXERCISE
	CONTRACTUAL TERM	PRICE		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>

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings

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.

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 Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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

	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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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

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 Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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 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)

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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	<u>\$2,331</u>	<u>\$(1,068)</u>

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	<u>\$29,538</u>	<u>\$8,002</u>	<u>\$(7,318)</u>	

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

	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>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

Property, Plant and Equipment, Net

	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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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:

	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⁾	<u>\$2,600</u>	<u>\$3,368</u>	<u>\$5,968</u>

(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 IN YEARS	AS OF OCTOBER 31, 2018			AS OF OCTOBER 31, 2017		
		GROSS	ACCUMULATED AMORTIZATION	NET	GROSS	ACCUMULATED AMORTIZATION	NET
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		<u>\$713</u>	<u>\$260</u>	<u>\$453</u>	<u>\$183</u>	<u>\$180</u>	<u>\$3</u>

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	<u>453</u>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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.

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>

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

	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								
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.

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

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 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

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.

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

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		NET AMOUNT
				DERIVATIVES	FINANCIAL COLLATERAL	
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.

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	(LOSS) GAIN RECOGNIZED IN INCOME ON DERIVATIVE INSTRUMENTS AND RELATED HEDGED ITEMS								
	LOCATION	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)

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 10: Financial Instruments (Continued)

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	<u>\$341</u>	<u>\$(651)</u>	<u>\$199</u>	Total	<u>\$(258)</u>	<u>\$(199)</u>	<u>\$(63)</u>

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:

	GAIN (LOSS) RECOGNIZED IN INCOME ON DERIVATIVES			
	LOCATION	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		<u>\$26</u>	<u>\$(29)</u>	<u>\$(40)</u>

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>	

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 11: Borrowings (Continued)

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, depository 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 11: Borrowings (Continued)

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:

FISCAL YEAR	IN MILLIONS
2019.....	\$1,463
2020.....	151
2021.....	1,952
2022.....	1,239
2023.....	25
Thereafter.....	1,205
Total.....	<u>\$6,035</u>

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

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.

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)	—	—
	<u>(7)</u>	<u>3</u>	<u>(2)</u>
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
	<u>531</u>	<u>(426)</u>	<u>293</u>
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)
	<u>49</u>	<u>443</u>	<u>(508)</u>
Other comprehensive income (loss), net of taxes	<u>\$573</u>	<u>\$20</u>	<u>\$(217)</u>

(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			
	NET UNREALIZED GAIN ON AVAILABLE-FOR- SALE SECURITIES	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	<u>\$5</u>	<u>\$291</u>	<u>\$(1,141)</u>	<u>\$(845)</u>

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 13: Earnings Per Share

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⁾	<u>—</u>	<u>1</u>	<u>13</u>

(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 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and 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 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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

\$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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

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 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

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 14: Litigation and Contingencies (Continued)

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 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 Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 15: Guarantees, Indemnifications and Warranties (Continued)

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>

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>

Note 16: Commitments

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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 16: Commitments (Continued)

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>

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.....	<u>\$—</u>	<u>\$—</u>	<u>\$(170)</u>

(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.

HP Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

Note 18: Acquisitions and Divestitures (Continued)

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	<u>\$1,051</u>

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.

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	XX
Management’s Report on Internal Control Over Financial Reporting	XX
Consolidated Statements of Earnings	XX
Consolidated Statements of Comprehensive Income	XX
Consolidated Balance Sheets	XX
Consolidated Statements of Cash Flows	XX
Consolidated Statements of Stockholders’ (Deficit) Equity	XX
Notes to Consolidated Financial Statements	XX
Quarterly Summary	XX

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:

INCORPORATED BY REFERENCE

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	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
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

INCORPORATED BY REFERENCE

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	FORM	FILE NO.	EXHIBIT(S)	FILING DATE
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
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

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EXHIBIT NUMBER	EXHIBIT DESCRIPTION	FORM	FILE NO.	EXHIBIT(S)	FILING DATE
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
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
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

INCORPORATED BY REFERENCE

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	FORM	FILE NO.	EXHIBIT(S)	FILING DATE
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

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EXHIBIT NUMBER	EXHIBIT DESCRIPTION	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.

SIGNATURE	TITLE(S)	DATE
/s/ STACY BROWN-PHILPOT Stacy Brown-Philpot	Director	December 13, 2018
/s/ STEPHANIE BURNS Stephanie Burns	Director	December 13, 2018
/s/ MARY ANNE CITRINO Mary Anne Citrino	Director	December 13, 2018
/s/ STACEY MOBLEY Stacey Mobley	Director	December 13, 2018
/s/ SUBRA SURESH Subra Suresh	Director	December 13, 2018

ITEM 16. Form 10-K Summary

None.

FORWARD-LOOKING STATEMENTS

This document 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; 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 described in HP’s Annual Report on Form 10-K for the fiscal year ended October 31, 2018 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.

USE OF NON-GAAP FINANCIAL INFORMATION

HP has included non-GAAP financial measures in this document to supplement HP’s consolidated financial statements presented on a generally accepted accounting principles (“GAAP”) basis. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the press release announcing our fiscal 2018 full year and fourth quarter results. HP’s management uses net revenue on a constant currency basis, non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted net earnings per share, and other non-GAAP financial measures to evaluate and forecast HP’s performance before gains, losses or other charges that are considered by HP’s management to be outside of HP’s core business segment operating results. Free cash flow is a liquidity measure that provide useful information to management about the amount of cash available for investment in HP’s businesses, funding acquisitions, repurchasing stock and other purposes.

These and the other non-GAAP financial measures that HP uses may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HP’s results as reported under GAAP. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies. We compensate for the limitations on our use of these non-GAAP financial measures by relying primarily on our GAAP financial statements and using non-GAAP financial measures only supplementally. We also provide reconciliations of non-GAAP financial measure to the most directly comparable GAAP measure, and we encourage investors to review those reconciliations carefully.

We believe that providing these non-GAAP financial measures in addition to the related GAAP measures provides investors with greater transparency to the information used by HP’s management in its financial and operational decision-making and allows investors to see HP’s results “through the eyes” of management. We further believe that providing this information better enables investors to understand HP’s operating performance and financial condition and to evaluate the efficacy of the methodology and information used by HP’s management to evaluate and measure such performance and financial condition.

HP’s Investor Relations website at <https://investor.hp.com> contains a significant amount of information about HP, including financial and other information for investors. HP encourages investors to visit its website from time to time, as information is updated and new information is posted.

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Environmental impact estimates were made using the Environmental Paper Network Paper Calculator Version 4.0. For more information visit www.papercalculator.org.



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