HP INC
Form 10-K
December 16, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended October 31, 2015

Or

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

For the transition period from to

Commission file number 1-4423

HP INC.

(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: **(650) 857-1501**

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates was $59,551,395,919 based on the last sale price of common stock on April 30, 2015.

The number of shares of HP Inc. common stock outstanding as of November 30, 2015 was 1,791,848,366 shares.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	**10-K PART**
Portions of the Registrant's proxy statement related to its 2015 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of October 31, 2015 are incorporated by reference into Part III of this Report.	III

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HP INC. AND SUBSIDIARIES

Form 10-K

For the Fiscal Year ended October 31, 2015

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

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Forward-Looking Statements

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

PART I

ITEM 1. Business.

Business Overview

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

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

HP Separation Transaction

On November 1, 2015 (the "Distribution Date"), Hewlett-Packard Company completed the separation of Hewlett Packard Enterprise Company ("Hewlett Packard Enterprise"), Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses (the "Separation"). In connection with the Separation, Hewlett-Packard Company changed its name to HP Inc. Accordingly, references to the "company" in this report refer to Hewlett-Packard Company with respect to events occurring on or prior to October 31, 2015, and to HP Inc. with respect to events occurring after October 31, 2015.

On November 1, 2015, each of our stockholders of record as of the close of business on October 21, 2015 (the "Record Date") received one share of Hewlett Packard Enterprise common stock for every one share of our common stock held as of the Record Date.

Hewlett Packard Enterprise is now an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "HPE". After the Separation, we do not beneficially own any shares of Hewlett Packard Enterprise common stock and beginning November 1, 2015, we no longer consolidate Hewlett Packard Enterprise within our financial results or reflect the financial results of Hewlett Packard Enterprise within our continuing results of operations.

The historical results of operations and the financial position of Hewlett Packard Enterprise are included in the consolidated financial statements of HP Inc. for each of the fiscal years included in this report and will be reported as discontinued operations beginning in the first quarter of fiscal 2016.

HP Products and Services; Segment Information

Our offerings span the following:

- personal computing and other access devices;
- imaging- and printing-related products and services;
- enterprise information technology ("IT") infrastructure, including enterprise server and storage technology, networking products and solutions, technology support and maintenance;
- multi-vendor customer services, including technology consulting, outsourcing and support services across infrastructure, applications and business process domains; and
- software products and solution, including application testing and delivery software, big data analytics, information governance and IT Operations Management.

We offer one of the IT industry's broadest portfolios of products and services that bring together infrastructure, software, and services through innovation to enable our customers to create value and solve business problems. As consumers and enterprises shift the way technology is created, delivered, consumed and paid for, they are demanding a foundation that will support much greater agility, lower cost, facilitate quicker time-to-market, and provide a higher degree of accessibility by end-users to that technology. We design our solutions to provide that foundation, particularly in the areas of security, cloud, mobility and big data, by leveraging the breadth of our offerings and the strengths and capabilities of our individual business units.

Our operations are organized into seven business segments: Personal Systems; Printing; the Enterprise Group ("EG"); Enterprise Services ("ES"); Software; HP Financial Services ("HPFS"); and Corporate Investments. As a result of the Separation, effective November 1, 2015 EG, ES, Software, HPFS and certain parts of Corporate Investments are no longer reported in the continuing results of HP Inc. Personal Systems, Printing and the remaining parts of Corporate Investments segments will be HP Inc.'s reportable segments.

In each of the past three fiscal years, notebook personal computers ("PCs"), printing supplies, infrastructure technology outsourcing services, desktop PCs and industry standard servers ("ISS") each accounted for more than 10% of our consolidated net revenue.

The Personal Systems segment and the Printing segment are structured beneath a broader Printing and Personal Systems Group ("PPS"). While PPS is not a reportable segment, we may provide financial data aggregating the Personal Systems and Printing segments to provide a supplementary view of its business.

A summary of our net revenue, earnings from operations and assets for our segments along with a description of our fiscal 2015 organizational realignments can be found in Note 2 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. A discussion of factors potentially affecting our operations is set forth in "Risk Factors" in Item 1A, which is incorporated herein by reference.

Printing and Personal Systems Group

The mission of PPS is to leverage the respective strengths of the Personal Systems segment and the Printing segment by creating a unified business that is customer-focused and poised to capitalize on rapidly shifting industry trends. Each of the business segments within PPS is described in detail below.

Personal Systems

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

Commercial PCs. Commercial PCs are optimized for use by customers including enterprise and SMB customers, and for connectivity, reliability and manageability in networked environments. Commercial PCs include the HP ProBook and HP EliteBook lines of notebooks and hybrids (detachable tablets), the HP Pro and HP Elite lines of business desktops and all-in-ones, retail POS systems, HP Thin Clients, HP ElitePad and HP Pro Tablet PCs. Commercial PCs also include workstations that are designed and optimized for high-performance and demanding application environments including Z desktop workstations, Z all-in-ones and Z mobile workstations.

Consumer PCs. Consumer PCs include the HP Spectre, HP ENVY, HP Pavilion, HP Chromebook, HP Split and HP Slate series of multi-media consumer notebooks, hybrids and desktops, including the TouchSmart line of touch-enabled notebooks and all-in-one desktops.

Printing

Printing provides consumer and commercial printer hardware, supplies, media, software and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial markets. These solutions range from managed print services to areas such as industrial applications, outdoor signage and the graphic arts business. HP groups LaserJet, large format printers and commercial inkjet printers into Commercial Hardware and consumer and SMB inkjet printers into Consumer Hardware when describing performance in these markets.

LaserJet and Enterprise Solutions. LaserJet and Enterprise Solutions delivers LaserJet and enterprise products, services and solutions to the SMB and enterprise segments including LaserJet printers and supplies (toner), Officejet Pro X inkjet enterprise products and supplies, multi-function devices, scanners, web-connected hardware, managed services, and enterprise software solutions such as Web Jetadmin. Managed Print Services provides printing equipment, supplies, support, workflow optimization and security features for SMB and enterprise customers around the world, utilizing proprietary HP tools and fleet management solutions, as well as third-party software.

Inkjet and Printing Solutions. Inkjet and Printing Solutions deliver consumer and SMB inkjet solutions (hardware, ink supplies, media, and web-connected hardware and services) and include single-function and all-in-one inkjet printers. Ongoing initiatives and programs, such as Ink in the Office and Ink Advantage, and newer initiatives, such as Instant Ink, are intended to provide innovative printing solutions to consumers and SMBs. Our Ink in the Office initiative is focused on providing high value inkjet printing solutions to SMBs through our Officejet Premium and Officejet Pro inkjet portfolios. Our Ink Advantage program aims to provide savings on the overall cost of printing in emerging markets. Instant Ink is an ink replacement service that allows customers to pay a monthly fee to print a specified number of pages per month.

Graphics Solutions. Graphics Solutions deliver large format printers (Designjet, Large Format Production and Scitex Industrial), specialty printing, digital press solutions (Indigo and Inkjet Webpress), supplies and services to print service providers and design and rendering customers. The solutions cover a wide range of printing applications such as technical design, photos, sign and display, direct mail, marketing collateral, labels and packaging, and publishing.

Software and Web Services. Software and Web Services delivers a suite of offerings, including document storage, entertainment services, web-connected printing, and PC back-up and related services.

Marketing Optimization. Marketing Optimization focuses on delivering solutions and software that help businesses engage audiences, reach new customer segments and markets and deliver compelling content across channels. The group provides solutions for augmented reality, contact center analytics, customer communications management and digital experience management.

Enterprise Group

EG provides a broad portfolio of enterprise technology solutions to address customer needs in building the foundation for the next generation of applications, web services and user experiences which are only as rich, impactful and world-changing as the infrastructure platforms that they sit on. EG technology addresses a wide range of customer challenges, including supporting new types of applications, new approaches to IT operations, and new demands and uses for insight, and managing new threats and risks. EG technology also allows customers to capitalize on a wide range of trends and

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opportunities, from servicing new segments and buying behaviors to inventing new consumption models and creating new revenue streams. EG technology delivers customer outcomes through its innovative, industry leading portfolio across servers, storage, networking, management software, converged infrastructure solutions, and technology services. In today's rapidly changing technology landscape, customers face twin challenges when it comes to their infrastructure foundation: they must optimize their "traditional IT" to support existing applications, and they must simultaneously invest in "cloud-first, mobile-first" infrastructure that will support the next generation of applications, web services and user experiences. The EG portfolio delivers products and services across servers, storage and networking to reduce cost and continue high performance operations for traditional IT loads. For tomorrow's cloud-first, mobile first workloads, the EG portfolio provides products and services across converged solutions engineered for the world's most important workloads in cloud, mobility, infrastructure-as-a-service, and big data; HP OneView as the industry's only unified display software-defined infrastructure management solution; HP Helion cloud portfolio delivering a broad offering of hybrid cloud solutions, cloud services and cloud software; and technology services to advise customers on the right path to transforming their enterprises for tomorrow's digital era.

Industry Standard Servers. ISS offers a range of products from entry-level servers through premium ProLiant servers, which run primarily Windows, Linux and virtualization platforms from software providers such as Microsoft Corporation ("Microsoft") and VMware, Inc. ("VMware"), and open source software from other major vendors while leveraging x86 processors from Intel and AMD. The business spans a range of server product lines, including microservers, towers, traditional rack, density-optimized rack and blades, solutions for large, distributed computing companies who buy and deploy nodes at a massive scale. ISS also offers HP Moonshot servers operating on ARM, AMD and Intel Atom-based processors which offer reduced cost, space, energy and complexity compared to traditional servers.

Business Critical Systems. Business Critical Systems delivers our mission-critical systems through a portfolio of HP Integrity servers based on the Intel Itanium processor that run the HP-UX and OpenVMS operating systems, as well as HP Integrity NonStop solutions and mission-critical x86 ProLiant servers.

Storage. Our storage offerings include platforms for enterprise and SMB environments. Our flagship product is the 3PAR StoreServ Storage Platform, which is designed for virtualization, cloud and IT-as-a-service. Traditional Storage solutions include tape, storage networking and legacy external disk products such as EVA and XP. Converged Storage solutions include 3PAR StoreServ, StoreOnce and StoreVirtual products. These offerings enable customers to optimize their existing storage systems, build new virtualization solutions and facilitate their transition to cloud computing.

Networking. Our networking offerings include switches, routers, wireless local area network ("WLAN") and network management products that deliver open, scalable, secure, agile and consistent solutions that span the data center, campus and branch environments and deliver software-defined networking and unified communications capabilities. Our unified wired and wireless networking offerings include WLAN access points, controllers and switches. Our networking solutions are based on our FlexNetwork architecture, which is designed to enable simplified server virtualization, unified communications and business application delivery for the enterprise. Software-defined networking provides an end-to-end solution to automate the network from data center to campus and branch.

Technology Services. Technology Services provides Support and Consulting services. Support services offerings span various levels of customer support needs and include: HP Foundation Care, our portfolio of reactive hardware and software support services; HP Proactive Care, which combines remote support technology for real time monitoring with rapid access to our technical experts; HP Datacenter Care, comprehensive, flexible end-to-end support that enables customers to build, operate or consume IT in private or hybrid cloud environments; and Lifecycle Event services, which are event

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based services, offering our technology expertise and advice for each phase of the technology life cycle. These services are available in the form of service contracts, pre-packaged offerings (HP Care Pack services) or on a customized basis. Consulting services are focused on cloud, mobility and big data and provide IT organizations with advice, design, implementation, migration and optimization of EG's platforms: servers, storage, networking and converged infrastructure.

Enterprise Services

ES provides technology consulting, outsourcing and support services across infrastructure, applications and business process domains in traditional and Strategic Enterprise Services offerings which includes analytics and data management, security and cloud services. ES leverages our investments in our consulting and support professionals, infrastructure technology, applications, standardized methodologies and global supply and delivery capabilities. ES also creates opportunities for us to market additional hardware and software by offering solutions that leverage our other products and services in order to meet our clients' needs.

Infrastructure Technology Outsourcing. The Infrastructure Technology Outsourcing group delivers comprehensive services that streamline and help optimize our clients' technology infrastructure to efficiently enhance performance, reduce costs, mitigate risk and enable business optimization. These services encompass the management of data centers, IT security, cloud computing, workplace technology, networks, unified communications and enterprise service management. We also offer a set of managed services that provide a cross-section of our broader infrastructure services for smaller, discrete engagements.

Application and Business Services. The Application and Business Services portfolio helps our clients develop, revitalize and manage their applications and information assets. Our complete application lifecycle approach encompasses application development, testing, modernization, system integration, maintenance and management for both packaged and custom-built applications and cloud offerings. Our Application and Business Services portfolio also includes intellectual property-based industry solutions, along with technologies and related services, all of which help our clients better manage their critical industry processes for customer relationship management, finance and administration, human resources, payroll and document processing.

Software

Software portfolio provides big data analytics and applications, enterprise security, application testing and delivery management and IT Operations Management solutions for businesses and other enterprises of all sizes. Our Software offerings include licenses, support, professional services and software-as-a-service ("SaaS"). Our global business capabilities within Software are described below.

Big Data. Big Data group provides a full suite of software designed to help organizations capture, store, explore, analyze, protect and share information and insights within and outside their organizations to improve business outcomes, while also enabling them to manage risks and meet legal obligations. Our Big Data suite includes HP Vertica, the leading analytics database technology for machine, structured and semi-structured data; HP IDOL, a unique analytics tool for human information; as well as solutions for archiving, data protection, eDiscovery, information governance and enterprise content management.

Our big data platform, Haven, brings these unique assets together for processing and understanding machine and sensor data, business data and unstructured human information. A growing ecosystem of customers, partners and developers use this platform to build big data driven analytic applications. Our Software segment also leverages Haven's unique analytic assets to deliver purpose-built solutions for a variety of markets, including application testing and delivery, big data analytics and applications, IT Operations Management, and enterprise security. These solutions are designed for businesses and enterprises of all sizes, and are available via on-premise, as well as via SaaS and hybrid delivery models. Software's Haven big data platform and purpose-built applications are augmented by our support and professional services offerings in order to provide an end-to-end solution to customers.

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Application Delivery Management. The Application Delivery Management group provides software that enables organizations to deliver high-performance applications, accelerating the application delivery lifecycle and automating the testing processes to ensure the quality and scalability of desktop, web, mobile and cloud-based applications.

Enterprise Security. Enterprise Security software is designed to disrupt fraud, hackers and cyber criminals by testing and scanning software and websites for security vulnerabilities, improving network defenses and security, implementing security controls, safeguarding data at rest, in motion and in use (regardless of where software and data reside), and providing security intelligence, analytics, and information management to identify threats and manage risk.

IT Operations Management. The IT Operations Management group provides the software required to automate routine IT tasks and to pinpoint IT problems as they occur, helping enterprises to reduce operational costs and improve the reliability of applications running in a traditional, cloud or hybrid environment.

HP Financial Services

HPFS provides flexible investment solutions for our customers, such as leasing, financing, IT consumption and utility programs and asset management services that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from HP and others. In order to provide flexible services and capabilities that support the entire IT lifecycle, HPFS partners with our customers globally to help build investment strategies that enhance their business agility and support their business transformation. HPFS offers a wide selection of investment solution capabilities for large enterprise customers and channel partners, along with an array of financial options to SMBs and educational and governmental entities.

Corporate Investments

Corporate Investments includes HP Labs, certain enterprise-related business incubation projects and venture focused minority investments, among others.

Sales, Marketing and Distribution

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

- retailers that sell our products to the public through their own physical or Internet stores;
- resellers that sell our products and services, frequently with their own value-added products or services, to targeted customer groups;
- distribution partners that supply our solutions to resellers;
- original equipment manufacturers ("OEMs") that integrate our products and services with their own products and services, and sell the integrated solution;
- independent software vendors that provide their clients with specialized software products and often assist us in selling our products and services to clients purchasing their products;
- systems integrators that provide expertise in designing and implementing custom IT solutions and often partner with us to extend their expertise or influence the sale of our products and services; and

advisory firms that provide various levels of management and IT consulting, including some systems integration work, and typically partner with us on client solutions that require our unique products and services.

The mix of our business conducted by direct sales or channel differs substantially by business and region. We believe that customer buying patterns and different regional market conditions require us to tailor our sales, marketing and distribution efforts accordingly. We are focused on driving the depth and breadth of our coverage, in addition to identifying efficiencies and productivity gains, in both our direct and indirect businesses. While each of our business segments manages the execution of its own go-to-market and distribution strategy, our business segments also collaborate to ensure strategic and process alignment where appropriate. For example, we typically assign an account manager to manage relationships across our business with large enterprise customers. The account manager is supported by a team of specialists with product and services expertise. For other customers and for consumers, PPS typically manages direct online sales as well as channel relationships with retailers, while our business segments collaborate to manage relationships with commercial resellers targeting SMBs where appropriate.

Manufacturing and Materials

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

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

We purchase materials, supplies and product subassemblies from a substantial number of vendors. For most of our products, we have existing alternate sources of supply or such alternate sources of supply are readily available. However, we do rely on sole sources for laser printer engines, LaserJet supplies, certain customized parts and parts for products with short life cycles (although some of these sources have operations in multiple locations in the event of a disruption). We are dependent upon Intel and AMD as suppliers of x86 processors and Microsoft for various software products; however, we believe that disruptions with these suppliers would result in industry-wide dislocations and therefore would not disproportionately disadvantage us relative to our competitors. See "Risk Factors We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers effectively," in Item 1A, which is incorporated herein by reference.

Like other participants in the IT industry, we ordinarily acquire materials and components through a combination of blanket and scheduled purchase orders to support our demand requirements for periods averaging 90 to 120 days. From time to time, we may experience significant price volatility or supply constraints for certain components that are not available from multiple sources. Frequently, we are able to obtain scarce components for somewhat higher prices on the open market, which may have an impact on our gross margin but does not generally disrupt production. We also may acquire component inventory in anticipation of supply constraints or enter into longer-term pricing

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commitments with vendors to improve the priority, price and availability of supplies. See "Risk Factors We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers effectively," in Item 1A, which is incorporated herein by reference.

International

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

A summary of our domestic and international net revenue and net property, plant and equipment is set forth in Note 2 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. Approximately 64% of our overall net revenue in fiscal 2015 came from outside the United States ("U.S.").

For a discussion of risks attendant to HP's international operations, see "Risk Factors Due to the international nature of our business, political or economic changes or other factors could harm our business and financial performance," in Item 1A, "Quantitative and Qualitative Disclosure about Market Risk," in Item 7A and Note 11 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Research and Development

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

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

Expenditures for research and development were $3.5 billion in fiscal 2015, $3.4 billion in fiscal 2014 and $3.1 billion in fiscal 2013. We anticipate that we will continue to have significant research and development expenditures in the future to support the design and development of innovative, high-quality products and services to maintain and enhance our competitive position.

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

Patents

Our general policy has been to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. At October 31, 2015, our worldwide patent portfolio included over 33,000 patents, which represents a slight decrease over the number of patents in our portfolio at the end of fiscal 2014. As a result of the Separation, approximately 15,000 patents were transferred to Hewlett Packard Enterprise beginning November 1, 2015.

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

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

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

Backlog

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

Seasonality

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

Competition

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

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

We have a broad technology portfolio spanning personal computing and other access devices, imaging and printing-related products and services, enterprise IT infrastructure products and solutions,

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multi-vendor customer services and IT management software and solutions. We are the leader or among the leaders in each of our business segments.

The competitive environments in which each segment operates are described below:

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

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

Enterprise Group. EG operates in the highly competitive enterprise technology infrastructure market that is characterized by rapid and ongoing technological innovation and price competition. Our primary competitors include technology vendors such as International Business Machines Corporation ("IBM"), Dell, EMC Corporation ("EMC"), Cisco Systems, Inc. ("Cisco"), Lenovo, Oracle Corporation ("Oracle"), Fujitsu Limited ("Fujitsu"), Inspur Co. Ltd., Huawei Technologies Co. Ltd., NetApp, Inc., Hitachi Ltd., Juniper Networks, Inc., Arista Networks, Inc., Extreme Networks, Inc., Brocade Communications Systems, Inc., VMware, Microsoft, Google Inc., Rackspace Inc., and Amazon.com, Inc. ("Amazon"). In certain regions, we also experience competition from local companies and from generically-branded or "white-box" manufacturers. Our strategy is to deliver superior products, high-value technology support services and differentiated integrated solutions that combine our infrastructure, software and services capabilities. Our competitive advantages include our broad end-to-end solutions portfolio, supported by our strong IP portfolio and research and development capabilities, coupled with our global reach and partner ecosystem.

Enterprise Services. ES competes in the IT services, consulting and integration, infrastructure technology outsourcing, business process outsourcing and application services markets. Our primary competitors include IBM Global Services, Computer Sciences Corporation, systems integration firms such as Accenture plc and offshore companies such as Fujitsu and India-based competitors Wipro Limited, Infosys Limited and Tata Consultancy Services Ltd. We also compete with other traditional hardware providers, such as Dell, which are increasingly offering services to support their products, new players in emerging areas like cloud such as Amazon, and smaller local players. Many of our competitors offer a wide range of global services, and some of our competitors enjoy significant brand recognition. ES teams with many companies to offer services, and those arrangements allow us to extend our reach and augment our capabilities. Our competitive advantages include our deep technology expertise, especially in complex multi-country, multi-vendor and/or multi-language environments, our differentiated intellectual property, our strong track record of collaboration with clients and partners, and the combination of our expertise in infrastructure management with skilled global resources on platforms from SAP AG ("SAP"), Oracle and Microsoft, among others.

Software. The markets in which our Software segment operates are characterized by rapidly changing customer requirements and technologies. We design and develop enterprise IT management software in competition with IBM, CA Technologies, Inc., VMware, BMC Software, Inc. and others. Our big data solutions, which include data analytics, information governance and digital marketing offerings incorporating both structured and unstructured data, compete with products from companies like Adobe Systems Inc., IBM, EMC, Open Text Corporation, Oracle and Symantec Corporation. We also deliver enterprise security/risk intelligence solutions that compete with products from EMC, IBM, Cisco and Intel. As customers are becoming increasingly comfortable with newer delivery mechanisms such as SaaS, we are facing competition from smaller, less traditional competitors, particularly for customers with smaller IT organizations. Our differentiation lies in the breadth and depth of our software, our collaboration with EG and ES to provide comprehensive IT solutions and services portfolio and the scope of our market coverage.

HP Financial Services. In our financing business, our competitors are captive financing companies, mainly IBM Global Financing, as well as banks and other financial institutions in our financing business. We believe our competitive advantage in this business over banks and other financial institutions is our ability to deliver flexible investment solutions and expertise that help customers and other partners create unique technology deployments based on specific business needs.

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

Environment

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

Many of our products are subject to various federal, state, local and foreign laws governing chemical substances in products and their safe use, including laws regulating the manufacture and distribution of chemical substances and laws restricting the presence of certain substances in electronics products. Some of our products also are, or may in the future be, subject to requirements applicable to their energy consumption. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to the chemical and materials composition of our products, their safe use, and their energy efficiency, including requirements relating to climate change. We are also subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including computers and printers, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). In the event our products become non-compliant with these laws, our products could be restricted from entering certain jurisdictions and we could face other sanctions, including fines.

Our operations, and ultimately our products, are expected to become increasingly subject to federal, state, local and foreign laws, regulations and international treaties relating to climate change.

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As these laws, regulations, treaties and similar initiatives and programs are adopted and implemented throughout the world, we will be required to comply or potentially face market access limitations or other sanctions, including fines. However, we believe that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and we are collaborating with industry, business groups and governments to find and promote ways that HP technology can be used to address climate change and to facilitate compliance with related laws, regulations and treaties.

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

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

For a discussion of risks attendant to these environmental factors, see "Risk Factors Our business is subject to various federal, state, local and foreign laws and regulations that could result in costs or other sanctions that adversely affect our business and results of operations," in Item 1A, which is incorporated herein by reference. In addition, for a discussion of our environmental contingencies see Note 16 to the Consolidated Financial Statements in Item 8, which is also incorporated herein by reference.

Executive Officers

The following are our current executive officers:

Rob Binns; age 47; Head of Global Treasury and Investor Relations

Mr. Binns has served as Head of Global Treasury and Investor Relations since November 2015. Mr. Binns joined Hewlett-Packard Company in 2006 as Finance Director for HP Software in the Europe, Middle East and Africa regions following the acquisition of Mercury Interactive. Since then, Mr. Binns has held a number of finance and business roles within HP Software, including Vice President of Worldwide Field Operations. Previously, Mr. Binns was Vice President of Investor Relations. Most recently, Mr. Binns was the Vice President and Chief Financial Officer for HP Software responsible for driving all finance activities.

Ron Coughlin; age 49; President, Personal Systems

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

Jon Flaxman; age 58; Chief Operating Officer

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

Tracy S. Keogh; age 54; Chief Human Resources Officer

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

Catherine A. Lesjak; age 56; Chief Financial Officer

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

Enrique Lores; age 50; President, Printing, Solutions and Services

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

Marie Myers; age 47; Global Controller and Head of Finance Services

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

Kim Rivera; age 47; Chief Legal Officer and General Counsel

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

Dion J. Weisler; age 48; President and Chief Executive Officer

Mr. Weisler has served as President and Chief Executive Officer since November 2015. Previously, he served as Executive Vice President of the Printing and Personal Systems Group of Hewlett-Packard Company from June 2013 to November 2015 and as Senior Vice President and Managing Director, Printing and Personal Systems, Asia Pacific and Japan from January 2012 to June 2013. Prior to joining

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Hewlett-Packard Company, he was Vice President and Chief Operating Officer of the Product and Mobile Internet Digital Home Groups at Lenovo Group Ltd., a technology company, from January 2008 to December 2011.

Employees

We had approximately 287,000 employees worldwide as of October 31, 2015.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at http://www.hp.com/investor/home, as soon as reasonably practicable after HP electronically files such reports with, or furnishes those reports to, the Securities and Exchange Commission. HP's Corporate Governance Guidelines, Board of Directors' committee charters (including the charters of the Audit Committee, Finance and Investment Committee, HR and Compensation Committee, Technology Committee, and Nominating, Governance and Social Responsibility Committee) and code of ethics entitled "Standards of Business Conduct" are also available at that same location on our website. Stockholders may request free copies of these documents from:

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

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ITEM 1A. Risk Factors.

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

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

Risks related to our business

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

We are in the process of addressing many challenges facing our business. One set of challenges relates to dynamic and accelerating market trends, such as the decline in the PC market, the growth of multi-architecture devices running competing operating systems and movement to continuous ink supply systems. A second set of challenges relates to changes in the competitive landscape. Our major competitors are expanding their product and service offerings with integrated products and solutions; our business-specific competitors are exerting increased competitive pressure in targeted areas and are entering new markets; our emerging competitors are introducing new technologies and business models; and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution. For example, we may fail to develop innovative products and services, maintain the manufacturing quality of our products, manage our distribution network or successfully market new products and services, any of which could adversely affect our business and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are exposed to fluctuations in foreign currency exchange rates.

Currencies other than the U.S. dollar, including the euro, the British pound, Chinese yuan (renminbi) and the Japanese yen, can have an impact on our results as expressed in U.S. dollars. In particular, the economic uncertainties relating to European sovereign and other debt obligations and the related European financial restructuring efforts may cause the value of the euro to fluctuate.

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

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

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

Our business and financial performance depend significantly on worldwide economic conditions and the demand for technology products and services in the markets in which we compete. Recent economic weakness and uncertainty in various markets throughout the world have resulted, and may result in the future, in decreased revenue, gross margin, earnings or growth rates and in increased expenses and difficulty in managing inventory levels. For example, we are continuing to experience macroeconomic weakness across many geographic regions, particularly in the Europe, the Middle East and Africa region, China and certain other high-growth markets. Ongoing U.S. federal government spending limits may continue to reduce demand for our products and services from organizations that receive funding from the U.S. government, and could negatively affect macroeconomic conditions in the United States, which could further reduce demand for our products and services. Economic weakness and uncertainty may adversely affect demand for our products and services, may result in increased expenses due to higher allowances for doubtful accounts and potential goodwill and asset impairment charges, and may make it more difficult for us to make accurate forecasts of revenue, gross margin, cash flows and expenses.

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

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

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changes in interest rates, borrowing costs, currency exchange rates, costs of hedging activities and the fair value of derivative instruments. Economic downturns also may lead to restructuring actions and associated expenses.

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

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

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

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

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

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

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

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

Component shortages. We may experience a shortage of, or a delay in receiving, certain components as a result of strong demand, capacity constraints, supplier financial weaknesses, the inability of suppliers to borrow funds in the credit markets, disputes with suppliers (some of whom are also our customers), disruptions in the operations of component suppliers, other problems experienced by suppliers or problems faced during the transition to new suppliers. For example, our PC business relies heavily upon OMs to manufacture its products and is therefore dependent upon the continuing operations of those OMs to fulfill demand for our PC products. We represent a substantial portion of the business of some of these OMs, and any changes to the nature or volume of our business transactions with a particular OM could adversely affect the operations and financial condition of the OM and lead to shortages or delays in receiving products from that OM. If shortages or delays persist, the price of certain components may increase, we may be exposed to quality issues or the components may not be available at all. We may not be able to secure enough components at reasonable prices or of acceptable quality to build products or provide services in a timely manner in the quantities needed or according to our specifications. Accordingly, our business and financial performance could suffer if we lose time-sensitive sales, incur additional freight costs or are unable to pass on price increases to our customers. If we cannot adequately address supply issues, we might have to reengineer some product or service offerings, which could result in further costs and delays.

Excess supply. In order to secure components for our products or services, at times we may make advance payments to suppliers or enter into non-cancelable commitments with vendors. In addition, we may purchase components strategically in advance of demand to take advantage of favorable pricing or to address concerns about the availability of future components. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components, which could adversely affect our business and financial performance.

Contractual terms. As a result of binding long-term price or purchase commitments with vendors, we may be obligated to purchase components or services at prices that are higher than those available in the current market and be limited in our ability to respond to changing market conditions. If we commit to purchasing components or services for prices in excess of the then-current market price, we may be at a disadvantage to competitors who have access to components or services at lower prices, our gross margin could suffer, and we could incur additional charges relating to inventory obsolescence. In addition, many of our competitors obtain products or components from the same OMs and suppliers that we utilize. Our competitors may obtain better pricing, more favorable contractual terms and conditions, and more favorable allocations of products and components during periods of limited supply, and our ability to engage in relationships with certain OMs and suppliers could be limited. The practice employed by our PC business of purchasing product components and transferring those components to its OMs may create large supplier receivables with the OMs that, depending on the financial condition of the OMs, may create collectability risks. In addition, certain of our OMs and suppliers may decide to discontinue conducting business with us. Any of these developments could adversely affect our future results of operations and financial condition.

Contingent workers. We also rely on third-party suppliers for the provision of contingent workers, and our failure to manage our use of such workers effectively could adversely affect our results of operations. We have been exposed to various legal claims relating to the status of contingent workers in the past and could face similar claims in the future. We may be subject to shortages, oversupply or fixed contractual terms relating to contingent workers. Our ability to manage the size of, and costs associated with, the contingent workforce may be subject to additional constraints imposed by local laws.

Single-source suppliers. We obtain a significant number of components from single sources due to technology, availability, price, quality or other considerations. For example, we rely on Canon for laser printer engines and laser toner cartridges. We also rely on Intel to provide us with a sufficient supply of processors for many of our PCs and workstations, and we rely on AMD to provide us with a sufficient supply of processors for other products. Some of those processors are customized for our products. New products that we introduce may utilize custom components obtained from only one source initially until we have evaluated whether there is a need for additional suppliers. Replacing a single-source supplier could delay production of some products as replacement suppliers may be subject to capacity constraints or other output limitations. For some components, such as customized components and some of the processors that we obtain from Intel, alternative sources either may not exist or may be unable to produce the quantities of those components necessary to satisfy our production requirements. In addition, we sometimes purchase components from single-source suppliers under short-term agreements that contain favorable pricing and other terms but that may be unilaterally modified or terminated by the supplier with limited notice and with little or no penalty. The performance of such single-source suppliers under those agreements (and the renewal or extension of those agreements upon similar terms) may affect the quality, quantity and price of our components. The loss of a single-source supplier, the deterioration of our relationship with a single-source supplier, or any unilateral modification to the contractual terms under which we are supplied components by a single source supplier could adversely affect our business and financial performance.

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

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

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

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

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

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

Sales outside the United States made up approximately 64% of our net revenue for fiscal 2015. In addition, a portion of our business activity is being conducted in emerging markets. Our future business and financial performance could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts;
- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favor domestic companies and technologies over foreign competitors;
- local labor conditions and regulations, including local labor issues faced by specific suppliers and OEMs;
- managing a geographically dispersed workforce;
- changes in the international, national or local regulatory and legal environments;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase our cost of doing business in certain jurisdictions, prevent us from shipping products to particular countries or markets, affect our ability to obtain favorable terms for components, increase our operating costs or lead to penalties or restrictions;
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

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

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

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

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

- Managing business combination and investment transactions requires varying levels of management resources, which may divert our attention from other business operations.

- We may not fully realize all of the anticipated benefits of any particular business combination and investment transaction, and the timeframe for realizing the benefits of a particular business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers, other third-parties or market trends.

- Certain prior business combination and investment transactions entered into by Hewlett-Packard Company resulted, and in the future any such transactions by us may result, in significant costs and expenses, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, asset impairment charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.

- Any increased or unexpected costs, unanticipated delays or failure to meet contractual obligations could make business combination and investment transactions less profitable or unprofitable.

- Our ability to conduct due diligence with respect to business combination and investment transactions, and our ability to evaluate the results of such due diligence, is dependent upon the veracity and completeness of statements and disclosures made or actions taken by third-parties or their representatives.

- The pricing and other terms of our contracts for business combination and investment transactions require us to make estimates and assumptions at the time we enter into these contracts, and, during the course of our due diligence, we may not identify all of the factors necessary to estimate accurately our costs, timing and other matters or we may incur costs if a business combination is not consummated.

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

- We may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect our liquidity and financial condition.

- Our effective tax rate on an ongoing basis is uncertain, and business combination and investment transactions could adversely impact our effective tax rate.

- An announced business combination and investment transaction may not close on the expected timeframe or at all, which may cause our financial results to differ from expectations in a given quarter.

Business combination and investment transactions may lead to litigation, which could impact our financial condition and results of operations.

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- If we fail to identify and successfully complete and integrate business combination and investment transactions that further our strategic objectives, we may be required to expend resources to develop products, services and technology internally, which may put us at a competitive disadvantage.

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

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

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

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

- successfully combining product and service offerings and entering or expanding into markets in which we are not experienced or are developing expertise;

- convincing customers and distributors that the transaction will not diminish client service standards or business focus;

- persuading customers and distributors not to defer purchasing decisions or switch to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and expanding and coordinating sales, marketing and distribution efforts;

- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;

- minimizing the diversion of management attention from ongoing business concerns;

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persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, engaging with employee works councils representing an acquired company's non-U.S. employees, integrating employees, correctly estimating employee benefit costs and implementing restructuring programs;

coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third-parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;

achieving savings from supply chain integration; and

managing integration issues shortly after or pending the completion of other independent transactions.

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

We announced a restructuring plan in September 2015 to realign our cost structure due to the changing nature of our business and to achieve operating efficiencies that we expect to reduce costs. We may not be able to obtain the cost savings and benefits that were initially anticipated in connection with our restructuring. Additionally, as a result of our restructuring, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our restructuring plan, including details regarding the plan announced in September 2015, see Note 3 to our Consolidated Financial Statements in Item 8.

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

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

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

Some of our business and some of our products rely on key technologies developed or licensed by third-parties. We may not be able to obtain or continue to obtain licenses and technologies from these third-parties at all or on reasonable terms, or such third-parties may demand cross-licenses to our intellectual property. For example, some of our software offerings are developed using software components or other intellectual property licensed from third parties, including through both proprietary and open source licenses. These third-party software components may become obsolete,

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

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

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

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

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

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

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

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

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

- The pricing and other terms of some of our service agreements require us to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could make these agreements less profitable or unprofitable, which could have an adverse effect on the profit margin of our services business.

- Some of our service agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements may involve the development and deployment of new technologies. Varying degrees of performance risk exist in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development and deployment phases. Any failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers and harm our reputation, which could harm the financial performance of our services business.

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If we do not hire, train, motivate and effectively utilize employees with the right mix of skills and experience in the right geographic regions to meet the needs of our services clients, our financial performance could suffer. For example, if our employee utilization rate is too low, our profitability and the level of engagement of our employees could suffer. If that utilization rate is too high, it could have an adverse effect on employee engagement and attrition and the quality of the work performed, as well as our ability to staff projects. If we are unable to hire and retain a sufficient number of employees with the skills or backgrounds to meet current demand, we might need to redeploy existing personnel, increase our reliance on subcontractors or increase employee compensation levels, all of which could also negatively affect our profitability. In addition, if we have more employees than we need with certain skill sets or in certain geographies, we may incur increased costs as we work to rebalance our supply of skills and resources with client demand in those geographies.

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

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

Hewlett-Packard Company's stock price has historically fluctuated, and our stock price may continue to fluctuate, which may make future prices of HP Inc.'s stock difficult to predict.

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

- speculation, coverage or sentiment in the media or the investment community about, or actual changes in, our business, strategic position, market share, organizational structure, operations, financial condition, financial reporting and results, effectiveness of cost-cutting efforts, value or liquidity of our investments, exposure to market volatility, prospects, business combination or investment transactions, future stock price performance, board of directors, executive team, our competitors or our industry in general;

- the announcement of new, planned or contemplated products, services, technological innovations, acquisitions, divestitures or other significant transactions by us or our competitors;

- quarterly increases or decreases in revenue, gross margin, earnings or cash flows, changes in estimates by the investment community or our financial outlook and variations between actual and estimated financial results;

- announcements of actual and anticipated financial results by our competitors and other companies in the IT industry;

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- developments relating to pending investigations, claims and disputes; and

- the timing and amount of our share repurchases.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance also may affect the price of our stock. For these reasons, investors should not rely on recent or historical trends to predict future stock prices, financial condition, results of operations or cash flows. Additional volatility in the price of our securities could result in the filing of securities class action litigation matters, which could result in substantial costs and the diversion of management time and resources.

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

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

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

In connection with the preparation of our Consolidated Financial Statements, we use certain estimates and assumptions based on historical experience and other factors. Our most critical accounting estimates are described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report. In addition, as discussed in Note 16 to the Consolidated Financial Statements, we make certain estimates, including decisions related to provisions for legal proceedings and other contingencies. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could adversely affect our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the Separation

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

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

We may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the separation. As an independent publicly-traded company we are a smaller, less diversified company with a narrower business focus and may be more vulnerable to changing market conditions, which could materially and adversely affect its business, financial condition and results of operations.

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The Separation could result in substantial tax liability.

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

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

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

ITEM 1B. Unresolved Staff Comments.

None.

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ITEM 2. Properties.

As of October 31, 2015, we owned or leased approximately 70 million square feet of space worldwide, a summary of which is provided below.

	Fiscal year ended October 31, 2015		
	Owned	Leased	Total
	(square feet in millions)		
Administration and support	11	23	34
(Percentage)	32%	68%	100%
Core data centers, manufacturing plants, research and development facilities and warehouse operations	14	16	30
(Percentage)	47%	53%	100%
Total[1]	25	39	64
(Percentage)	39%	61%	100%

(1) Excludes 6 million square feet of vacated space, of which 2 million square feet is leased to third parties.

In connection with the Separation, as of November 1, 2015, we transferred a total of approximately 51 million square feet of space worldwide to Hewlett Packard Enterprise. Of that, Hewlett Packard Enterprise owned approximately 21 million square feet and leased approximately 30 million square feet of space. We believe that our existing properties are in good condition and are suitable for the conduct of our business. Because of the interrelation of our segments, a majority of our segments use substantially all of the properties at least in part, and we retain the flexibility to use each of the properties in whole or in part for each of the segments.

Principal Executive Offices

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

Headquarters of Geographic Operations

The locations of our geographic headquarters are as follows:

Americas	*Europe, Middle East, Africa*	*Asia Pacific*
Houston, United States	Geneva, Switzerland	Singapore
Mississauga, Canada		Tokyo, Japan

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Product Development, Services and Manufacturing

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

Americas

Brazil Sao Paulo

Canada Markham, Mississauga

Puerto Rico Aguadilla

United States Alpharetta, Andover, Auburn Hills, Austin, Cincinnati, Boise, Charlotte, Colorado Springs, Corvallis, Des Moines, Fort Collins, Hockley, Houston, Indianapolis, Nashville, Palo Alto, Plano, Rancho Cordova, Roseville, San Diego, Sandston, Suwanee, Tulsa

Europe, Middle East, Africa

France Grenoble

Ireland Dublin

Israel Kiryat-Gat, Nes Ziona, Netanya

Germany Frankfurt

Spain Barcelona

United Kingdom Billingham, Erskine, Norwich, Sunderland

Asia Pacific

India Bangalore, Udham Singh Nagar

Japan Tokyo

Singapore Singapore

Taiwan Taipei

HP Labs

Israel Haifa

United Kingdom Bristol

United States Palo Alto

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 16 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

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PART II

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

Information regarding the market prices of HP common stock and the markets for that stock may be found in the "Quarterly Summary" in Item 8 and on the cover page of this Annual Report on Form 10-K, respectively, which are incorporated herein by reference. We have declared and paid cash dividends each fiscal year since 1965. Dividends declared and paid per share by fiscal quarter in 2015 and 2014 were as follows:

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Dividends declared		$ 0.35		$ 0.32		$ 0.32		$ 0.29
Dividends paid	$ 0.18	$ 0.18	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.15	$ 0.15

Additional information concerning dividends may be found in "Selected Financial Data" in Item 6 and Note 14 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

As of November 30, 2015, there were approximately 71,910 stockholders of record.

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

Recent Sales of Unregistered Securities

On October 9, 2015, Hewlett Packard Enterprise completed the offering of senior unsecured notes in aggregate principal amount of $14.6 billion (the "Notes") through private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Notes issued by Hewlett Packard Enterprise have not been registered under the Securities Act or any state securities laws.

There were no unregistered sales of equity securities in fiscal 2015.

Issuer Purchases of Equity Securities

Fourth Quarter of Fiscal 2015	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	In thousands, except per share amounts			
Month #1 (August 2015)	3,429	$ 28.90	3,429	$ 2,235,197
Month #2 (September 2015)	3,641	$ 27.11	3,641	$ 2,136,497
Month #3 (October 2015)	3,732	$ 27.70	3,732	$ 2,033,098
Total	10,802	$ 27.88	10,802	

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On July 21, 2011, HP's Board of Directors authorized a $10.0 billion share repurchase program. HP may choose to repurchase shares when sufficient liquidity exists and the shares are trading at a discount relative to estimated intrinsic value. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. All share repurchases settled in the fourth quarter of fiscal 2015 were open market transactions. As of October 31, 2015, HP had remaining authorization of $2.0 billion for future share repurchases.

Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return assuming the investment of $100 at the market close on October 31, 2010 (and the reinvestment of dividends thereafter) in each of HP common stock, the S&P 500 Index, and the S&P Information Technology Index. The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, future performance of our common stock.

	10/10	10/11	10/12	10/13	10/14	10/15
Hewlett-Packard Company	100.00	64.10	34.14	61.77	92.71	71.13
S&P 500 Index	100.00	108.08	124.51	158.33	185.66	195.3
S&P Information Technology Index	100.00	108.76	120.42	144.39	181.5	201.82

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ITEM 6. Selected Financial Data.

The information set forth below includes the results of Hewlett Packard Enterprise which separated from HP on November 1, 2015 and is not an indicative of results of future continuing operations. The information set forth below 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				
	2015	2014	2013	2012	2011
	In millions, except per share amounts				
Net revenue	$ 103,355	$ 111,454	$ 112,298	$ 120,357	$ 127,245
Earnings (loss) from operations[1]	$ 5,471	$ 7,185	$ 7,131	$ (11,057)	$ 9,677
Net earnings (loss)[1]	$ 4,554	$ 5,013	$ 5,113	$ (12,650)	$ 7,074
Net earnings (loss) per share					
Basic	$ 2.51	$ 2.66	$ 2.64	$ (6.41)	$ 3.38
Diluted	$ 2.48	$ 2.62	$ 2.62	$ (6.41)	$ 3.32
Cash dividends declared per share	$ 0.67	$ 0.61	$ 0.55	$ 0.50	$ 0.40
At year-end:					
Total assets[2]	$ 106,882	$ 103,206	$ 105,676	$ 108,768	$ 129,517
Long-term debt	$ 21,780	$ 16,039	$ 16,608	$ 21,789	$ 22,551
Total debt[3]	$ 24,665	$ 19,525	$ 22,587	$ 28,436	$ 30,634

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

	2015	2014	2013	2012	2011
	In millions				
Amortization of intangible assets	$ 931	$ 1,000	$ 1,373	$ 1,784	$ 1,607
Impairment of goodwill and intangible assets				18,035	885
Wind down of webOS device business				(36)	755
Wind down of non-strategic businesses				108	
Restructuring charges	1,017	1,619	990	2,266	645
Separation costs	1,259				
Defined benefit plan settlement charges	168				
Impairment of data center assets	136				
Acquisition and other related charges	90	11	22	45	182
Total charges before taxes	$ 3,601	$ 2,630	$ 2,385	$ 22,202	$ 4,074
Total charges, net of taxes	$ 2,737	$ 2,132	$ 1,825	$ 20,685	$ 3,130

(2) Total assets decreased in fiscal 2012 due primarily to goodwill and intangible asset impairment charges associated with the Autonomy reporting unit within the Software segment, a goodwill impairment charge associated with the ES segment and an intangible asset impairment charge associated with the "Compaq" trade name within the Personal Systems segment.

(3) Total debt increased in fiscal 2015 due primarily to the Separation and business acquisitions. In fiscal 2014 and 2013, total debt decreased due to maturities.

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ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HP INC. AND SUBSIDIARIES

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

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

HP Separation Transaction. A discussion of the separation of Hewlett Packard Enterprise, Hewlett-Packard Company's former enterprise technology infrastructure, software, services and financing businesses.

Overview. A discussion of our business and overall analysis of financial and other highlights affecting the company to provide context for the remainder of MD&A. The overview analysis compares fiscal 2015 to fiscal 2014.

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 financial results comparing fiscal 2015 to fiscal 2014 and fiscal 2014 to fiscal 2013. A discussion of the results of operations at the consolidated level 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 financial condition and liquidity.

Contractual and Other Obligations. An overview of contractual obligations, retirement and post-retirement benefit plan funding, restructuring plans, separation costs, uncertain tax positions and off-balance sheet arrangements.

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

HP Separation Transaction

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

On November 1, 2015, each of our stockholders of record as of the close of business on October 21, 2015 (the "Record Date") received one share of Hewlett Packard Enterprise common stock for every one share of our common stock held as of the Record Date. We distributed a total of approximately 1.8 billion shares of Hewlett Packard Enterprise common stock to our stockholders.

Hewlett Packard Enterprise is now an independent public company trading on the New York Stock Exchange ("NYSE") under the symbol "HPE". After the Separation, we do not beneficially own any shares of Hewlett Packard Enterprise common stock.

HP INC. AND SUBSIDIARIES

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

The process of completing the Separation was highly complex and involved significant costs and expenses. Accordingly, we incurred separation costs and foreign tax expenses associated with separating into two companies. In fiscal 2015, we recorded nonrecurring separation costs and net foreign tax expenses of $1.6 billion, which were primarily related to third-party consulting, contractor fees and other incremental costs directly associated with the separation process. We expect total separation charges and net foreign tax expenses to be approximately $180 million in fiscal 2016. Additionally, the separation into two independent companies is expected to result in total dis-synergies of approximately $400 million to $450 million annually, which costs are primarily associated with corporate functions such as finance, legal, IT, real estate and human resources. Such dis-synergies are expected to be divided approximately equally between HP Inc. and Hewlett Packard Enterprise.

We recorded a deferred tax asset on these costs and expenses as they were incurred through fiscal 2015. We expect a portion of these deferred tax assets associated with separation costs and expenses will be eliminated, given that some will be non-deductible, at the time the Separation is executed. Furthermore, we concluded on the legal form of the Separation and in May 2015 announced that Hewlett Packard Enterprise will be the spinnee company in the United States ("U.S."). Accordingly, we implemented certain internal reorganizations of, and transactions among, our wholly-owned subsidiaries and operating activities in preparation for the legal form of separation. As a result, we recognized gross incremental foreign tax expenses related to the separation of foreign legal entities of approximately $300 million and foreign tax credits of approximately $100 million in fiscal 2015 with additional tax credit amounts expected over several years. As of October 31, 2015, we also expect separation-related capital expenditures of approximately $30 million in fiscal 2016.

In connection with the Separation, we and Hewlett Packard Enterprise have entered into a separation and distribution agreement as well as various other agreements that provide a framework for the relationships between the parties going forward, including among others a tax matters agreement, an employee matters agreement, a transition service agreement, a real estate matters agreement, a master commercial agreement and an information technology service agreement. In the fourth quarter of fiscal 2015, we transferred substantially all of the assets, liabilities and operations of enterprise technology infrastructure, software, services and financing businesses to Hewlett Packard Enterprise in the fourth fiscal quarter of 2015.

The historical results of operations and the financial position of Hewlett Packard Enterprise are included in the consolidated financial statements of HP Inc. for each of the fiscal years included in this report and will be reported as discontinued operations beginning in the first quarter of fiscal 2016. Beginning November 1, 2015, we no longer consolidate Hewlett Packard Enterprise within our financial results or reflect the financial results of Hewlett Packard Enterprise within our continuing results of operations.

OVERVIEW

As of October 31, 2015, we were a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses ("SMBs") and large enterprises, including customers in the government, health and education sectors. Our offerings span the following:

- personal computing and other access devices;
- imaging- and printing-related products and services;

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HP INC. AND SUBSIDIARIES

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

enterprise IT infrastructure, including enterprise server and storage technology, networking products and solutions, technology support and maintenance;

multi-vendor customer services, including technology consulting, outsourcing and support services across infrastructure, applications and business process domains; and

software products and solutions, including application testing and delivery, big data analytics, enterprise security, information governance and IT Operations Management.

As of October 31, 2015, we had seven segments for financial reporting purposes: Personal Systems, Printing, the Enterprise Group ("EG"), Enterprise Services ("ES"), Software, HP Financial Services ("HPFS") and Corporate Investments. Effective November 1, 2015, we report three segments as part of continuing operations: Personal Systems, Printing and Corporate Investments.

The following provides an overview of our key financial metrics by segment for fiscal 2015:

		Printing and Personal Systems Group							
	HP Consolidated	Personal Systems	Printing	Total	Enterprise Group	Enterprise Services	Software	HPFS	Corporate Investments[3]
	Dollars in millions, except per share amounts								
Net revenue[1]	$ 103,355	$ 31,469	$ 21,232	$ 52,701	$ 27,907	$ 19,806	$ 3,458	$ 3,216	$ 27
Year-over-year change %	(7.3)%	(8.3)%	(8.5)%	(8.4)%	0.7%	(11.6)%	(6.6)%	(8.1)%	(91.1)%
Earnings from operations[2]	$ 5,471	$ 1,064	$ 3,865	$ 4,929	$ 3,981	$ 1,051	$ 760	$ 349	$ (565)
Earnings from operations as a % of net revenue	5.3%	3.4%	18.2%	9.4%	14.3%	5.3%	22.0%	10.9%	NM
Year-over-year change percentage points	(1.1)pts	(0.3)pts	0.0pts	(0.2)pts	(0.1)pts	1.7pts	(0.4)pts	(0.2)pts	NM

(1) HP consolidated net revenue excludes intersegment net revenue and other.

(2) Segment earnings from operations exclude corporate and unallocated costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, acquisition and other related charges, separation costs, defined benefit plan settlement charges and impairment of data center assets.

(3) "NM" represents not meaningful.

HP consolidated net revenue declined 7.3% (decreased 2.1% on a constant currency basis) in fiscal 2015 as compared to fiscal 2014. The leading contributors to the net revenue decline were unfavorable currency impacts across all major segments, key account runoff and soft demand in Infrastructure Technology Outsourcing ("ITO") in ES, lower desktop sales in Personal Systems and lower sales of printers and supplies. Partially offsetting these declines was growth within the EG segment from sales of ISS servers. Gross margin was 24.0% ($24.8 billion) and 23.9% ($26.6 billion) for fiscal 2015 and 2014, respectively. The 0.1 percentage point increase in gross margin was due primarily to service delivery efficiencies and improvements in underperforming contracts in ES. Partially offsetting the gross margin increase was the impact from a higher mix of ISS products in EG, competitive pricing pressures in Printing and the impact from the sale of intellectual property ("IP") in the prior-year period. We continue to experience gross margin pressures resulting from a competitive pricing environment across our hardware portfolio. HP's operating margin decreased by 1.1 percentage points in fiscal 2015 as compared to fiscal 2014 due primarily to separation costs, pension plan settlement charges, data center impairments and the impact from the sale of IP in the prior-year period. Partially offsetting these

HP INC. AND SUBSIDIARIES

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

declines was the gross margin increase, lower selling, general and administrative ("SG&A") expenses and lower restructuring charges.

As of October 31, 2015, cash and cash equivalents and short- and long-term investments were $17.7 billion, representing an increase of approximately $2.2 billion from the October 31, 2014 balance of $15.5 billion. The increase in cash and cash equivalents and short- and long-term investments in fiscal 2015 was primarily due to the following factors: cash received from operating cash flows of $6.5 billion and cash received for net issuances and repayments of debt of $5.0 billion; partially offset by investments in property, plant and equipment and business acquisitions net of divestitures of $3.2 billion and $2.4 billion, respectively, cash utilization for share repurchases of common stock of $2.9 billion and dividend payments to stockholders of $1.2 billion.

We continue to experience challenges that are representative of trends and uncertainties that may affect our business and results of operations. One set of challenges relates to dynamic and accelerating market trends such as the decline in the PC market. Certain of our legacy hardware businesses face challenges as customers migrate to cloud-based offerings and reduce their purchases of hardware products. A second set of challenges relates to changes in the competitive landscape. Our major competitors are expanding their product and service offerings with integrated products and solutions, our business-specific competitors are exerting increased competitive pressure in targeted areas and are entering new markets, our emerging competitors are introducing new technologies and business models, and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution.

The macroeconomic weakness we have experienced has moderated in some geographic regions but remains an overall challenge. A discussion of some of these challenges at the segment level is set forth below.

In Personal Systems, we are witnessing soft demand in the Personal Computer ("PC") market as customers hold onto their PCs longer, thereby extending PC refresh cycles. Demand for PCs is being impacted by weaker macroeconomic conditions and currency devaluations in certain Asian and European markets. Additionally, industry wide, PC channels in some regions are working through excess channel inventory, which is impacting sell in. As such, we see continued market headwinds for the next several quarters. However, we are optimistic and see opportunity in the market long term given our strength in Commercial and the launch of Windows 10, combined with Intel's Skylake processor family transition, which may represent a catalyst for demand through introduction of breakthrough form factors. In Personal Systems, we are maintaining our strategic focus on profitable growth through improved market segmentation with respect to enhanced innovation in multi-operating systems, multi-architecture, geography, customer segments and other key attributes. Additionally, HP is investing significantly in premium and mobility form factors such as convertible notebooks, detachable notebooks, and commercial tablets in order to meet customer preference for mobile, thinner and lighter devices.

In Printing, we are experiencing the impact of the growth in mobility and demand challenges in consumer and commercial markets. We are also experiencing an overall competitive pricing environment due to aggressive pricing from our Japanese competitors, given the weakness of the Japanese yen. To be successful in addressing these challenges, we need to continue to execute on our key initiatives of focusing on products targeted at high usage categories and introducing new revenue delivery models to consumer customers. In the consumer market, our Ink in the Office products are driving unit volume due to our OfficeJet Pro product lines. The Ink in the Office

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initiative also targets shifting ink into SMBs through our OfficeJet Pro X printers which leverage our Page-Wide Array technology. In the commercial market, our focus is on placing higher value printer units which also offers a positive annuity of toner and ink and accelerating growth in graphics. We are accomplishing this in several growth areas: in multi-function and Enterprise Ink printers with recently introduced products that are increasing demand, in managed print services, which presents a strong after-market supplies opportunity, and in graphics with product innovation such as our Indigo product line. We plan to continue this focus on shifting the mix in the installed base to more value-added units, and expanding our innovative ink, laser and graphics programs.

In EG, we are experiencing challenges due to multiple market trends, including the increasing demand for hyperscale computing infrastructure products, the transition to cloud computing and a highly competitive pricing environment. In addition, demand for our Business Critical Systems ("BCS") products continues to weaken as has the overall market for UNIX products. The effect of lower BCS and traditional storage revenue along with a higher mix of ISS density optimized server products and midrange Converged Storage solutions is impacting support attach opportunities in Technology Services ("TS"). To be successful in overcoming these challenges, we must address business model shifts and go-to-market execution challenges, while continuing to pursue new product innovation that builds on our existing capabilities in areas such as cloud and data center computing, software-defined networking, storage, blade servers and wireless networking.

In ES, we are facing challenges, including managing the revenue runoff from several large contracts, pressured public sector spending, a competitive pricing environment and market pressures from a mixed economic recovery in Europe, the Middle East and Africa ("EMEA"). We are also experiencing commoditization in the IT infrastructure services market that is placing pressure on traditional ITO pricing and cost structures. There is also an industry-wide shift to highly automated, asset-light delivery of IT infrastructure and applications leading to headcount consolidation. To be successful in addressing these challenges, we must execute on the ES multi-year turnaround plan, which includes a cost reduction initiative to align our costs to our revenue trajectory, a focus on new logo wins and Strategic Enterprise Services ("SES") and initiatives to improve execution in sales performance and accountability, contracting practices and pricing.

In Software, we are facing challenges, including the market shift to SaaS and go-to-market execution challenges. To be successful in addressing these challenges, we must improve our go-to-market execution with multiple product delivery models which better address customer needs and achieve broader integration across our overall product portfolio as we work to capitalize on important market opportunities in cloud, big data and security.

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

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For a further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled "Risk Factors" in Item 1A, which is incorporated herein by reference.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

General

The Consolidated Financial Statements of HP are prepared in accordance with 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 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue Recognition

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

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

We recognize revenue for delivered elements as separate units of accounting when the delivered elements have standalone value to the customer. For elements with no standalone value, we recognize revenue consistent with the pattern of the undelivered elements. 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

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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. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. ESP is established based on management's judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life cycle. Consideration is also given to market conditions such as competitor pricing strategies and industry technology life cycles. We may modify or develop new go-to-market practices in the future, which may result in changes in selling prices, impacting both VSOE of selling price and ESP. In most arrangements with multiple elements, the transaction price is allocated to the individual units of accounting at inception of the arrangement based on their relative selling price. However, the aforementioned factors may result in a different allocation of the transaction price to deliverables in multiple element arrangements entered into in future periods. This may change the pattern and timing of revenue recognition for identical arrangements executed in future periods, but will not change the total revenue recognized for any given arrangement.

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

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

For the various software products we sell (e.g., big data analytics and applications, application delivery management, enterprise security and IT Operations Management), we assess whether the software products were sold on a standalone basis or with hardware products. If the software sold with a hardware product is not essential to the functionality of the hardware product and is more-than-incidental, we treat it as a software deliverable.

We recognize revenue from the sale of perpetual software licenses at inception of the license term, assuming all revenue recognition criteria have been satisfied. Term-based software license revenue is generally recognized ratably over the term of the license. We use the residual method to allocate revenue to software licenses at inception of the arrangement when VSOE of fair value for all undelivered elements, such as post-contract customer support, exists and all other revenue recognition criteria have been satisfied. Revenue from maintenance and unspecified upgrades or updates provided

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on a when-and-if-available basis is recognized ratably over the period during which such items are delivered.

For hosting or SaaS arrangements, we recognize revenue as the service is delivered, generally on a straight-line basis, over the contractual period of performance. In hosting arrangements, we consider the rights provided to the customer (e.g. whether the customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty and the feasibility of the customer to operate or contract with another vendor to operate the software) in determining whether the arrangement includes the sale of a software license. In hosting arrangements where software licenses are sold, license revenue is generally recognized according to whether perpetual or term licenses are sold, when all other revenue recognition criteria are satisfied.

We recognize revenue from fixed-price support or maintenance contracts, including extended warranty contracts and software post-contract customer support agreements, ratably over the contract period. For certain fixed-price contracts, such as consulting arrangements, we recognize revenue as work progresses using a proportional performance method. We estimate the total expected labor costs in order to determine the amount of revenue earned to date. We apply a proportional performance method because reasonably dependable estimates of the labor costs applicable to various stages of a contract can be made. On fixed-price contracts for design and build projects (to design, develop and construct software infrastructure and systems), we recognize revenue as work progresses using the percentage-of-completion method. We use the cost-to-cost method to measure progress toward completion as determined by the percentage of costs incurred to date compared to the total estimated costs of the project. Total project costs are subject to revision throughout the life of a fixed-price contract. Provisions for estimated losses on fixed-price contracts are recognized in the period when such losses become known and are recorded as a component of cost of sales. In circumstances when reasonable and reliable cost estimates for a project cannot be made we recognize revenue using the completed contract method.

Outsourcing services revenue is generally recognized in the period when the service is provided and the amount earned is not contingent on the occurrence of any future event. We recognize revenue using an objective measure of output for per unit-priced contracts. Revenue for fixed-price outsourcing contracts with periodic billings is recognized on a straight-line basis if the service is provided evenly over the contract term. Provisions for estimated losses on outsourcing arrangements are recognized in the period when such losses become probable and estimable and are recorded as a component of cost of sales.

Warranty

We accrue the estimated cost of product warranties at the time we recognize revenue. We evaluate our warranty obligations on a product group basis. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, we base our estimated warranty obligation on contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failure outside of our baseline experience. Warranty terms generally range from 90 days to three years for parts and labor, depending upon the product. Over the last three fiscal years, the annual warranty expense and actual warranty costs have averaged approximately 2.5% and 2.7% of annual net product revenue, respectively.

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Restructuring

We have engaged in restructuring actions which require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction and enhanced early retirement programs, fair value of assets made redundant or obsolete, and the fair value of lease cancellation and other exit costs. We accrue for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. For a full description of our restructuring actions, refer to our discussions of restructuring in "Results of Operations" below and in Note 3 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Retirement and Post-Retirement Benefits

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

Our major assumptions vary by plan, and the weighted-average rates used are set forth in Note 4 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference. The following table provides the impact changes in the weighted-average assumptions of discount rates, the

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expected increase in compensation levels and the expected long-term return on plan assets would have had on our net periodic benefit cost for fiscal 2015:

	Change in percentage points	Change in Net Periodic Benefit Cost in millions
Assumptions:		
Discount rate	(25)	$ 88
Expected increase in compensation levels	25	$ 17
Expected long-term return on plan assets	(25)	$ 75

Taxes on Earnings

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

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

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

Our effective tax rate includes the impact of certain undistributed foreign earnings for which we have not provided U.S. federal taxes because we plan to reinvest such earnings indefinitely outside the U.S. 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 U.S. and the amounts we expect to distribute to the U.S. and provide the U.S. federal taxes due on amounts expected to be distributed to the U.S. 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 2026. 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 U.S., and our related future effective tax rate.

We are subject to income taxes in the U.S. and approximately 105 other countries, and we are subject to routine corporate income tax audits in many of these jurisdictions. We believe that positions

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taken on our tax returns are fully supported, but tax authorities may challenge these positions, which may not be fully sustained on examination by the relevant tax authorities. Accordingly, our income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our income tax provision, net income and cash flows. Our accrual for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, intercompany transactions and related interest. For a further discussion on taxes on earnings, refer to Note 6 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, including in-process research and development ("IPR&D"), liabilities assumed, and non-controlling interests in the acquiree generally based on their fair values at the acquisition date. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, we will record a charge for the value of the related intangible asset to the Consolidated Statement of Earnings in the period it is abandoned. 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.

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 and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. While we are permitted to conduct a qualitative assessment to determine whether it is necessary to perform a two-step quantitative goodwill impairment test, for our annual goodwill impairment test in the fourth quarter of fiscal 2015, we performed a quantitative test for all of our reporting units. Goodwill is tested for impairment at the

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reporting unit level. As of October 31, 2015, our reporting units are consistent with the reportable segments identified in Note 2, except for ES, which includes two reporting units: MphasiS Limited; and the remainder of ES.

In the first step of the goodwill impairment test, we compare the fair value of each reporting unit to its carrying amount. We estimate the fair value of our reporting units using a weighting of 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. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based 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 operating and investment characteristics similar to 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. For the MphasiS Limited reporting unit, we utilized the quoted market price in an active market to estimate fair value.

In order to assess the reasonableness of the estimated fair value of our reporting units, we compare the aggregate reporting unit fair value to HP's market capitalization and calculate an implied control premium (the excess of the sum of the reporting units' fair value over HP's market capitalization). We evaluate the control premium by comparing it to observable control premiums from recent comparable transactions. If the implied control premium is not believed to be reasonable in light of these recent transactions, we reevaluate reporting unit fair values, which may result in an adjustment to the discount rate and/or other assumptions. This reevaluation could result in a change to the estimated fair value for certain or all of our reporting units.

Estimating the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and the determination of appropriate comparable publicly-traded companies. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to individual reporting units to determine the carrying amount of each reporting unit.

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

Our annual goodwill impairment analysis, which we performed as of the first day of the fourth quarter of fiscal 2015, did not result in any impairment charges. The excess of fair value over carrying amount for our reporting units ranged from 19% to approximately 2,600% of carrying amounts. The Software reporting unit has the lowest excess of fair value over carrying amount at 19%.

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In order to evaluate the sensitivity of the estimated fair value of our reporting units in the goodwill impairment test, we applied a hypothetical 10% decrease to the fair value of each reporting unit. This hypothetical 10% decrease resulted in an excess of fair value over carrying amount for our reporting units ranging from 7% to approximately 2,400% of the carrying amounts with the Software reporting unit having the lowest excess of fair value over carrying amount of 7%. The fair value of the Software reporting unit is estimated using equal weighting of both the income and market approaches. Our Software business is facing multiple challenges including the market shift to SaaS and go-to-market execution challenges. If we are not successful in addressing these challenges, our projected revenue growth rates could decline resulting in a decrease in the fair value of the Software reporting unit. The fair value of the Software reporting unit could also be negatively impacted by declines in market multiples of revenue for comparable publicly-traded companies, changes in management's business strategy or significant and sustained declines in our stock price, which could result in an indicator of impairment.

Intangible Assets

We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of our finite-lived intangible assets is assessed based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the finite-lived intangible assets are considered to be impaired. The amount of the impairment loss, if any, is measured as the difference between the carrying amount of the asset and its fair value. We estimate the fair value of finite-lived intangible assets by using an income approach or, when available and appropriate, using a market approach.

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, 2015, the gross notional of our derivative portfolio was $52.6 billion. Assets and liabilities related to derivative instruments are measured at fair value, and were $1.1 billion and $0.5 billion, respectively as of October 31, 2015.

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

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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 11 and Note 12, 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 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. Based on our experience, we believe that any damage amounts claimed in the specific litigation and contingencies matters further discussed in Note 16 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference, 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, 2015, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in our financial statements.

ACCOUNTING PRONOUNCEMENTS

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

RESULTS OF OPERATIONS

Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our net revenue growth has been impacted, and we expect 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 present the year-over-year percentage change in net revenue on a constant currency basis, which assumes no change in foreign currency exchange rates from the prior-year period and doesn't 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 without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our net revenue results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the year-over-year percentage change in 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.

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

	For the fiscal years ended October 31					
	2015		2014		2013	
	Dollars in millions					
Net revenue	$ 103,355	100.0%	$ 111,454	100.0%	$ 112,298	100.0%
Cost of sales[1]	78,596	76.0%	84,839	76.1%	86,380	76.9%
Gross profit	24,759	24.0%	26,615	23.9%	25,918	23.1%
Research and development	3,502	3.4%	3,447	3.1%	3,135	2.8%
Selling, general and administrative	12,185	11.8%	13,353	12.0%	13,267	11.8%
Amortization of intangible assets	931	0.9%	1,000	0.9%	1,373	1.2%
Restructuring charges	1,017	1.0%	1,619	1.5%	990	0.9%
Acquisition and other related charges	90	0.1%	11	0.0%	22	0.0%
Separation costs	1,259	1.2%				
Defined benefit plan settlement charges	168	0.2%				
Impairment of data center assets	136	0.1%				
Earnings from operations	5,471	5.3%	7,185	6.4%	7,131	6.4%
Interest and other, net	(739)	(0.7)%	(628)	(0.6)%	(621)	(0.6)%
Earnings before taxes	4,732	4.6%	6,557	5.8%	6,510	5.8%
Provision for taxes	(178)	(0.2)%	(1,544)	(1.3)%	(1,397)	(1.2)%
Net earnings	$ 4,554	4.4%	$ 5,013	4.5%	$ 5,113	4.6%

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

Net Revenue

In fiscal 2015, total HP net revenue declined 7.3% (decreased 2.1% on a constant currency basis) as compared to fiscal 2014. U.S. net revenue decreased 2.9% to $37.7 billion, and net revenue from outside of the U.S. decreased 9.6% to $65.7 billion. In fiscal 2014, total HP net revenue declined 0.8% (decreased 0.4% on a constant currency basis) as compared to fiscal 2013. U.S. net revenue decreased 3.7% to $38.8 billion, while net revenue from outside of the U.S. increased 0.9% to $72.6 billion.

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The components of the weighted net revenue change by segment were as follows:

	For the fiscal years ended October 31	
	2015	2014
	Percentage Points	
Personal Systems	(2.6)	1.8
Enterprise Services	(2.3)	(1.5)
Printing	(1.8)	(0.8)
HP Financial Services	(0.3)	(0.1)
Corporate Investments/Other	(0.3)	0.1
Software	(0.2)	(0.1)
Enterprise Group	0.2	(0.2)
Total HP	(7.3)	(0.8)

Fiscal 2015 compared with Fiscal 2014

For fiscal 2015, total net revenue decreased 7.3 percentage points. From a segment perspective, the primary factors contributing to the change in net revenue are summarized as follows:

- Personal Systems net revenue decreased due primarily to unfavorable currency impacts, particularly in EMEA, and weakening market demand;
- ES net revenue decreased due primarily to unfavorable currency impacts, revenue runoff in key accounts and weak growth in new and existing accounts;
- Printing net revenue decreased due primarily to unfavorable currency impacts, weak market demand and competitive pricing pressures;
- HPFS net revenue decreased due primarily to unfavorable currency impacts led by weakness in the euro and lower asset management activity primarily in customer buyouts;
- Corporate Investments net revenue decreased due to the sale of IP in the prior-year period;
- Software net revenue decreased due primarily to unfavorable currency impacts and declines in license revenue; and
- EG net revenue increased due to growth in Industry Standard Servers ("ISS") and net revenue resulting from our acquisition of Aruba Networks, Inc. ("Aruba") in May 2015.

Fiscal 2014 compared with Fiscal 2013

For fiscal 2014, total net revenue decreased 0.8 percentage points. From a segment perspective, the primary factors contributing to the change in net revenue are summarized as follows:

- ES net revenue declined due primarily to revenue runoff in key accounts, weak growth in new and existing accounts, particularly in EMEA, and contractual price declines;

- Printing net revenue decreased due primarily to a decline in Supplies;

- EG net revenue decreased due to net revenue declines in TS, BCS and Storage;

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- Software net revenue decreased due to lower net revenue from licenses, support and professional services;
- HPFS net revenue decreased due primarily to lower portfolio revenue from lower average portfolio assets and lower asset management activity, primarily in customer buyouts;
- Corporate Investments net revenue increased due to the sale of IP; and
- Personal Systems net revenue increased due to growth in commercial PCs, particularly notebooks, along with growth in consumer notebooks.

A more detailed discussion of segment revenue is included under "Segment Information" below.

Gross Margin

Fiscal 2015 compared with Fiscal 2014

HP's gross margin increased by 0.1 percentage points for fiscal year 2015 compared with fiscal 2014. From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

- ES gross margin increased due primarily to service delivery efficiencies and improving profit performance in underperforming contracts;
- HPFS gross margin decreased due primarily to unfavorable currency impacts, lower margin in customer buyouts, and lower portfolio margin due to competitive pricing;
- EG gross margin decreased due primarily to a higher revenue mix of ISS products, unfavorable currency impacts, and competitive pricing;
- Printing gross margin decreased due primarily to a competitive pricing environment in hardware and unfavorable currency impacts;
- Personal Systems gross margin decreased due primarily to unfavorable currency impacts and a lower mix of commercial products, partially offset by favorable component costs and operational cost improvements; and
- Software gross margin decreased due to a lower mix of license revenue.

Fiscal 2014 compared with Fiscal 2013

HP's gross margin increased by 0.8 percentage points for fiscal year 2014 compared with fiscal 2013. From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

ES gross margin increased due primarily to our continued focus on service delivery efficiencies, improving profit performance in under-performing contracts and labor savings as a result of restructuring;

Printing gross margin increased due primarily to favorable currency impacts from the Japanese yen, continued cost structure improvements and a favorable mix from a higher proportion of graphics and ink supplies;

Corporate Investments gross margin increased due to the sale of IP;

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Software gross margin increased due to the shift to more profitable contracts and improved workforce utilization in professional services;

HPFS gross margin increased due to a higher portfolio margin, primarily from lower bad debt expense, a lower cost of funds and improved margins in remarketing sales;

Personal Systems gross margin increased due primarily to operational cost improvements, a favorable mix of commercial products and the sale of IP; and

EG gross margin decreased due primarily to the impact of a higher mix of ISS products, lower mix of BCS products and competitive pricing pressure in ISS and Networking.

A more detailed discussion of segment gross margins and operating margins is included under "Segment Information" below.

Operating Expenses

Research and Development

R&D expense increased 2% in fiscal 2015 as compared to fiscal 2014 due primarily to expenses from the acquisition of Aruba and increases in Technology Services, cloud and HP Labs, partially offset by favorable currency impacts.

R&D expense increased 10% in fiscal 2014 as compared to fiscal 2013 with increases across each of our segments as we made investments in our strategic focus areas of cloud, security, big data and mobility.

Selling, General and Administrative

SG&A expense decreased 9% in fiscal 2015 as compared to fiscal 2014 due primarily to favorable currency impacts and declines in go-to-market costs as a result of lower commissions and productivity initiatives.

SG&A expense increased 1% in fiscal 2014 as compared to fiscal 2013 due primarily to higher compensation costs, litigation expenses and higher selling costs from investments in the areas of cloud, networking and storage, partially offset by gains from sales of real estate and lower program spending in marketing.

Amortization of Intangible Assets

Amortization expense decreased in fiscal 2015 and in fiscal 2014 due primarily to certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods, partially offset by amortization expense from intangible assets resulting from the acquisition of Aruba in fiscal 2015.

Restructuring Charges

Restructuring charges decreased 37% in fiscal 2015 due primarily to lower charges from the multi-year restructuring plan initially announced in May 2012 (the "2012 Plan").

On September 14, 2015, our Board of Directors approved a restructuring plan (the "2015 Plan") in connection with the Separation which will be implemented through fiscal 2018. As a result, HP recognized $391 million of charges related to the 2015 Plan during the fourth quarter of fiscal 2015.

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Restructuring charges increased in fiscal 2014 due primarily to higher charges in connection with the 2012 Plan and from increases to the 2012 Plan announced in fiscal 2014. During fiscal 2014, HP increased the total for positions expected to be eliminated under the 2012 Plan from 34,000 to 55,000 positions. In fiscal 2015, HP recognized restructuring charges of $640 million in connection with the 2012 Plan.

Acquisition and Other Related Charges

Acquisition and other related charges increased for fiscal 2015, due primarily to the acquisition of Aruba resulting in a non-cash inventory fair value adjustment charge and professional services and legal fees associated with the acquisition.

Separation Costs

Separation costs for fiscal 2015 were primarily comprised of third-party consulting, contractor fees and other related costs.

Defined Benefit Plan Settlement Charges

Defined benefit plan settlement charges for fiscal 2015 were related to U.S. defined benefit plan settlement expense and net periodic benefit cost resulting from the voluntary lump sum program announced in January 2015.

Impairment of Data Center Assets

Impairment of data center assets for fiscal 2015 was related to our exit from several ES data centers.

Interest and Other, Net

Interest and other, net expense increased by $111 million in fiscal 2015. The increase was in connection with $167 million of early debt settlement costs and higher foreign currency transaction losses, partially offset by lower interest expense due to lower weighted average interest rates and a decrease in miscellaneous other expenses.

Interest and other, net expense increased by $7 million in fiscal 2014. The increase was due primarily to higher currency transaction losses partially offset by lower interest expense from a lower average debt balance.

Provision for Taxes

Our effective tax rates were 3.8%, 23.5% and 21.5% in fiscal 2015, 2014 and 2013, respectively. Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from our operations in lower tax jurisdictions throughout the world. The jurisdictions with favorable tax rates that had the most significant impact on HP's effective tax rate in the periods presented were Puerto Rico, Singapore, China, Malaysia, Ireland and Netherlands. HP plans to reinvest certain earnings of these jurisdictions indefinitely outside the U.S. and therefore has not provided U.S. taxes on those indefinitely reinvested earnings.

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For a reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and further explanation of our provision for taxes, see Note 6 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

In fiscal 2015, we recorded $1.6 billion of net income tax benefits related to items unique to the year. These amounts included $1.8 billion tax benefit due to a release of valuation allowances pertaining to certain U.S. deferred tax assets and $486 million tax charge to record valuation allowances on certain foreign deferred tax assets, both related to legal entities within the ES business, $394 million of tax charges for adjustments to uncertain tax positions and the settlement of tax audit matters, inclusive of $449 million of tax charges related to pension transfers, and $3 million of tax charges for various provision to return adjustments and other adjustments. In addition, we recorded $639 million of net tax benefits on restructuring, separation-related and other charges and a tax benefit of $47 million arising from the retroactive research and development credit resulting from the Tax Increase Prevention Act of 2014, which was signed into law in December 2014.

We recorded gross deferred tax assets of $12.5 billion, $14.0 billion and $13.6 billion at October 31, 2015, 2014 and 2013 which were reduced by valuation allowances of $9.9 billion, $11.9 billion and $11.4 billion respectively. Total valuation allowances decreased by $2 billion in fiscal 2015 associated with the release of a valuation allowance against deferred tax assets in the U.S., and increased by $525 million in fiscal 2014, associated primarily with foreign net operating losses.

In fiscal 2014, we recorded $53 million of net income tax charges related to items unique to the year.

In fiscal 2013, we recorded $471 million of net income tax charges related to items unique to the year. These amounts included $214 million of net increases to valuation allowances, $406 million of tax charges for adjustments to uncertain tax positions and the settlement of tax audit matters and $47 million of tax charges for various prior period adjustments. In addition, we recorded $146 million of tax benefits from adjustments to prior year foreign income tax accruals and a tax benefit of $50 million arising from the retroactive research and development credit resulting from the American Taxpayer Relief Act of 2012, which was signed into law in January 2013.

Segment Information

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

Effective at the beginning of its first quarter of fiscal 2015, we implemented an organizational change to align our segment financial reporting more closely with its current business structure. This organizational change resulted in the transfer of third-party multi-vendor support arrangements from the TS business unit within the EG segment to the ITO business unit within the ES segment. We have reflected this change to our segment information retrospectively to the earliest period presented, which has resulted in the removal of intersegment revenue from the TS business unit within the EG segment and the related corporate intersegment revenue eliminations, and the transfer of operating profit from the TS business unit within the EG segment to the ITO business unit within the ES segment.

In connection with the Separation, effective at the beginning of its fourth quarter of fiscal 2015, we implemented an organizational change which resulted in the transfer of marketing optimization solutions business from the Software segment to the Commercial Hardware business unit within the

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Printing segment. We have reflected this change to our segment information in prior reporting periods on an as-if basis, which resulted in the transfer of net revenue from the Software segment to the Commercial Hardware business unit within the Printing segment. This change also resulted in the transfer of operating profit from the Software segment to the Commercial Hardware business unit within the Printing segment. In addition, this change resulted in the reclassification of $512 million of goodwill from the Software segment to the Printing segment.

These changes had no impact on our previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

Printing and Personal Systems Group

The Personal Systems segment and the Printing segment are structured beneath a broader Printing and Personal Systems Group ("PPS"). We describe the results of the business segments within PPS below.

Personal Systems

	For the fiscal years ended October 31		
	2015	**2014**	**2013**
	Dollars in millions		
Net revenue	$ 31,469	$ 34,303	$ 32,179
Earnings from operations	$ 1,064	$ 1,270	$ 980
Earnings from operations as a % of net revenue	3.4%	3.7%	3.0%

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

	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	**2014**	
	Dollars in millions		
Desktop PCs	$ 10,941	$ 13,197	(6.6)
Notebook PCs	17,271	17,540	(0.8)
Workstations	2,018	2,218	(0.6)
Other	1,239	1,348	(0.3)
Total Personal Systems	$ 31,469	$ 34,303	(8.3)

	Net Revenue		Weighted Net Revenue Change Percentage Points
	2014	**2013**	
	Dollars in millions		
Desktop PCs	$ 13,197	$ 12,844	1.1
Notebook PCs	17,540	16,029	4.7
Workstations	2,218	2,147	0.2
Other	1,348	1,159	0.6

Total Personal Systems	$	34,303	$	32,179	6.6

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Fiscal 2015 compared with Fiscal 2014

Personal Systems net revenue decreased 8.3% (decreased 3.1% on a constant currency basis) in fiscal 2015. The net revenue decline in Personal Systems was due primarily to unfavorable currency impacts, particularly in EMEA, and weakening market demand. Personal Systems net revenue decreased as a result of a 5% decline in average selling prices ("ASPs") and a 3% decline in unit volume. The decline in ASPs was due primarily to unfavorable currency impacts, a shift in consumer PCs to low end products and a lower mix of commercial PCs within Personal Systems. The unit volume decline was due primarily to a unit volume decline in desktops, partially offset by a unit volume growth in notebooks, both consumer and commercial.

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

Personal Systems earnings from operations as a percentage of net revenue decreased by 0.3 percentage points for fiscal 2015 as a result of a decline in gross margin combined with an increase in operating expenses as a percentage of net revenue. The decline in gross margin was due primarily to unfavorable currency impacts and a lower mix of commercial products, partially offset by favorable component costs and operational cost improvements. Operating expenses as a percentage of net revenue increased due primarily to the size of the net revenue decline, higher administrative expenses as a result of lower bad debt recoveries as compared to the prior-year period and higher R&D investments in commercial, mobility and immersive computing products, the effects of which were partially offset by a decline in field selling costs as a result of favorable currency impacts and operational cost improvements.

Fiscal 2014 compared with Fiscal 2013

Personal Systems net revenue increased 6.6% (increased 7.2% on a constant currency basis) in fiscal 2014. While the Personal Systems business continued to be challenged by the market shift towards mobility products, the pace of the PC market decline slowed with signs of stabilization driven by growth in commercial PCs, the effects of which were partially offset by weakness in consumer PCs. The revenue increase in Personal Systems was due to growth in commercial PCs, particularly notebooks, along with growth in consumer notebooks. Personal Systems experienced revenue growth across all regions led by double digit revenue growth in EMEA, which experienced improved demand. The revenue increase was driven by an 8.2% increase in unit volume, the effects of which were partially offset by a 1.5% decline in ASPs. The unit volume increase was primarily led by growth in commercial notebooks as well as strength in commercial desktops, consumer notebooks and thin client products. The decline in ASPs was due primarily to a competitive pricing environment and unfavorable currency impacts, the effects of which were partially offset by a favorable mix of commercial PCs.

Net revenue for commercial clients increased 10% due primarily to the benefits from the delayed installed base refresh cycle, the effects of customers migrating from the Windows XP operating system and growth in all product categories partly driven by new product introductions, including the HP Elite

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products. Net revenue for consumer clients remained flat as growth in consumer notebooks, partly driven by our new product lineup including Chromebooks and hybrid products, was offset by a decline in consumer desktops. For fiscal 2014, net revenue for Notebook PCs increased 9%, Desktop PCs increased 3%, Workstations increased 3% and Other net revenue increased 16%. The net revenue increase in Other was due to the sale of IP and growth in mobility products, primarily consumer tablets which were introduced in the second half of fiscal 2013.

Personal Systems earnings from operations as a percentage of net revenue increased 0.7 percentage points for fiscal 2014. The increase was driven by an increase in gross margin and a decline in operating expenses as a percentage of net revenue. The increase in gross margin was due primarily to operational cost improvements, a favorable commercial mix and the sale of IP, the effects of which were partially offset by unfavorable currency impacts. Operating expenses as a percentage of net revenue decreased due primarily to our cost structure optimization efforts, the effects of which were partially offset by increased research and development investments for commercial, mobility and immersive computing products, as well as higher administrative expenses driven by lower bad debt recoveries as compared to fiscal 2013.

Printing

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue	$ 21,232	$ 23,211	$ 24,128
Earnings from operations	$ 3,865	$ 4,229	$ 3,953
Earnings from operations as a % of net revenue	18.2%	18.2%	16.4%

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

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	2014	
	Dollars in millions		
Supplies	$ 13,979	$ 14,917	(4.0)
Commercial Hardware	5,378	5,949	(2.5)
Consumer Hardware	1,875	2,345	(2.0)
Total Printing	$ 21,232	$ 23,211	(8.5)

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	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2014	2013	
	Dollars in millions		
Supplies	$ 14,917	$ 15,716	(3.3)
Consumer Hardware	2,345	2,436	(0.4)
Commercial Hardware	5,949	5,976	(0.1)
Total Printing	$ 23,211	$ 24,128	(3.8)

Fiscal 2015 compared with Fiscal 2014

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

Net revenue for Supplies decreased 6% due primarily to unfavorable currency impacts and demand weakness in toner and ink, partially offset by growth in graphics supplies. The demand weakness in toner was particularly in EMEA, led by a net revenue decline in Russia. Printer unit volumes declined 7% while average revenue per unit ("ARU") decreased 7%. Printer unit volume declined due primarily to a decline in LaserJet and home printer units, the effects of which were partially offset by growth in graphics printer units. The ARU for printers decreased due primarily to a highly competitive pricing environment and unfavorable currency impacts on Inkjet and LaserJet printers. Net revenue for Commercial Hardware decreased 10% driven by a 7% decline in printer unit volume and a 4% decline in ARU, partially offset by a net revenue increase in other peripheral solutions. In Commercial Hardware, the decline in unit volume was due primarily to an overall decline in LaserJet printer units, partially offset by growth in graphics printer units. The ARU decline in Commercial Hardware was due primarily to a competitive pricing environment and unfavorable currency impacts. Net revenue for Consumer Hardware decreased 20% driven by a 13% decline in ARU and a 7% decline in unit volume. The ARU decline in Consumer Hardware was due primarily to a competitive pricing environment and unfavorable currency impacts. The unit volume decline in Consumer Hardware was due primarily to lower sales of home and SMB printer units.

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

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Fiscal 2014 compared with Fiscal 2013

In fiscal 2014, Printing experienced a decline in revenue and an increase in operating profit as we continued to push our print strategies, which includes driving high value printer unit placements and expanding our graphics products and managed print services portfolio. Printing net revenue decreased 3.8% (decreased 3.3% on a constant currency basis) for fiscal 2014. The decline in net revenue was primarily driven by a decline in Supplies, the effects of which were partially offset by growth in graphics products and managed print services.

Net revenue for Supplies decreased 5% driven by demand weakness in toner and ink, and a reduction in channel inventory in the fourth quarter of fiscal 2014, the effects of which were partially offset by growth in graphics supplies. Printer unit volume remained flat while ARU decreased 1%. Printer unit volume was flat due primarily to our continued efforts to target high value areas of the market, which resulted in a decline in home printer units and low value LaserJet printer units, the effects of which were offset by increased units in SMB, multifunction laser and graphics printers. The decline in ARU was due primarily to increased discounting driven by competitive pricing pressures. Net revenue for Commercial Hardware was flat as a 3% increase in printer unit volume was offset by a 3% decline in printer ARU. The unit volume in Commercial Hardware increased due primarily to growth in our multifunction laser printers and graphics printers. The ARU decline in Commercial Hardware was due primarily to a decline in LaserJet and graphics printers driven by a competitive pricing environment. Net revenue for Consumer Hardware decreased 4% driven by a 1% decline in printer unit volume and a 1% decline in ARU, along with a decline in other peripheral printing solutions. The unit volume decline in Consumer Hardware was due to lower sales of home printers, the effects of which were partially offset by growth in SMB printers. The ARU decline in Consumer Hardware was due primarily to increased discounting for SMB printers due to a competitive pricing environment, the effects of which were partially offset by a favorable mix of high value home printers.

Printing earnings from operations as a percentage of net revenue increased by 1.8 percentage points for fiscal 2014 as an increase in gross margin more than offset an increase in operating expenses as a percentage of net revenue. The gross margin increase was due to favorable currency impacts primarily driven by the Japanese yen, continued cost structure improvements and a favorable mix from a higher proportion of graphics and ink supplies, the effects of which were partially offset by a competitive pricing environment. Operating expenses as a percentage of net revenue increased due primarily to higher R&D expenses as a result of our investments in enterprise products and 3-D printing, the effects of which were partially offset by reduced marketing expenses.

Enterprise Group

	For the fiscal years ended October 31		
	2015	**2014**	**2013**
		Dollars in millions	
Net revenue	$ 27,907	$ 27,723	$ 28,003
Earnings from operations	$ 3,981	$ 3,995	$ 4,245
Earnings from operations as a % of net revenue	14.3%	14.4%	15.2%

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

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	2014	
	Dollars in millions		
Technology Services	$ 7,662	$ 8,375	(2.6)
Storage	3,180	3,316	(0.5)
Business Critical Systems	807	929	(0.4)
Networking	2,846	2,629	0.8
Industry Standard Servers	13,412	12,474	3.4
Total Enterprise Group	$ 27,907	$ 27,723	0.7

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2014	2013	
	Dollars in millions		
Technology Services	$ 8,375	$ 8,710	(1.2)
Storage	3,316	3,475	(0.6)
Business Critical Systems	929	1,190	(0.9)
Networking	2,629	2,526	0.4
Industry Standard Servers	12,474	12,102	1.3
Total Enterprise Group	$ 27,723	$ 28,803	(1.0)

Fiscal 2015 compared with Fiscal 2014

EG net revenue increased 0.7% (increased 6.3% on a constant currency basis) in fiscal 2015. The increase in EG net revenue was due primarily to growth in ISS and from our acquisition of Aruba in May 2015, partially offset primarily by unfavorable currency impacts led by the euro and a net revenue decline in TS. However, we continued to experience challenges due to market trends, including the transition to cloud computing, as well as product and technology transitions, along with a highly competitive pricing environment.

ISS net revenue increased 8% as a result of higher average unit prices ("AUPs) and unit volume growth. The increase in AUP's was across the server portfolio, primarily driven by higher option attach rates for memory, processors and hard drives and a mix shift to high-end new generation HP ProLiant servers. The unit volume growth was primarily due to shipment increases in rack and density optimized server products. Networking net revenue increased 8% due primarily to revenue from Aruba, which resulted in higher revenue from wireless local area network ("WLAN") products, the effect of which was partially offset by competitive pricing pressures, particularly in the China market. Storage net revenue decreased 4% as a result of a decline in traditional storage products, the effect of which was partially offset by growth in Converged Storage solutions from the 3PAR StoreServ products,

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particularly All-flash arrays, and StoreOnce. BCS net revenue decreased 13% largely as a result of contraction in the overall UNIX market. TS net revenue decreased 9% due primarily to a reduction in support for BCS and traditional storage products along with lower revenue from consulting services, the effects of which were partially offset by growth in HP Data Center Care and HP Proactive Care support solutions.

In fiscal 2015, EG earnings from operations as a percentage of net revenue decreased by 0.1 percentage point due to a decrease in gross margin partially offset by a decrease in operating expenses as a percentage of net revenue. The decrease in gross margin was due primarily to a higher revenue mix of ISS products, unfavorable currency impacts and competitive pricing, the effects of which were partially offset by improved cost management, improved pricing in Storage and a higher gross margin contribution in Networking from Aruba. The decrease in operating expenses as a percentage of net revenue was due primarily to favorable currency impacts, partially offset by expenses during the period from Aruba.

Fiscal 2014 compared with Fiscal 2013

EG net revenue decreased 1.0% (decreased 0.6% on a constant currency basis) in fiscal 2014. In EG, we continued to experience revenue challenges due to market trends, including the transition to cloud computing, as well as product and technology transitions, along with a highly competitive pricing environment. The decline in EG net revenue was due to net revenue declines in TS, BCS and Storage partially offset by net revenue growth in ISS and Networking.

TS net revenue decreased 4% due primarily to a continued reduction in support for BCS, traditional storage products and lower support in networking services, partially offset by growth in support solutions for Converged Storage solutions and ISS. BCS net revenue decreased 22% as a result of ongoing pressures from the overall UNIX market contraction. Storage net revenue decreased by 5% as we continue to experience multiple challenges including product transitions from traditional storage products which include our tape, storage networking and legacy external disk products, to converged solutions, which include our 3PAR StoreServ, StoreOnce, and StoreVirtual products, other challenges include market weakness in high-end converged solutions and sales execution challenges, the effects of which were partially offset by revenue growth in our Converged Storage solutions. Networking net revenue increased 4% due to higher switching product revenue as a result of growth in our data center products, partially offset by lower revenue from WLAN products. ISS net revenue increased by 3% due primarily to higher volume and higher average unit prices in rack and blade server products driven by higher option attach rates for memory, processors and hard drives.

EG earnings from operations as a percentage of net revenue decreased by 0.8 percentage points in fiscal 2014 due to a decrease in gross margin coupled with an increase in operating expenses as a percentage of net revenue. The gross margin decline was due primarily to a higher mix of ISS products, a lower mix of BCS products and competitive pricing pressure in ISS and Networking, partially offset by supply chain cost optimization and improved cost management in TS. The increase in operating expenses as a percentage of net revenue was driven by higher R&D investments in storage, networking and ISS, partially offset by continued cost savings associated with our ongoing restructuring efforts.

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Enterprise Services

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue	$ 19,806	$ 22,398	$ 24,061
Earnings from operations	$ 1,051	$ 816	$ 693
Earnings from operations as a % of net revenue	5.3%	3.6%	2.9%

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

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2015	2014	
	Dollars in millions		
Infrastructure Technology Outsourcing	$ 12,107	$ 14,038	(8.6)
Application and Business Services	7,699	8,360	(3.0)
Total Enterprise Services	$ 19,806	$ 22,398	(11.6)

	For the fiscal years ended October 31		
	Net Revenue		Weighted Net Revenue Change Percentage Points
	2014	2013	
	Dollars in millions		
Infrastructure Technology Outsourcing	$ 14,038	$ 15,223	(4.9)
Application and Business Services	8,360	8,838	(2.0)
Total Enterprise Services	$ 22,398	$ 24,061	(6.9)

Fiscal 2015 compared with Fiscal 2014

ES net revenue decreased 11.6% (decreased 5.7% on a constant currency basis) in fiscal 2015. Performance in ES remained challenged by the impact of several large contracts winding down. The net revenue decrease in ES was due primarily to unfavorable currency impacts, revenue runoff in key accounts and weak growth in new and existing accounts, partially offset by growth in our SES portfolio which includes analytics and data management, security and cloud services. Net revenue in ITO decreased by 14% in fiscal 2015 due to unfavorable currency impacts, revenue runoff in key accounts and weak growth in new and existing accounts, particularly in EMEA in the first half of fiscal 2015, partially offset by growth in SES revenue in the second half of fiscal 2015. Net revenue in Application and Business Services ("ABS") declined by 8% in fiscal 2015, due to unfavorable currency impacts and weak growth in new and existing accounts particularly in the first half of fiscal 2015, partially offset by growth in SES net revenue in the second half of fiscal 2015.

ES earnings from operations as a percentage of net revenue increased 1.7 percentage points in fiscal 2015. The increase in operating margin was due to an increase in gross margin and a decrease in

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operating expenses as a percentage of net revenue. Gross margin increased due primarily to service delivery efficiencies and improving profit performance in underperforming contracts. The decrease in operating expenses as a percentage of net revenue was primarily driven by lower field selling costs, which was due to favorable currency impacts and our sales transformation initiatives.

Fiscal 2014 compared with Fiscal 2013

ES net revenue decreased 6.9% (decreased 6.8% on a constant currency basis) in fiscal 2014. Performance in ES remained challenged by the impact of several large contracts winding down and lower public sector spending in EMEA, particularly in the United Kingdom, and several other countries in EMEA. The net revenue decrease in ES was due primarily to revenue runoff in key accounts, weak growth in new and existing accounts, particularly in EMEA, and contractual price declines. These effects were partially offset by net revenue growth in our SES portfolio, which includes information management and analytics, security and cloud services. Net revenue in Infrastructure Technology Outsourcing ("ITO") decreased by 8% in fiscal 2014 due to revenue runoff in key accounts, weak growth in new and existing accounts, particularly in EMEA, and contractual price declines in ongoing contracts partially offset by growth in cloud and security revenue and favorable currency impacts. Net revenue in ABS decreased by 5% in fiscal 2014, due to revenue runoff in a key account, weak growth in new and existing accounts, particularly in EMEA, and unfavorable currency impacts, partially offset by growth in information management and analytics and cloud revenue.

ES earnings from operations as a percentage of net revenue increased 0.7 percentage points in fiscal 2014. The increase in operating margin was due to an increase in gross margin, partially offset by an increase in operating expenses as a percentage of net revenue. Gross margin increased due primarily to our continued focus on service delivery efficiencies, improving profit performance in under-performing contracts and labor savings as a result of restructuring, partially offset by unfavorable impacts from revenue runoff in key accounts and weak growth in new and existing accounts. The increase in operating expenses as a percentage of net revenue was primarily driven by the size of the revenue decline and higher administrative expenses and field selling costs. The increase in administrative expenses was due to the prior-year period containing higher bad debt recoveries and insurance recoveries. The increase in selling costs was the result of expanding the sales force coverage as we transition from a reactive sales model to a more proactive approach.

Software

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue	$ 3,458	$ 3,701	$ 3,789
Earnings from operations	$ 760	$ 828	$ 848
Earnings from operations as a % of net revenue	22.0%	22.4%	22.4%

Fiscal 2015 compared with Fiscal 2014

Software net revenue decreased 6.6% (decreased 2.7% on a constant currency basis) in fiscal 2015. Revenue growth in Software is being challenged by the overall market shift to SaaS solutions and related go-to-market sales execution challenges. Additionally, these challenges are impacting growth in

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license and support revenue. In fiscal 2015, net revenue growth was negatively impacted by foreign currency fluctuations across all regions, led primarily by weakness in the euro.

In fiscal 2015, net revenue from licenses, professional services, SaaS and support decreased by 13%, 8%, 3% and 3%, respectively. The decrease in license revenue was due primarily to the market shift to SaaS solutions and sales execution challenges and, as a result, we experienced lower revenue in IT Operations Management. Professional services net revenue decreased due primarily to unfavorable currency impacts, our continued focus on higher-margin engagements, and, as a result, we experienced a net revenue decrease in big data solutions, partially offset by net revenue growth in security products. SaaS net revenue decreased due primarily to sales execution challenges, which resulted in lower revenue from big data solutions, partially offset by net revenue growth in IT Operations Management. The decrease in support revenue was due primarily to unfavorable currency impacts and past declines in license revenue, partially offset by growth in revenue for security products.

In fiscal 2015, Software earnings from operations as a percentage of net revenue decreased by 0.4 percentage points due to a decrease in gross margin and an increase in operating expenses as a percentage of net revenue. The decrease in gross margin was due primarily to a lower mix of license revenue. The increase in operating expenses as a percentage of net revenue was due to the size of the revenue decline. During the period, operating expense declined due primarily to favorable currency impacts and lower SG&A expenses as a result of lower field selling costs driven by expense management.

Fiscal 2014 compared with Fiscal 2013

Software net revenue decreased 2.3% (decreased 2.2% on a constant currency basis) in fiscal 2014. Revenue growth in Software was challenged by the overall market and customer shift to SaaS solutions, which is impacting growth in license and support revenue. In fiscal 2014, net revenue from licenses, support and professional services decreased by 3%, 2% and 6% respectively, while SaaS net revenue increased by 5%.

The decline in license net revenue was due to the market and customer shift to SaaS solutions, which resulted in lower revenue from IT/cloud management and information management products, partially offset by strength in some of our key focus areas of big data analytics and security. The decrease in support net revenue was due to past declines in license revenue. Professional services net revenue decreased as we continued our focus on higher-margin engagements. These declines were partially offset by higher SaaS revenue due to improving demand for our SaaS solutions in IT/cloud management products and security products.

In fiscal 2014, Software earnings from operations as a percentage of net revenue remained flat in percentage points. There was an increase in gross margin, the effect of which was offset by an increase in operating expenses as a percentage of net revenue. The increase in gross margin was due to the shift to more profitable contracts and improved workforce utilization in professional services. The increase in operating expenses as a percentage of net revenue was due primarily to investments in R&D partially offset by lower SG&A expenses due to cost savings associated with our ongoing restructuring efforts and improved operational expense management.

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HP Financial Services

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue	$ 3,216	$ 3,498	$ 3,629
Earnings from operations	$ 349	$ 389	$ 399
Earnings from operations as a % of net revenue	10.9%	11.1%	11.0%

Fiscal 2015 compared with Fiscal 2014

HPFS net revenue decreased by 8.1% (decreased 1.5% on a constant currency basis) in fiscal 2015 due primarily to unfavorable currency impacts led by weakness in the euro and lower asset management activity in customer buyouts.

HPFS earnings from operations as a percentage of net revenue decreased by 0.2 percentage points in fiscal 2015 due primarily to decrease in gross margin while operating expense as a percentage of net revenue was flat in fiscal 2015 as compared to fiscal 2014. The decrease in gross margin was due to unfavorable currency impacts, lower margins in customer buyouts, and lower portfolio margin due to competitive pricing, the effects of which were partially offset by higher margins from asset recovery services. Operating expenses as a percentage of net revenue was flat as a result of lower SG&A expenses due primarily to lower field selling costs the effects of which were offset by size of the revenue decline.

Fiscal 2014 compared with Fiscal 2013

HPFS net revenue decreased by 3.6% (decreased 3.3% on a constant currency basis) in fiscal 2014 due primarily to lower portfolio revenue from lower average portfolio assets and lower asset management activity, primarily in customer buyouts.

HPFS earnings from operations as a percentage of net revenue increased by 0.1 percentage points in fiscal 2014. The increase was due primarily to an increase in gross margin, partially offset by an increase in operating expenses as a percentage of net revenue. The increase in gross margin was the result of a higher portfolio margin, primarily from lower bad debt expense and a lower cost of funds and improved margins in remarketing sales. The increase in operating expenses as a percentage of net revenue was due primarily to higher go-to-market investments.

Financing Volume

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Total financing volume	$ 6,504	$ 6,425	$ 5,603

New financing volume, which represent the amount of financing provided to customers for equipment and related software and services, including intercompany activity, increased 1.2% in fiscal 2015 and 14.7% in fiscal 2014, respectively. The increase in both fiscal 2015 and 2014 was driven by higher financing associated with product sales and related services offerings. The increase in fiscal 2015 was partially offset by unfavorable currency impacts led by weakness in the euro.

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Portfolio Assets and Ratios

The HPFS business model is asset intensive and uses certain internal metrics to measure its performance against other financial services companies, including a segment balance sheet that is derived from our internal management reporting system. The accounting policies used to derive HPFS amounts are substantially the same as those used by HP. However, intercompany loans and certain accounts that are reflected in the segment balances are eliminated in our Consolidated Financial Statements.

The portfolio assets and ratios derived from the segment balance sheet for HPFS were as follows:

	As of October 31	
	2015	2014
	Dollars in millions	
Financing receivables, gross	$ 6,689	$ 6,670
Net equipment under operating leases	2,710	2,595
Capitalized profit on intercompany equipment transactions[(1)]	873	783
Intercompany leases[(1)]	2,195	2,199
Gross portfolio assets	12,467	12,247
Allowance for doubtful accounts[(2)]	95	111
Operating lease equipment reserve	58	68
Total reserves	153	179
Net portfolio assets	$ 12,314	$ 12,068
Reserve coverage	1.2%	1.5%
Debt-to-equity ratio[(3)]	7.0x	7.0x

(1) Intercompany activity is eliminated in consolidation.

(2) Allowance for doubtful accounts for financing receivables includes both the short- and long-term portions.

(3) Debt attributable to HPFS consists of intercompany equity that is treated as debt for segment reporting purposes, intercompany debt, and borrowing- and funding-related activity associated with HPFS and its subsidiaries. Debt attributable to HPFS totaled $10.7 billion at both October 31, 2015 and October 31, 2014. HPFS equity at both October 31, 2015 and October 31, 2014 was $1.5 billion. We believe the HPFS debt-to-equity ratio is comparable to that of other similar financing companies.

At October 31, 2015 and October 31, 2014, HPFS cash and cash equivalents and short term investments were $589 million and $952 million, respectively.

Net portfolio assets at October 31, 2015 increased 2% from October 31, 2014. The increase generally resulted from new financing volume partially offset by portfolio runoff and unfavorable currency impacts.

HPFS recorded net bad debt expense and operating lease equipment reserves of $46 million, $40 million, and $50 million in fiscal 2015, 2014 and 2013, respectively.

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Corporate Investments

	For the fiscal years ended October 31		
	2015	2014	2013
	Dollars in millions		
Net revenue	$ 27	$ 302	$ 24
Loss from operations	$ (565)	$ (199)	$ (316)
Loss from operations as a % of net revenue[1]	NM	(66.0)%	NM

(1) "NM" represents not meaningful.

Fiscal 2015 compared with Fiscal 2014

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

The increase in the loss from operations for fiscal 2015 was due primarily to the sale of IP in the prior-year period and higher expenses from enterprise-related business incubation activities and HP Labs.

Fiscal 2014 compared with Fiscal 2013

The revenue increase for fiscal 2014 was due primarily to the sale of IP related to the Palm acquisition.

The decrease in the loss from operations for fiscal 2014 was due primarily to the sale of IP, the benefits of which were partially offset by higher expenses associated with enterprise-related business incubation activities, corporate strategy, HP Labs and global alliances.

LIQUIDITY AND CAPITAL RESOURCES

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

Our cash balances are held in numerous locations throughout the world, with substantially all of those amounts held outside of the U.S. 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.

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Amounts held outside of the U.S. are generally utilized to support non-U.S. liquidity needs, although a portion of those amounts may from time to time be subject to short-term intercompany loans into the U.S. Most of the amounts held outside of the U.S. could be repatriated to the U.S. but, under current law, some would be subject to U.S. federal income taxes, less applicable foreign tax credits. Repatriation of some foreign earnings is restricted by local law. Except for foreign earnings that are considered indefinitely reinvested outside of the U.S., we have provided for the U.S. federal tax liability on these earnings for financial statement purposes. Repatriation could result in additional income tax payments in future years. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of the U.S. and we would meet liquidity needs through ongoing cash flows, external borrowings, or both. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

In connection with the Separation, we reviewed our capital structure during fiscal 2015 to ensure that each company, HP Inc. and Hewlett Packard Enterprise, would be well capitalized after the Separation. In October 2015, prior to the Separation, Hewlett Packard Enterprise completed its offering of $14.6 billion senior unsecured notes and we redeemed and paid $6.6 billion of U.S. Dollar Global Notes as a result of early extinguishment of debt. In connection with our ongoing operations and in part due to the Separation, we repaid a short-term loan of $3.5 billion, issued $18.2 billion and repaid $18.4 billion of commercial paper in fiscal 2015. On November 4, 2015, we incrementally redeemed and paid $2.1 billion U.S. Dollar Global Notes as part of the final settlement of the debt redemption issued as a part of the Separation.

Liquidity

Our cash and cash equivalents, total debt and available borrowing resources were as follows:

	As of October 31		
	2015	2014	2013
	In billions		
Cash and cash equivalents	$ 17.4	$ 15.1	$ 12.2
Total debt	$ 24.7	$ 19.5	$ 22.6
Available borrowing resources[1]	$ 19.0	$ 17.8	$ 17.8

(1) For more information on our available borrowing resources, see Note 13 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Our key cash flow metrics were as follows:

	For the fiscal years ended October 31		
	2015	2014	2013
	In millions		
Net cash provided by operating activities	$ 6,490	$ 12,333	$ 11,608
Net cash used in investing activities	(5,534)	(2,792)	(2,803)
Net cash provided by (used in) financing activities	1,344	(6,571)	(7,943)
Net increase in cash and cash equivalents	$ 2,300	$ 2,970	$ 862

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Operating Activities

Net cash provided by operating activities decreased by approximately $5.8 billion for fiscal 2015 as compared to fiscal 2014. The decrease was due primarily to lower cash generated from working capital management activities, payments for separation costs, lower cash receipts from contract manufacturers and financing receivables, lower net earnings in the current period, unfavorable currency impacts, as well as higher cash payments for prepaids and employee benefits. Net cash provided by operating activities increased by $0.7 billion for fiscal 2014 as compared to fiscal 2013, due primarily to improvements in working capital management.

Our key working capital metrics were as follows:

	As of October 31		
	2015	**2014**	**2013**
Days of sales outstanding in accounts receivable	47	44	49
Days of supply in inventory	30	27	24
Days of purchases outstanding in accounts payable	(74)	(67)	(56)
Cash conversion cycle	3	4	17

Days of sales outstanding in accounts receivable ("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 2015, the increase in DSO was due primarily to lower usage of cash discounts by our customers and longer standard payment terms for Aruba. For fiscal 2014, the decrease in DSO was due primarily to the impact of currency and the expansion of our factoring programs.

Days of supply in inventory ("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 2015, the increase in DOS was due to higher inventory balance to support future sales levels. For fiscal 2014, the increase in DOS was due to a higher inventory balance in Personal Systems due in part to strategic and advanced buys.

Days of purchases outstanding in accounts payable ("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 2015, the increase in DPO was primarily the result of purchasing linearity and an extension of payment terms with our product suppliers. For fiscal 2014, the increase in DPO was primarily the result of an extension of payment terms with our product suppliers.

The cash conversion cycle is the sum 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.

Investing Activities

Net cash used in investing activities increased by approximately $2.7 billion for fiscal 2015 as compared to fiscal 2014, due primarily to the acquisition of Aruba. Net cash used in investing activities

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was flat for fiscal 2014 as compared to fiscal 2013, due primarily to higher cash utilization for purchases of property, plant and equipment offset by cash generated from sales of available-for-sale securities.

Financing Activities

Net cash provided by financing activities was $1.3 billion in fiscal 2015 as compared to net cash used in financing activities of $6.6 billion in fiscal 2014. The change was due primarily to proceeds from the issuance of senior unsecured notes in October 2015 by Hewlett Packard Enterprise in principal amount of $14.6 billion and higher proceeds from issuance of commercial paper, partially offset by the repayment as a result of early debt extinguishment of $6.6 billion of U.S. Dollar Global Notes and higher repayment of commercial paper as compared to fiscal 2014. Net cash used in financing activities decreased by approximately $1.4 billion for fiscal 2014 as compared to fiscal 2013 due primarily to proceeds from the issuance of U.S. Dollar Global Notes in January 2014, partially offset by higher debt repayments and repurchases of common stock. For more information on our share repurchase programs, see Item 5 and Note 13 to the Consolidated Financial Statements in Item 8, which are incorporated herein by reference.

Capital Resources

Debt Levels

	As of October 31		
	2015	2014	2013
	Dollars in millions		
Short-term debt	$ 2,885	$ 3,486	$ 5,979
Long-term debt	$ 21,780	$ 16,039	$ 16,608
Debt-to-equity ratio	0.88x	0.72x	0.82x
Weighted-average interest rate	3.4%	2.7%	3.0%

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

Short-term debt decreased by $601 million and long-term debt increased by approximately $5.7 billion for fiscal 2015 as compared to fiscal 2014. The net increase in total debt was due primarily to issuance of senior unsecured notes in October 2015 by Hewlett Packard Enterprise in principal amount of $14.6 billion which includes of $14.0 billion fixed rate notes and $600 million of floating rate notes, partially offset by the payment as a result of early debt extinguishment of $6.6 billion in connection with the Separation, maturities of $2.5 billion of U.S. Dollar Global Notes and repayment of $3.5 billion of short-term loan. We also issued $18.2 billion and repaid $18.4 billion of commercial paper in fiscal 2015. On November 4, 2015, we paid $2.1 billion of U.S. Dollar Global Notes as part of the final settlement of the debt redemption issued as a part of the Separation.

Short-term debt and long-term debt decreased by approximately $2.5 billion and $0.6 billion, respectively, for fiscal 2014 as compared to fiscal 2013. The net decrease in total debt was due primarily to maturities of debt. During fiscal 2014, we issued $2.0 billion of U.S. Dollar Global Notes under the 2012 Shelf Registration Statement which mature in 2019 and repaid $4.9 billion of U.S. Dollar Global Notes. We also issued $11.6 billion and repaid $11.5 billion of commercial paper in fiscal 2014.

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Our debt-to-equity ratio is calculated as the carrying amount of debt divided by total stockholders' equity. Our debt-to-equity ratio increased by 0.16x in fiscal 2015, due to an increase in total debt balances of $5.1 billion partially offset by an increase in stockholders' equity by $1.0 billion at the end of fiscal 2015. Our debt-to-equity ratio decreased by 0.10x in fiscal 2014, due to a decrease in total debt balances of $3.1 billion partially offset by a decrease in stockholders' equity by $0.5 billion at the end of fiscal 2014.

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 13 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Available Borrowing Resources

We had the following resources available to obtain short- or long-term financing if we need additional liquidity:

	As of October 31, 2015
	In millions
Commercial paper programs	$ 16,461
Uncommitted lines of credit	$ 2,524

For more information on our available borrowings resources, see Note 13 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 upon publicly available information as well as information obtained in our ongoing discussions with them. While we do not have any rating downgrade triggers that would accelerate the maturity of a material amount of our debt, previous downgrades have increased the cost of borrowing under our credit facilities, have reduced market capacity for our commercial paper and have required the posting of additional collateral under some of our derivative contracts. In addition, any further downgrade to our credit ratings by any rating agencies may further impact us in a similar manner, and, depending on the extent of any such downgrade, could have a negative impact on our liquidity and capital position. We can rely on alternative sources of funding, including drawdowns under our credit facilities, if necessary, to offset potential reductions in the market capacity for our commercial paper.

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CONTRACTUAL AND OTHER OBLIGATIONS

The contractual and other obligations for HP (including Hewlett Packard Enterprise) as of October 31, 2015, 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]	$ 24,538	$ 2,860	$ 5,635	$ 3,409	$ 12,634
Interest payments on debt[2]	8,445	721	1,344	1,147	5,233
Operating lease obligations[3]	2,791	603	870	527	791
Purchase obligations[4]	2,654	1,126	944	451	133
Capital lease obligations	104	28	51	8	17
Total[5][6][7][8]	$ 38,532	$ 5,338	$ 8,844	$ 5,542	$ 18,808

(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. Subsequent to the Separation, HP Inc. expects the total future principal payments on debt to be approximately $8.7 billion.

(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, 2015 was factored into the calculation of the future interest payments on debt. Subsequent to the Separation, HP Inc. expects the total future interest payments on debt to be approximately $2.9 billion.

(3) Amounts represent the operating lease obligations net of total sublease income of $77 million. Subsequent to the Separation, HP Inc. expects the total remaining future minimum operating lease commitments to be approximately $367 million, net of sublease income of $118 million.

(4) 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. Subsequent to the Separation, HP Inc. expects the total remaining future unconditional purchase obligations to be approximately $915 million.

(5) *Retirement and Post-Retirement Benefit Plan Contributions.* As of October 31, 2015, HP (including Hewlett Packard Enterprise) expects to contribute approximately $384 million to its non-U.S. pension plans, approximately $37 million to cover benefit payments to U.S. non-qualified plan participants and approximately $46 million to cover benefit claims for HP's post-retirement benefit plans in fiscal 2016. Subsequent to the Separation, HP Inc. expects to contribute approximately

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$18 million to its non-U.S. pension plans, approximately $36 million to cover benefit payments to U.S. non-qualified plan participants and approximately $43 million to cover benefit claims for HP's 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 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(6) *Restructuring Plans.* As of October 31, 2015, HP (including Hewlett Packard Enterprise) expects future cash payments of approximately $3.2 billion in connection with our approved restructuring plans which includes $1.3 billion expected to be paid in fiscal 2016 with the remaining approximately $1.9 billion cash payments to be made through fiscal 2025. Subsequent to the Separation, HP Inc. expects future cash payments of approximately $280 million in connection with our approved restructuring plans which includes $90 million expected to be paid in fiscal 2016 with the remaining approximately $190 million cash payments to be made through fiscal 2025. Payments for restructuring have been excluded from the contractual obligations table, because they do not represent contractual cash outflows and there is uncertainty as to the timing of these payments. For more information on our restructuring activities, see Note 3 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(7) *Separation Costs.* As of October 31, 2015, HP (including Hewlett Packard Enterprise) expects future cash payments of approximately $750 million in connection with our separation charges and net foreign tax payments, which are expected to be paid in fiscal 2016, with subsequent tax credit amounts expected over later years. As of October 31, 2015, we also expect separation-related capital expenditures of approximately $60 million in fiscal 2016. Subsequent to the Separation, HP Inc. expects future cash payments of approximately $180 million in connection with our separation charges and net foreign tax payments, which are expected to be paid in fiscal 2016, with subsequent tax credit amounts expected over later years. As of October 31, 2015, HP Inc. also expects separation-related capital expenditures of approximately $30 million in fiscal 2016. Payments for separation costs 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.

(8) *Uncertain Tax Positions.* As of October 31, 2015, we had approximately $3.7 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include $15 million expected to be paid within one year. For the remaining amount, 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 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

OFF-BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, 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. The total aggregate maximum capacity of the financing arrangements was $3.3 billion as of October 31, 2015, including an aggregate maximum capacity of $1.4 billion in non-recourse financing arrangements and an aggregate maximum capacity of $1.9 billion in partial-recourse facilities. For more information on our third-party revolving short-term financing arrangements, see Note 7 to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

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

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

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

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases and assets and liabilities denominated in currencies other than the U.S. dollar. We transact business in approximately 79 currencies worldwide, of which the most significant foreign currencies to our operations for fiscal 2015 were the euro, the British pound, Chinese yuan renminbi and the Japanese yen. For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. Even where we are a net receiver of the foreign currency, a weaker U.S. dollar may adversely affect certain expense figures, if taken alone.

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

We have performed sensitivity analyses as of October 31, 2015 and 2014, 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, 2015 and 2014. 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 $72 million and $62 million at October 31, 2015 and October 31, 2014, respectively.

Interest rate risk

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

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.

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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, 2015 and 2014, 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, financing receivables and interest rate swaps. The analyses use actual or approximate maturities for the debt, investments, financing receivables and interest rate swaps. The discount rates used were based on the market interest rates in effect at October 31, 2015 and 2014. The sensitivity analyses indicated that a hypothetical 10% adverse movement in interest rates would result in a loss in the fair values of our debt, investments and financing receivables, net of interest rate swaps, of $119 million at October 31, 2015 and $80 million at October 31, 2014.

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ITEM 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of HP Inc.

We have audited the accompanying consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended October 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HP Inc. and subsidiaries at October 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), HP Inc.'s internal control over financial reporting as of October 31, 2015, 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 16, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
December 16, 2015

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of HP Inc.

We have audited HP Inc.'s internal control over financial reporting as of October 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). HP Inc.'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, HP Inc. maintained, in all material respects, effective internal control over financial reporting as of October 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of HP Inc. and subsidiaries as of October 31, 2015 and 2014, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2015 and our report dated December 16, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
December 16, 2015

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Management's Report on Internal Control Over Financial Reporting

HP's management is responsible for establishing and maintaining adequate internal control over financial reporting for HP. HP's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. HP's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of HP; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of HP are being made only in accordance with authorizations of management and directors of HP; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of HP's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

HP's management assessed the effectiveness of HP's internal control over financial reporting as of October 31, 2015, 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, 2015. The effectiveness of HP's internal control over financial reporting as of October 31, 2015 has been audited by Ernst & Young LLP, HP's independent registered public accounting firm, as stated in their report which appears on page 86 of this Annual Report on Form 10-K.

/s/ DION J. WEISLER	/s/ CATHERINE A. LESJAK
Dion J. Weisler	Catherine A. Lesjak
President and Chief Executive Officer	*Chief Financial Officer*
December 16, 2015	December 16, 2015

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HP INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

	For the fiscal years ended October 31		
	2015	2014	2013
	In millions, except per share amounts		
Net revenue:			
Products	$ 69,032	$ 73,726	$ 72,398
Services	33,962	37,327	39,453
Financing income	361	401	447
Total net revenue	103,355	111,454	112,298
Costs and expenses:			
Cost of products	53,081	56,469	55,632
Cost of services	25,275	28,093	30,436
Financing interest	240	277	312
Research and development	3,502	3,447	3,135
Selling, general and administrative	12,185	13,353	13,267
Amortization of intangible assets	931	1,000	1,373
Restructuring charges	1,017	1,619	990
Acquisition and other related charges	90	11	22
Separation costs	1,259		
Defined benefit plan settlement charges	168		
Impairment of data center assets	136		
Total operating expenses	97,884	104,269	105,167
Earnings from operations	5,471	7,185	7,131
Interest and other, net	(739)	(628)	(621)
Earnings before taxes	4,732	6,557	6,510
Provision for taxes	(178)	(1,544)	(1,397)
Net earnings	$ 4,554	$ 5,013	$ 5,113
Net earnings per share:			
Basic	$ 2.51	$ 2.66	$ 2.64
Diluted	$ 2.48	$ 2.62	$ 2.62
Weighted average shares used to compute net earnings per share:			
Basic	1,814	1,882	1,934

Diluted	1,836	1,912	1,950

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		
	2015	**2014**	**2013**
		In millions	
Net earnings	$ 4,554	$ 5,013	$ 5,113
Other comprehensive (loss) income before taxes:			
Change in unrealized (losses) gains on available-for-sale securities:			
Unrealized (losses) gains arising during the period	(17)	7	52
Gains reclassified into earnings		(1)	(49)
	(17)	6	3
Change in unrealized (losses) gains on cash flow hedges:			
Unrealized gains (losses) arising during the period	1,091	337	(243)
(Gains) losses reclassified into earnings	(1,312)	151	106
	(221)	488	(137)
Change in unrealized components of defined benefit plans:			
(Losses) gains arising during the period	(548)	(2,756)	1,953
Amortization of actuarial loss and prior service benefit	443	259	326
Curtailments, settlements and other	115	51	25
	10	(2,446)	2,304
Change in cumulative translation adjustment	(207)	(85)	(150)
Other comprehensive (loss) income before taxes	(435)	(2,037)	2,020
Benefit (provision) for taxes	14	(66)	(239)
Other comprehensive (loss) income, net of taxes	(421)	(2,103)	1,781
Comprehensive income	$ 4,133	$ 2,910	$ 6,894

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

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HP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	As of October 31	
	2015	**2014**
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,433	$ 15,133
Accounts receivable	13,363	13,832
Financing receivables	2,918	2,946
Inventory	6,485	6,415
Other current assets	11,588	11,819
Total current assets	51,787	50,145
Property, plant and equipment	11,090	11,340
Long-term financing receivables and other assets	9,050	8,454
Goodwill	32,941	31,139
Intangible assets	2,014	2,128
Total assets	$ 106,882	$ 103,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 2,885	$ 3,486
Accounts payable	15,956	15,903
Employee compensation and benefits	3,608	4,209
Taxes on earnings	830	1,017
Deferred revenue	6,199	6,143
Accrued restructuring	689	898
Other accrued liabilities	12,024	12,079
Total current liabilities	42,191	43,735
Long-term debt	21,780	16,039
Other liabilities	14,760	16,305
Commitments and contingencies		
Stockholders' equity:		
HP stockholders' equity		
Preferred stock, $0.01 par value (300 shares authorized; none issued)		
Common stock, $0.01 par value (9,600 shares authorized; 1,804 and 1,839 shares issued and outstanding at October 31, 2015 and 2014, respectively)	18	18
Additional paid-in capital	1,963	3,430
Retained earnings	32,089	29,164
Accumulated other comprehensive loss	(6,302)	(5,881)
Total HP stockholders' equity	27,768	26,731
Non-controlling interests	383	396

Total stockholders' equity		28,151		27,127
Total liabilities and stockholders' equity	$	106,882	$	103,206

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		
	2015	2014	2013
	In millions		
Cash flows from operating activities:			
Net earnings	$ 4,554	$ 5,013	$ 5,113
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,061	4,334	4,611
Stock-based compensation expense	709	560	500
Provision for doubtful accounts	71	55	61
Provision for inventory	305	211	275
Restructuring charges	1,017	1,619	990
Deferred taxes on earnings	(700)	(34)	(410)
Excess tax benefit from stock-based compensation	(145)	(58)	(2)
Other, net	1,031	81	443
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	572	2,017	530
Financing receivables	(65)	420	484
Inventory	(330)	(580)	(4)
Accounts payable	31	1,912	541
Taxes on earnings	(137)	310	417
Restructuring	(1,243)	(1,506)	(904)
Other assets and liabilities	(3,241)	(2,021)	(1,037)
Net cash provided by operating activities	6,490	12,333	11,608
Cash flows from investing activities:			
Investment in property, plant and equipment	(3,603)	(3,853)	(3,199)
Proceeds from sale of property, plant and equipment	424	843	653
Purchases of available-for-sale securities and other investments	(259)	(1,086)	(1,243)
Maturities and sales of available-for-sale securities and other investments	302	1,347	1,153
Payments made in connection with business acquisitions, net of cash acquired	(2,644)	(49)	(167)
Proceeds from business divestitures, net	246	6	
Net cash used in investing activities	(5,534)	(2,792)	(2,803)
Cash flows from financing activities:			
Short-term borrowings with original maturities less than 90 days, net	74	148	(154)
Proceeds from debt, net of issuance costs	20,758	2,875	279
Payment of debt	(15,867)	(6,037)	(5,721)
Settlement of cash flow hedges	(4)		
Issuance of common stock under employee stock plans	371	297	288
Repurchase of common stock	(2,883)	(2,728)	(1,532)
Excess tax benefit from stock-based compensation	145	58	2
Cash dividends paid	(1,250)	(1,184)	(1,105)
Net cash provided by (used in) financing activities	1,344	(6,571)	(7,943)
Increase in cash and cash equivalents	2,300	2,970	862
Cash and cash equivalents at beginning of period	15,133	12,163	11,301

Cash and cash equivalents at end of period	$	17,433	$	15,133	$	12,163

Supplemental cash flow disclosures:						
Income taxes paid, net of refunds	$	1,012	$	1,267	$	1,391
Interest expense paid		532		678		837
Supplemental schedule of non-cash investing and financing activities:						
Purchase of assets under capital leases	$	70	$	113	$	3
Stock awards assumed in business acquisitions		31				

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

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HP INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Common Stock							
	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total HP Stockholders' Equity	Non-controlling Interests	Total
			In millions, except number of shares in thousands					
Balance October 31, 2012	1,962,838	$ 20	$ 6,454	$ 21,521	$ (5,559)	$ 22,436	$ 397	$ 22,833
Net earnings				5,113		5,113		5,113
Other comprehensive income, net of taxes					1,781	1,781		1,781
Comprehensive income						6,894		6,894
Issuance of common stock in connection with employee stock plans and other	22,950		210	(2)		208		208
Repurchases of common stock	(77,905)	(1)	(1,550)	5		(1,546)		(1,546)
Tax deficiency from employee stock plans			(149)			(149)		(149)
Cash dividends declared				(1,074)		(1,074)		(1,074)
Stock-based compensation expense			500			500		500
Changes in non-controlling interest							(10)	(10)
Balance October 31, 2013	1,907,883	$ 19	$ 5,465	$ 25,563	$ (3,778)	$ 27,269	$ 387	$ 27,656
Net earnings				5,013		5,013		5,013
Other comprehensive loss, net of taxes					(2,103)	(2,103)		(2,103)
Comprehensive income						2,910		2,910
Issuance of common stock in connection with employee stock plans and other	23,785		142	1		143		143
Repurchases of common stock	(92,380)	(1)	(2,694)	(262)		(2,957)		(2,957)
Tax deficiency from employee stock plans			(43)			(43)		(43)
Cash dividends declared				(1,151)		(1,151)		(1,151)
Stock-based compensation expense			560			560		560
Changes in non-controlling interest							9	9
Balance October 31, 2014	1,839,288	$ 18	$ 3,430	$ 29,164	$ (5,881)	$ 26,731	$ 396	$ 27,127
Net earnings				4,554		4,554		4,554
Other comprehensive loss, net of taxes					(421)	(421)		(421)
Comprehensive income						4,133		4,133
Issuance of common stock in connection with employee stock plans and other	39,834		(34)	1		(33)		(33)
Repurchases of common stock	(75,403)		(2,237)	(411)		(2,648)		(2,648)
Assumption of equity awards in connection with acquisitions			31			31		31
Tax benefit from employee stock plans			64			64		64
Cash dividends declared				(1,219)		(1,219)		(1,219)
Stock-based compensation expense			709			709		709
Changes in non-controlling interest							(13)	(13)
Balance October 31, 2015								