

HP Inc.  
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## News Release

# HP Inc. Reports Third Quarter Fiscal 2016 Results

PALO ALTO, CA – (Marketwired) – August 24, 2016 – HP (NYSE: HPQ)

- Third quarter GAAP diluted net earnings per share from continuing operations of \$0.49 - above the previously provided outlook of \$0.40 to \$0.43 per share
- Third quarter non-GAAP diluted net earnings per share from continuing operations of \$0.48 - above the previously provided outlook of \$0.43 to \$0.46 per share
- Third quarter net revenue of \$11.9 billion, down 4% (down 1% in constant currency) from the prior-year period
- Third quarter net cash provided by operating activities of \$1.1 billion
- Third quarter returned \$269 million to shareholders in the form of share repurchases and dividends

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### ***HP Inc.'s fiscal 2016 third quarter financial performance***

|  | Q3 FY16 | Q3 FY15 | Y/Y     |
|--|---------|---------|---------|
| GAAP net revenue (\$B)   | \$11.9  | \$12.4  | (4%)    |
| GAAP operating margin from continuing operations                   | 9.4%    | 8.1%    | 1.3 pts |
| GAAP net earnings from continuing operations (\$B)                 | \$0.8   | \$0.7   | 20%     |
| GAAP diluted net earnings per share from continuing operations     | \$0.49  | \$0.39  | 26%     |
| Non-GAAP operating margin from continuing operations               | 9.4%    | 7.4%    | 2.0 pts |
| Non-GAAP net earnings from continuing operations (\$B)             | \$0.8   | \$0.6   | 28%     |
| Non-GAAP diluted net earnings per share from continuing operations | \$0.48  | \$0.35  | 37%     |
| Net cash provided by operating activities (\$B) <sup>(1)</sup>     | \$1.1   | \$1.7   | (36%)   |

### Notes to table

*Information about HP Inc.'s use of non-GAAP financial information is provided under "Use of non-GAAP financial information" below.*

(1) The consolidated condensed statement of cash flows for the three months ended July 31, 2015 represents the combined cash flows of Hewlett-Packard Company prior to the separation of Hewlett Packard Enterprise Company (the "Separation"), as previously filed, and has not been adjusted to reflect the effect of the Separation.

### **Revenue and EPS results**

HP Inc. ("HP") announced third quarter net revenue of \$11.9 billion, down 4% (down 1% in constant currency) from the prior-year period.

Third quarter GAAP diluted net earnings per share (EPS) from continuing operations was \$0.49, up from \$0.39 in the prior-year period and above the previously provided outlook of \$0.40 to \$0.43. Third quarter non-GAAP diluted net EPS from continuing operations was \$0.48, up from \$0.35 in the prior-year period and above its previously provided outlook of \$0.43 to \$0.46. Third quarter non-GAAP net earnings from continuing operations and non-GAAP diluted net EPS from continuing operations exclude after-tax adjustments of \$17 million, or \$0.01 per share, related to restructuring and other charges, amortization of intangible assets, tax indemnifications, and non-operating retirement-related credits / (charges).

*"In Q3, we delivered on our financial commitments and continued to make solid progress in executing against our core, growth and future strategic framework," said Dion Weisler, President and CEO, HP Inc. "Although the markets remain challenged, we have the innovation and executional rigor needed to continue to take profitable share and invest in the right opportunities to drive long-term success for the company."*

### **Asset management**

HP's net cash provided by operating activities in the third quarter was \$1.1 billion. Accounts receivable ended the quarter at \$4.0 billion, unchanged quarter over quarter at 30 days. Inventory ended the quarter at \$4.0 billion, up 3 days quarter over quarter to 37 days. Accounts payable ended the quarter at \$10.4 billion, up 8 days quarter over quarter to 96 days. HP's dividend payment of \$0.124 per share in the third quarter resulted in cash usage of \$0.2 billion. HP also utilized \$0.1 billion of cash during the quarter to repurchase approximately 4.5 million shares of common stock in the open market. HP exited the quarter with \$5.6 billion in gross cash, which includes cash and cash equivalents, short-term investments, and certain liquid long-term investments.

### **Fiscal 2016 third quarter segment results**

- Personal Systems net revenue was flat year over year (up 2% in constant currency) with a 4.4% operating margin. Commercial net revenue decreased 3% and Consumer net revenue increased 8%. Total units were up 4% with Notebooks units up 12% and Desktops units down 6%.
- Printing net revenue was down 14% year over year (down 10% in constant currency) with a 20.4% operating margin. Total hardware units were down 10% with Commercial hardware units down 2% and Consumer hardware units down 14%. Supplies revenue was down 18% (down 13% in constant currency).

### **Outlook**

For the fiscal 2016 fourth quarter, HP estimates GAAP diluted net EPS from continuing operations to be in the range of \$0.22 to \$0.25 and non-GAAP diluted net EPS from continuing operations to be in the range of \$0.34 to \$0.37. Fiscal 2016 fourth quarter non-GAAP diluted net EPS from continuing operations estimates exclude \$0.12 per diluted share, primarily related to items such as restructuring and other charges, defined benefit plan settlement charges, non-operating retirement-related credits/(charges), tax

indemnifications, net valuation allowances and separation taxes and adjustments, acquisition and other related charges and amortization of intangible assets.

For fiscal 2016, HP estimates GAAP diluted net EPS from continuing operations to be in the range of \$1.46 to \$1.49 and non-GAAP diluted net EPS from continuing operations to be in the range of \$1.59 to \$1.62. Fiscal 2016 non-GAAP diluted net EPS from continuing operations estimates exclude \$0.13 per diluted share, primarily related to items such as restructuring and other charges, defined benefit plan settlement charges, non-operating retirement-related credits/(charges), tax indemnifications, net valuation allowances and separation taxes and adjustments, acquisition and other related charges and amortization of intangible assets.

More information on HP's earnings, including additional financial analysis and an earnings overview presentation, is available on HP's Investor Relations website at [www.hp.com/investor/home](http://www.hp.com/investor/home).

HP's FY16 Q3 earnings conference call is accessible via an audio webcast at [www.hp.com/investor/2016Q3Webcast](http://www.hp.com/investor/2016Q3Webcast).

### **About HP Inc.**

HP Inc. creates technology that makes life better for everyone, everywhere. Through our portfolio of printers, PCs, mobile devices, solutions, and services, we engineer experiences that amaze. More information about HP Inc. (NYSE: HPQ) is available at <http://www.hp.com>.

### **Use of non-GAAP financial information**

To supplement HP's consolidated condensed financial statements presented on a generally accepted accounting principles ("GAAP") basis, HP provides net revenue on a constant currency basis, as well as non-GAAP operating margin from continuing operations, non-GAAP net earnings from continuing operations, non-GAAP diluted net earnings per share from continuing operations and gross cash financial measures. HP also provides forecasts of non-GAAP diluted net earnings per share from continuing operations. A reconciliation of the adjustments to GAAP results for this quarter and prior periods is included in the tables below or elsewhere in the materials accompanying this news release. In addition, an explanation of the ways in which HP's management uses these non-GAAP measures to evaluate its business, the substance behind HP's decision to use these non-GAAP measures, the material limitations associated with the use of these non-GAAP measures, the manner in which HP's management compensates for those limitations, and the substantive reasons why HP's management believes that these non-GAAP measures provide useful information to investors is included under "Use of non-GAAP financial measures" after the tables below. This additional non-GAAP financial information is not meant to be considered in isolation or as a substitute for net revenue, operating profit, operating margin, net earnings from continuing operations, diluted net earnings per share from continuing operations or cash and cash equivalents prepared in accordance with GAAP.

### **Forward-looking statements**

This news release 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 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 net 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 and other charges; any statements of the plans, strategies and objectives of management for future operations, including the execution of the 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; 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 results of the restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of the restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described in HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2015, HP's Quarterly Reports on Form 10-Q for the fiscal quarters ended January 31, 2016 and April 30, 2016, and HP's other filings with the Securities and Exchange Commission.

As in prior periods, the financial information set forth in this release, including any tax-related items, reflects estimates based on information available at this time. While HP believes these estimates to be reasonable, these amounts could differ materially from reported amounts in HP's Quarterly Report on Form 10-Q for the fiscal quarter ended July 31, 2016. HP assumes no obligation and does not intend to update these forward-looking statements. HP's Investor Relations website at [www.hp.com/investor/home](http://www.hp.com/investor/home) contains a significant amount of information about HP, including financial and other information for investors. HP encourages investors to visit its website from time to time, as information is updated and new information is posted.



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

|   | Three months ended |                   |                  |
|---|--------------------|-------------------|------------------|
|   | July 31,<br>2016   | April 30,<br>2016 | July 31,<br>2015 |
| Net revenue   | \$ 11,892          | \$ 11,588         | \$ 12,362        |
| Costs and expenses:   |                    |                   |                  |
| Cost of revenue   | 9,720              | 9,338             | 10,036           |
| Research and development  | 298                | 301               | 300              |
| Selling, general and administrative                             | 719                | 1,002             | 1,058            |
| Restructuring and other charges                                 | 36                 | 100               | 1                |
| Amortization of intangible assets                               | 2                  | 6                 | 24               |
| Defined benefit plan settlement credits                         | -                  | -                 | (64)             |
| Total costs and expenses  | 10,775             | 10,747            | 11,355           |
| Earnings from continuing operations                             | 1,117              | 841               | 1,007            |
| Interest and other, net   | (36)               | (5)               | (90)             |
| Earnings from continuing operations before taxes                | 1,081              | 836               | 917              |
| Provision for taxes   | (238)              | (176)             | (217)            |
| Net earnings from continuing operations                         | 843                | 660               | 700              |
| Net (loss) earnings from discontinued operations                | (60)               | (31)              | 154              |
| Net earnings  | \$ 783             | \$ 629            | \$ 854           |
| Net earnings (loss) per share:                                  |                    |                   |                  |
| Basic   |                    |                   |                  |
| Continuing operations   | \$ 0.49            | \$ 0.38           | \$ 0.39          |
| Discontinued operations   | (0.03)             | (0.01)            | 0.08             |
| Total basic net earnings per share                              | \$ 0.46            | \$ 0.37           | \$ 0.47          |
| Diluted   |                    |                   |                  |
| Continuing operations   | \$ 0.49            | \$ 0.38           | \$ 0.39          |
| Discontinued operations   | (0.04)             | (0.02)            | 0.08             |
| Total diluted net earnings per share                            | \$ 0.45            | \$ 0.36           | \$ 0.47          |
| Cash dividends declared per share                               | \$ 0.25            | \$ -              | \$ 0.35          |
| Weighted-average shares used to compute net earnings per share: |                    |                   |                  |
| Basic   | 1,711              | 1,720             | 1,805            |
| Diluted   | 1,725              | 1,731             | 1,828            |



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

|   | Nine months ended July 31, |           |
|---|----------------------------|-----------|
|   | 2016                       | 2015      |
| Net revenue   | \$ 35,726                  | \$ 39,197 |
| Costs and expenses:   |                            |           |
| Cost of revenue   | 29,019                     | 31,624    |
| Research and development  | 891                        | 909       |
| Selling, general and administrative                             | 2,758                      | 3,508     |
| Restructuring and other charges                                 | 156                        | 22        |
| Amortization of intangible assets                               | 16                         | 76        |
| Defined benefit plan settlement credits                         | -                          | (64)      |
| Total costs and expenses  | 32,840                     | 36,075    |
| Earnings from continuing operations                             | 2,886                      | 3,122     |
| Interest and other, net   | (135)                      | (289)     |
| Earnings from continuing operations before taxes                | 2,751                      | 2,833     |
| Provision for taxes   | (598)                      | (630)     |
| Net earnings from continuing operations                         | 2,153                      | 2,203     |
| Net (loss) earnings from discontinued operations                | (149)                      | 1,028     |
| Net earnings  | \$ 2,004                   | \$ 3,231  |
| Net earnings (loss) per share:                                  |                            |           |
| Basic   |                            |           |
| Continuing operations   | \$ 1.24                    | \$ 1.21   |
| Discontinued operations   | (0.08)                     | 0.57      |
| Total basic net earnings per share                              | \$ 1.16                    | \$ 1.78   |
| Diluted   |                            |           |
| Continuing operations   | \$ 1.23                    | \$ 1.20   |
| Discontinued operations   | (0.08)                     | 0.55      |
| Total diluted net earnings per share                            | \$ 1.15                    | \$ 1.75   |
| Cash dividends declared per share                               | \$ 0.50                    | \$ 0.67   |
| Weighted-average shares used to compute net earnings per share: |                            |           |
| Basic   | 1,735                      | 1,817     |
| Diluted   | 1,747                      | 1,842     |



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<br>July 31, 2016 | Diluted net earnings<br>per share | Three months ended<br>April 30, 2016 | Diluted net earnings<br>per share | Three months ended<br>July 31, 2015 | Diluted net earnings<br>per share |
|--|-------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| GAAP net earnings from continuing operations     | \$ 843                              | \$ 0.49                           | \$ 660                               | \$ 0.38                           | \$ 700                              | \$ 0.39                           |
| Non-GAAP adjustments:                            |                                     |                                   |                                      |                                   |                                     |                                   |
| Restructuring and other charges                  | 36                                  | 0.02                              | 100                                  | 0.06                              | 1                                   | -                                 |
| Acquisition-related charges                      | -                                   | -                                 | -                                    | -                                 | 1                                   | -                                 |
| Amortization of intangible assets                | 2                                   | -                                 | 6                                    | -                                 | 24                                  | 0.01                              |
| Non-operating retirement-related credits         | (38)                                | (0.02)                            | (40)                                 | (0.02)                            | (58)                                | (0.03)                            |
| Defined benefit plan settlement credits          | -                                   | -                                 | -                                    | -                                 | (64)                                | (0.04)                            |
| Adjustments for taxes                            | 12                                  | 0.01                              | (16)                                 | (0.01)                            | 42                                  | 0.02                              |
| Tax indemnification credits                      | (29)                                | (0.02)                            | (8)                                  | -                                 | -                                   | -                                 |
| Non-GAAP net earnings                            | \$ 826                              | \$ 0.48                           | \$ 702                               | \$ 0.41                           | \$ 646                              | \$ 0.35                           |
| GAAP earnings from continuing operations         | \$ 1,117                            |                                   | \$ 841                               |                                   | \$ 1,007                            |                                   |
| Non-GAAP adjustments:                            |                                     |                                   |                                      |                                   |                                     |                                   |
| Restructuring and other charges                  | 36                                  |                                   | 100                                  |                                   | 1                                   |                                   |
| Acquisition-related charges                      | -                                   |                                   | -                                    |                                   | 1                                   |                                   |
| Amortization of intangible assets                | 2                                   |                                   | 6                                    |                                   | 24                                  |                                   |
| Non-operating retirement-related credits         | (38)                                |                                   | (40)                                 |                                   | (58)                                |                                   |
| Defined benefit plan settlement credits          | -                                   |                                   | -                                    |                                   | (64)                                |                                   |
| Non-GAAP earnings                                | \$ 1,117                            |                                   | \$ 907                               |                                   | \$ 911                              |                                   |
| GAAP operating margin from continuing operations | 9%                                  |                                   | 7%                                   |                                   | 8%                                  |                                   |
| Non-GAAP adjustments                             | 0%                                  |                                   | 1%                                   |                                   | (1%)                                |                                   |
| Non-GAAP operating margin                        | 9%                                  |                                   | 8%                                   |                                   | 7%                                  |                                   |



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)

|  | Nine months ended<br>July 31, 2016 | Diluted<br>net earnings per<br>share | Nine months ended<br>July 31, 2015 | Diluted<br>net earnings<br>per share |
|--|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| GAAP net earnings from continuing operations     | \$ 2,153                           | \$ 1.23                              | \$ 2,203                           | \$ 1.20                              |
| Non-GAAP adjustments:                            |                                    |                                      |                                    |                                      |
| Restructuring and other charges                  | 156                                | 0.09                                 | 22                                 | 0.01                                 |
| Acquisition-related charges                      | -                                  | -                                    | 1                                  | -                                    |
| Amortization of intangible assets                | 16                                 | 0.01                                 | 76                                 | 0.04                                 |
| Non-operating retirement-related credits         | (118)                              | (0.07)                               | (174)                              | (0.10)                               |
| Defined benefit plan settlement credits          | -                                  | -                                    | (64)                               | (0.03)                               |
| Adjustments for taxes                            | 3                                  | -                                    | 67                                 | 0.04                                 |
| Tax indemnification credits                      | (37)                               | (0.02)                               | -                                  | -                                    |
| Non-GAAP net earnings                            | <u>\$ 2,173</u>                    | <u>\$ 1.24</u>                       | <u>\$ 2,131</u>                    | <u>\$ 1.16</u>                       |
| GAAP earnings from continuing operations         | \$ 2,886                           |                                      | \$ 3,122                           |                                      |
| Non-GAAP adjustments:                            |                                    |                                      |                                    |                                      |
| Restructuring and other charges                  | 156                                |                                      | 22                                 |                                      |
| Acquisition-related charges                      | -                                  |                                      | 1                                  |                                      |
| Amortization of intangible assets                | 16                                 |                                      | 76                                 |                                      |
| Non-operating retirement-related credits         | (118)                              |                                      | (174)                              |                                      |
| Defined benefit plan settlement credits          | -                                  |                                      | (64)                               |                                      |
| Non-GAAP earnings                                | <u>\$ 2,940</u>                    |                                      | <u>\$ 2,983</u>                    |                                      |
| GAAP operating margin from continuing operations | 8%                                 |                                      | 8%                                 |                                      |
| Non-GAAP adjustments                             | 0%                                 |                                      | 0%                                 |                                      |
| Non-GAAP operating margin                        | <u>8%</u>                          |                                      | <u>8%</u>                          |                                      |



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

|  | As of            |                   |
|--|------------------|-------------------|
|  | July 31, 2016    | October 31, 2015  |
| <b>ASSETS</b>  |                  |                   |
| <b>Current assets:</b>                               |                  |                   |
| Cash and cash equivalents                            | \$ 5,636         | \$ 7,584          |
| Accounts receivable                                  | 4,008            | 4,825             |
| Inventory  | 3,961            | 4,288             |
| Other current assets                                 | 3,797            | 4,498             |
| Current assets of discontinued operations            | -                | 30,592            |
| <b>Total current assets</b>                          | <b>17,402</b>    | <b>51,787</b>     |
| Property, plant and equipment                        | 1,607            | 1,492             |
| Goodwill   | 5,618            | 5,680             |
| Other non-current assets                             | 2,597            | 1,592             |
| Non-current assets of discontinued operations        | -                | 46,331            |
| <b>Total assets</b>                                  | <b>\$ 27,224</b> | <b>\$ 106,882</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>          |                  |                   |
| <b>Current liabilities:</b>                          |                  |                   |
| Notes payable and short-term borrowings              | \$ 75            | \$ 2,194          |
| Accounts payable                                     | 10,402           | 10,194            |
| Employee compensation and benefits                   | 712              | 747               |
| Taxes on earnings                                    | 162              | 243               |
| Deferred revenue                                     | 877              | 1,051             |
| Other accrued liabilities                            | 5,886            | 6,241             |
| Current liabilities of discontinued operations       | -                | 21,521            |
| <b>Total current liabilities</b>                     | <b>18,114</b>    | <b>42,191</b>     |
| Long-term debt                                       | 6,760            | 6,677             |
| Other non-current liabilities                        | 6,276            | 7,414             |
| Non-current liabilities of discontinued operations   | -                | 22,449            |
| <b>Stockholders' equity:</b>                         |                  |                   |
| HP stockholders' (deficit) equity                    | (3,926)          | 27,768            |
| Non-controlling interests of discontinued operations | -                | 383               |
| <b>Total stockholders' (deficit) equity</b>          | <b>(3,926)</b>   | <b>28,151</b>     |
| <b>Total liabilities and stockholders' equity</b>    | <b>\$ 27,224</b> | <b>\$ 106,882</b> |



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

|   | Three months ended July 31, |                     |
|---|-----------------------------|---------------------|
|   | 2016                        | 2015 <sup>(a)</sup> |
| <b>Cash flows from operating activities:</b>  |                             |                     |
| Net earnings  | \$ 783                      | \$ 854              |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                             |                     |
| Depreciation and amortization   | 85                          | 1,023               |
| Stock-based compensation expense  | 39                          | 160                 |
| Provision for doubtful accounts and inventory                                       | 68                          | 101                 |
| Restructuring and other charges   | 31                          | 25                  |
| Deferred taxes on earnings  | 378                         | 898                 |
| Excess tax benefit from stock-based compensation                                    | (2)                         | (6)                 |
| Other, net  | (313)                       | 378                 |
| Changes in operating assets and liabilities, net of acquisitions:                   |                             |                     |
| Accounts receivable   | (166)                       | (295)               |
| Financing receivables   | -                           | (53)                |
| Inventory   | (471)                       | (520)               |
| Accounts payable  | 1,301                       | 534                 |
| Taxes on earnings   | (372)                       | (1,160)             |
| Restructuring and other   | (46)                        | (303)               |
| Other assets and liabilities  | (250)                       | 37                  |
| Net cash provided by operating activities   | 1,065                       | 1,673               |
| <b>Cash flows from investing activities:</b>  |                             |                     |
| Investment in property, plant and equipment   | (81)                        | (916)               |
| Proceeds from sale of property, plant and equipment                                 | -                           | 99                  |
| Purchases of available-for-sale securities and other investments                    | -                           | (72)                |
| Maturities and sales of available-for-sale securities and other investments         | 121                         | 123                 |
| Payments made in connection with business acquisitions, net of cash acquired        | -                           | (2,478)             |
| Proceeds from business divestitures, net  | 99                          | 156                 |
| Net cash provided by (used in) investing activities                                 | 139                         | (3,088)             |
| <b>Cash flows from financing activities:</b>  |                             |                     |
| Short-term borrowings with original maturities less than 90 days, net               | 33                          | 775                 |
| Proceeds from debt, net of issuance costs   | -                           | 4,406               |
| Payment of debt   | -                           | (747)               |
| Settlement of cash flow hedge   | (2)                         | (32)                |
| Issuance of common stock under employee stock plans                                 | 32                          | 80                  |
| Repurchase of common stock  | (57)                        | (352)               |
| Excess tax benefit from stock-based compensation                                    | 2                           | 6                   |
| Cash dividends paid   | (212)                       | (318)               |
| Net cash (used in) provided by financing activities                                 | (204)                       | 3,818               |
| Net increase in cash and cash equivalents   | 1,000                       | 2,403               |
| Cash and cash equivalents at beginning of period                                    | 4,636                       | 14,768              |
| Cash and cash equivalents at end of period  | \$ 5,636                    | \$ 17,171           |

(a) The consolidated condensed statement of cash flows for the three months ended July 31, 2015 represents the combined cash flows of HP prior to separation, as previously filed, and has not been adjusted to reflect the effect of the separation of Hewlett Packard Enterprise Company.



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

|   | Nine months ended July 31, |                     |
|---|----------------------------|---------------------|
|   | 2016                       | 2015 <sup>(a)</sup> |
| <b>Cash flows from operating activities:</b>  |                            |                     |
| Net earnings  | \$ 2,004                   | \$ 3,231            |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                            |                     |
| Depreciation and amortization   | 249                        | 3,054               |
| Stock-based compensation expense  | 140                        | 476                 |
| Provision for doubtful accounts and inventory                                       | 113                        | 265                 |
| Restructuring and other charges   | 151                        | 426                 |
| Deferred taxes on earnings  | 978                        | 898                 |
| Excess tax benefit from stock-based compensation                                    | (4)                        | (124)               |
| Other, net  | (408)                      | 675                 |
| Changes in operating assets and liabilities, net of acquisitions:                   |                            |                     |
| Accounts receivable   | 728                        | 1,199               |
| Financing receivables   | -                          | 192                 |
| Inventory   | 251                        | (467)               |
| Accounts payable  | 238                        | (358)               |
| Taxes on earnings   | (877)                      | (1,075)             |
| Restructuring and other   | (114)                      | (1,006)             |
| Other assets and liabilities  | (917)                      | (3,505)             |
| Net cash provided by operating activities   | <u>2,532</u>               | <u>3,881</u>        |
| <b>Cash flows from investing activities:</b>  |                            |                     |
| Investment in property, plant and equipment   | (287)                      | (2,642)             |
| Proceeds from sale of property, plant and equipment                                 | -                          | 310                 |
| Purchases of available-for-sale securities and other investments                    | (122)                      | (180)               |
| Maturities and sales of available-for-sale securities and other investments         | 133                        | 246                 |
| Payments made in connection with business acquisitions, net of cash acquired        | -                          | (2,617)             |
| Proceeds from business divestitures, net  | 160                        | 156                 |
| Net cash used in investing activities   | <u>(116)</u>               | <u>(4,727)</u>      |
| <b>Cash flows from financing activities:</b>  |                            |                     |
| Short-term borrowings with original maturities less than 90 days, net               | 72                         | 2,633               |
| Proceeds from debt, net of issuance costs   | 4                          | 5,993               |
| Payment of debt   | (2,158)                    | (2,642)             |
| Settlement of cash flow hedge   | 4                          | (32)                |
| Net transfer of cash and cash equivalents to Hewlett Packard Enterprise Company     | (10,375)                   | -                   |
| Issuance of common stock under employee stock plans                                 | 41                         | 303                 |
| Repurchase of common stock  | (1,159)                    | (2,582)             |
| Excess tax benefit from stock-based compensation                                    | 4                          | 124                 |
| Cash dividends paid   | (646)                      | (913)               |
| Net cash (used in) provided by financing activities                                 | <u>(14,213)</u>            | <u>2,884</u>        |
| Net (decrease) increase in cash and cash equivalents                                | (11,797)                   | 2,038               |
| Cash and cash equivalents at beginning of period <sup>(a)</sup>                     | 17,433                     | 15,133              |
| Cash and cash equivalents at end of period  | <u>\$ 5,636</u>            | <u>\$ 17,171</u>    |

(a) The consolidated condensed statement of cash flows for the nine months ended July 31, 2015 represents the combined cash flows of HP prior to separation, as previously filed, and has not been adjusted to reflect the effect of the separation of Hewlett Packard Enterprise Company.



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

|  | Three months ended |                  |                  |
|--|--------------------|------------------|------------------|
|  | July 31, 2016      | April 30, 2016   | July 31, 2015    |
| <b>Net revenue:<sup>(a)</sup></b>                                      |                    |                  |                  |
| Personal Systems   | \$ 7,512           | \$ 6,990         | \$ 7,505         |
| Printing   | 4,423              | 4,637            | 5,163            |
| Corporate Investments  | -                  | 3                | 2                |
| Total segments   | 11,935             | 11,630           | 12,670           |
| Intersegment net revenue eliminations and other                        | (43)               | (42)             | (308)            |
| Total net revenue  | <u>\$ 11,892</u>   | <u>\$ 11,588</u> | <u>\$ 12,362</u> |
| <b>Earnings from continuing operations before taxes:<sup>(a)</sup></b> |                    |                  |                  |
| Personal Systems   | \$ 333             | \$ 242           | \$ 211           |
| Printing   | 903                | 801              | 896              |
| Corporate Investments  | (35)               | (8)              | (12)             |
| Total segment earnings from operations                                 | 1,201              | 1,035            | 1,095            |
| Corporate costs and eliminations                                       | (45)               | (88)             | (126)            |
| Stock-based compensation expense                                       | (39)               | (40)             | (58)             |
| Acquisition-related charges  | -                  | -                | (1)              |
| Restructuring and other charges  | (36)               | (100)            | (1)              |
| Amortization of intangible assets                                      | (2)                | (6)              | (24)             |
| Non-operating retirement-related credits <sup>(a)</sup>                | 38                 | 40               | 58               |
| Defined benefit plan settlement credits                                | -                  | -                | 64               |
| Interest and other, net  | (36)               | (5)              | (90)             |
| Total earnings from continuing operations before taxes                 | <u>\$ 1,081</u>    | <u>\$ 836</u>    | <u>\$ 917</u>    |

- (a) Effective at the beginning of its first quarter of fiscal 2016, HP implemented a reporting change to provide better transparency to its segment operating results. This reporting change resulted in the exclusion of certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors related to its defined benefit pension and post-retirement benefit plans from its segment operating results ("Non-operating retirement-related credits/(charges)"). This change also resulted in the exclusion of certain plan curtailments, settlements and special termination benefits related to its defined benefit pension and post-retirement benefit plans from HP's segment operating results. Segment operating results will continue to include service costs and amortization of prior service costs associated with HP's defined benefit pension and post-retirement benefit plans. The reporting change had an immaterial impact to previously reported segment net revenue and earnings from operations. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.



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

|  | Nine months ended July 31, |           |
|--|----------------------------|-----------|
|  | 2016                       | 2015      |
| Net revenue: <sup>(a)</sup>                                      |                            |           |
| Personal Systems   | \$ 21,969                  | \$ 23,826 |
| Printing   | 13,702                     | 16,267    |
| Corporate Investments  | 6                          | 16        |
| Total segments   | 35,677                     | 40,109    |
| Intersegment net revenue eliminations and other                  | 49                         | (912)     |
| Total net revenue  | \$ 35,726                  | \$ 39,197 |
| Earnings from continuing operations before taxes: <sup>(a)</sup> |                            |           |
| Personal Systems   | \$ 804                     | \$ 741    |
| Printing   | 2,491                      | 2,928     |
| Corporate Investments  | (66)                       | (32)      |
| Total segment earnings from operations                           | 3,229                      | 3,637     |
| Corporate costs and eliminations                                 | (149)                      | (486)     |
| Stock-based compensation expense                                 | (140)                      | (168)     |
| Acquisition-related charges                                      | -                          | (1)       |
| Restructuring and other charges                                  | (156)                      | (22)      |
| Amortization of intangible assets                                | (16)                       | (76)      |
| Non-operating retirement-related credits <sup>(a)</sup>          | 118                        | 174       |
| Defined benefit plan settlement credits                          | -                          | 64        |
| Interest and other, net  | (135)                      | (289)     |
| Total earnings from continuing operations before taxes           | \$ 2,751                   | \$ 2,833  |

- (a) Effective at the beginning of its first quarter of fiscal 2016, HP implemented a reporting change to provide better transparency to its segment operating results. This reporting change resulted in the exclusion of certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors related to its defined benefit pension and post-retirement benefit plans from its segment operating results ("Non-operating retirement-related credits/(charges)"). This change also resulted in the exclusion of certain plan curtailments, settlements and special termination benefits related to its defined benefit pension and post-retirement benefit plans from HP's segment operating results. Segment operating results will continue to include service costs and amortization of prior service costs associated with HP's defined benefit pension and post-retirement benefit plans. The reporting change had an immaterial impact to previously reported segment net revenue and earnings from operations. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.



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

|  | Three months ended |                   |                  | Change (%) |             |
|--|--------------------|-------------------|------------------|------------|-------------|
|  | July 31,<br>2016   | April 30,<br>2016 | July 31,<br>2015 | Q/Q        | Y/Y         |
| Net revenue: <sup>(a)</sup>                                    |                    |                   |                  |            |             |
| <b>Personal Systems</b>  |                    |                   |                  |            |             |
| Notebooks  | \$ 4,303           | \$ 3,838          | \$ 3,993         | 12%        | 8%          |
| Desktops   | 2,455              | 2,402             | 2,700            | 2%         | (9%)        |
| Workstations   | 476                | 461               | 507              | 3%         | (6%)        |
| Other  | 278                | 289               | 305              | (4%)       | (9%)        |
| Total Personal Systems   | 7,512              | 6,990             | 7,505            | 7%         | 0%          |
| <b>Printing</b>  |                    |                   |                  |            |             |
| Supplies   | 2,840              | 3,099             | 3,455            | (8%)       | (18%)       |
| Commercial Hardware  | 1,290              | 1,227             | 1,330            | 5%         | (3%)        |
| Consumer Hardware  | 293                | 311               | 378              | (6%)       | (22%)       |
| Total Printing   | 4,423              | 4,637             | 5,163            | (5%)       | (14%)       |
| <b>Corporate Investments</b>                                   |                    |                   |                  |            |             |
| -  | -                  | 3                 | 2                | (100%)     | (100%)      |
| Total segments   | 11,935             | 11,630            | 12,670           | 3%         | (6%)        |
| Intersegment net revenue eliminations and other <sup>(b)</sup> | (43)               | (42)              | (308)            | NM         | NM          |
| <b>Total net revenue</b>                                       | <b>\$ 11,892</b>   | <b>\$ 11,588</b>  | <b>\$ 12,362</b> | <b>3%</b>  | <b>(4%)</b> |

(a) Effective at the beginning of its first quarter of fiscal 2016, HP implemented a reporting change to provide better transparency to its segment operating results. This reporting change resulted in the exclusion of certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors related to its defined benefit pension and post-retirement benefit plans from its segment operating results ("Non-operating retirement-related credits/(charges)"). This change also resulted in the exclusion of certain plan curtailments, settlements and special termination benefits related to its defined benefit pension and post-retirement benefit plans from HP's segment operating results. Segment operating results will continue to include service costs and amortization of prior service costs associated with HP's defined benefit pension and post-retirement benefit plans. The reporting change had an immaterial impact to previously reported segment net revenue and earnings from operations. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

(b) "NM" represents not meaningful.



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

|  | Nine months ended July 31, |           | Change (%) |
|--|----------------------------|-----------|------------|
|  | 2016                       | 2015      | Y/Y        |
| Net revenue: <sup>(a)</sup>                                    |                            |           |            |
| Personal Systems   |                            |           |            |
| Notebooks  | \$ 12,346                  | \$ 12,887 | (4%)       |
| Desktops   | 7,384                      | 8,411     | (12%)      |
| Workstations   | 1,381                      | 1,546     | (11%)      |
| Other  | 858                        | 982       | (13%)      |
| Total Personal Systems   | 21,969                     | 23,826    | (8%)       |
| Printing   |                            |           |            |
| Supplies   | 9,040                      | 10,740    | (16%)      |
| Commercial Hardware  | 3,736                      | 4,100     | (9%)       |
| Consumer Hardware  | 926                        | 1,427     | (35%)      |
| Total Printing   | 13,702                     | 16,267    | (16%)      |
| Corporate Investments  | 6                          | 16        | (63%)      |
| Total segments   | 35,677                     | 40,109    | (11%)      |
| Intersegment net revenue eliminations and other <sup>(b)</sup> | 49                         | (912)     | NM         |
| Total net revenue  | \$ 35,726                  | \$ 39,197 | (9%)       |

(a) Effective at the beginning of its first quarter of fiscal 2016, HP implemented a reporting change to provide better transparency to its segment operating results. This reporting change resulted in the exclusion of certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors related to its defined benefit pension and post-retirement benefit plans from its segment operating results ("Non-operating retirement-related credits/(charges)"). This change also resulted in the exclusion of certain plan curtailments, settlements and special termination benefits related to its defined benefit pension and post-retirement benefit plans from HP's segment operating results. Segment operating results will continue to include service costs and amortization of prior service costs associated with HP's defined benefit pension and post-retirement benefit plans. The reporting change had an immaterial impact to previously reported segment net revenue and earnings from operations. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

(b) "NM" represents not meaningful.



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

|  | Three months ended |                   |                  | Change in Operating Margin (pts) |         |
|--|--------------------|-------------------|------------------|----------------------------------|---------|
|  | July 31,<br>2016   | April 30,<br>2016 | July 31,<br>2015 | Q/Q                              | Y/Y     |
| Segment operating margin: <sup>(a)</sup> |                    |                   |                  |                                  |         |
| Personal Systems                         | 4.4%               | 3.5%              | 2.8%             | 0.9 pts                          | 1.6 pts |
| Printing                                 | 20.4%              | 17.3%             | 17.4%            | 3.1 pts                          | 3.0 pts |
| Corporate Investments <sup>(b)</sup>     | NM                 | NM                | NM               | NM                               | NM      |
| Total segments                           | 10.1%              | 8.9%              | 8.6%             | 1.2 pts                          | 1.5 pts |

(a) Effective at the beginning of its first quarter of fiscal 2016, HP implemented a reporting change to provide better transparency to its segment operating results. This reporting change resulted in the exclusion of certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors related to its defined benefit pension and post-retirement benefit plans from its segment operating results ("Non-operating retirement-related credits/(charges)"). This change also resulted in the exclusion of certain plan curtailments, settlements and special termination benefits related to its defined benefit pension and post-retirement benefit plans from HP's segment operating results. Segment operating results will continue to include service costs and amortization of prior service costs associated with HP's defined benefit pension and post-retirement benefit plans. The reporting change had an immaterial impact to previously reported segment net revenue and earnings from operations. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

(b) "NM" represents not meaningful.



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

|  | Three months ended |                   |                  |
|--|--------------------|-------------------|------------------|
|  | July 31,<br>2016   | April 30,<br>2016 | July 31,<br>2015 |
| <b>Numerator:</b>  |                    |                   |                  |
| GAAP net earnings from continuing operations                           | \$ 843             | \$ 660            | \$ 700           |
| Non-GAAP net earnings  | \$ 826             | \$ 702            | \$ 646           |
| <b>Denominator:</b>  |                    |                   |                  |
| Weighted-average shares outstanding during the reporting period        | 1,711              | 1,720             | 1,805            |
| Dilutive effect of employee stock plans <sup>(a)</sup>                 | 14                 | 11                | 23               |
| Weighted-average shares used to compute diluted net earnings per share | 1,725              | 1,731             | 1,828            |
| GAAP diluted net earnings per share from continuing operations         | \$ 0.49            | \$ 0.38           | \$ 0.39          |
| Non-GAAP diluted net earnings per share                                | \$ 0.48            | \$ 0.41           | \$ 0.35          |

(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)

|  | Nine months ended July 31, |          |
|--|----------------------------|----------|
|  | 2016                       | 2015     |
| Numerator:   |                            |          |
| GAAP net earnings from continuing operations                           | \$ 2,153                   | \$ 2,203 |
| Non-GAAP net earnings  | \$ 2,173                   | \$ 2,131 |
| Denominator:   |                            |          |
| Weighted-average shares outstanding during the reporting period        | 1,735                      | 1,817    |
| Dilutive effect of employee stock plans <sup>(a)</sup>                 | 12                         | 25       |
| Weighted-average shares used to compute diluted net earnings per share | 1,747                      | 1,842    |
| GAAP diluted net earnings per share from continuing operations         | \$ 1.23                    | \$ 1.20  |
| Non-GAAP diluted net earnings per share                                | \$ 1.24                    | \$ 1.16  |

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

### **Use of non-GAAP financial measures**

To supplement HP's consolidated condensed financial statements presented on a generally accepted accounting principles ("GAAP") basis, HP provides net revenue on a constant currency basis, non-GAAP operating margin from continuing operations, non-GAAP net earnings, non-GAAP diluted net earnings per share and gross cash. HP also provides forecasts of non-GAAP diluted net earnings per share from continuing operations.

These non-GAAP financial measures are not computed in accordance with, or as an alternative to, generally accepted accounting principles in the United States. Reconciliations of each of these non-GAAP financial measures to GAAP information are included in the tables above or elsewhere in the materials accompanying this news release.

### ***Use and economic substance of non-GAAP financial measures***

Net revenue on a constant currency basis assumes no change in the foreign exchange rate from the prior-year period. Non-GAAP operating margin from continuing operations is defined to exclude the effects of any charges relating to restructuring and other charges, the amortization of intangible assets, non-operating retirement-related credits/(charges) and tax indemnification amounts. Non-GAAP net earnings from continuing operations and non-GAAP diluted net earnings per share from continuing operations consist of net earnings from continuing operations or diluted net earnings per share from continuing operations excluding those same charges. In addition, non-GAAP net earnings from continuing operations and non-GAAP diluted net earnings per share from continuing operations are adjusted by the amount of additional taxes or tax benefits associated with each non-GAAP item and other tax benefits or charges as a consequence of the Separation. HP's management uses these non-GAAP financial measures for purposes of evaluating HP's historical and prospective financial performance, as well as HP's performance relative to its competitors. HP's management also uses these non-GAAP measures to further its own understanding of HP's segment operating performance. HP believes that excluding the items mentioned above from these non-GAAP financial measures allows HP's management to better understand HP's consolidated financial performance in relation to the operating results of HP's segments, as HP's management does not believe that the excluded items are reflective of ongoing operating results. More specifically, HP's management excludes each of those items mentioned above for the following reasons:

- Restructuring and other charges are costs associated with a formal restructuring plan and are primarily related to (i) employee termination costs and benefits; (ii) costs of real estate consolidation and other non-labor charges; and (iii) other charges incurred in connection with the Separation. HP excludes these restructuring costs (and any reversals of charges recorded in prior periods) for purposes of calculating these non-GAAP measures because it believes that these historical costs do not reflect expected future operating expenses and do not contribute to a meaningful evaluation of HP's current operating performance or comparisons to HP's operating performance in other periods.
- HP incurs charges relating to the amortization of intangible assets. Those charges are included in HP's GAAP earnings from operations, operating margin, net earnings from continuing operations and diluted net earnings per share from continuing operations. Such charges are significantly impacted by the timing and magnitude of HP's acquisitions and any related impairment charges.

Consequently, HP excludes these charges for purposes of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to HP's operating performance in other periods.

- Non-operating retirement-related credits/(charges) includes certain market-related factors such as interest cost, expected return on plan assets, amortized actuarial gains or losses, and impacts from other market-related factors associated with our defined benefit pension and post-retirement benefit plans. The market-driven retirement-related adjustments are primarily due to the changes in pension plan assets and liabilities which are tied to financial market performance and HP considers these adjustments to be outside the operational performance of the business. Non-operating retirement-related credits/(charges) also include certain plan curtailments, settlements and special termination benefits related to HP's defined benefit pension and post-retirement benefit plans. HP believes that eliminating such adjustments for purposes of calculating non-GAAP measures facilitates a more meaningful evaluation of HP's current operating performance and provides better transparency into the segment operating results.
- As part of the Separation, HP evaluates all tax uncertain positions to determine the indemnification amounts under the Tax Matters Agreement with Hewlett Packard Enterprise Company and records the adjustments as tax indemnifications amounts for the quarter. HP excludes these adjustments for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to HP's operating performance in other periods.
- HP incurred defined plan benefit settlement charges relating to U.S. HP pension plan. The charges are associated with the net settlement and remeasurement resulting from voluntary lump sum payments offered to certain terminated vested participants. HP excludes these charges for the purpose of calculating these non-GAAP measures to facilitate a more meaningful evaluation of HP's current operating performance and comparisons to HP's operating performance in other periods.
- As part of the Separation, HP recorded several Separation-related items including: the reversal of a previously recorded valuation allowance, the write-off of specific deferred taxes providing no continued benefit to HP and the entry of certain Separation-related deferred tax expense. HP believes that eliminating these amounts for purposes of calculating non-GAAP net earnings facilitates a more meaningful comparison of HP's net earnings to other periods, as HP's management does not believe that the excluded items are reflective of ongoing operating results.

Gross cash is a non-GAAP measure that is defined as cash and cash equivalents plus short-term investments and certain long-term investments that may be liquidated within 90 days pursuant to the terms of existing put options or similar rights. HP's management uses gross cash for the purpose of determining the amount of cash available for investment in HP's businesses, repurchasing stock and other purposes. HP's management also uses gross cash to evaluate HP's historical and prospective liquidity. Because gross

cash includes liquid assets that are not included in GAAP cash and cash equivalents, HP believes that gross cash provides a helpful assessment of HP's liquidity.

***Material limitations associated with use of non-GAAP financial measures***

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HP's results as reported under GAAP. Some of the limitations in relying on these non-GAAP financial measures are:

- Items such as amortization of intangible assets, though not directly affecting HP's cash position, represent the loss in value of intangible assets over time. The expense associated with this change in value is not included in non-GAAP operating margin from continuing operations, non-GAAP net earnings from continuing operations and non-GAAP diluted net earnings per share from continuing operations, and therefore does not reflect the full economic effect of the change in value of those intangible assets.
- Items such as restructuring and other charges, non-operating retirement-related credits/(charges), tax indemnifications, defined benefit plan settlement charges and net valuation allowance, separation taxes and adjustments that are excluded from non-GAAP operating margin from continuing operations, non-GAAP net earnings from continuing operations and non-GAAP diluted net earnings per share from continuing operations can have a material impact on the equivalent GAAP earnings measure and cash flows.
- HP may not be able to immediately liquidate the short-term and long-term investments included in gross cash, which may limit the usefulness of gross cash as a liquidity measure.
- Other companies may calculate the non-GAAP financial measures differently than HP, limiting the usefulness of those measures for comparative purposes.

***Compensation for limitations associated with use of non-GAAP financial measures***

HP compensates for the limitations on its use of non-GAAP financial measures by relying primarily on its GAAP results and using non-GAAP financial measures only supplementally. HP also provides robust and detailed reconciliations of each non-GAAP financial measure to its most directly comparable GAAP measure within this news release and in other written materials that include these non-GAAP financial measures, and HP encourages investors to review those reconciliations carefully.

***Usefulness of non-GAAP financial measures to investors***

HP believes that providing net revenue on a constant currency basis, non-GAAP operating margin from continuing operations, non-GAAP net earnings from continuing operations, non-GAAP diluted net earnings per share from continuing operations and gross cash to investors in addition to the related GAAP measures provides investors with greater transparency to the information used by HP's management in its financial and operational decision making and allows investors to see HP's results "through the eyes" of management. HP further believes that providing this information better enables HP's investors to understand HP's operating performance and financial condition and to evaluate the efficacy of the methodology and information used by HP's management to evaluate and measure such performance and financial condition. Disclosure of these non-

GAAP financial measures also facilitates comparisons of HP's operating performance with the performance of other companies in HP's industry that supplement their GAAP results with non-GAAP financial measures that may be calculated in a similar manner.

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