

HP INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

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

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

HP INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

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

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HP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

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HP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

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