



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

	Three months ended		
	April 30, 2017	January 31, 2017	April 30, 2016
Net revenue	\$ 12,385	\$ 12,684	\$ 11,588
Costs and expenses:			
Cost of revenue	10,002	10,436	9,338
Research and development	314	296	301
Selling, general and administrative	1,087	1,017	1,002
Restructuring and other charges	140	63	100
Acquisition-related charges	20	16	—
Amortization of intangible assets	1	—	6
Defined benefit plan settlement charges	3	—	—
Total costs and expenses	11,567	11,828	10,747
Earnings from continuing operations	818	856	841
Interest and other, net	(64)	(81)	(5)
Earnings from continuing operations before taxes	754	775	836
Provision for taxes	(195)	(164)	(176)
Net earnings from continuing operations	559	611	660
Net loss from discontinued operations, net of taxes	—	—	(31)
Net earnings	\$ 559	\$ 611	\$ 629
Net earnings (loss) per share:			
Basic			
Continuing operations	\$ 0.33	\$ 0.36	\$ 0.38
Discontinued operations	—	—	(0.01)
Total basic net earnings per share	\$ 0.33	\$ 0.36	\$ 0.37
Diluted			
Continuing operations	\$ 0.33	\$ 0.36	\$ 0.38
Discontinued operations	—	—	(0.02)
Total diluted net earnings per share	\$ 0.33	\$ 0.36	\$ 0.36
Cash dividends declared per share	\$ —	\$ 0.27	\$ —
Weighted-average shares used to compute net earnings (loss) per share:			
Basic	1,688	1,704	1,720
Diluted	1,709	1,721	1,731



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

	Six months ended April 30,	
	2017	2016
Net revenue	\$ 25,069	\$ 23,834
Costs and expenses:		
Cost of revenue	20,438	19,299
Research and development	610	593
Selling, general and administrative	2,104	2,039
Restructuring and other charges	203	120
Acquisition-related charges	36	—
Amortization of intangible assets	1	14
Defined benefit plan settlement charges	3	—
Total costs and expenses	23,395	22,065
Earnings from continuing operations	1,674	1,769
Interest and other, net	(145)	(99)
Earnings from continuing operations before taxes	1,529	1,670
Provision for taxes	(359)	(360)
Net earnings from continuing operations	1,170	1,310
Net loss from discontinued operations, net of taxes	—	(89)
Net earnings	\$ 1,170	\$ 1,221
Net earnings (loss) per share:		
Basic		
Continuing operations	\$ 0.69	\$ 0.75
Discontinued operations	—	(0.05)
Total basic net earnings per share	\$ 0.69	\$ 0.70
Diluted		
Continuing operations	\$ 0.68	\$ 0.75
Discontinued operations	—	(0.06)
Total diluted net earnings per share	\$ 0.68	\$ 0.69
Cash dividends declared per share	\$ 0.27	\$ 0.25
Weighted-average shares used to compute net earnings (loss) per share:		
Basic	1,696	1,748
Diluted	1,716	1,758



**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 April 30, 2017	Diluted net earnings per share	Three months ended January 31, 2017	Diluted net earnings per share	Three months ended April 30, 2016	Diluted net earnings per share
GAAP net earnings from continuing operations	\$ 559	\$ 0.33	\$ 611	\$ 0.36	\$ 660	\$ 0.38
Non-GAAP adjustments:						
Restructuring and other charges	140	0.08	63	0.04	100	0.06
Acquisition-related charges	20	0.01	16	0.01	—	—
Amortization of intangible assets	1	—	—	—	6	—
Defined benefit plan settlement charges	3	—	—	—	—	—
Non-operating retirement-related credits	(35)	(0.02)	(32)	(0.02)	(40)	(0.02)
Tax indemnification credits	(5)	—	(9)	(0.01)	(8)	—
Adjustments for taxes	2	—	(3)	—	(16)	(0.01)
Non-GAAP net earnings	<u>\$ 685</u>	<u>\$ 0.40</u>	<u>\$ 646</u>	<u>\$ 0.38</u>	<u>\$ 702</u>	<u>\$ 0.41</u>
GAAP earnings from continuing operations	\$ 818		\$ 856		\$ 841	
Non-GAAP adjustments:						
Restructuring and other charges	140		63		100	
Acquisition-related charges	20		16		—	
Amortization of intangible assets	1		—		6	
Defined benefit plan settlement charges	3		—		—	
Non-operating retirement-related credits	(35)		(32)		(40)	
Non-GAAP earnings	<u>\$ 947</u>		<u>\$ 903</u>		<u>\$ 907</u>	
GAAP operating margin from continuing operations	7%		7%		7%	
Non-GAAP adjustments	1%		—		1%	
Non-GAAP operating margin	<u>8%</u>		<u>7%</u>		<u>8%</u>	



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)

	Six months ended April 30, 2017	Diluted net earnings per share	Six months ended April 30, 2016	Diluted net earnings per share
GAAP net earnings from continuing operations	\$ 1,170	\$ 0.68	1,310	\$ 0.75
Non-GAAP adjustments:				
Restructuring and other charges	203	0.12	120	0.07
Acquisition-related charges	36	0.02	—	—
Amortization of intangible assets	1	—	14	0.01
Non-operating retirement-related credits	(67)	(0.04)	(80)	(0.05)
Defined benefit plan settlement charges	3	—	—	—
Tax indemnification credits	(14)	—	(8)	—
Adjustments for taxes	(1)	—	(9)	(0.01)
Non-GAAP net earnings	\$ 1,331	\$ 0.78	\$ 1,347	\$ 0.77
GAAP earnings from continuing operations	\$ 1,674		\$ 1,769	
Non-GAAP adjustments:				
Restructuring and other charges	203		120	
Acquisition-related charges	36		—	
Amortization of intangible assets	1		14	
Non-operating retirement-related credits	(67)		(80)	
Defined benefit plan settlement charges	3		—	
Non-GAAP earnings	\$ 1,850		\$ 1,823	
GAAP operating margin from continuing operations	6%		7%	
Non-GAAP adjustments	1%		1%	
Non-GAAP operating margin	7%		8%	



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

	As of	
	April 30, 2017	October 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,223	\$ 6,288
Accounts receivable	3,771	4,114
Inventory	4,756	4,484
Other current assets	3,552	3,582
Total current assets	18,302	18,468
Property, plant and equipment	1,661	1,736
Goodwill	5,622	5,622
Other non-current assets <sup>(a)</sup>	3,101	3,161
Total assets	\$ 28,686	\$ 28,987
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Notes payable and short-term borrowings	\$ 110	\$ 78
Accounts payable	11,079	11,103
Employee compensation and benefits	665	759
Taxes on earnings	221	231
Deferred revenue	980	919
Other accrued liabilities	5,549	5,718
Total current liabilities	18,604	18,808
Long-term debt <sup>(a)</sup>	6,710	6,735
Other non-current liabilities	7,327	7,333
Stockholders' deficit	(3,955)	(3,889)
Total liabilities and stockholders' deficit	\$ 28,686	\$ 28,987

- (a) Pursuant to the adoption of 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 April 30	
	2017	2016
Cash flows from operating activities: <sup>(a)</sup>		
Net earnings	\$ 559	\$ 629
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	89	85
Stock-based compensation expense	48	40
Restructuring and other charges	140	100
Deferred taxes on earnings	138	74
Other, net	2	(76)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(325)	190
Inventory	(203)	520
Accounts payable	142	41
Taxes on earnings	(102)	29
Restructuring and other	(46)	(37)
Other assets and liabilities	13	(16)
Net cash provided by operating activities	455	1,579
Cash flows from investing activities:		
Investment in property, plant and equipment	(75)	(86)
Purchases of available-for-sale securities and other investments	(80)	(122)
Maturities and sales of available-for-sale securities and other investments	—	3
Proceeds from business divestiture	—	61
Net cash used in investing activities	(155)	(144)
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	39	13
Payment of debt	(17)	(3)
Settlement of cash flow hedges	(5)	17
Net payments related to stock-based award activities	22	4
Repurchase of common stock	(223)	(305)
Cash dividends paid	(224)	(213)
Net cash used in financing activities	(408)	(487)
(Decrease) increase in cash and cash equivalents	(108)	948
Cash and cash equivalents at beginning of period	6,331	3,688
Cash and cash equivalents at end of period	\$ 6,223	\$ 4,636

- (a) Pursuant to the adoption of 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  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In millions)

	Six months ended April 30	
	2017	2016
Cash flows from operating activities: <sup>(a)</sup>		
Net earnings	\$ 1,170	\$ 1,221
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	173	164
Stock-based compensation expense	123	101
Restructuring and other charges	203	120
Deferred taxes on earnings	205	600
Other, net	21	(46)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	289	894
Inventory	(272)	722
Accounts payable	26	(1,063)
Taxes on earnings	(177)	(505)
Restructuring and other	(97)	(68)
Other assets and liabilities	(442)	(663)
Net cash provided by operating activities	1,222	1,477
Cash flows from investing activities:		
Investment in property, plant and equipment	(176)	(206)
Proceeds from sale of property, plant and equipment	69	—
Purchases of available-for-sale securities and other investments	(136)	(122)
Maturities and sales of available-for-sale securities and other investments	2	12
Proceeds from business divestiture	—	61
Net cash used in investing activities	(241)	(255)
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	74	39
Proceeds from debt, net of issuance costs	5	4
Payment of debt	(44)	(2,158)
Settlement of cash flow hedges	(9)	6
Net transfer of cash and cash equivalents to Hewlett Packard Enterprise Company	—	(10,375)
Net payments related to stock-based award activities	(12)	1
Repurchase of common stock	(609)	(1,102)
Cash dividends paid	(451)	(434)
Net cash used in financing activities	(1,046)	(14,019)
Decrease in cash and cash equivalents	(65)	(12,797)
Cash and cash equivalents at beginning of period	6,288	17,433
Cash and cash equivalents at end of period	\$ 6,223	\$ 4,636

- (a) Pursuant to the adoption of 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		
	April 30, 2017	January 31, 2017	April 30, 2016
<b>Net revenue:<sup>(a)</sup></b>			
Personal Systems	\$ 7,662	\$ 8,224	\$ 6,990
Printing	4,743	4,483	4,637
Corporate Investments	3	2	3
Total segments	12,408	12,709	11,630
Intersegment net revenue eliminations and other	(23)	(25)	(42)
Total net revenue	<u>\$ 12,385</u>	<u>\$ 12,684</u>	<u>\$ 11,588</u>
<b>Earnings from continuing operations before taxes:<sup>(a)</sup></b>			
Personal Systems	\$ 244	\$ 313	\$ 242
Printing	825	716	801
Corporate Investments	(26)	(23)	(8)
Total segment earnings from operations	1,043	1,006	1,035
Corporate costs and eliminations	(48)	(28)	(88)
Stock-based compensation expense	(48)	(75)	(40)
Restructuring and other charges	(140)	(63)	(100)
Acquisition-related charges	(20)	(16)	—
Amortization of intangible assets	(1)	—	(6)
Defined benefit plan settlement charges	(3)	—	—
Non-operating retirement-related credits	35	32	40
Interest and other, net	(64)	(81)	(5)
Total earnings from continuing operations before taxes	<u>\$ 754</u>	<u>\$ 775</u>	<u>\$ 836</u>

- (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 INFORMATION  
(Unaudited)  
(In millions)

	Six months ended April 30,	
	2017	2016
<b>Net revenue:<sup>(a)</sup></b>		
Personal Systems	\$ 15,886	\$ 14,457
Printing	9,226	9,279
Corporate Investments	5	6
Total segments	25,117	23,742
Intersegment net revenue eliminations and other	(48)	92
Total net revenue	\$ 25,069	\$ 23,834
<b>Earnings from continuing operations before taxes:<sup>(a)</sup></b>		
Personal Systems	\$ 557	\$ 471
Printing	1,541	1,588
Corporate Investments	(49)	(31)
Total segment earnings from operations	2,049	2,028
Corporate costs and eliminations	(76)	(104)
Stock-based compensation expense	(123)	(101)
Restructuring and other charges	(203)	(120)
Acquisition-related charges	(36)	—
Amortization of intangible assets	(1)	(14)
Defined benefit plan settlement charges	(3)	—
Non-operating retirement-related credits	67	80
Interest and other, net	(145)	(99)
Total earnings from continuing operations before taxes	\$ 1,529	\$ 1,670

- (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 (%)	
	April 30, 2017	January 31, 2017	April 30, 2016	Q/Q	Y/Y
<b>Net revenue:<sup>(a)</sup></b>					
Personal Systems					
Notebooks	\$ 4,493	\$ 4,890	\$ 3,838	(8)%	17 %
Desktops	2,377	2,534	2,402	(6)%	(1)%
Workstations	495	491	461	1 %	7 %
Other	297	309	289	(4)%	3 %
Total Personal Systems	<u>7,662</u>	<u>8,224</u>	<u>6,990</u>	(7)%	10 %
Printing					
Supplies	3,157	3,007	3,099	5 %	2 %
Commercial Hardware	982	886	957	11 %	3 %
Consumer Hardware	604	590	581	2 %	4 %
Total Printing	<u>4,743</u>	<u>4,483</u>	<u>4,637</u>	6 %	2 %
Corporate Investments	3	2	3	50 %	—
Total segments	<u>12,408</u>	<u>12,709</u>	<u>11,630</u>	(2)%	7 %
Intersegment net revenue eliminations and other <sup>(b)</sup>	(23)	(25)	(42)	NM	NM
Total net revenue	<u>\$ 12,385</u>	<u>\$ 12,684</u>	<u>\$ 11,588</u>	(2)%	7 %

(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/BUSINESS UNIT INFORMATION  
(Unaudited)  
(In millions)

	Six months ended April 30,		Change (%)
	2017	2016	Y/Y
<b>Net revenue:<sup>(a)</sup></b>			
Personal Systems			
Notebooks	\$ 9,383	\$ 8,043	17 %
Desktops	4,911	4,929	— %
Workstations	986	905	9 %
Other	606	580	4 %
Total Personal Systems	<u>15,886</u>	<u>14,457</u>	10 %
Printing			
Supplies	6,164	6,200	(1)%
Commercial Hardware	1,868	1,921	(3)%
Consumer Hardware	1,194	1,158	3 %
Total Printing	<u>9,226</u>	<u>9,279</u>	(1)%
Corporate Investments	5	6	(17)%
Total segments	<u>25,117</u>	<u>23,742</u>	6 %
Intersegment net revenue eliminations and other <sup>(b)</sup>	<u>(48)</u>	<u>92</u>	NM
Total net revenue	<u>\$ 25,069</u>	<u>\$ 23,834</u>	5 %

- (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)	
	April 30, 2017	January 31, 2017	April 30, 2016	Q/Q	Y/Y
<b>Segment operating margin:<sup>(a)</sup></b>					
Personal Systems	3.2%	3.8%	3.5%	(0.6) pts	(0.3) pts
Printing	17.4%	16.0%	17.3%	1.4 pts	0.1 pts
Corporate Investments <sup>(b)</sup>	NM	NM	NM	NM	NM
Total segments	8.4%	7.9%	8.9%	0.5 pts	(0.5) 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		
	April 30, 2017	January 31, 2017	April 30, 2016
<b>Numerator:</b>			
GAAP net earnings from continuing operations	\$ 559	\$ 611	\$ 660
Non-GAAP net earnings	\$ 685	\$ 646	\$ 702
<b>Denominator:</b>			
Weighted-average shares used to compute basic net earnings per share	1,688	1,704	1,720
Dilutive effect of employee stock plans <sup>(a)</sup>	21	17	11
Weighted-average shares used to compute diluted net earnings per share	1,709	1,721	1,731
GAAP diluted net earnings per share from continuing operations	\$ 0.33	\$ 0.36	\$ 0.38
Non-GAAP diluted net earnings per share	\$ 0.40	\$ 0.38	\$ 0.41

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



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

	Six months ended April 30,	
	2017	2016
<b>Numerator:</b>		
GAAP net earnings from continuing operations	\$ 1,170	\$ 1,310
Non-GAAP net earnings	\$ 1,331	\$ 1,347
<b>Denominator:</b>		
Weighted-average shares used to compute basic net earnings per share	1,696	1,748
Dilutive effect of employee stock plans <sup>(a)</sup>	20	10
Weighted-average shares used to compute diluted net earnings per share	1,716	1,758
GAAP diluted net earnings per share from continuing operations	\$ 0.68	\$ 0.75
Non-GAAP diluted net earnings per share	\$ 0.78	\$ 0.77

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