MANPOWER INC /WI/
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Prospectus Supplement No. 6 Dated May 15, 2002
(to Prospectus dated December 7, 2001)

$435,367,000

Manpower Inc.

Zero Coupon Convertible Debentures Due August 17, 2021 and The Common Stock Issuable Upon Conversion Thereof

Our prospectus dated December 7, 2001, as supplemented through the date hereof, relating to the offer for resale by certain of our securityholders of up to $435,367,000 aggregate principal amount due at maturity of zero coupon convertible debentures due August 17, 2021 of Manpower Inc., and the shares of our common stock issuable upon conversion of the debentures, is hereby supplemented to include the following information in the "Selling Securityholders" section on pages 38-44 of the prospectus.

ADDITIONAL SELLING SECURITYHOLDERS

The following represents additional selling securityholders for the table appearing in the "Selling Securityholders" section of the prospectus.

Name and Address (7)	Principal Amount at Maturity of Debentures Beneficially Owned that May Be Sold	Percentage of Debentures Outstanding	Number of Shares of Common Stock That May Be Sold (1)	Percentage of Common Stock Outstanding (2)
Hamilton Multi-Strategy Master Fund, L.L.C. 415 Madison Avenue, 19th Floor New York, NY 10017	$ 20,000,000	4.6%	279,118	*

SELLING SECURITYHOLDERS

The following represents updated information regarding the selling securityholders listed in the table in the

"Selling Securityholders" section of the prospectus.

Name and Address (7)		Principal Amount at Maturity of Debentures Beneficially Owned that May Be Sold	Percentage of Debentures Outstanding	Number of Shares of Common Stock That May Be Sold (1)	Percentage of Common Stock Outstanding (2)
Alpha U.S. Sub Fund VIII, LLC 130 Cheshire Lane, Suite 102 Minnetonka, MN 55305	$	2,025,000	*	28,260	*
Deephaven Domestic Convertible Trading Ltd. 130 Cheshire Lane, Suite 102 Minnetonka, MN 55305	$	42,075,000	9.7%	587,194	*
Any other holder of notes or future transferee, pledgee, donee or successor of any holder (3)(4)	$	20,750,000	4.8%	289,584	*

*Less than 1%.

s 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.

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ITEM 6. Selected Financial Data.

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

HP INC. AND SUBSIDIARIES

Selected Financial Data

	For the fiscal years ended October 31				
	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	$3.30	$1.50	$1.44	$2.51	$2.66
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	$3.26	$1.48	$1.43	$2.48	$2.62
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	$342	$493	$407	$109	$305
Total charges, net of taxes	$265	$367	$293	$113	$238

(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.

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HP INC. AND SUBSIDIARIES

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

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

- Overview. A discussion of our business and other highlights affecting the company to provide context for the remainder of this MD&A.
- Separation Transaction. A discussion of the separation of Hewlett Packard Enterprise Company, HP Inc.’s former enterprise technology infrastructure, software, services and financing businesses.
- Critical Accounting Policies and Estimates. A discussion of accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.
- Results of Operations. An analysis of our continuing financial results comparing fiscal year 2018 to fiscal year 2017 and fiscal year 2017 to fiscal year 2016. A discussion of the results of continuing operations is followed by a more detailed discussion of the results of operations by segment.
- Liquidity and Capital Resources. An analysis of changes in our cash flows and a discussion of our liquidity and financial condition.
- Contractual and Other Obligations. An overview of contractual obligations, retirement and post-retirement benefit plan contributions, cost-saving plans, uncertain tax positions and off-balance sheet arrangements.

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

HP INC. AND SUBSIDIARIES

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

OVERVIEW

We are a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions, and services. We sell to individual consumers, SMBs and large enterprises, including customers in the government, health, and education sectors. We have three reportable segments: Personal Systems, Printing and Corporate Investments. The Personal Systems segment offers Commercial and Consumer desktop and notebook PCs, workstations, thin clients, Commercial mobility devices, retail POS systems, displays and other related accessories, software, support, and services. The Printing segment provides Consumer and Commercial printer hardware, Supplies, solutions and services, as well as scanning devices. Corporate Investments include HP Labs and certain business incubation projects.

- In Personal Systems, our strategic focus is on profitable growth through hyper market segmentation with respect to enhanced innovation in multi-operating systems, multi-architecture, geography, customer segments and other key attributes. Additionally, we are investing in premium form factors such as convertible notebooks to meet customer preference for mobile, thinner and lighter devices. We have increased our focus on Device as a Service as the market begins to shift to contractual solutions. We believe that we are well positioned due to our competitive product lineup.
- In Printing, our strategic growth focus is on shifting to contractual solutions and Graphics, as well as expanding our footprint in the 3D printing marketplace. Business printing includes delivering solutions to SMBs and enterprise customers, such as multi-function and PageWide printers, including our JetIntelligence lineup of LaserJet printers. The shift to contractual solutions includes an increased focus on Managed Print Services and Instant Ink, which presents strong after-market supplies opportunities. In the Graphics space, we are focused on innovations such as our Indigo and Latex product offerings. We plan to continue to focus on shifting the mix in the installed base to higher value units and expanding our innovative Ink, Laser, Graphics and 3D printing programs. We continue to execute on our key initiatives of focusing on high-value products targeted at high usage categories and introducing new revenue delivery models. Our focus is on placing higher value printer units which offer strong annuity of toner and ink, the design and deployment of A3 products and solutions, accelerating growth in Graphic solutions and 3D printing.

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

- In Personal Systems, we face challenges with industry component availability.
- In Printing, we are seeing signs of stabilization of demand in consumer and commercial markets, but are still experiencing an overall competitive pricing environment. We obtain many components from single sources due to technology, availability, price, quality or other considerations. For instance, we source the majority of our A4 and a portion of our A3 portfolio of laser printer engines and laser toner cartridges from Canon. Any decision by either party to not renew our agreement with Canon or to limit or reduce the scope of the agreement could adversely affect our net revenue from LaserJet products; however, we have a long-standing business relationship with Canon and anticipate renewal of this agreement. We are also seeing increases in commodity costs impacting our bill of materials.

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

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

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

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

HP INC. AND SUBSIDIARIES

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

SEPARATION TRANSACTION

On November 1, 2015, we completed the separation of Hewlett Packard Enterprise, Hewlett-Packard Company’s former enterprise technology infrastructure, software, services and financing businesses and entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between HP and Hewlett Packard Enterprise going forward, including among others a tax matters agreement, an employee matters agreement, a real estate matters agreement and a master commercial agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General

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

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

Revenue Recognition

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

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

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

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

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

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

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

Warranty

We accrue the estimated cost of product warranties at the time we recognize revenue. We evaluate our warranty obligations on a product group basis. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, we base our estimated warranty obligation on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of our baseline experience. Warranty terms generally range from 90 days to three years for parts, labor and onsite services, depending upon the product. Over the last three fiscal years, the annual warranty expense and actual warranty costs have averaged approximately 1.8% and 2.0% of annual net revenue, respectively.

Restructuring and Other Charges

We have engaged in restructuring actions which require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction programs, fair value of assets made redundant or obsolete, and the fair value of lease cancellation and other exit costs. We accrue for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. Other charges include non-recurring costs that are distinct from ongoing operational costs such as information technology costs incurred in connection with the Separation. For a full description of our restructuring actions, refer to our discussions of restructuring in “Results of Operations” below and in Note 3, “Restructuring and Other Charges” to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Retirement and Post-Retirement Benefits

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

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

recognition of net periodic benefit cost, the calculation of the expected long-term return on plan assets uses the fair value of plan assets as of the beginning of the fiscal year unless updated as a result of interim re-measurement.

Our major assumptions vary by plan, and the weighted-average rates used are set forth in Note 4, "Retirement and Post-Retirement Benefit Plans" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The following table provides the impact a change of 25 basis points in each of the weighted-average assumptions of the discount rate, expected increase in compensation levels and expected long-term return on plan assets would have had on our net periodic benefit cost for fiscal year 2018:

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

Taxes on Earnings

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

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

Prior to the enactment of the TCJA, our effective tax rate included the impact of certain undistributed foreign earnings for which we have not provided U.S. federal taxes because we had planned to reinvest such earnings indefinitely outside the United States. We plan distributions of foreign earnings based on projected cash flow needs as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we expect to indefinitely invest outside the United States and the amounts we expect to distribute to the United States and provide the U.S. federal taxes due on amounts expected to be distributed to the United States. Further, as a result of certain employment actions and capital investments we have undertaken, income from manufacturing activities in certain jurisdictions is subject to reduced tax rates and, in some cases, is wholly exempt from taxes for fiscal years through 2027.

Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact how future earnings are repatriated to the United States, and our related future effective tax rate. The effects of the TCJA related to these policies are referenced and discussed in detail in Note 6, “Taxes on Earnings” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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

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

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

We are subject to income taxes in the United States and approximately 60 other countries, and we are subject to routine corporate income tax audits in many of these jurisdictions. We believe that positions taken on our tax returns are fully supported, but tax authorities may challenge these positions, which may not be fully sustained on examination by the relevant tax authorities. Accordingly, our income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our income tax provision, net income and cash flows. Our accrual for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, intercompany transactions, pension and related interest. For a further discussion on taxes on earnings, refer to Note 6, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Inventory

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

Business Combinations

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

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

Goodwill

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

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

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized as an impairment loss.

Our annual goodwill impairment analysis, performed using the qualitative assessment option as of the first day of the fourth quarter of fiscal year 2018, resulted in a conclusion that it was more likely than not that the fair value of our reporting units exceeded their respective carrying values. As a result, we concluded that a quantitative impairment test was not necessary.

Fair Value of Derivative Instruments

We use derivative instruments to manage a variety of risks, including risks related to foreign currency exchange rates and interest rates. We use forwards, swaps and at times, options to hedge certain foreign currency and interest rate exposures. We do not use derivative instruments for speculative purposes. As of October 31, 2018, the gross notional value of our derivative portfolio was $24 billion. Assets and liabilities related to derivative instruments are measured at fair value and were $515 million and $195 million, respectively, as of October 31, 2018.

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

For a further discussion on fair value measurements and derivative instruments, refer to Note 9, "Fair Value" and Note 10, "Financial Instruments", respectively, to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property ("IP"), commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. We record a liability when we believe that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. We review these matters at least quarterly and adjust these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events, pertaining to a particular case. Pursuant to the separation and distribution agreement, we share responsibility with Hewlett Packard Enterprise for certain matters, as discussed in Note 14, "Litigation and Contingencies" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, and Hewlett Packard Enterprise has agreed to indemnify us in whole or in part with respect to certain matters. Based on our experience, we believe that any damage amounts claimed in the specific litigation and contingencies matters further discussed in Note 14, "Litigation and Contingencies", are not a meaningful indicator of HP's potential liability. Litigation is inherently unpredictable. However, we believe we have valid defenses with respect to legal matters pending against us. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies. We believe we have recorded adequate provisions for any such matters and, as of October 31, 2018, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in our financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

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

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RESULTS OF OPERATIONS

Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our net revenue growth has been impacted, and we expect it will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing performance excluding the impact of foreign currency fluctuations, we supplement the year-over-year percentage change in net revenue with the year-over-year percentage change in net revenue on a constant currency basis, which excludes the effect of foreign currency exchange fluctuations calculated by translating current period revenues using monthly average exchange rates from the comparative period and hedging activities from the prior-year period and does not adjust for any repricing or demand impacts from changes in foreign currency exchange rates. This information is provided so that net revenue can be viewed with and without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our net revenue results and trends, as management does not believe that the excluded items are reflective of ongoing operating results. The constant currency measures are provided in addition to, and not as a substitute for, the year-over-year percentage change in net revenue on a GAAP basis. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

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

	For the fiscal years ended October 31					
	2018		2017		2016	
	Dollars in millions					
Net revenue	$58,472	100.0 %	$52,056	100.0 %	$48,238	100.0 %
Cost of revenue	47,803	81.8 %	42,478	81.6 %	39,240	81.3 %
Gross profit	10,669	18.2 %	9,578	18.4 %	8,998	18.7 %
Research and development	1,404	2.4 %	1,190	2.3 %	1,209	2.5 %
Selling, general and administrative	4,859	8.3 %	4,376	8.4 %	3,833	8.0 %
Restructuring and other charges	132	0.2 %	362	0.7 %	205	0.4 %
Acquisition-related charges	123	0.2 %	125	0.2 %	7	0.0%
Amortization of intangible assets	80	0.1 %	1	0.0%	16	0.0%
Defined benefit plan settlement charges	7	0.0%	5	0.0%	179	0.4 %
Earnings from continuing operations	4,064	7.0 %	3,519	6.8 %	3,549	7.4 %
Interest and other, net	(1,051)	(1.8)%	(243)	(0.5)%	212	0.4 %
Earnings from continuing operations before taxes	3,013	5.2 %	3,276	6.3 %	3,761	7.8 %
Benefit from (provision for) taxes	2,314	3.9 %	(750)	(1.4)%	(1,095)	(2.3)%
Net earnings from continuing operations	5,327	9.1 %	2,526	4.9 %	2,666	5.5 %
Net loss from discontinued operations, net of taxes	—		—		(170)	
Net earnings	$5,327		$2,526		$2,496	

Net Revenue

In fiscal year 2018, total net revenue increased 12.3% (increased 10.1% on a constant currency basis) as compared with fiscal year 2017. Net revenue from the United States increased 6.6% to $20.6 billion and net revenue from outside of the United States increased 15.7% to $37.9 billion.

The increase in net revenue was primarily driven by growth in Notebooks, Desktops, Supplies, Commercial Printing Hardware revenue and favorable foreign currency impacts.

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

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

Gross Margin

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

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

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

Operating Expenses

Research and Development (“R&D”)

R&D expense increased 18% in fiscal year 2018 compared to fiscal year 2017, primarily due to continuing investment in Printing, including the acquisition of Samsung’s printer business.

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

Selling, General and Administrative (“SG&A”)

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

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

Restructuring and other Charges

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

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

Acquisition-related Charges

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

Amortization of Intangible Assets

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

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

Interest and Other, Net

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

Interest and other, net expense increased by $455 million in fiscal year 2017 compared to the prior-year period, primarily due to lower tax indemnification income in fiscal year 2017 from Hewlett Packard Enterprise for certain tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by Hewlett Packard Enterprise under the tax matters agreement.

Benefit from (Provision for) Taxes

As a result of U.S. tax reform, a blended U.S. federal statutory rate of 23% was computed for the fiscal year ending October 31, 2018. Our effective tax rates were (76.8%), 22.9% and 29.1% in fiscal years 2018, 2017 and 2016, respectively. In fiscal year 2018, our effective tax rate generally differs from the U.S. federal statutory rate of 23.3% primarily due to transitional impacts of U.S. tax reform and resolution of various audits and tax litigation. In fiscal years 2017 and 2016, our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from our operations in lower-tax jurisdictions throughout the world. The jurisdictions with favorable tax rates that had the most significant impact on our effective tax rate in the periods presented were Puerto Rico, Singapore, China, Malaysia and

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Ireland. The gross income tax benefits related to these favorable tax rates are in addition to transitional impacts of U.S. tax reform and resolution of various audits and tax litigation. Additionally, the overall effective tax rate in fiscal year 2017 was impacted by adjustments to valuation allowances and state income taxes, and the overall effective tax rate in fiscal year 2016 was impacted by adjustments to valuation allowances and uncertain tax positions.

For a reconciliation of our effective tax rate to the U.S. federal statutory rate of 23.3% in fiscal year 2018 and 35% in fiscal years 2017 and 2016 and further explanation of our provision for taxes, see Note 6, "Taxes on Earnings" to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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

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

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

Segment Information

A description of the products and services for each segment can be found in Note 2, "Segment Information," to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Future changes to this organizational structure may result in changes to the segments disclosed.

Realignment

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

Personal Systems

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

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

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2018	2017	
	In millions		
Notebooks	$ 22,547	$ 19,782	8.3
Desktops	11,567	10,298	3.8
Workstations	2,246	2,042	0.6
Other	1,301	1,199	0.3
Total Personal Systems	$ 37,661	$ 33,321	13.0

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

Fiscal Year 2018 compared with Fiscal Year 2017

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

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

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

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

Fiscal Year 2017 compared with Fiscal Year 2016

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

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

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

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

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

Printing

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

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

	For the fiscal years ended October 31		
	Net Revenue		
	2018	2017	Weighted Net Revenue Change Percentage Points
	In millions		
Supplies	$ 13,575	$ 12,524	5.6
Commercial Hardware	4,674	3,792	4.7
Consumer Hardware	2,556	2,412	0.8
Total Printing	$ 20,805	$ 18,728	11.1

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

Fiscal Year 2018 compared with Fiscal Year 2017

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

foreign currency impacts, partially offset by the dilution impact from Samsung-branded low-end A4 products.
Net revenue for Commercial Hardware increased 23.3% as compared to the prior-year period, including revenue from Samsung branded printers, LaserJet and PageWide printers. The unit volume increased by 84.5% while the ASPs decreased by 34.2%. The unit volume increased primarily due to Samsung-branded printers. The decrease in ASPs was primarily due to the dilution impact from Samsung-branded low-end A4 products.
Net revenue for Consumer Hardware increased 6.0% as compared to the prior-year period due to a 3.8% increase in printer unit volume and a 2.4% increase in ASPs. The unit volume increase was driven by InkJet and LaserJet Home business.
The increase in ASPs was primarily due to favorable foreign currency impacts.
Printing earnings from operations as a percentage of net revenue decreased by 0.8 percentage points for the fiscal year 2018 as compared to the prior-year period, primarily due to an increase in operating expenses and lower gross margin. The

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

Fiscal Year 2017 compared with Fiscal Year 2016

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

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

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

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

Corporate Investments

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

Liquidity

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

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

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

Our key cash flow metrics were as follows:

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

Operating Activities

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

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

Working Capital Metrics

Management utilizes current cash conversion cycle information to manage our working capital level. The table below presents the cash conversion cycle:

	As of October 31		
	2018	2017	2016
Days of sales outstanding in accounts receivable (“DSO”)	30	29	30
Days of supply in inventory (“DOS”)	43	46	39
Days of purchases outstanding in accounts payable (“DPO”)	(105)	(105)	(98)
Cash conversion cycle	(32)	(30)	(29)

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

DSO measures the average number of days our receivables are outstanding. DSO is calculated by dividing ending accounts receivable, net of allowance for doubtful accounts, by a 90-day average of net revenue. For fiscal year 2018, the

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

DOS measures the average number of days from procurement to sale of our product. DOS is calculated by dividing ending inventory by a 90-day average of cost of goods sold. For fiscal year 2018, the DOS was lower primarily due to a focus on inventory management. For fiscal year 2017, the DOS was higher primarily due to leveraging our balance sheet, particularly through higher strategic buys and sea shipments to better assure supply of commodities in short supply.

DPO measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing ending accounts payable by a 90-day average of cost of goods sold. For fiscal year 2018, the DPO remained flat compared to fiscal year 2017. For fiscal year 2017, the DPO was higher primarily due to increased inventory purchases and an extension of payment terms with our product suppliers.

Investing Activities

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

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

Financing Activities

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

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

Capital Resources

Debt Levels

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

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

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

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

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

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

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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)]	$10,189	$2,417	$3,171	$1,745	$2,856

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

(2) Amounts represent the expected interest payments relating to our short-term and long-term debt. We have outstanding interest rate swap agreements accounted for as fair value hedges that have the economic effect of changing fixed interest rates associated with some of our U.S. Dollar Global Notes to variable interest rates. The impact of our outstanding interest rate swaps at October 31, 2018 was factored into the calculation of the future interest payments on debt.

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

(4) Amounts represent the operating lease obligations, net of total sublease income of $129 million.

(5) Amounts represent the capital lease obligations, including total capital lease interest obligations of $58 million.

(6) Retirement and Post-Retirement Benefit Plan Contributions. In fiscal year 2019, we anticipate making contributions of approximately $46 million to non-U.S. pension plans, $32 million to cover benefit payments to U.S. non-qualified pension plan participants and $6 million to cover benefit claims for our post-retirement benefit plans. Our policy is to fund our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Expected contributions and payments to our pension and post-retirement benefit plans are excluded from the contractual obligations table because they do not represent contractual cash outflows as they are dependent on numerous factors which may result in a wide range of outcomes. For more information on our retirement and post-retirement benefit plans, see Note 4, "Retirement and Post-Retirement Benefit Plans", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(7) Cost Savings Plans. We expect to make future cash payments of approximately $286 million in connection with our cost savings plans through fiscal year 2019. These payments have been excluded from the contractual obligations table because they do not represent contractual cash outflows and there is uncertainty as to the timing

of these payments. For more information on our restructuring activities that are part of our cost improvements, see Note 3, “Restructuring and Other Charges”, to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(8) Uncertain Tax Positions. As of October 31, 2018, we had approximately $1.3 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. We are unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. Payments of these obligations would result from settlements with taxing authorities. For more information on our uncertain tax positions, see Note 6, “Taxes on Earnings”, to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(9) Payment of one-time transition taxes under the TCJA. The TCJA made significant changes to U.S. tax law resulting in a one-time deemed repatriation transition tax on accumulated foreign earnings of approximately $3.3 billion. We expect the

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

OFF-BALANCE SHEET ARRANGEMENTS

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

We have third-party short-term financing arrangements intended to facilitate the working capital requirements of certain customers. For more information on our third-party short-term financing arrangements, see Note 7 “Supplementary Financial Information” to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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

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

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

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. We transact business in approximately 44 currencies worldwide, of which the most significant foreign currencies to our operations for fiscal year 2018 were the euro, Chinese yuan renminbi, the British pound and the Indian rupee. For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. Even where we are a net receiver of the foreign currency, a weaker U.S. dollar may adversely affect certain expense figures, if taken alone.

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

We have performed sensitivity analyses for continuing operations as of October 31, 2018 and 2017, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency derivative contracts offset by underlying exposures. The foreign currency exchange rates we used in performing the sensitivity analysis were based on market rates in effect at October 31, 2018 and 2017. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a foreign exchange fair value loss of $75 million and $64 million at October 31, 2018 and October 31, 2017, respectively.

Interest rate risk

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

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

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

We have performed sensitivity analyses as of October 31, 2018 and 2017, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of interest rates across the entire yield curve, with all other variables held constant. The analyses cover our debt, investments and interest rate swaps. The analyses use actual or approximate maturities for the debt, investments and interest rate swaps. The discount rates used were based on the market interest rates in effect at October 31, 2018 and 2017. The sensitivity analyses indicated that a hypothetical 10% adverse movement in interest rates would have resulted in a loss in the fair values of our debt and investments, net of interest rate swaps, of $69 million at October 31, 2018 and $61 million at October 31, 2017.

ITEM 8. Financial Statements and Supplementary Data.
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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of October 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/ ERNST & YOUNG LLP

We have served as the Company’s auditor since 2000

San Jose, California

December 13, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of HP Inc.
Opinion on Internal Control over Financial Reporting
We have audited HP Inc. and subsidiaries' internal control over financial reporting as of October 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, HP Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2018, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended October 31, 2018, and the related notes and our report dated December 13, 2018 expressed an unqualified opinion thereon.
Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.
Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP
San Jose, California
December 13, 2018

Management's Report on Internal Control Over Financial Reporting

HP's management is responsible for establishing and maintaining adequate internal control over financial reporting for HP. HP's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. HP's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of HP; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of HP are being made only in accordance with authorizations of management and directors of HP; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of HP's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
HP's management assessed the effectiveness of HP's internal control over financial reporting as of October 31, 2018, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on the assessment by HP's management, we determined that HP's internal control over financial reporting was effective as of October 31, 2018. The effectiveness of HP's internal control over financial reporting as of October 31, 2018 has been audited by Ernst & Young LLP, HP's independent registered public accounting firm, as stated in their report which appears on page 52 of this Annual Report on Form 10-K.

/s/ DION J. WEISLER	/s/ STEVE FIELER
Dion J. Weisler	Steve Fieler
President and Chief Executive Officer	Chief Financial Officer
December 13, 2018	December 13, 2018

HP INC. AND SUBSIDIARIES
Consolidated Statements of Earnings

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

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

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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	21,387	22,318
Property, plant and equipment, net	2,198	1,878
Goodwill	5,968	5,622
Other non-current assets	5,069	3,095
Total assets	$ 34,622	$ 32,913
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	25,131	22,412
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	(639)	(3,408)
Total liabilities and stockholders' deficit	$ 34,622	$ 32,913

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

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HP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the fiscal years ended October 31		
	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	4,528	3,677	3,252
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	(716)	(1,717)	48
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	(5,643)	(1,251)	(14,445)
(Decrease) Increase in cash and cash equivalents	(1,831)	709	(11,145)
Cash and cash equivalents at beginning of period	6,997	6,288	17,433

Cash and cash equivalents at end of period	$ 5,166	$ 6,997	$ 6,288
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.

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

	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, 2015	1,803,719	$ 18	$ 1,963	$ 32,089	$ (6,302)	$ 27,768	$ 383	$ 28,151
Separation of Hewlett Packard Enterprise				(37,225)	5,081	(32,144)	(383)	(32,527)
Net earnings				2,496		2,496		2,496
Other comprehensive loss, net of taxes					(217)	(217)		(217)
Comprehensive income						2,279		2,279
Issuance of common stock in connection with employee stock plans and other	8,227		29			29		29
Repurchases of common stock	(99,855)	(1)	(1,144)			(1,145)		(1,145)
Cash dividends declared				(858)		(858)		(858)
Stock-based compensation expense			182			182		182
Balance October 31, 2016	1,712,091	$ 17	$ 1,030	$ (3,498)	$ (1,438)	$ (3,889)	$ —	$ (3,889)
Net earnings				2,526		2,526		2,526
Other comprehensive income, net of taxes					20	20		20
Comprehensive income						2,546		2,546
Issuance of common stock in connection with employee stock plans and other	18,532		52			52		52
Repurchases of common stock	(81,043)	(1)	(926)	(520)		(1,447)		(1,447)
Cash dividends declared				(894)		(894)		(894)
Stock-based compensation expense			224			224		224
Balance October 31, 2017	1,649,580	$ 16	$ 380	$ (2,386)	$ (1,418)	$ (3,408)	$ —	$ (3,408)
Net earnings				5,327		5,327		5,327
Other comprehensive income, net of taxes					573	573		573
Comprehensive income						5,900		5,900
Issuance of common stock in connection with employee stock plans and other	21,728		47			47		47
	(111,038)		(32)	(2,515)		(2,547)		(2,547)

Repurchases of common stock								
Cash dividends declared				(899)		(899)		(899)
Stock-based compensation expense			268			268		268
Balance October 31, 2018	1,560,270	$ 16	$ 663	$ (473)	$ (845)	$ (639)	$ —	$ (639)

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

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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.

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Recently Issued Accounting Pronouncements Not Yet Adopted
In February 2018, the FASB issued guidance, which eliminates the stranded tax effects in other comprehensive income resulting from the TCJA. Because the amendments only relate to the reclassification of the income tax effects of the TCJA, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. HP is required to adopt the guidance in the first quarter of fiscal year 2020. Earlier adoption is permitted. HP is currently evaluating the timing and the impact of this guidance on the Consolidated Financial Statements.
In August 2017, the FASB issued guidance, which amends the existing accounting standards for derivatives and hedging. The amendment improves the financial reporting of hedging relationships to better represent the economic results of an entity's risk management activities in its financial statements and made certain targeted improvements to simplify the application of the hedge accounting guidance in current U.S. GAAP. HP is required to adopt the guidance in the first quarter of fiscal year 2020. Earlier adoption is permitted. HP is currently evaluating the timing and impact of this guidance on the Consolidated Financial Statements.
In November 2016, the FASB issued guidance, which addresses the presentation of restricted cash in the statement of cash flows. The guidance requires entities to present the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. HP is required to adopt the guidance retrospectively in the first quarter of fiscal year 2019. Earlier adoption is permitted. HP will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.
In October 2016, the FASB issued guidance, which amends the existing accounting for Intra-Entity Transfers of Assets Other Than Inventory. The guidance requires an entity to recognize the income tax consequences of intra-entity transfers, other than inventory, when the transfer occurs. It also requires modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. Earlier adoption is permitted. HP will adopt the guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.
In August 2016, the FASB issued guidance, which amends the existing accounting standards for the classification of certain cash receipts and cash payments on the statement of cash flows. HP is required to adopt the guidance in the first quarter of fiscal year 2019. Earlier adoption is permitted. HP will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.
In June 2016, the FASB issued guidance, which requires credit losses on financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, not based on incurred losses. Further, credit losses on available-for-sale debt securities should be recorded through an allowance for credit losses limited to the amount by which fair value is below amortized cost. HP is required to adopt the guidance in the first quarter of fiscal year 2021. Earlier adoption is permitted. HP is currently evaluating the timing and the impact of this guidance on the Consolidated Financial Statements.
In February 2016, the FASB issued guidance, which amends the existing accounting standards for leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification. Under the new guidance, a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than twelve months. HP will adopt the new lease standard in the first quarter of fiscal year 2020 using a modified retrospective approach. HP is currently evaluating the impact of this guidance on the Consolidated Financial Statements.
In January 2016, the FASB issued guidance, which amends the existing accounting standards for the recognition and measurement of financial assets and financial liabilities. The guidance primarily addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. HP is required to adopt the guidance

in the first quarter of fiscal year 2019. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with other amendments related specifically to equity securities without readily determinable fair values applied prospectively. Earlier adoption is permitted. HP will adopt this guidance in the first quarter of fiscal year 2019. HP expects that the implementation of this guidance will not have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued guidance, which amends the existing accounting standards for revenue recognition. The amendments (Topic 606) are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments may be applied retrospectively to each prior period presented ("full retrospective

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method") or retrospectively with the cumulative effect recognized as of the date of initial application ("modified retrospective method"). HP will adopt the new revenue standard in the first quarter of fiscal year 2019 and will apply the modified retrospective method.
Based on HP's assessment, the adoption is not expected to have a material impact on the amount or timing of revenue recognized in the Consolidated Financial Statements. Upon adoption, the standard will affect the timing of accrual for certain distributor programs and incentive offerings which will be recorded at the time of revenue recognition rather than when the sales incentives are offered. HP expects changes in revenue recognition timing for certain contracts where revenue recognition is currently limited to the amount not contingent on our future performance. Further, HP will capitalize eligible sales commission costs and will amortize these costs over their expected period of benefit. The net impact to the Consolidated Balance Sheet as of November 1, 2018 is currently estimated at $220 million addition to retained deficit.
The Consolidated Balance Sheet will have certain reclassifications impacting accounts receivable, inventory, other current assets, deferred revenue and other accrued liabilities in line with the requirements of the new standard.
We have completed our assessment and implemented policies, processes and controls to meet the standard's accounting and disclosure requirements.
Revenue Recognition
General
HP recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured. Additionally, HP recognizes hardware revenue on sales to channel partners, including resellers, distributors or value-added solution providers at the time of delivery when the channel partners have economic substance apart from HP, and HP has completed its obligations related to the sale.
HP reduces revenue for customer and distributor programs and incentive offerings, including price protection, rebates, promotions, other volume-based incentives and expected returns, at the later of the date of revenue recognition or the date the sales incentive is offered. Future market conditions and product transitions may require HP to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. For certain incentive programs, HP estimates the number of customers expected to redeem the incentive based on historical experience and the specific terms and conditions of the incentive.
In instances when revenue is derived from sales of third-party vendor products or services, HP records revenue on a gross basis when HP is a principal to the transaction and on a net basis when HP is acting as an agent between the customer and the vendor. HP considers several factors to determine whether it is acting as a principal or an agent, most notably whether HP is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.
HP reports revenue net of any taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.
Multiple element arrangements
When a sales arrangement contains multiple elements or deliverables, such as hardware and/or services, HP allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its VSOE of selling price, if available, TPE, if VSOE of selling price is not available, or ESP if neither VSOE of selling price nor TPE is available. HP establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. HP evaluates TPE of selling price by reviewing largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. HP establishes ESP based on management judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life-cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life cycles.

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

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

Net revenue

Hardware

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

Services

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

Deferred revenue

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

Shipping and Handling

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

Stock-Based Compensation

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

Retirement and Post-Retirement Plans

HP has various defined benefit, other contributory and non-contributory retirement and post-retirement plans. HP generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life of participants. In limited cases, HP amortizes actuarial gains and losses using the corridor approach. See Note 4, "Retirement and Post-Retirement Benefit Plans" for a full description of these plans and the accounting and funding policies.

Advertising cost

Costs to produce advertising are expensed as incurred during production. Costs to communicate advertising are expensed when the advertising is first run. Such costs totaled approximately $568 million in fiscal year 2018, $544 million in fiscal year 2017 and $586 million in fiscal year 2016.

Restructuring and Other Charges

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

Taxes on Earnings

HP recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are

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expected to reverse. HP records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

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

Accounts Receivable

HP establishes an allowance for doubtful accounts for accounts receivable. HP records a specific reserve for individual accounts when HP becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, HP further adjusts estimates of the recoverability of receivables. HP maintains bad debt reserves for all other customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors, the financial condition of customers, the length of time receivables are past due, trends in the weighted-average risk rating for the portfolio, macroeconomic conditions, information derived from competitive benchmarking, significant one-time events and historical experience. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable.

HP has third-party short-term financing arrangements intended to facilitate the working capital requirements of certain customers. These financing arrangements, which in certain cases provide for partial recourse, result in the transfer of HP's trade receivables to a third party. HP reflects amounts transferred to, but not yet collected from, the third party in accounts receivable in the Consolidated Balance Sheets. For arrangements involving an element of recourse, the fair value of the recourse obligation is measured using market data from similar transactions and reported as a current liability in the Consolidated Balance Sheets.

Concentrations of Risk

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

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

HP sells a significant portion of its products through third-party distributors and resellers and, as a result, maintains individually significant receivable balances with these parties. If the financial condition or operations of these distributors' and resellers' aggregated business deteriorates substantially, HP's operating results could be adversely affected. The ten largest distributor and reseller receivable balances, which were concentrated primarily in North America and Europe, collectively represented approximately 39% and 34% of gross accounts receivable as of October 31, 2018 and 2017, respectively. No single customer accounts for more than 10% of gross accounts receivable as of October 31, 2018 or 2017. Credit risk with respect to other accounts receivable is generally diversified due to HP's large customer base and their dispersion across many different industries and geographic regions. HP performs ongoing credit evaluations of the financial condition of its third-party distributors, resellers and other customers and may require collateral, such as letters of credit and bank guarantees, in certain circumstances.

HP utilizes outsourced manufacturers around the world to manufacture HP-designed products. HP may purchase product components from suppliers and sell those components to its outsourced manufacturers thereby creating receivable balances from the outsourced manufacturers. The three largest outsourced manufacturer receivable balances collectively represented 72% and 70% of HP's supplier receivables of $1,074 million and $951 million as of October 31, 2018 and 2017, respectively. HP includes the supplier receivables in Other current assets in the Consolidated Balance Sheets on a gross basis. HP's credit risk associated with these receivables is mitigated wholly or in part, by the amount HP owes to these outsourced manufacturers, as HP generally has the legal right to offset its payables to the outsourced manufacturers against these receivables. HP does not reflect the sale of these components in net revenue and does not recognize any profit on these component sales until the related products are sold by HP, at which time any profit is recognized as a reduction to cost of revenue.

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

Upon completion of the Separation on November 1, 2015, HP recorded net income tax indemnification receivables from Hewlett Packard Enterprise for certain income tax liabilities that HP is jointly and severally liable for, but for which it is indemnified by Hewlett Packard Enterprise under the tax matters agreement ("TMA"). The actual amount that Hewlett Packard Enterprise may be obligated to pay HP could vary depending on the outcome of certain unresolved tax matters, which may not be resolved for several years. The net receivable as of October 31, 2018 and 2017 was $1.0 billion and $1.7 billion, respectively.

Inventory

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

Property, Plant and Equipment, Net

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

Internal Use Software and Cloud Computing Arrangements

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

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

Business Combinations

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

Goodwill

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

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

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

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired and the excess of the reporting unit's carrying value over the fair value is recognized as an impairment loss.

Debt and Marketable Equity Securities Investments

HP determines the appropriate classification of its investments at the time of purchase and re-evaluates the classifications at each balance sheet date. Debt and marketable equity securities are generally considered available-for-sale. All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. Marketable debt securities with maturities of twelve months or less are classified as short-term investments and marketable debt securities with maturities greater than twelve months are classified based on their availability for use in current operations. Marketable equity securities, including mutual funds, are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. Debt and marketable equity securities are reported at fair value with unrealized gains and losses, net of applicable taxes, in Accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses on available-for-sale securities are calculated based on the specific identification method and included in Interest and other, net in the Consolidated Statements of Earnings. HP monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair value and the decline in value is determined to be other-than-temporary (i.e., when HP does not intend to sell the debt securities and it is not more likely than not that HP will be required to sell the debt securities prior to anticipated recovery of its amortized cost basis), HP records an impairment charge to Interest and other, net in the amount of the credit loss and the remaining amount, if any, is recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets.

Derivatives

HP uses derivative instruments, primarily forwards, swaps, and at times, options, to hedge certain foreign currency and interest rate exposures. HP also may use other derivative instruments not designated as hedges, such as forwards used to hedge foreign currency balance sheet exposures. HP does not use derivative instruments for speculative purposes. See Note 10, "Financial Instruments" for a full description of HP's derivative instrument activities and related accounting policies.

Loss Contingencies

HP is involved in various lawsuits, claims, investigations and proceedings that arise in the ordinary course of business. HP records a liability for contingencies when it believes it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See Note 14, "Litigation and Contingencies" for a full description of HP's loss contingencies and related accounting policies.

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Notes to Consolidated Financial Statements (Continued)

Note 2: Segment Information
HP is a leading global provider of personal computing and other access devices, imaging and printing products, and related technologies, solutions and services. HP sells to individual consumers, SMBs and large enterprises, including customers in the government, health and education sectors.
HP's operations are organized into three reportable segments: Personal Systems, Printing and Corporate Investments. HP's organizational structure is based on many factors that the chief operating decision maker uses to evaluate, view and run its business operations, which include, but are not limited to, customer base and homogeneity of products and technology. The segments are based on this organizational structure and information reviewed by HP's chief operating decision maker to evaluate segment results. The chief operating decision maker uses several metrics to evaluate the performance of the overall business, including earnings from operations, and uses these results to allocate resources to each of the segments.
A summary description of each segment is as follows:
Personal Systems offers Commercial and Consumer desktop and notebook PCs, Workstations, thin clients, Commercial mobility devices, retail POS systems, displays and other related accessories, software, support and services. HP groups Commercial notebooks, Commercial desktops, Commercial services, Commercial mobility devices, Commercial detachables and convertibles, Workstations, retail POS systems and thin clients into Commercial PCs and Consumer notebooks, Consumer desktops, Consumer services and Consumer detachables into Consumer PCs when describing performance in these markets. Described below are HP's global business capabilities within Personal Systems:

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

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

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

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

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

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Notes to Consolidated Financial Statements (Continued)
Note 2: Segment Information (Continued)

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

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

Corporate Investments includes HP Labs and certain business incubation projects.

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

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

Realignment

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

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Note 2: Segment Information (Continued)

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

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

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

Segment Assets

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

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

Major Customers

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

Geographic Information

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Notes to Consolidated Financial Statements (Continued)
Note 2: Segment Information (Continued)

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

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

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

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

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

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

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Notes to Consolidated Financial Statements (Continued)
Note 2: Segment Information (Continued)

Net revenue by segment and business unit was as follows:

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

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

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

Fiscal 2017 Plan

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

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

Fiscal 2015 Plan

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

Fiscal 2012 Plan

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

Other charges

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Note 3: Restructuring and Other Charges (Continued)

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

Note 4: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

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

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

Post-Retirement Benefit Plans

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

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

Defined Contribution Plans

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

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

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

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

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

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

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

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

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

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

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

	For the fiscal years ended October 31					
	2018	2017	2018	2017	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:

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HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

	U.S. Defined Benefit Plans	Non-U.S. Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions		
Net actuarial loss (gain)	$59	$ 32	$ (31)
Prior service benefit	—	(3)	(13)
Total expected to be recognized in net periodic benefit cost (credit)	$59	$ 29	$ (44)

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

	As of October 31			
	2018	2017	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

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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.

	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											
Asset Category:												
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	$944	$6,532	$ —	$7,476	$138	$553	$ —	$691	$43	$98	$ —	$141
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				$10,018				$850				$388

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

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

	As of October 31, 2017											
	U.S. Defined Benefit Plans				Non-U.S. Defined Benefit Plans				Post-Retirement Benefit Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions											
Asset Category:												
Equity securities(1)	$3,174	$40	$ —	$3,214	$ 124	$ 6	$ —	$ 130	$ —	$ —	$ —	$ —
Debt securities(2)												
Corporate	—	3,379	—	3,379	—	119	—	119	—	25	—	25
Government	—	2,513	—	2,513	—	32	—	32	—	41	—	41
Real Estate Funds	—	—	—	—	2	51	—	53	—	—	—	—
Insurance Contracts	—	—	—	—	—	7	—	7	—	—	—	—
Common Collective Trusts and 103-12 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	1	12	(12)	—	—	(12)
Net plan assets subject to leveling	$3,099	$5,435	$ —	$8,534	$ 149	$ 515	$ 1	$ 665	$ 42	$ 68	$ —	$ 110
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				$10,838				$ 815				$ 351

(1) Investments in publicly-traded equity securities are valued using the closing price on the measurement date as reported on the stock exchange on which the individual securities are traded.

(2) The fair value of corporate, government and asset-backed debt securities is based on observable inputs of comparable market transactions. Also included in this category is debt issued by national, state and local governments and agencies.

(3) Department of Labor 103-12 IE (Investment Entity) designation is for plan assets held by two or more unrelated employee benefit plans which includes limited partnerships and venture capital partnerships. Certain common collective trusts and interests in 103-12 entities are valued using NAV as a practical expedient.

(4) Includes publicly traded funds of investment companies that are registered with the SEC, funds that are not publicly traded and a non-U.S. fund-of-fund arrangement. The non-U.S. fund-of-fund arrangement is a custom portfolio valued at NAV consisting primarily of fixed income and common contractual funds.

(5) Includes cash and cash equivalents such as short-term marketable securities. Cash and cash equivalents include money market funds, which are valued based on NAV. Other assets were classified in the fair value hierarchy based on the lowest level input (e.g., quoted prices and observable inputs) that is significant to the fair value

measure in its entirety.

(6) Includes primarily reverse repurchase agreements, unsettled transactions, and derivative instruments.

(7) Alternative Investments primarily include private equities and hedge funds. The valuation of alternative investments, such as limited partnerships and joint ventures, may require significant management judgment. For alternative investments, valuation is based on NAV as reported by the asset manager or investment company and adjusted for cash flows, if necessary. In making such an assessment, a variety of factors are reviewed by management, including but not limited to the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager.

- Private equities include limited partnerships such as equity, buyout, venture capital, real estate and other similar funds that invest in the United States and internationally where foreign currencies are hedged.
- Hedge funds include limited partnerships that invest both long and short primarily in common stocks and credit, relative value, event-driven equity, distressed debt and macro strategies. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and bonds, and

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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:

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

Investment Policy

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

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

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

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

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

Future Contributions and Funding Policy

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Notes to Consolidated Financial Statements (Continued)
Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

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

Estimated Future Benefits Payments

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

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

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Note 5: Stock-Based Compensation
HP's stock-based compensation plans include incentive compensation plans and an employee stock purchase plan ("ESPP").
Stock-Based Compensation Expense and Related Income Tax Benefits for Operations
Stock-based compensation expense and the resulting tax benefits for operations were as follows:

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

In connection with the Separation and in accordance with the employee matters agreement, HP has made certain adjustments to the exercise price and number of stock-based compensation awards with the intention of preserving the intrinsic value of the awards prior to the Separation. Exercisable and non-exercisable stock options have been converted to similar awards of the entity where the employee is working post-separation. Restricted stock unit awards and performance-contingent awards have been adjusted to provide holders with restricted stock units awards and performance-contingent awards in the company that employs such employee following the Separation. The pre-tax stock-based compensation expense due to the adjustments was $2 million in fiscal year 2016. All outstanding restricted stock units and stock options for employees transferred to Hewlett Packard Enterprise were canceled in connection with the Separation.
Cash received from option exercises and purchases under the HP Inc. 2011 Employee Stock Purchase Plan (the "2011 ESPP") was $158 million in fiscal year 2018, $118 million in fiscal year 2017 and $48 million in fiscal year 2016. The benefit realized for the tax deduction from option exercises in fiscal years 2018, 2017 and 2016 was $23 million, $15 million and $9 million, respectively.
Stock-Based Incentive Compensation Plans
HP's stock-based incentive compensation plans include equity plans adopted in 2004 and 2000, as amended and restated ("principal equity plans"), as well as various equity plans assumed through acquisitions under which stock-based awards are outstanding. Stock-based awards granted under the principal equity plans include restricted stock awards, stock options and performance-based awards. Employees meeting certain employment qualifications are eligible to receive stock-based awards. The aggregate number of shares of HP's stock authorized for issuance under the 2004 principal equity plan is 593.1 million. No further grants may be made under the 2000 principal equity plan and all outstanding awards under this plan will remain outstanding according to the terms of the plan.
Restricted stock awards are non-vested stock awards that may include grants of restricted stock or restricted stock units. Restricted stock awards and cash-settled awards are generally subject to forfeiture if employment terminates prior to the lapse of the restrictions. Such awards generally vest one to three years from the date of grant. During the vesting period, ownership of the restricted stock cannot be transferred. Restricted stock has the same dividend and voting rights as common stock and is considered to be issued and outstanding upon grant. The dividends paid on restricted stock are non-forfeitable. Restricted stock units do not have the voting rights of common stock, and the shares underlying restricted stock units are not considered issued and outstanding upon grant. However, shares underlying restricted stock units are included in the calculation of diluted net EPS. Restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on common stock. HP expenses the fair value of restricted stock awards ratably over the period during which the restrictions lapse. The majority of restricted stock units issued by HP contain only service vesting conditions. However, starting in fiscal year 2014, HP began granting performance-adjusted restricted stock units that vest only on the satisfaction of both service and the achievement of certain performance goals including market conditions prior to the expiration of the awards.

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

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Note 5: Stock-Based Compensation (Continued)

Restricted Stock Units

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

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

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

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

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

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

A summary of restricted stock units activity is as follows:

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

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

Stock Options

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

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Note 5: Stock-Based Compensation (Continued)

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

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

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

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

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

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

A summary of stock options activity is as follows:

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

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

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Note 5: Stock-Based Compensation (Continued)

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

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

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	305,767	419,071	453,865
Shares reserved for future issuance	343,076	468,531	510,176

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Note 6: Taxes on Earnings

Provision for Taxes

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements (Continued)

Note 6: Taxes on Earnings (Continued)

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

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

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

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

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

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
	$(2,314)	$750	$1,095

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

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

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Note 6: Taxes on Earnings (Continued)

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

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

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

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

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

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

Uncertain Tax Positions

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Note 6: Taxes on Earnings (Continued)

A reconciliation of unrecognized tax benefits is as follows:

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

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

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

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

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

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

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

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

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Note 6: Taxes on Earnings (Continued)

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

Deferred Income Taxes

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

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

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

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

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

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

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

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Notes to Consolidated Financial Statements (Continued)
Note 6: Taxes on Earnings (Continued)

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

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	$ 7,906	$ 8,807	$ 8,520

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)
	$ 5,113	$ 4,414

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	$ 129	$ 101	$ 107

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HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 7: Supplementary Financial Information (Continued)

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

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

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

[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
	$ 6,062	$ 5,786

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
	$ 5,046	$ 5,121

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

Property, Plant and Equipment, Net

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HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 7: Supplementary Financial Information (Continued)

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

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
	$ 5,069	$ 3,095

(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.

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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
	$ 7,376	$ 6,953

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
	$ 5,606	$ 7,162

(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
	$ (1,051)	$ (243)	$ 212

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

Note 8: Goodwill and Intangible Assets

Goodwill

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

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

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

[1] Goodwill is net of accumulated impairment losses of $0.8 billion related to Corporate Investments.

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

Intangible Assets

HP's acquired intangible assets were composed of:

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

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

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

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

Note 9: Fair Value

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

Fair Value Hierarchy

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

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HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 9: Fair Value (Continued)

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

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

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

Level 3—Unobservable inputs for the asset or liability.

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

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

	As of October 31, 2018				As of October 31, 2017			
	Fair Value Measured Using				Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	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	$2,270	$2,998	$ 7	$5,275	$3,957	$2,762	$ 10	$6,729
Liabilities:								
Derivative Instruments:								
Interest rate contracts	$—	$23	$ —	$23	$—	$12	$ —	$12
Foreign currency contracts	—	164	—	164	—	358	2	360
Other derivatives	—	8	—	8	—	—	—	—
Total Liabilities	$—	$195	$ —	$195	$—	$370	$ 2	$372

(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.

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HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 9: Fair Value (Continued)

Derivative Instruments: From time to time, HP uses forward contracts, interest rate and total return swaps and at times, option contracts to hedge certain foreign currency and interest rate exposures. HP uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, HP and counterparty credit risk, foreign exchange rates, and forward and spot prices for currencies and interest rates. See Note 10, “Financial Instruments” for a further discussion of HP’s use of derivative instruments.

Other Fair Value Disclosures

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

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

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

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

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

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

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

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

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

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

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

Derivative Instruments

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

hedged items. Additionally, for derivatives not designated as hedging instruments, HP categorizes those economic hedges as other derivatives. HP recognizes all derivative instruments at fair value in the Consolidated Balance Sheets.
As a result of its use of derivative instruments, HP is exposed to the risk that its counterparties will fail to meet their contractual obligations. Master netting agreements mitigate credit exposure to counterparties by permitting HP to net amounts due from HP to counterparty against amounts due to HP from the same counterparty under certain conditions. To further limit credit risk, HP has collateral security agreements that allow HP to hold collateral from, or require HP to post collateral to, counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of HP and its counterparties. If HP's or the counterparty's credit rating falls below a specified credit rating, either party has the right to request full collateralization of the derivatives' net liability position. The fair value of derivatives with credit contingent features in a net liability position was $68 million and $258 million as of October 31, 2018 and 2017, respectively, all of which were fully collateralized within two business days.

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

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

Other Derivatives

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

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

Hedge Effectiveness

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

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HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Financial Instruments (Continued)

Fair Value of Derivative Instruments in the Consolidated Balance Sheets

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

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

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

Offsetting of Derivative Instruments

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

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

(1)

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

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

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HP INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
Note 10: Financial Instruments (Continued)

Effect of Derivative Instruments on the Consolidated Statements of Earnings

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

	(Loss) Gain Recognized in Income on Derivative Instruments and Related Hedged Items								
Derivative Instrument	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)

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

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

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

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

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

	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		$26	$(29)	$(40)

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

Note 11: Borrowings

Notes Payable and Short-Term Borrowings

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

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
	4,647	6,494
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	$4,524	$6,747

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

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

As disclosed in Note 10, “Financial Instruments”, HP uses interest rate swaps to mitigate some of the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar

LIBOR-based floating interest expense. Interest rates shown in the table of long-term debt have not been adjusted to reflect the impact of any interest rate swaps.

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

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Notes to Consolidated Financial Statements (Continued)
Note 11: Borrowings (Continued)

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

Extinguishment of Debt
In March 2018, HP commenced and completed a cash tender offer (the “Tender Offer") to purchase approximately $1.85 billion in aggregate principal amount of outstanding U.S. Dollar 4.650% Global Notes due December 9, 2021, 4.375% Global Notes due September 15, 2021 and 4.300% Global Notes due June 1, 2021. In connection with the Tender Offer, HP also solicited consents from holders of its 4.650% Notes due December 2021, (the “4.650% Notes”) to amend the indenture under which the 4.650% Notes were issued to, among other things, eliminate substantially all of the restrictive covenants of the indenture (the “Proposed Amendments”). Holders of a majority in principal amount of the outstanding 4.650% Notes consented to the Proposed Amendments, and as a result, a supplemental indenture was executed on March 26, 2018 to effect the Proposed Amendments. This extinguishment of debt resulted in a loss of $126 million , which was recorded as "Interest and other, net" on the Consolidated Statements of Earnings for the year ended October 31, 2018.
Commercial Paper
On November 1, 2015, HP’s Board of Directors authorized HP to borrow up to a total outstanding principal balance of $4.0 billion, or the equivalent in foreign currencies for the use and benefit of HP and HP’s subsidiaries, by the issuance of commercial paper or through the execution of promissory notes, loan agreements, letters of credit, agreements for lines of credit or overdraft facilities. HP increased the issuance authorization under its commercial paper program from $4.0 billion to $6.0 billion in November 2017. As of October 31, 2018, HP maintained two commercial paper programs. HP’s U.S. program provides for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of $6.0 billion. HP’s euro commercial paper program provides for the issuance of commercial paper outside of the United States denominated in U.S. dollars, euros or British pounds up to a maximum aggregate principal amount of $6.0 billion or the equivalent in those alternative currencies. The combined aggregate principal amount of commercial paper outstanding under those programs at any one time cannot exceed the $6.0 billion authorized by HP’s Board of Directors.
Credit Facility
As of October 31, 2018, HP maintained a $4.0 billion senior unsecured committed revolving credit facility to support the issuance of commercial paper or for general corporate purposes. Commitments under the revolving credit facility will be available until March 30, 2023. Commitment fees, interest rates and other terms of borrowing under the credit facilities vary based on HP’s external credit ratings. As of October 31, 2018, HP was in compliance with the financial covenants in the credit agreement governing the revolving credit facility.
In December 2017, HP also entered into an additional revolving credit facility with certain institutional lenders that provided HP with $1.5 billion of available borrowings until November 30, 2018. HP elected to terminate this $1.5 billion revolving credit facility early, effective August 17, 2018.
Available Borrowing Resources
As of October 31, 2018, HP and HP’s subsidiaries had available borrowing resources of $667 million from uncommitted lines of credit in addition to the senior unsecured committed revolving credit facility discussed above.

Note 12: Stockholders’ Deficit

Dividends

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

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

Share Repurchase Program

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

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

Taxes related to Other Comprehensive Income (Loss)

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions		
Tax effect on change in unrealized components of available-for-sale securities:			
Tax benefit (provision) on unrealized (losses) gains arising during the period	$ 1	$ (1)	$ (3)
Tax effect on change in unrealized components of cash flow hedges:			
Tax (provision) benefit on unrealized gains (losses) arising during the period	(42)	42	32
Tax benefit on losses reclassified into earnings	(26)	(16)	(1)
	(68)	26	31
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)
	(13)	(89)	17
Tax (provision) benefit on other comprehensive income (loss)	$ (80)	$ (64)	$ 45

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

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

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

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

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

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

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HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 13: Earnings Per Share

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

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

	For the fiscal years ended October 31		
	2018	2017	2016
	In millions, except per share amounts		
Numerator:			
Net earnings from continuing operations	$ 5,327	$ 2,526	$ 2,666
Net loss from discontinued operations	—	—	(170)
Net earnings	$ 5,327	$ 2,526	$ 2,496
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	1,634	1,702	1,743
Basic net earnings per share:			
Continuing operations	$ 3.30	$ 1.50	$ 1.54
Discontinued operations	—	—	(0.10)
Basic net earnings per share	$ 3.30	$ 1.50	$ 1.44
Diluted net earnings per share:			
Continuing operations	$ 3.26	$ 1.48	$ 1.53
Discontinued operations	—	—	(0.10)
Diluted net earnings per share	$ 3.26	$ 1.48	$ 1.43
Anti-dilutive weighted-average options[1]	—	1	13

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

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

Note 14: Litigation and Contingencies

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

Litigation, Proceedings and Investigations

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

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

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

Hewlett-Packard Company v. Oracle Corporation. On June 15, 2011, HP filed suit against Oracle Corporation ("Oracle") in California Superior Court in Santa Clara County in connection with Oracle's March 2011 announcement that it was discontinuing software support for HP's Itanium-based line of mission critical servers. HP asserted, among other things, that Oracle's actions breached the contract that was signed by the parties as part of the settlement of the litigation relating to Oracle's hiring of Mark Hurd. The matter eventually progressed to trial, which was bifurcated into two phases. HP prevailed in the first phase of the trial, in which the court ruled that the contract at issue required Oracle to continue to offer its software products on HP's Itanium-based servers for as long as HP decided to sell such servers. The second phase of the trial was then postponed by Oracle's appeal of the trial court's denial of Oracle's "anti-SLAPP" motion, in which Oracle argued that HP's damages claim infringed on Oracle's First Amendment rights. On August 27, 2015, the California Court of Appeals rejected Oracle's appeal. The matter was remanded to the trial court for the second phase of the trial, which began on May 23, 2016 and was submitted to the jury on June 29, 2016. On June 30, 2016, the jury returned a verdict in favor of HP, awarding HP approximately $3.0 billion in damages, which included approximately $1.7 billion for past lost profits and $1.3 billion for future lost profits. On October 20, 2016, the court entered judgment for HP for this amount with interest accruing until the judgment is paid. Oracle's motion for new trial was denied on December 19, 2016, and Oracle filed its notice of appeal from the trial court's judgment on January 17, 2017. On February 2, 2017, HP filed a notice of cross-appeal challenging the trial court's denial of prejudgment interest. The schedule for appellate briefing and argument has not yet been established. HP expects that the appeals process could take several years to complete. Litigation is unpredictable, and there can be no assurance that HP will recover damages, or that any award of damages will be for the amount awarded by the jury's verdict. The amount ultimately awarded, if any, would be recorded in the period received. No adjustment has been recorded in the financial statements in relation to this potential award. Pursuant to the terms of the separation and distribution agreement, HP and Hewlett Packard Enterprise will share equally in any recovery from Oracle once Hewlett Packard Enterprise has been reimbursed for all costs incurred in the prosecution of the action prior to the Separation.

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

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

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

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agreed to post a provisional bond in exchange for the DRI's agreement to not seize HP India products and spare parts and to not interrupt the transaction of business by HP India.
On April 11, 2012, the Bangalore Commissioner of Customs issued an order on the products-related show cause notice affirming certain duties and penalties against HP India and the named individuals of approximately $386 million, of which HP India had already deposited $9 million. On December 11, 2012, HP India voluntarily deposited an additional $10 million in connection with the products-related show cause notice. The differential duty demand is subject to interest. On April 20, 2012, the Commissioner issued an order on the parts-related show cause notice affirming certain duties and penalties against HP India and certain of the named individuals of approximately $17 million, of which HP India had already deposited $7 million. After the order, HP India deposited an additional $3 million in connection with the parts-related show cause notice so as to avoid certain penalties.

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

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

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

Autonomy-Related Legal Matters

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

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

Environmental

HP's operations and products are subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the content of HP's products and the recycling, treatment and disposal of those products. In particular, HP faces increasing complexity in its product design and procurement operations as it adjusts to new and future requirements relating to the chemical and materials composition of its products, their safe use, and the energy consumption associated with those products, including requirements relating to climate change. HP is also subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including computers and printers, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as “product take-back legislation”). HP could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become noncompliant with environmental laws. HP’s potential exposure includes fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs to comply with environmental laws are difficult to predict.

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

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Note 14: Litigation and Contingencies (Continued)

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

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

Note 15: Guarantees, Indemnifications and Warranties

Guarantees

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

Cross-Indemnifications with Hewlett Packard Enterprise

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

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

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

Indemnifications

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

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

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HP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Note 15: Guarantees, Indemnifications and Warranties (Continued)

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

Warranties

HP accrues the estimated cost of product warranties at the time it recognizes revenue. HP engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers; however, contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failures outside of HP's baseline experience, affect the estimated warranty obligation.

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

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

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Note 16: Commitments

Lease Commitments

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

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

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

Unconditional Purchase Obligations

As of October 31, 2018, HP had unconditional purchase obligations of $704 million. These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on HP and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. These unconditional purchase obligations are primarily related to inventory and service support. Unconditional purchase obligations exclude agreements that are cancelable without penalty.

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

Fiscal year	In millions
2019	$ 434
2020	180
2021	64
2022	24
2023	2
Thereafter	—
Total	$ 704

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

Note 17: Discontinued Operations
On November 1, 2015, HP completed the Separation of Hewlett Packard Enterprise. After the Separation, HP does not beneficially own any shares of Hewlett Packard Enterprise common stock.
The following table presents the financial results of HP's discontinued operations:

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

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

Note 18: Acquisitions and Divestitures
Acquisitions in Fiscal Year 2018
On November 1, 2017, HP completed the acquisition of Samsung's printer business. With this acquisition, HP now offers the industry's strongest portfolio of A3 multifunction printers that deliver the simplicity of printers with the high performance of copiers. The fully integrated portfolio, including next-generation PageWide technologies, offers opportunities to grow managed print and document services as sales models shift from transactional to contractual. HP reports the financial results of the above business in the Printing segment.
The table below presents the purchase price allocation.

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

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

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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.”

2. Financial Statement Schedules:

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

3. Exhibits:

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

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

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

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

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

10(c)(c)(c)	Form of Grant Agreement for grants of restricted stock units (for use from November 1, 2017).*	10-Q	001-04423	10(c)(c)(c)	March 1, 2018

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

* Indicates management contract or compensatory plan, contract or arrangement.
** Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Registration S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.
† Filed herewith.
†† Furnished herewith.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 13, 2018	HP INC.	
	By:	/s/ STEVE FIELER
		Steve Fieler
		Chief Financial Officer

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POWER OF ATTORNEY

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

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

Signature	Title(s)	Date
/s/ DION J. WEISLER Dion J. Weisler	President and Chief Executive Officer and Director (Principal Executive Officer)	December 13, 2018
/s/ STEVE FIELER Steve Fieler	Chief Financial Officer (Principal Financial Officer)	December 13, 2018
/s/ MARIE E. MYERS Marie E. Myers	Global Controller and Head of Finance Services (Principal Accounting Officer)	December 13, 2018
/s/ AIDA ALVAREZ Aida Alvarez	Director	December 13, 2018
/s/ SHUMEET BANERJI Shumeet Banerji	Director	December 13, 2018
/s/ ROBERT R. BENNETT Robert R. Bennett	Director	December 13, 2018
/s/ CHARLES V. BERGH Charles V. Bergh	Director	December 13, 2018
/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	Director	December 13, 2018

Subra Suresh

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ITEM 16. Form 10-K Summary
None.

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