



HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	January 31, 2017	October 31, 2016	January 31, 2016
Net revenue	\$ 12,684	\$ 12,512	\$ 12,246
Costs and expenses:			
Cost of revenue	10,436	10,221	9,961
Research and development	296	318	292
Selling, general and administrative	1,017	1,075	1,037
Restructuring and other charges	63	49	20
Acquisition-related charges	16	7	—
Amortization of intangible assets	—	—	8
Defined benefit plan settlement charges	—	179	—
Total costs and expenses	11,828	11,849	11,318
Earnings from continuing operations	856	663	928
Interest and other, net	(81)	347	(94)
Earnings from continuing operations before taxes	775	1,010	834
Provision for taxes	(164)	(497)	(184)
Net earnings from continuing operations	611	513	650
Net loss from discontinued operations, net of taxes	—	(21)	(58)
Net earnings	\$ 611	\$ 492	\$ 592
Net earnings (loss) per share:			
Basic			
Continuing operations	\$ 0.36	\$ 0.30	\$ 0.37
Discontinued operations	—	(0.01)	(0.04)
Total basic net earnings per share	\$ 0.36	\$ 0.29	\$ 0.33
Diluted			
Continuing operations	\$ 0.36	\$ 0.30	\$ 0.36
Discontinued operations	—	(0.02)	(0.03)
Total diluted net earnings per share	\$ 0.36	\$ 0.28	\$ 0.33
Cash dividends declared per share	\$ 0.27	\$ —	\$ 0.25
Weighted-average shares used to compute net earnings (loss) per share:			
Basic	1,704	1,712	1,776
Diluted	1,721	1,729	1,785



HP INC. AND SUBSIDIARIES
ADJUSTMENTS TO GAAP NET EARNINGS, EARNINGS FROM OPERATIONS,
OPERATING MARGIN AND DILUTED NET EARNINGS PER SHARE
 (Unaudited)
 (In millions, except per share amounts)

	Three Months Ended January 31, 2017	Diluted net earnings per share	Three Months Ended October 31, 2016	Diluted net earnings per share	Three months ended January 31, 2016	Diluted net earnings per share
GAAP net earnings from continuing operations	\$ 611	\$ 0.36	\$ 513	\$ 0.30	\$ 650	\$ 0.36
Non-GAAP adjustments:						
Restructuring and other charges	63	0.04	49	0.03	20	0.01
Acquisition-related charges	16	0.01	7	—	—	—
Amortization of intangible assets	—	—	—	—	8	0.01
Non-operating retirement-related credits	(32)	(0.02)	(28)	(0.02)	(40)	(0.02)
Defined benefit plan settlement charges	—	—	179	0.10	—	—
Adjustments for taxes	(3)	—	329	0.20	7	—
Tax indemnification credits	(9)	(0.01)	(435)	(0.25)	—	—
Non-GAAP net earnings	<u>\$ 646</u>	<u>\$ 0.38</u>	<u>\$ 614</u>	<u>\$ 0.36</u>	<u>\$ 645</u>	<u>\$ 0.36</u>
GAAP earnings from continuing operations	\$ 856		\$ 663		\$ 928	
Non-GAAP adjustments:						
Restructuring and other charges	63		49		20	
Acquisition-related charges	16		7		—	
Amortization of intangible assets	—		—		8	
Non-operating retirement-related credits	(32)		(28)		(40)	
Defined benefit plan settlement charges	—		179		—	
Non-GAAP earnings	<u>\$ 903</u>		<u>\$ 870</u>		<u>\$ 916</u>	
GAAP operating margin from continuing operations	7%		5%		8%	
Non-GAAP adjustments	—		2%		(1)%	
Non-GAAP operating margin	<u>7%</u>		<u>7%</u>		<u>7%</u>	



HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)
(In millions)

	As of	
	January 31, 2017	October 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,331	\$ 6,288
Accounts receivable	3,478	4,114
Inventory	4,555	4,484
Other current assets	3,411	3,582
Total current assets	17,775	18,468
Property, plant and equipment	1,730	1,736
Goodwill	5,622	5,622
Other non-current assets ^(a)	3,065	3,161
Total assets	\$ 28,192	\$ 28,987
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and short-term borrowings	\$ 100	\$ 78
Accounts payable	10,951	11,103
Employee compensation and benefits	526	759
Taxes on earnings	267	231
Deferred revenue	952	919
Other accrued liabilities	5,791	5,718
Total current liabilities	18,587	18,808
Long-term debt ^(a)	6,688	6,735
Other non-current liabilities	7,244	7,333
Stockholders' deficit	(4,327)	(3,889)
Total liabilities and stockholders' deficit	\$ 28,192	\$ 28,987

- (a) Pursuant to Accounting Standard Update 2015-03 "Simplifying the Presentation of Debt Issuance Costs" in Q1 FY17, debt issuance costs has been reclassified from other non-current assets to long-term debt. The change has been adopted including prior comparative periods.



HP INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Three months ended January 31	
	2017	2016
	In millions	
Cash flows from operating activities:^(a)		
Net earnings	\$ 611	\$ 592
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	84	79
Stock-based compensation expense	75	61
Provision for doubtful accounts	(2)	11
Provision for inventory	(2)	34
Restructuring and other charges	63	20
Deferred taxes on earnings	67	526
Other, net	23	(15)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	614	704
Inventory	(69)	202
Accounts payable	(116)	(1,104)
Taxes on earnings	(75)	(534)
Restructuring and other	(51)	(31)
Other assets and liabilities	(455)	(647)
Net cash provided by (used in) operating activities	<u>767</u>	<u>(102)</u>
Cash flows from investing activities:		
Investment in property, plant and equipment	(101)	(120)
Proceeds from sale of property, plant and equipment	69	—
Purchases of available-for-sale securities and other investments	(56)	—
Maturities and sales of available-for-sale securities and other investments	2	9
Net cash used in investing activities	<u>(86)</u>	<u>(111)</u>
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	35	26
Proceeds from debt, net of issuance costs	5	4
Payment of debt	(27)	(2,155)
Settlement of cash flow hedges	(4)	(11)
Net transfer of cash and cash equivalents to Hewlett Packard Enterprise Company	—	(10,375)
Net payments related to stock-based award activities	(34)	(3)
Repurchase of common stock	(386)	(797)
Cash dividends paid	(227)	(221)
Net cash used in financing activities	<u>(638)</u>	<u>(13,532)</u>
Increase (decrease) in cash and cash equivalents	43	(13,745)
Cash and cash equivalents at beginning of period	6,288	17,433
Cash and cash equivalents at end of period	<u>\$ 6,331</u>	<u>\$ 3,688</u>

- (a) Pursuant to Accounting Standard Update 2016-09 "Improvements to Employee Share-Based Payment Accounting" in Q1 FY17, excess income tax benefit from stock-based compensation expense is no longer separated from operating income tax cash flows and reported as financing activity. In addition, income taxes paid on shares withheld is now required to be presented as financing activity as opposed to operating activity. The change has been adopted including prior comparative periods.



HP INC. AND SUBSIDIARIES
 SEGMENT INFORMATION
 (Unaudited)
 (In millions)

	Three months ended		
	January 31, 2017	October 31, 2016	January 31, 2016
Net revenue:^(a)			
Personal Systems	\$ 8,224	\$ 8,018	\$ 7,467
Printing	4,483	4,558	4,642
Corporate Investments	2	1	3
Total segments	12,709	12,577	12,112
Intersegment net revenue eliminations and other	(25)	(65)	134
Total net revenue	\$ 12,684	\$ 12,512	\$ 12,246
Earnings from continuing operations before taxes:^(a)			
Personal Systems	\$ 313	\$ 346	\$ 229
Printing	716	637	787
Corporate Investments	(23)	(32)	(23)
Total segment earnings from operations	1,006	951	993
Corporate costs and eliminations	(28)	(39)	(16)
Stock-based compensation expense	(75)	(42)	(61)
Restructuring and other charges	(63)	(49)	(20)
Acquisition-related charges	(16)	(7)	—
Amortization of intangible assets	—	—	(8)
Non-operating retirement-related credits	32	28	40
Defined benefit plan settlement charges	—	(179)	—
Interest and other, net	(81)	347	(94)
Total earnings from continuing operations before taxes	\$ 775	\$ 1,010	\$ 834

- (a) Effective at the beginning of its first quarter of fiscal year 2017, HP implemented an organizational change to align its business unit financial reporting more closely with its current business structure. The organizational change resulted in transfer of a portion of LaserJet printers from commercial to consumer within the Printing segment. HP reflected this change to its business unit information in prior reporting periods on an as-if basis which resulted in reclassification of revenues between the commercial and consumer business units of Printing. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, earnings from continuing operations, net earnings or net earnings per share.



HP INC. AND SUBSIDIARIES
SEGMENT/BUSINESS UNIT INFORMATION
(Unaudited)
(In millions)

	Three months ended			Change (%)	
	January 31, 2017	October 31, 2016	January 31, 2016	Q/Q	Y/Y
Net revenue:^(a)					
Personal Systems					
Notebooks	\$ 4,890	\$ 4,636	\$ 4,205	5 %	16 %
Desktops	2,534	2,572	2,527	(1)%	—
Workstations	491	489	444	—	11 %
Other	309	321	291	(4)%	6 %
Total Personal Systems	<u>8,224</u>	<u>8,018</u>	<u>7,467</u>	3 %	10 %
Printing					
Supplies	3,007	2,835	3,101	6 %	(3)%
Commercial Hardware	886	1,107	964	(20)%	(8)%
Consumer Hardware	590	616	577	(4)%	2 %
Total Printing	<u>4,483</u>	<u>4,558</u>	<u>4,642</u>	(2)%	(3)%
Corporate Investments	<u>2</u>	<u>1</u>	<u>3</u>	100 %	(33)%
Total segments	<u>12,709</u>	<u>12,577</u>	<u>12,112</u>	1 %	5 %
Intersegment net revenue eliminations and other ^(b)	<u>(25)</u>	<u>(65)</u>	<u>134</u>	NM	NM
Total net revenue	<u>\$ 12,684</u>	<u>\$ 12,512</u>	<u>\$ 12,246</u>	1 %	4 %

(a) Effective at the beginning of its first quarter of fiscal year 2017, HP implemented an organizational change to align its business unit financial reporting more closely with its current business structure. The organizational change resulted in transfer of a portion of LaserJet printers from commercial to consumer within the Printing segment. HP reflected this change to its business unit information in prior reporting periods on an as-if basis which resulted in reclassification of revenues between the commercial and consumer business units of Printing. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, earnings from continuing operations, net earnings or net earnings per share.

(b) "NM"- Not Meaningful.



HP INC. AND SUBSIDIARIES
SEGMENT OPERATING MARGIN SUMMARY DATA
(Unaudited)

	Three months ended			Change in Operating Margin (pts)	
	January 31, 2017	October 31, 2016	January 31, 2016	Q/Q	Y/Y
Segment operating margin:^(a)					
Personal Systems	3.8%	4.3%	3.1%	(0.5) pts	0.7 pts
Printing	16.0%	14.0%	17.0%	2.0 pts	(1.0) pts
Corporate Investments ^(b)	NM	NM	NM	NM	NM
Total segments	7.9%	7.6%	8.2%	0.3 pts	(0.3) pts

- (a) Effective at the beginning of its first quarter of fiscal year 2017, HP implemented an organizational change to align its business unit financial reporting more closely with its current business structure. The organizational change resulted in transfer of a portion of LaserJet printers from commercial to consumer within the Printing segment. HP reflected this change to its business unit information in prior reporting periods on an as-if basis which resulted in reclassification of revenues between the commercial and consumer business units of Printing. The reporting change had no impact to previously reported segment net revenue, consolidated net revenue, earnings from continuing operations, net earnings or net earnings per share.
- (b) "NM"- Not Meaningful.



HP INC. AND SUBSIDIARIES
CALCULATION OF DILUTED NET EARNINGS PER SHARE
(Unaudited)
(In millions, except per share amounts)

	Three months ended		
	January 31, 2017	October 31, 2016	January 31, 2016
Numerator:			
GAAP net earnings from continuing operations	\$ 611	\$ 513	\$ 650
Non-GAAP net earnings	\$ 646	\$ 614	\$ 645
Denominator:			
Weighted-average shares used to compute basic net earnings per share	1,704	1,712	1,776
Dilutive effect of employee stock plans ^(a)	17	17	9
Weighted-average shares used to compute diluted net earnings per share	1,721	1,729	1,785
GAAP diluted net earnings per share from continuing operations	\$ 0.36	\$ 0.30	\$ 0.36
Non-GAAP diluted net earnings per share	\$ 0.38	\$ 0.36	\$ 0.36

(a) Includes any dilutive effect of restricted stock units, stock options and performance-based awards.