HEWLETT PACKARD CO
Form 10-Q
June 08, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: April 30, 2015

Or

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

For the transition period from to

Commission file number 1-4423

HEWLETT-PACKARD COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**94-1081436**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
3000 Hanover Street, Palo Alto, California	**94304**
(Address of principal executive offices)	(Zip code)

(650) 857-1501

(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares of HP common stock outstanding as of May 31, 2015 was 1,806,415,026 shares.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I, 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 Hewlett-Packard Company and its consolidated subsidiaries ("HP") may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward- looking statements, including but not limited to any projections of revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, benefit plan funding, share repurchases, currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring charges; any statements of the plans, strategies and objectives of management for future operations, including the previously announced separation transaction and the future performances of the post- separation companies if the separation is completed, as well as the execution of restructuring plans and any resulting cost savings or revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on HP and its financial performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the need to address the many challenges facing HP's businesses; the competitive pressures faced by HP's businesses; risks associated with executing HP's strategy, including the planned separation transaction; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of HP's products and the delivery of HP's services effectively; the protection of HP's intellectual property assets, including intellectual property licensed from third parties; risks associated with HP's international operations; the development and transition of new products and services and the enhancement of existing products and services to meet customer needs and respond to emerging technological trends; the execution and performance of contracts by HP and its suppliers, customers, clients and partners; the hiring and retention of key employees; integration and other risks associated with business combination and investment transactions; the execution, timing and results of the separation transaction or restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of HP's business) and the anticipated benefits of

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implementing the separation transaction and restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described herein, including but not limited to the items discussed in "Risk Factors" in Item 1A of Part II of this report and that are otherwise described or updated from time to time in HP's Securities and Exchange Commission reports. HP assumes no obligation and does not intend to update these forward-looking statements.

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Part I. Financial Information

ITEM 1. Financial Statements and Supplementary Data.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Earnings

(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions, except per share amounts			
Net revenue:				
Products	$ 17,019	$ 17,752	$ 35,180	$ 36,522
Services	8,345	9,454	16,928	18,735
Financing income	89	103	184	206
Total net revenue	25,453	27,309	52,292	55,463
Costs and expenses:				
Cost of products	13,070	13,464	27,145	27,989
Cost of services	6,214	7,171	12,647	14,310
Financing interest	61	69	124	141
Research and development	850	873	1,675	1,684
Selling, general and administrative	3,063	3,391	6,134	6,601
Amortization of intangible assets	221	264	443	547
Restructuring charges	255	252	401	366
Acquisition-related charges	19	3	23	6
Separation costs	269		349	
Total operating expenses	24,022	25,487	48,941	51,644
Earnings from operations	1,431	1,822	3,351	3,819
Interest and other, net	(139)	(174)	(313)	(337)
Earnings before taxes	1,292	1,648	3,038	3,482
Provision for taxes	(281)	(375)	(661)	(784)
Net earnings	$ 1,011	$ 1,273	$ 2,377	$ 2,698
Net earnings per share:				
Basic	$ 0.56	$ 0.67	$ 1.30	$ 1.42
Diluted	$ 0.55	$ 0.66	$ 1.29	$ 1.40
Cash dividends declared per share	$	$	$ 0.32	$ 0.29

Weighted-average shares used to compute net earnings per share:				
Basic	1,814	1,890	1,824	1,898
Diluted	1,836	1,916	1,848	1,922

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

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Comprehensive Income

(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Net earnings	$ 1,011	$ 1,273	$ 2,377	$ 2,698
Other comprehensive loss before taxes:				
Change in unrealized losses on available-for-sale securities:				
Unrealized losses arising during the period	(59)		(13)	(1)
Gains reclassified into earnings				(1)
	(59)		(13)	(2)
Change in unrealized losses on cash flow hedges:				
Unrealized (losses) gains arising during the period	(18)	(309)	613	(239)
(Gains) losses reclassified into earnings	(556)	101	(890)	210
	(574)	(208)	(277)	(29)
Change in unrealized components of defined benefit plans:				
Losses arising during the period		(111)		(111)
Amortization of actuarial loss and prior service benefit	104	66	216	129
Curtailments, settlements and other	4	40	2	40
	108	(5)	218	58
Change in cumulative translation adjustment		(17)	(68)	(41)
Other comprehensive loss before taxes	(525)	(230)	(140)	(14)
Benefit (provision) for taxes	198	68	19	(37)
Other comprehensive loss, net of taxes	(327)	(162)	(121)	(51)
Comprehensive income	$ 684	$ 1,111	$ 2,256	$ 2,647

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

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

	As of	
	April 30, 2015	October 31, 2014
	In millions, except par value	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,768	$ 15,133
Accounts receivable	12,320	13,832
Financing receivables	2,842	2,946
Inventory	6,227	6,415
Other current assets	12,726	11,819
Total current assets	48,883	50,145
Property, plant and equipment	11,014	11,340
Long-term financing receivables and other assets	8,552	8,454
Goodwill	31,218	31,139
Intangible assets	1,729	2,128
Total assets	$ 101,396	$ 103,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 5,594	$ 3,486
Accounts payable	14,923	15,903
Employee compensation and benefits	3,145	4,209
Taxes on earnings	1,144	1,017
Deferred revenue	6,055	6,143
Accrued restructuring	614	898
Other accrued liabilities	11,711	12,079
Total current liabilities	43,186	43,735
Long-term debt	15,464	16,039
Other liabilities	15,577	16,305
Commitments and contingencies		
Stockholders' equity:		
HP stockholders' equity		
Preferred stock, $0.01 par value (300 shares authorized; none issued)		
Common stock, $0.01 par value (9,600 shares authorized; 1,807 and 1,839 shares issued and outstanding at April 30, 2015 and October 31, 2014, respectively)	18	18
Additional paid-in capital	2,187	3,430
Retained earnings	30,565	29,164
Accumulated other comprehensive loss	(6,002)	(5,881)
Total HP stockholders' equity	26,768	26,731
Non-controlling interests	401	396

Total stockholders' equity		27,169		27,127
Total liabilities and stockholders' equity	$	101,396	$	103,206

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

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Consolidated Condensed Statements of Cash Flows

(Unaudited)

	Six months ended April 30	
	2015	2014
	In millions	
Cash flows from operating activities:		
Net earnings	$ 2,377	$ 2,698
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,031	2,204
Stock-based compensation expense	316	300
Provision for doubtful accounts	29	13
Provision for inventory	135	99
Restructuring charges	401	366
Deferred taxes on earnings		(90)
Excess tax benefit from stock-based compensation	(118)	(33)
Other, net	297	14
Changes in operating assets and liabilities (net of acquisitions):		
Accounts receivable	1,494	1,590
Financing receivables	245	254
Inventory	53	107
Accounts payable	(892)	(400)
Taxes on earnings	85	153
Restructuring	(703)	(681)
Other assets and liabilities	(3,542)	(609)
Net cash provided by operating activities	2,208	5,985
Cash flows from investing activities:		
Investment in property, plant and equipment	(1,726)	(1,837)
Proceeds from sale of property, plant and equipment	211	570
Purchases of available-for-sale securities and other investments	(108)	(451)
Maturities and sales of available-for-sale securities and other investments	123	544
Payments made in connection with business acquisitions	(139)	(20)
Net cash used in investing activities	(1,639)	(1,194)
Cash flows from financing activities:		
Short-term borrowings with original maturities less than 90 days, net	1,858	60
Issuance of debt	1,587	2,005
Payment of debt	(1,895)	(2,115)
Issuance of common stock under employee stock plans	223	131
Repurchase of common stock	(2,230)	(1,396)
Excess tax benefit from stock-based compensation	118	33
Cash dividends paid	(595)	(576)
Net cash used in financing activities	(934)	(1,858)
Net (decrease) increase in cash and cash equivalents	(365)	2,933
Cash and cash equivalents at beginning of period	15,133	12,163
Cash and cash equivalents at end of period	$ 14,768	$ 15,096

Supplemental schedule of non-cash investing and financing activities:		
Purchase of assets under capital leases	$	$ 113

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

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(Unaudited)

Note 1: Basis of Presentation

In the opinion of management, the accompanying unaudited Consolidated Condensed Financial Statements of Hewlett-Packard Company and its consolidated subsidiaries ("HP") contain all adjustments, including normal recurring adjustments, necessary to present fairly HP's financial position as of April 30, 2015 and October 31, 2014, its results of operations for the three and six months ended April 30, 2015 and 2014 and its cash flows for the six months ended April 30, 2015 and 2014.

The results of operations for the three and six months ended April 30, 2015 and cash flows for the six months ended April 30, 2015 are not necessarily indicative of the results to be expected for the full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2014, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures About Market Risk" and the Consolidated Financial Statements and notes thereto included in Items 7, 7A and 8, respectively, included therein.

Principles of Consolidation

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts of HP and other subsidiaries and affiliates in which HP has a controlling financial interest or is the primary beneficiary. HP accounts for investments in companies over which HP has the ability to exercise significant influence but does not hold a controlling interest under the equity method, and HP records its proportionate share of income or losses in Interest and other, net in the Consolidated Condensed Statements of Earnings. HP presents non-controlling interests as a separate component within Total stockholders' equity in the Consolidated Condensed Balance Sheets. Net earnings attributable to the non-controlling interests are eliminated within Interest and other, net in the Consolidated Condensed Statements of Earnings and are not presented separately as they were not material for any period presented. HP has eliminated all intercompany accounts and transactions.

Reclassifications

HP has implemented certain segment and business unit realignments in order to align its segment financial reporting more closely with its current business structure. Reclassifications of certain prior-year segment and business unit financial information have been made to conform to the current-year presentation. None of the changes impacts HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share ("EPS"). See Note 2 for a further discussion of HP's segment realignment.

Use of Estimates

The preparation of financial statements in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in HP's Consolidated Condensed Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 1: Basis of Presentation (Continued)

Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") amended the existing accounting standards for intangible assets. The amendments provide explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. HP is required to adopt the guidance in the first quarter of fiscal 2017; however early adoption is permitted as is retrospective application. HP is currently evaluating the impact of these amendments on its Consolidated Condensed Financial Statements.

In April 2015, the FASB amended the existing accounting standards for imputation of interest. The amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. HP is required to adopt the guidance in the first quarter of fiscal 2017. Early adoption is permitted. The amendments should be applied retrospectively with the adjusted balance sheet of each individual period presented, in order to reflect the period-specific effects of applying the new guidance. HP is currently evaluating the timing, transition method and the impact of these amendments on its Consolidated Condensed Financial Statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. HP is required to adopt the amendments in the first quarter of fiscal 2018. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. HP is continuing to evaluate the impact of these amendments and the transition alternatives on its Consolidated Condensed Financial Statements.

Note 2: Segment Information

HP is a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses ("SMBs") and large enterprises, including customers in the government, health and education sectors. HP's offerings span the following:

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

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

HP's operations are organized into seven segments for financial reporting purposes: Personal Systems, Printing, Enterprise Group ("EG"), Enterprise Services ("ES"), Software, HP Financial Services ("HPFS") and Corporate Investments. HP's organizational structure is based on a number of factors that management uses to evaluate, view and run its business operations, which include, but are not limited to, customer base and homogeneity of products and technology. The segments are based on this organizational structure and information reviewed by HP's management to evaluate segment results.

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

A summary description of each segment follows.

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

Personal Systems provides commercial personal computers ("PCs"), consumer PCs, workstations, thin clients, tablets, retail point-of-sale systems, calculators and other related accessories, software, support and services for the commercial and consumer markets. HP groups commercial notebooks, commercial desktops, commercial services, commercial tablets, workstations and thin clients into commercial clients and consumer notebooks, consumer desktops, consumer services and consumer tablets into consumer clients when describing performance in these markets. Described below are HP's global business capabilities within Personal Systems.

Commercial PCs are optimized for use by customers, including enterprise and SMB customers, and for connectivity, reliability and manageability in networked environments.

Consumer PCs include the HP Spectre, HP ENVY, HP Pavilion, HP Chromebook, HP Split, HP Slate and HP Stream series of multi-media consumer notebooks, consumer tablets, hybrids and desktops.

Printing provides consumer and commercial printer hardware, supplies, media, software and services, as well as scanning devices. Printing is also focused on imaging solutions in the commercial markets. HP groups LaserJet, large format printers and commercial inkjet printers into Commercial Hardware and consumer inkjet printers into Consumer Hardware when describing performance in these markets. Described below are HP's global business capabilities within Printing.

LaserJet and Enterprise Solutions deliver HP's LaserJet and enterprise products, services and solutions to the SMB and enterprise segments. Managed Print Services provides printing equipment, supplies, support, workflow optimization and security services for SMB and enterprise customers around the world, utilizing proprietary HP tools and fleet management solutions as well as third-party software.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

Inkjet and Printing Solutions deliver HP's consumer and SMB inkjet solutions (hardware, supplies, media, and web-connected hardware and services). Ongoing initiatives and programs such as Ink in the Office and Ink Advantage and newer initiatives such as Instant Ink provide innovative printing solutions to consumers and SMBs.

Graphics Solutions deliver large format printers (Designjet, Large Format Production, and Scitex Industrial), specialty printing, digital press solutions (Indigo and Inkjet Webpress), supplies and services to print service providers and design and rendering customers.

Software and Web Services delivers a suite of solutions and services, including photo-storage, printing offerings such as Snapfish and web-connected printing services.

The *Enterprise Group* provides servers, storage, networking and technology services that, when combined with HP's Cloud solutions, enable customers to manage applications across public cloud, virtual private cloud, private cloud and traditional IT environments. Described below are HP's business units and capabilities within EG.

Industry Standard Servers offers a range of products from entry-level servers through premium ProLiant servers, which run primarily Windows, Linux and virtualization platforms from software providers such as Microsoft Corporation ("Microsoft") and VMware, Inc. ("VMware") and open sourced software from other major vendors while leveraging x86 processors from Intel Corporation ("Intel") and Advanced Micro Devices, Inc. ("AMD").

Business Critical Systems offers HP Integrity servers based on the Intel® Itanium® processor, HP Integrity NonStop solutions and mission-critical x86 ProLiant servers.

Storage offers traditional storage and Converged Storage solutions. Traditional storage includes tape, storage networking and legacy external disk products such as EVA and XP. Converged Storage solutions include 3PAR StoreServ, StoreOnce and StoreVirtual products.

Networking offers switches, routers, wireless local area network and network management products that span data centers, campus and branch environments and deliver software-defined networking and unified communications capabilities.

Technology Services provides support services and technology consulting to optimize EG's hardware platforms, and focuses on cloud, mobility and big data. These services are available in the form of service contracts, pre-packaged offerings or on a customized basis.

Enterprise Services provides technology consulting, outsourcing and support services across infrastructure, applications and business process domains. ES is comprised of the Infrastructure Technology Outsourcing ("ITO") and the Application and Business Services ("ABS") business units.

Infrastructure Technology Outsourcing delivers comprehensive services that encompass the management of data centers, IT security, cloud computing, workplace technology, networks, unified communications and enterprise service management.

Application and Business Services helps clients develop, revitalize and manage their applications and information assets.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

Software provides application testing and delivery, big data analytics, enterprise security, information governance, IT operations management, and marketing optimization solutions for businesses and enterprises of all sizes. HP's software offerings include licenses, support, professional services and software-as-a-service.

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

Corporate Investments includes HP Labs and certain cloud-related business incubation projects amongst others.

Segment Policy

HP derives the results of the business segments directly from its internal management reporting system. The accounting policies HP uses to derive segment results are substantially the same as those the consolidated company uses. Management measures the performance of each segment based on several metrics, including earnings from operations. Management uses these results, in part, to evaluate the performance of, and to allocate resources to, each of the segments.

Segment revenue includes revenues from sales to external customers and intersegment revenues that reflect transactions between the segments on an arm's-length basis. Intersegment revenues primarily consist of sales of hardware and software that are sourced internally and, in the majority of the cases, are financed as operating leases by HPFS. HP's consolidated net revenue is derived and reported after the elimination of intersegment revenues from such arrangements.

HP periodically engages in intercompany advanced royalty payment and licensing arrangements that may result in advance payments between subsidiaries. Revenues from these intercompany arrangements are deferred and recognized as earned over the term of the arrangement by the HP legal entities involved in such transactions; however, these advanced payments are eliminated from revenues as reported by HP and its business segments. As disclosed in Note 6, in the first quarter of fiscal 2015, HP executed an intercompany advanced royalty payment arrangement resulting in advanced payments of $8.2 billion, while during fiscal 2014 HP executed a multi-year intercompany licensing arrangement and intercompany advanced royalty payment arrangement which resulted in combined advanced payments of $11.5 billion. In these transactions, the payments were received in the U.S. from a foreign consolidated affiliate, with a deferral of intercompany revenues over the term of the arrangements, approximately 5 years and 15 years, respectively. The impact of these intercompany arrangements is eliminated from both HP consolidated and segment revenues.

Financing interest in the Consolidated Condensed Statements of Earnings reflects interest expense on debt attributable to HPFS. Debt attributable to HPFS consists of intercompany equity that is

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

treated as debt for segment reporting purposes, intercompany debt, and borrowing- and funding-related activity associated with HPFS and its subsidiaries.

HP does not allocate to its segments certain operating expenses, which it manages at the corporate level. These unallocated costs include certain corporate governance costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, separation costs and acquisition-related charges.

Segment Realignment

Effective at the beginning of its first quarter of fiscal 2015, HP implemented an organizational change to align its segment financial reporting more closely with its current business structure. This organizational change resulted in the transfer of third-party multi-vendor support arrangements from the Technology Services ("TS") business unit within the EG segment to the ITO business unit within the ES segment.

HP has reflected this change to its segment information retrospectively to the earliest period presented, which has resulted in the removal of intersegment revenue from the TS business unit within the EG segment and the related corporate intersegment revenue eliminations, and the transfer of operating profit from the TS business unit within the EG segment to the ITO business unit within the ES segment. This change had no impact on HP's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share.

There have been no material changes to the total assets of HP's individual segments since October 31, 2014.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

Segment Operating Results

	Personal Systems and Printing Group						
	Personal Systems	Printing	Enterprise Group	Enterprise Services	Software	HP Financial Services	Corporate Investments	Total
	In millions							
Three months ended April 30, 2015								
Net revenue	$ 7,514	$ 5,384	$ 6,323	$ 4,626	$ 820	$ 784	$ 2	$ 25,453
Intersegment net revenue and other	226	69	238	191	72	21		817
Total segment net revenue	$ 7,740	$ 5,453	$ 6,561	$ 4,817	$ 892	$ 805	$ 2	$ 26,270
Earnings (loss) from operations	$ 235	$ 996	$ 950	$ 194	$ 160	$ 85	$ (144)	$ 2,476
Three months ended April 30, 2014								
Net revenue	$ 7,960	$ 5,767	$ 6,395	$ 5,443	$ 891	$ 847	$ 6	$ 27,309
Intersegment net revenue and other	216	67	238	259	80	20		880
Total segment net revenue	$ 8,176	$ 5,834	$ 6,633	$ 5,702	$ 971	$ 867	$ 6	$ 28,189
Earnings (loss) from operations	$ 290	$ 1,140	$ 957	$ 148	$ 186	$ 99	$ (98)	$ 2,722
Six months ended April 30, 2015								
Net revenue	$ 15,800	$ 10,869	$ 13,003	$ 9,406	$ 1,631	$ 1,565	$ 18	$ 52,292
Intersegment net revenue and other	484	127	539	404	132	43		1,729
Total segment net revenue	$ 16,284	$ 10,996	$ 13,542	$ 9,810	$ 1,763	$ 1,608	$ 18	$ 54,021

Earnings (loss) from operations	$ 548	$ 2,063	$ 2,040	$ 342	$ 317	$ 175	$ (268)	$ 5,217
Six months ended April 30, 2014								
Net revenue	$ 16,270	$ 11,549	$ 13,186	$ 10,726	$ 1,737	$ 1,701	$ 294	$ 55,463
Intersegment net revenue and other	436	100	417	571	150	36		1,710
Total segment net revenue	$ 16,706	$ 11,649	$ 13,603	$ 11,297	$ 1,887	$ 1,737	$ 294	$ 57,173
Earnings from operations	$ 569	$ 2,119	$ 1,960	$ 208	$ 331	$ 200	$ 23	$ 5,410

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

The reconciliation of segment operating results to HP consolidated results was as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Net Revenue:				
Total segments	$ 26,270	$ 28,189	$ 54,021	$ 57,173
Elimination of intersegment net revenue and other	(817)	(880)	(1,729)	(1,710)
Total HP consolidated net revenue	$ 25,453	$ 27,309	$ 52,292	$ 55,463
Earnings before taxes:				
Total segment earnings from operations	$ 2,476	$ 2,722	$ 5,217	$ 5,410
Corporate and unallocated costs and eliminations	(152)	(251)	(334)	(372)
Stock-based compensation expense	(129)	(130)	(316)	(300)
Amortization of intangible assets	(221)	(264)	(443)	(547)
Restructuring charges	(255)	(252)	(401)	(366)
Acquisition-related charges	(19)	(3)	(23)	(6)
Separation costs	(269)		(349)	
Interest and other, net	(139)	(174)	(313)	(337)
Total HP consolidated earnings before taxes	$ 1,292	$ 1,648	$ 3,038	$ 3,482

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 2: Segment Information (Continued)

Net revenue by segment and business unit was as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Notebooks	$ 4,170	$ 3,977	$ 8,894	$ 8,312
Desktops	2,762	3,343	5,711	6,617
Workstations	513	548	1,039	1,081
Other	295	308	640	696
Personal Systems	7,740	8,176	16,284	16,706
Supplies	3,684	3,866	7,285	7,661
Commercial Hardware	1,304	1,402	2,620	2,749
Consumer Hardware	465	566	1,091	1,239
Printing	5,453	5,834	10,996	11,649
Total Printing and Personal Systems Group	13,193	14,010	27,280	28,355
Industry Standard Servers	3,138	2,829	6,525	6,007
Technology Services	1,932	2,108	3,919	4,208
Storage	740	808	1,577	1,642
Networking	556	658	1,118	1,288
Business Critical Systems	195	230	403	458
Enterprise Group	6,561	6,633	13,542	13,603
Infrastructure Technology Outsourcing	2,871	3,597	6,003	7,098
Application and Business Services	1,946	2,105	3,807	4,199
Enterprise Services	4,817	5,702	9,810	11,297
Software	892	971	1,763	1,887
HP Financial Services	805	867	1,608	1,737
Corporate Investments	2	6	18	294
Total segment net revenue	26,270	28,189	54,021	57,173
Eliminations of intersegment net revenue and other	(817)	(880)	(1,729)	(1,710)
Total net revenue	$ 25,453	$ 27,309	$ 52,292	$ 55,463

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 3: Restructuring

Summary of Restructuring Plans

HP's restructuring activities summarized by plan were as follows:

		Six months ended April 30, 2015				As of April 30, 2015	
	Balance, October 31, 2014	Three months ended April 30, 2015 Restructuring Charges	Restructuring Charges	Cash Payments	Other Adjustments and Non-Cash Settlements	Balance, April 30, 2015	Total Costs Incurred to Date	Total Expected Costs to Be Incurred
	In millions							
Fiscal 2012 Plan								
Severance and EER	$ 955	$ 238	$ 371	$ (622)	$ (57)	$ 647	$ 4,764	$ 4,935
Infrastructure and other	98	20	37	(72)	(2)	61	552	565
Total 2012 Plan	1,053	258	408	(694)	(59)	708	5,316	5,500
Other Plans:								
Severance	7				(1)	6	2,629	2,629
Infrastructure	54	(3)	(7)	(9)		38	1,426	1,426
Total Other Plans	61	(3)	(7)	(9)	(1)	44	4,055	4,055
Total restructuring plans	$ 1,114	$ 255	$ 401	$ (703)	$ (60)	$ 752	$ 9,371	$ 9,555
Reflected in Consolidated Condensed Balance Sheets:								
Accrued restructuring	$ 898					$ 614		
Other liabilities	$ 216					$ 138		

Fiscal 2012 Restructuring Plan

On May 23, 2012, HP adopted a multi-year restructuring plan (the "2012 Plan") designed to simplify business processes, accelerate innovation and deliver better results for customers, employees and stockholders. HP estimates that it will eliminate approximately 55,000 positions in connection with the 2012 Plan through fiscal 2015, with a portion of those employees exiting the company as part of voluntary enhanced early retirement ("EER") programs in the U.S. and in certain other countries. As of October 31, 2014, HP estimated that it will recognize approximately $5.5 billion in aggregate charges in connection with the 2012 Plan. As of April 30, 2015, HP expects approximately $4.9 billion to relate to workforce reductions, including the EER programs, and approximately $565 million to relate to infrastructure, including data center and real estate consolidation, and other items. As of April 30, 2015, HP had recorded $5.3 billion in aggregate charges of which $4.8 billion related to workforce reductions and $552 million related to infrastructure, including data center and real estate consolidation, and other items. HP expects to record the remaining charges through the end of HP's 2015 fiscal year as the accounting recognition criteria are met. As of April 30, 2015, HP had eliminated approximately 47,600 positions for which a severance payment has been or will be made as part of the 2012 Plan. The severance- and infrastructure-related cash payments associated with the 2012 Plan are expected to be paid out through fiscal 2021.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 3: Restructuring (Continued)

Other Plans

Restructuring plans initiated by HP in fiscal 2008 and 2010 were substantially completed as of April 30, 2015. Severance- and infrastructure-related cash payments associated with the other plans are expected to be paid out through fiscal 2019.

Note 4: Retirement and Post-Retirement Benefit Plans

HP's net pension and post-retirement benefit (credit) cost recognized in the Consolidated Condensed Statements of Earnings was as follows:

	Three months ended April 30					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2015	2014	2015	2014	2015	2014
	In millions					
Service cost	$	$	$ 81	$ 77	$ 1	$ 1
Interest cost	143	142	153	185	7	8
Expected return on plan assets	(217)	(202)	(287)	(286)	(9)	(9)
Amortization and deferrals:						
Actuarial loss (gain)	13	4	104	80	(3)	(2)
Prior service benefit			(5)	(6)	(5)	(10)
Net periodic benefit (credit) cost	(61)	(56)	46	50	(9)	(12)
Curtailment gain				(5)		
Settlement loss			3	2		
Special termination benefits			7	22		
Net benefit (credit) cost	$ (61)	$ (56)	$ 56	$ 69	$ (9)	$ (12)

	Six months ended April 30					
	U.S. Defined Benefit Plans		Non-U.S. Defined Benefit Plans		Post-Retirement Benefit Plans	
	2015	2014	2015	2014	2015	2014
	In millions					
Service cost	$	$	$ 167	$ 155	$ 2	$ 3
Interest cost	286	284	316	368	14	16
Expected return on plan assets	(433)	(405)	(592)	(568)	(18)	(17)
Amortization and deferrals:						
Actuarial loss (gain)	26	8	216	158	(6)	(5)
Prior service benefit			(10)	(12)	(10)	(21)

Net periodic benefit (credit) cost	(121)	(113)	97	101	(18)	(24)
Curtailment gain				(5)		
Settlement loss			3	2		
Special termination benefits			13	28		(11)
Net benefit (credit) cost	$ (121)	$ (113)	$ 113	$ 126	$ (18)	$ (35)

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 4: Retirement and Post-Retirement Benefit Plans (Continued)

Employer Contributions and Funding Policy

HP's policy is to fund its pension plans so that it makes at least the minimum contribution required by local government, funding and taxing authorities.

As of April 30, 2015, HP lowered its initial estimates related to expected contributions in fiscal 2015 by $52 million due to favorable foreign exchange rates and a change in the estimated local funding requirements. HP now expects its fiscal 2015 contributions to be approximately $641 million to its non-U.S. pension plans, approximately $32 million to cover benefit payments to U.S. non-qualified plan participants and approximately $43 million to cover benefit claims for HP's post-retirement benefit plans.

During the six months ended April 30, 2015, HP contributed $471 million to its non-U.S. pension plans, paid $14 million to cover benefit payments to U.S. non-qualified plan participants, and paid $21 million to cover benefit claims under HP's post-retirement benefit plans. During the remainder of fiscal 2015, HP anticipates making additional contributions of approximately $170 million to its non-U.S. pension plans and approximately $18 million to its U.S. non-qualified plan participants and expects to pay approximately $22 million to cover benefit claims under HP's post-retirement benefit plans.

In January 2015, HP offered certain terminated vested participants of the U.S. HP Pension Plan the option of receiving their pension benefit in a one-time voluntary lump sum window. Approximately 50% of the eligible participants elected to receive their benefits and as a result the pension plan trust paid $810 million in lump sum payments to these participants in May 2015. The program resulted in a reduction in the projected benefit obligation that was offset by a lower decrease in plan assets such that the net funded status of the plan improved.

HP's pension and other post-retirement benefit costs and obligations depend on various assumptions. Differences between expected and actual returns on investments and changes in discount rates and other actuarial assumptions are reflected as unrecognized gains or losses, and such gains or losses are amortized to earnings in future periods. A deterioration in the funded status of a plan could result in a need for additional company contributions or an increase in net pension and post-retirement benefit costs in future periods. Actuarial gains or losses are determined at the measurement date and are amortized over the remaining service life for active plans or the life expectancy of plan participants for frozen plans.

Note 5: Stock-Based Compensation

HP's stock-based compensation plans include HP's principal equity plans as well as various equity plans assumed through business combinations. HP's principal equity plans permit the issuance of restricted stock awards, stock options and performance-based awards.

Stock-based compensation expense and the resulting tax benefits were as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Stock-based compensation expense	$ 129	$ 130	$ 316	$ 300
Income tax benefit	(42)	(43)	(102)	(96)
Stock-based compensation expense, net of tax	$ 87	$ 87	$ 214	$ 204

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 5: Stock-Based Compensation (Continued)

Restricted Stock Awards

Restricted stock awards are non-vested stock awards that may include grants of restricted stock or restricted stock units. For the six months ended April 30, 2015, HP granted only restricted stock units.

A summary of restricted stock award activity is as follows:

	Six months ended April 30, 2015	
	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands	
Outstanding at beginning of period	40,808	$ 24
Granted	15,722	$ 37
Vested	(16,325)	$ 24
Forfeited	(1,540)	$ 26
Outstanding at end of period	38,665	$ 30

At April 30, 2015, there was $746 million of unrecognized pre-tax stock-based compensation expense related to non-vested restricted stock awards, which HP expects to recognize over the remaining weighted-average vesting period of 1.5 years.

Stock Options

HP utilizes the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions. HP estimates the fair value of stock options subject to performance-contingent vesting conditions using a combination of a Monte Carlo simulation model and a lattice model, as these awards contain market conditions. The weighted-average fair value and the assumptions used to measure fair value were as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
Weighted-average fair value of grants per option[1]	$ 6.77	$ 7.03	$ 7.98	$ 7.43
Expected volatility[2]	27.7%	30.4%	26.3%	33.5%
Risk-free interest rate[3]	1.4%	1.6%	1.7%	1.8%
Expected dividend yield[4]	2.2%	2.1%	1.7%	2.2%
Expected term in years[5]	5.2	5.2	5.8	5.7

(1) The weighted-average fair value was based on stock options granted during the period.

(2) For all awards granted in fiscal 2015, expected volatility was estimated using the implied volatility derived from options traded on HP's common stock. For awards granted in fiscal 2014, expected volatility for awards subject to service-based vesting was estimated

using the implied volatility derived from options traded on HP's common stock, whereas for performance-contingent awards, expected volatility was estimated using the historical volatility of HP's common stock.

(3) The risk-free interest rate was estimated based on the yield on U.S. Treasury zero-coupon issues.

(4) The expected dividend yield represents a constant dividend yield applied for the duration of the expected term of the award.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 5: Stock-Based Compensation (Continued)

(5) For awards subject to service-based vesting, the expected term was estimated using historical exercise and post-vesting termination patterns; and for performance-contingent awards, the expected term represents an output from the lattice model.

A summary of stock option activity is as follows:

	Six months ended April 30, 2015			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions
Outstanding at beginning of period	57,853	$ 27		
Granted and assumed through acquisition	8,081	$ 37		
Exercised	(9,213)	$ 19		
Forfeited/cancelled/expired	(15,281)	$ 41		
Outstanding at end of period	41,440	$ 26	5.5	$ 371
Vested and expected to vest at end of period	38,683	$ 26	5.5	$ 349
Exercisable at end of period	18,702	$ 25	4.3	$ 191

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that option holders would have realized had all option holders exercised their options on the last trading day of the second quarter of fiscal 2015. The aggregate intrinsic value is the difference between HP's closing stock price on the last trading day of the second quarter of fiscal 2015 and the exercise price, multiplied by the number of in-the-money options. Total intrinsic value of options exercised for the three and six months ended April 30, 2015 was $35 million and $169 million, respectively.

At April 30, 2015, there was $77 million of unrecognized pre-tax stock-based compensation expense related to unvested stock options, which HP expects to recognize over the remaining weighted-average vesting period of 1.9 years.

Note 6: Taxes on Earnings

Provision for Taxes

HP's effective tax rate was 21.7% and 22.8% for the three months ended April 30, 2015 and 2014, respectively, and 21.8% and 22.5% for the six months ended April 30, 2015 and 2014, respectively. HP's effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from HP's operations in lower-tax jurisdictions throughout the world. HP has not provided U.S. taxes for all foreign earnings because HP plans to reinvest some of those earnings indefinitely outside the U.S.

In the three and six months ended April 30, 2015, HP recorded discrete items resulting in net tax benefits of $104 million and $185 million, respectively. These amounts included a tax benefit of $86 million and $115 million, for the three and six months ended April 30, 2015, respectively, on separation charges and a tax benefit of $32 million and $53 million for the three and six months ended April 30, 2015, respectively, on restructuring charges. The six month period ended April 30, 2015, also

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 6: Taxes on Earnings (Continued)

included a tax benefit of $47 million arising from the retroactive research and development credit provided by the Tax Increase Prevention Act of 2014 signed into law in December 2014. These tax benefits were partially offset by various tax charges of $14 million and $30 million for the three and six months ended April 30, 2015.

In the three and six months ended April 30, 2014, HP recorded discrete items resulting in net tax charges of $13 million and $35 million, respectively. These amounts include tax charges of $43 million and $80 million for the three and six months ended April 30, 2014, respectively, partially offset by tax benefits on restructuring charges of $30 million and $45 million for the three and six months ended April 30, 2014, respectively.

Uncertain Tax Positions

HP is subject to income tax in the U.S. and approximately 105 other countries and is subject to routine corporate income tax audits in many of these jurisdictions. In addition, HP is subject to numerous ongoing audits by federal, state and foreign tax authorities. The U.S. Internal Revenue Service ("IRS") is conducting an audit of HP's 2009, 2010 and 2011 income tax returns. HP has received from the IRS Notices of Deficiency for its fiscal 1999, 2000, 2003, 2004 and 2005 tax years, and Revenue Agent's Reports ("RAR") for its fiscal 2001, 2002, 2006, 2007 and 2008 tax years. In addition, HP expects the IRS to issue RARs for 2009, 2010 and 2011 tax years relating to certain tax positions taken on the filed tax returns, including matters related to the U.S. taxation of certain intercompany loans. While these RARs may be material in amount, HP believes it has valid positions supporting its tax returns and, if necessary, it will rigorously defend such matters.

With respect to major foreign and state tax jurisdictions, HP is no longer subject to tax authority examinations for years prior to 1999. HP is subject to a foreign tax audit concerning an intercompany transaction for fiscal 2009. The relevant taxing authority has proposed an assessment of approximately $680 million. HP is contesting this proposed assessment.

HP believes it has provided adequate reserves for all tax deficiencies or reductions in tax benefits that could result from federal, state and foreign tax audits. HP regularly assesses the likely outcomes of these audits in order to determine the appropriateness of HP's tax provision. HP adjusts its uncertain tax positions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular audit. However, income tax audits are inherently unpredictable and there can be no assurance that HP will accurately predict the outcome of these audits. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in the Provision for taxes and therefore the resolution of one or more of these uncertainties in any particular period could have a material impact on net income or cash flows.

As of April 30, 2015, the amount of unrecognized tax benefits was $4.2 billion, of which up to $2.3 billion would affect HP's effective tax rate if realized. HP recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in Provision for taxes in the Consolidated Condensed Statements of Earnings. As of April 30, 2015, HP had accrued $246 million for interest and penalties.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 6: Taxes on Earnings (Continued)

HP engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. HP does not expect complete resolution of any IRS audit cycle within the next 12 months. However, it is reasonably possible that certain federal, foreign and state tax issues may be concluded in the next 12 months, including issues involving transfer pricing and other matters. Accordingly, HP believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to $1.5 billion within the next 12 months.

Deferred Tax Assets and Liabilities

Current and long-term deferred tax assets and liabilities are presented in the Consolidated Condensed Balance Sheets as follows:

	As of	
	April 30, 2015	October 31, 2014
	In millions	
Current deferred tax assets	$ 3,149	$ 2,754
Current deferred tax liabilities	(264)	(284)
Long-term deferred tax assets	942	740
Long-term deferred tax liabilities	(1,738)	(1,124)
Net deferred tax assets net of deferred tax liabilities	$ 2,089	$ 2,086

HP periodically engages in intercompany advanced royalty payment and licensing arrangements that may result in advance payments between subsidiaries in different tax jurisdictions. When the local tax treatment of the intercompany licensing arrangements differs from U.S. GAAP treatment, deferred taxes are recognized. In the first quarter of fiscal 2015, HP executed an intercompany advanced royalty payment arrangement resulting in advanced payments of $8.2 billion, while during fiscal 2014, HP executed a multi-year intercompany licensing arrangement and an intercompany advanced royalty payment arrangement which resulted in combined advanced payments of $11.5 billion, the result of which was the recognition of net U.S. long-term deferred tax assets of $2.1 billion and $1.7 billion in the respective periods. In these transactions, the payments were received in the U.S. from a foreign consolidated affiliate, with a deferral of intercompany revenues over the term of the arrangements, approximately 5 years and 15 years, respectively. Intercompany royalty revenue and the amortization expense related to the licensing rights are eliminated in consolidation.

Separation costs are expenses associated with HP's plan to separate into two independent publicly-traded companies. These costs include finance, IT, consulting and legal fees, real estate, and other items that are incremental and one-time in nature. HP is recording a deferred tax asset on these costs and expenses as they are incurred through fiscal 2015. We expect a portion of these deferred tax assets associated with separation costs and expenses will be eliminated, as non-deductible expenses, at the time the separation is executed. Furthermore, HP has also concluded on the legal form of the separation and subsequent to April 30, 2015 announced that Hewlett Packard Enterprise will be the spinnee in the U.S. Accordingly, during the second half of fiscal 2015, HP now expects to effect certain internal reorganizations of, and transactions among, its wholly owned subsidiaries and operating activities in preparation for the legal form of separation. As a result, in future periods we expect to record adjustments to certain deferred tax assets reflecting the impact of separation related activities. HP's results of operations could be materially affected in any particular period by the impact of these matters.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 7: Balance Sheet Details

Balance sheet details were as follows:

Accounts Receivable, Net

	As of April 30, 2015	As of October 31, 2014
	In millions	
Accounts receivable	$ 12,545	$ 14,064
Allowance for doubtful accounts	(225)	(232)
	$ 12,320	$ 13,832

The allowance for doubtful accounts related to accounts receivable and changes were as follows:

	Six months ended April 30, 2015
	In millions
Balance at beginning of period	$ 232
Provision for doubtful accounts, net of recoveries	22
Deductions	(29)
Balance at end of period	$ 225

HP has third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers. The maximum, utilized and available program capacity under these revolving short-term financing arrangements was as follows:

	As of April 30, 2015	As of October 31, 2014
	In millions	
Non-recourse arrangements:		
Maximum program capacity	$ 1,065	$ 1,083
Utilized capacity[1][2]	(649)	(613)
Available capacity	$ 416	$ 470
Partial-recourse arrangements:		
Maximum program capacity	$ 1,830	$ 1,877
Utilized capacity[1][2]	(1,393)	(1,500)
Available capacity	$ 437	$ 377

Total arrangements:				
Maximum program capacity	$	2,895	$	2,960
Utilized capacity[1][2]		(2,042)		(2,113)
Available capacity	$	853	$	847

(1) Utilized capacity represents the receivables sold to third parties, but not collected from the customer by the third parties.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 7: Balance Sheet Details (Continued)

(2) HP reflects the amounts transferred to, but not yet collected from, third parties in accounts receivable in the Consolidated Condensed Balance Sheets. These amounts, included in the utilized capacity are as follows:

	As of April 30, 2015	As of October 31, 2014
	In millions	
Non-recourse arrangements	$ 9	$ 78
Partial-recourse arrangements	331	381
Total arrangements	$ 340	$ 459

The activity related to HP's revolving short-term financing arrangements was as follows:

	Six months ended April 30, 2015
	In millions
Balance at beginning of period[1]	$ 459
Trade receivables sold	5,445
Cash receipts	(5,533)
Foreign currency and other	(31)
Balance at end of period[1]	$ 340

(1) Beginning and ending balance represents amounts for trade receivables sold but not yet collected.

Inventory

	As of April 30, 2015	As of October 31, 2014
	In millions	
Finished goods	$ 3,847	$ 3,973
Purchased parts and fabricated assemblies	2,380	2,442
	$ 6,227	$ 6,415

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 7: Balance Sheet Details (Continued)

Property, Plant and Equipment

	As of	
	April 30, 2015	October 31, 2014
	In millions	
Land	$ 538	$ 540
Buildings and leasehold improvements	8,886	9,048
Machinery and equipment, including equipment held for lease	16,481	16,664
	25,905	26,252
Accumulated depreciation	(14,891)	(14,912)
	$ 11,014	$ 11,340

For the six months ended April 30, 2015, the change in gross property, plant and equipment was due primarily to purchases of $1.6 billion, which were partially offset by sales and retirements totaling $1.6 billion and unfavorable currency impacts of $0.3 billion. Accumulated depreciation associated with the assets sold and retired was $1.3 billion.

Note 8: Financing Receivables and Operating Leases

Financing receivables represent sales-type and direct-financing leases of HP and third-party products. These receivables typically have terms ranging from two to five years and are usually collateralized by a security interest in the underlying assets. Financing receivables also include billed receivables from operating leases. The components of financing receivables were as follows:

	As of	
	April 30, 2015	October 31, 2014
	In millions	
Minimum lease payments receivable	$ 6,693	$ 6,982
Unguaranteed residual value	226	235
Unearned income	(514)	(547)
Financing receivables, gross	6,405	6,670
Allowance for doubtful accounts	(104)	(111)
Financing receivables, net	6,301	6,559
Less: current portion[(1)]	(2,842)	(2,946)
Amounts due after one year, net[(1)]	$ 3,459	$ 3,613

(1) HP includes the current portion in Financing receivables and amounts due after one year, net in Long-term financing receivables and other assets in the accompanying Consolidated Condensed Balance Sheets.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 8: Financing Receivables and Operating Leases (Continued)

Credit Quality Indicators

Due to the homogenous nature of its leasing transactions, HP manages its financing receivables on an aggregate basis when assessing and monitoring credit risk. Credit risk is generally diversified due to the large number of entities comprising HP's customer base and their dispersion across many different industries and geographic regions. HP evaluates the credit quality of an obligor at lease inception and monitors that credit quality over the term of a transaction. HP assigns risk ratings to each lease based on the creditworthiness of the obligor and other variables that augment or mitigate the inherent credit risk of a particular transaction. Such variables include the underlying value and liquidity of the collateral, the essential use of the equipment, the term of the lease and the inclusion of credit enhancements, such as guarantees, letters of credit or security deposits.

The credit risk profile of gross financing receivables, based on internally assigned ratings, was as follows:

	As of	
	April 30, 2015	October 31, 2014
	In millions	
Risk Rating:		
Low	$ 3,318	$ 3,536
Moderate	2,998	3,022
High	89	112
Total	$ 6,405	$ 6,670

Accounts rated low risk typically have the equivalent of a Standard & Poor's rating of BBB or higher, while accounts rated moderate risk generally have the equivalent of BB+ or lower. HP classifies accounts as high risk when it considers the financing receivable to be impaired or when management believes there is a significant near-term risk of impairment.

Allowance for Doubtful Accounts

The allowance for doubtful accounts for financing receivables is comprised of a general reserve and a specific reserve. HP maintains general reserve percentages on a regional basis and bases such percentages on several factors, including consideration of historical credit losses and portfolio delinquencies, trends in the overall weighted-average risk rating of the portfolio, current economic conditions and information derived from competitive benchmarking. HP excludes accounts evaluated as part of the specific reserve from the general reserve analysis. HP establishes a specific reserve for financing receivables with identified exposures, such as customer defaults, bankruptcy or other events, that make it unlikely HP will recover its investment. For individually evaluated receivables, HP determines the expected cash flow for the receivable, which includes consideration of estimated proceeds from disposition of the collateral, and calculates an estimate of the potential loss and the probability of loss. For those accounts where a loss is considered probable, HP records a specific reserve. HP generally writes off a receivable or records a specific reserve when a receivable becomes 180 days past due, or sooner if HP determines that the receivable is not collectible.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 8: Financing Receivables and Operating Leases (Continued)

The allowance for doubtful accounts related to financing receivables and changes were as follows:

	Six months ended April 30, 2015
	In millions
Balance at beginning of period	$ 111
Provision for doubtful accounts	7
Deductions	(14)
Balance at end of period	$ 104

The gross financing receivables and related allowance evaluated for loss were as follows:

	As of April 30, 2015	As of October 31, 2014
	In millions	
Gross financing receivables collectively evaluated for loss	$ 6,180	$ 6,378
Gross financing receivables individually evaluated for loss	225	292
Total	$ 6,405	$ 6,670
Allowance for financing receivables collectively evaluated for loss	$ 80	$ 92
Allowance for financing receivables individually evaluated for loss	24	19
Total	$ 104	$ 111

Non-Accrual and Past-Due Financing Receivables

HP considers a financing receivable to be past due when the minimum payment is not received by the contractually specified due date. HP generally places financing receivables on non-accrual status, which is suspension of interest accrual, and considers such receivables to be non-performing at the earlier of the time at which full payment of principal and interest becomes doubtful or the receivable becomes 90 days past due. Subsequently, HP may recognize revenue on non-accrual financing receivables as payments are received, which is on a cash basis, if HP deems the recorded financing receivable to be fully collectible; however, if there is doubt regarding the ultimate collectability of the recorded financing receivable, all cash receipts are applied to the carrying amount of the financing receivable, which is the cost recovery method. In certain circumstances, such as when HP deems a delinquency to be of an administrative nature, financing receivables may accrue interest after becoming 90 days past due. The non-accrual status of a financing receivable may not impact a customer's risk rating. After all of a customer's delinquent principal and interest balances are settled, HP may return the related financing receivable to accrual status.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 8: Financing Receivables and Operating Leases (Continued)

The following table summarizes the aging and non-accrual status of gross financing receivables:

	As of April 30, 2015	As of October 31, 2014
	In millions	
Billed[1]:		
Current 1-30 days	$ 339	$ 243
Past due 31-60 days	33	46
Past due 61-90 days	25	12
Past due >90 days	51	49
Unbilled sales-type and direct-financing lease receivables	5,957	6,320
Total gross financing receivables	$ 6,405	$ 6,670
Gross financing receivables on non-accrual status[2]	$ 113	$ 130
Gross financing receivables 90 days past due and still accruing interest[2]	$ 112	$ 162

(1) Includes billed operating lease receivables and billed sales-type and direct-financing lease receivables.

(2) Includes billed operating lease receivables and billed and unbilled sales-type and direct-financing lease receivables.

Operating Leases

Operating lease assets included in machinery and equipment in the Consolidated Condensed Balance Sheets were as follows:

	As of April 30, 2015	As of October 31, 2014
	In millions	
Equipment leased to customers	$ 3,996	$ 3,977
Accumulated depreciation	(1,390)	(1,382)
	$ 2,606	$ 2,595

Note 9: Acquisitions, Goodwill and Intangible Assets

Acquisitions

During the first six months of fiscal 2015, HP completed two acquisitions with a combined purchase price of $162 million, of which $98 million was recorded as goodwill and $50 million was recorded as intangible assets related to these acquisitions.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 9: Acquisitions, Goodwill and Intangible Assets (Continued)

Other

In April 2015, HP reached an agreement to sell its web-based photo sharing and photo printing service, Snapfish, to digital imaging fulfillment services firm District Photo. Snapfish was previously reported within HP's Consumer Hardware business unit within the Printing segment. The transaction is expected to close in the second half of HP's fiscal 2015, subject to customary closing conditions.

Subsequent Events

In May 2015, HP completed its acquisition of Aruba Networks, Inc. ("Aruba"), a leading provider of next-generation network access solutions for the mobile enterprise, for $24.67 per share in cash. The equity value of the transaction is approximately $3.0 billion, and net of cash and debt is approximately $2.7 billion. Aruba's results of operations will be included in HP's Networking business unit within the EG segment, prospectively from the date of acquisition.

In May 2015, HP announced and completed the acquisition of ConteXtream, a provider of OpenDaylight-based, carrier-grade software-defined networking fabric for network functions virtualization. ConteXtream's results of operations will be included in HP's Industry Standard Servers ("ISS") business unit within the EG segment, prospectively from the date of acquisition.

In May 2015, HP and Tsinghua Holdings jointly announced a partnership that will bring together the Chinese enterprise technology assets of Hewlett-Packard and Tsinghua University to create a Chinese provider of technology infrastructure. Under the definitive agreement, Tsinghua Holdings subsidiary, Unisplendour Corporation, will purchase 51% of a new business called H3C, comprising HP's current H3C Technologies and China-based server, storage and technology services businesses, for approximately $2.3 billion. HP China will maintain 100% ownership of its existing China-based Enterprise Services, Software, HP Helion Cloud, Aruba Networks, Printing and Personal Systems businesses. Once the transaction closes, the new H3C will be the exclusive provider for HP's server, storage and networking portfolio, as well as HP's exclusive hardware support services provider in China, customized for that market. The transaction is expected to close near the end of 2015, subject to Unisplendour shareholder vote, regulatory approvals and other closing conditions.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 9: Acquisitions, Goodwill and Intangible Assets (Continued)

Goodwill

Goodwill allocated to HP's reportable segments and changes in the carrying amount of goodwill were as follows:

	Six months ended April 30, 2015							
	Personal Systems	Printing	Enterprise Group	Enterprise Services[2]	Software	HP Financial Services	Corporate Investments	Total
	In millions							
Balance at beginning of period[1]	$ 2,588	$ 2,591	$ 16,867	$ 97	$ 8,852	$ 144	$	$ 31,139
Goodwill acquired during period					98			98
Goodwill adjustments			(16)	(3)				(19)
Balance at end of period[1]	$ 2,588	$ 2,591	$ 16,851	$ 94	$ 8,950	$ 144	$	$ 31,218

(1) Goodwill at April 30, 2015 and October 31, 2014 is net of accumulated impairment losses of $14.5 billion. Of that amount, $8.0 billion relates to the ES segment, $5.7 billion relates to Software, and the remaining $0.8 billion relates to Corporate Investments.

(2) Goodwill relates to the MphasiS Limited reporting unit.

Goodwill is tested for impairment at the reporting unit level. As of April 30, 2015 our reporting units are consistent with the reportable segments identified in Note 2, except for ES, which includes two reporting units: MphasiS Limited; and the remainder of ES.

HP will continue to evaluate the recoverability of goodwill on an annual basis as of the beginning of its fourth fiscal quarter and whenever events or changes in circumstances indicate there may be a potential impairment.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 9: Acquisitions, Goodwill and Intangible Assets (Continued)

Intangible Assets

HP's intangible assets are composed of:

	As of April 30, 2015				As of October 31, 2014			
	Gross	Accumulated Amortization	Accumulated Impairment Loss	Net	Gross	Accumulated Amortization	Accumulated Impairment Loss	Net
	In millions							
Customer contracts, customer lists and distribution agreements	$ 5,269	$ (3,459)	$ (856)	$ 954	$ 5,289	$ (3,228)	$ (856)	$ 1,205
Developed and core technology and patents	4,264	(1,409)	(2,138)	717	4,266	(1,301)	(2,138)	827
Trade name and trade marks	1,690	(296)	(1,336)	58	1,693	(261)	(1,336)	96
Total intangible assets	$ 11,223	$ (5,164)	$ (4,330)	$ 1,729	$ 11,248	$ (4,790)	$ (4,330)	$ 2,128

During the first six months of fiscal 2015, $65 million of intangible assets became fully amortized and have been eliminated from gross intangible assets and accumulated amortization.

As of April 30, 2015, the estimated future amortization expense related to finite-lived intangible assets was as follows:

Fiscal year:	In millions
2015 (remaining 6 months)	$ 435
2016	663
2017	254
2018	154
2019	115
2020	102
Thereafter	6
Total	$ 1,729

Note 10: Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy

HP uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs are developed using market data such as publicly available information and reflect the

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 10: Fair Value (Continued)

assumptions market participants would use, while unobservable inputs are developed using the best information available about the assumptions market participants would use. Assets and liabilities are classified in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 Unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to observable inputs and lowest priority to unobservable inputs.

The following table presents HP's assets and liabilities that are measured at fair value on a recurring basis:

	As of April 30, 2015 Fair Value Measured Using				As of October 31, 2014 Fair Value Measured Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
Assets								
Cash Equivalents and Investments:								
Time deposits	$	$ 3,464	$	$ 3,464	$	$ 2,865	$	$ 2,865
Money market funds	8,326			8,326	9,857			9,857
Mutual funds		252		252		244		244
Marketable equity securities	54	8		62	14	5		19
Foreign bonds	8	331		339	9	367		376
Other debt securities		2	42	44		1	46	47
Derivatives:								
Interest rate contracts		111		111		105		105
Foreign currency contracts		1,265	13	1,278		862	6	868
Other derivatives		4		4		7		7
Total assets	$ 8,388	$ 5,437	$ 55	$ 13,880	$ 9,880	$ 4,456	$ 52	$ 14,388
Liabilities								
Derivatives:								
Interest rate contracts	$	$	$	$	$	$ 55	$	$ 55
Foreign currency contracts		692	4	696		348	2	350
Other derivatives		1		1				

Total liabilities	$	$ 693	$ 4	$ 697	$	$ 403	$ 2	$ 405		

During the six months ended April 30, 2015, HP transferred $41 million of marketable equity securities from Level 2 to Level 1 within the fair value hierarchy as a result of a change in the market

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 10: Fair Value (Continued)

activity of the underlying investment. The remaining transfers between levels within the fair value hierarchy were not material.

Valuation Techniques

Cash Equivalents and Investments: HP holds time deposits, money market funds, mutual funds, other debt securities primarily consisting of corporate and foreign government notes and bonds, and common stock and equivalents. HP values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including net asset value, or models utilizing market observable inputs. The fair value of debt investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data, and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data.

Derivative Instruments: HP uses forward contracts, interest rate and total return swaps and option contracts to hedge certain foreign currency and interest rate exposures. HP uses industry standard valuation models to measure fair value. Where applicable, these models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rate curves, HP and counterparty credit risk, foreign currency rates, and forward and spot prices for currencies and interest rates. See Note 11 for a further discussion of HP's use of derivative instruments.

Other Fair Value Disclosures

Short- and Long-Term Debt: HP estimates the fair value of its debt primarily using an expected present value technique, which is based on observable market inputs using interest rates currently available to companies of similar credit standing for similar terms and remaining maturities, and considering its own credit risk. The portion of HP's debt that is hedged is reflected in the Consolidated Condensed Balance Sheets as an amount equal to the debt's carrying amount and a fair value adjustment representing changes in the fair value of the hedged debt obligations arising from movements in benchmark interest rates. The estimated fair value of HP's short- and long-term debt was $21.5 billion at April 30, 2015, compared to its carrying amount of $21.1 billion at that date. The estimated fair value of HP's short- and long-term debt was $19.9 billion at October 31, 2014, compared to its carrying amount of $19.5 billion at that date. If measured at fair value in the Consolidated Condensed Balance Sheets, short- and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of HP's financial instruments, primarily accounts receivable, accounts payable and financial liabilities included in Other accrued liabilities, the carrying amounts approximate fair value due to their short maturities. If measured at fair value in the Consolidated Condensed Balance Sheets, these other financial instruments would be classified in Level 2 or Level 3 of the fair value hierarchy.

Non-Marketable Equity Investments and Non-Financial Assets: HP's non-marketable equity investments and non-financial assets, such as goodwill, intangible assets and property, plant and equipment, are recorded at fair value in the period an impairment charge is recognized. If measured at fair value in the Consolidated Condensed Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments

Cash Equivalents and Available-for-Sale Investments

Cash equivalents and available-for-sale investments were as follows:

	As of April 30, 2015				As of October 31, 2014			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	In millions							
Cash Equivalents:								
Time deposits	$ 3,290	$	$	$ 3,290	$ 2,720	$	$	$ 2,720
Money market funds	8,326			8,326	9,857			$ 9,857
Mutual funds	156			156	110			110
Total cash equivalents	11,772			11,772	12,687			12,687
Available-for-Sale Investments:								
Debt securities:								
Time deposits	174			174	145			145
Foreign bonds	255	84		339	286	90		376
Other debt securities	57		(13)	44	61		(14)	47
Total debt securities	486	84	(13)	557	492	90	(14)	568
Equity securities:								
Mutual funds	96			96	134			134
Equity securities in public companies	59	7	(8)	58	8	7		15
Total equity securities	155	7	(8)	154	142	7		149
Total available-for-sale investments	641	91	(21)	711	634	97	(14)	717
Total cash equivalents and available-for-sale investments	$ 12,413	$ 91	$ (21)	$ 12,483	$ 13,321	$ 97	$ (14)	$ 13,404

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of April 30, 2015 and October 31, 2014, the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Time deposits were primarily issued by institutions outside the U.S. as of April 30, 2015 and October 31, 2014. The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

Contractual maturities of investments in available-for-sale debt securities were as follows:

	As of April 30, 2015	
	Amortized Cost	Fair Value

	In millions			
Due in one year	$	159	$	159
Due in one to five years		2		2
Due in more than five years		325		396
	$	486	$	557

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

Equity securities in privately held companies include cost basis and equity method investments and are included in Long-term financing receivables and other assets in the Consolidated Condensed Balance Sheets. These amounted to $28 million and $97 million at April 30, 2015 and October 31, 2014, respectively.

Derivative Instruments

HP is a global company exposed to foreign currency exchange rate fluctuations and interest rate changes in the normal course of its business. As part of its risk management strategy, HP uses derivative instruments, primarily forward contracts, option contracts, interest rate swaps and total return swaps, to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. HP's objective is to offset gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them, thereby reducing volatility of earnings or protecting the fair value of assets and liabilities. HP does not have any leveraged derivatives and does not use derivative contracts for speculative purposes. HP may designate its derivative contracts as fair value hedges, cash flow hedges or hedges of the foreign currency exposure of a net investment in a foreign operation ("net investment hedges"). Additionally, for derivatives not designated as hedging instruments, HP categorizes those economic hedges as other derivatives. HP recognizes all derivative instruments at fair value in the Consolidated Condensed Balance Sheets. HP classifies cash flows from its derivative programs as operating activities in the Consolidated Condensed Statements of Cash Flows.

As a result of its use of derivative instruments, HP is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, HP has a policy of only entering into derivative contracts with carefully selected major financial institutions based on their credit ratings and other factors, and HP maintains dollar risk limits that correspond to each financial institution's credit rating and other factors. HP's established policies and procedures for mitigating credit risk include reviewing and establishing limits for credit exposure and periodically reassessing the creditworthiness of its counterparties. Master netting agreements further mitigate credit exposure to counterparties by permitting HP to net amounts due from HP to counterparty against amounts due to HP from the same counterparty under certain conditions.

To further mitigate credit exposure to counterparties, HP has collateral security agreements that allow HP to hold collateral from, or require HP to post collateral to, counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of HP and its counterparties. If HP's or the counterparty's credit rating falls below a specified credit rating, either party has the right to request full collateralization of the derivatives' net liability position. Collateral is generally posted within two business days. The fair value of derivatives with credit contingent features in a net liability position was $30 million and $38 million at April 30, 2015 and October 31, 2014, respectively, all of which were fully collateralized within two business days.

Under HP's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting HP that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect HP's financial position or cash flows as of April 30, 2015 and October 31, 2014.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

Fair Value Hedges

HP issues long-term debt in U.S. dollars based on market conditions at the time of financing. HP may enter into fair value hedges, such as interest rate swaps, to reduce the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar London Interbank Offered Rate ("LIBOR")-based floating interest expense. The swap transactions generally involve principal and interest obligations for U.S. dollar-denominated amounts. Alternatively, HP may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if it believes a larger proportion of fixed-rate debt would be beneficial.

When investing in fixed-rate instruments, HP may enter into interest rate swaps that convert the fixed interest payments into variable interest payments and may designate these swaps as fair value hedges.

For derivative instruments that are designated and qualify as fair value hedges, HP recognizes the change in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other, net in the Consolidated Condensed Statements of Earnings in the period of change.

Cash Flow Hedges

HP uses a combination of forward contracts and option contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted net revenue and, to a lesser extent, cost of sales, operating expenses, and intercompany loans denominated in currencies other than the U.S. dollar. HP's foreign currency cash flow hedges mature generally within twelve months; however, hedges related to longer term procurement arrangements extend several years and forward contracts associated with sales-type and direct-financing leases and intercompany loans extend for the duration of the lease or loan term, which typically range from two to five years.

For derivative instruments that are designated and qualify as cash flow hedges, HP initially records changes in fair value for the effective portion of the derivative instrument in Accumulated other comprehensive loss as a separate component of stockholders' equity in the Consolidated Condensed Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. HP reports the effective portion of its cash flow hedges in the same financial statement line item as changes in the fair value of the hedged item.

Net Investment Hedges

HP uses forward contracts designated as net investment hedges to hedge net investments in certain foreign subsidiaries whose functional currency is the local currency. HP records the effective portion of such derivative instruments together with changes in the fair value of the hedged items in Cumulative translation adjustment as a separate component of stockholders' equity in the Consolidated Condensed Balance Sheets.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. HP also uses total return swaps and, to a lesser extent, interest rate swaps, based on equity or fixed income indices, to hedge its executive deferred compensation plan liability.

For derivative instruments not designated as hedging instruments, HP recognizes changes in fair value of the derivative instrument, as well as the offsetting change in the fair value of the hedged item, in Interest and other net in the Consolidated Condensed Statements of Earnings in the period of change.

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, HP measures hedge effectiveness by offsetting the change in fair value of the hedged instrument with the change in fair value of the derivative. For foreign currency options and forward contracts designated as cash flow or net investment hedges, HP measures hedge effectiveness by comparing the cumulative change in fair value of the hedge contract with the cumulative change in fair value of the hedged item, both of which are based on forward rates. HP recognizes any ineffective portion of the hedge in the Consolidated Condensed Statements of Earnings in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Consolidated Condensed Statements of Earnings in the period they arise.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

Fair Value of Derivative Instruments in the Consolidated Condensed Balance Sheets

The gross notional and fair value of derivative instruments in the Consolidated Condensed Balance Sheets were as follows:

	As of April 30, 2015					As of October 31, 2014				
	Outstanding Gross Notional	Other Current Assets	Long-Term Financing Receivables and Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities	Outstanding Gross Notional	Other Current Assets	Long-Term Financing Receivables and Other Assets	Other Accrued Liabilities	Long-Term Other Liabilities
	In millions									
Derivatives designated as hedging instruments										
Fair value hedges:										
Interest rate contracts	$ 10,800	$ 2	$ 109	$	$	$ 10,800	$ 3	$ 102	$	$ 55
Cash flow hedges:										
Foreign currency contracts	19,695	571	234	310	141	20,196	539	124	131	94
Net investment hedges:										
Foreign currency contracts	1,883	86	60	25	5	1,952	44	47	10	8
Total derivatives designated as hedging instruments	32,378	659	403	335	146	32,948	586	273	141	157
Derivatives not designated as hedging instruments										
Foreign currency contracts	16,266	268	59	172	43	21,384	82	32	82	25
Other derivatives	308	4		1		361	6	1		
Total derivatives not designated as hedging instruments	16,574	272	59	173	43	21,745	88	33	82	25
Total derivatives	$ 48,952	$ 931	$ 462	$ 508	$ 189	$ 54,693	$ 674	$ 306	$ 223	$ 182

Offsetting of Derivative Instruments

HP recognizes all derivative instruments on a gross basis in the Consolidated Condensed Balance Sheets. HP does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under its collateral security agreements. As of April 30, 2015 and October 31, 2014,

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

information related to the potential effect of HP's master netting agreements and collateral security agreements was as follows:

As of April 30, 2015

	In the Consolidated Condensed Balance Sheets			Gross Amounts Not Offset		
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i) (ii) Net Amount Presented	(iv) Derivatives	(v) Financial Collateral	(vi) = (iii) (iv) (v) Net Amount
	In millions					
Derivative assets	$ 1,393	$	$ 1,393	$ 649	$ 752(1)	$ (8)
Derivative liabilities	$ 697	$	$ 697	$ 649	$ 28(2)	$ 20

As of October 31, 2014

	In the Consolidated Condensed Balance Sheets			Gross Amounts Not Offset		
	(i) Gross Amount Recognized	(ii) Gross Amount Offset	(iii) = (i) (ii) Net Amount Presented	(iv) Derivatives	(v) Financial Collateral	(vi) = (iii) (iv) (v) Net Amount
	In millions					
Derivative assets	$ 980	$	$ 980	$ 361	$ 452(1)	$ 167
Derivative liabilities	$ 405	$	$ 405	$ 361	$ 29(2)	$ 15

(1) Represents the cash collateral posted by counterparties as of the respective reporting date for HP's asset position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

(2) Represents the collateral posted by HP through re-use of counterparty cash collateral as of the respective reporting date for HP's liability position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date.

Effect of Derivative Instruments on the Consolidated Condensed Statements of Earnings

The pre-tax effect of derivative instruments and related hedged items in a fair value hedging relationship for the three and six months ended April 30, 2015 and 2014 were as follows:

Gain (Loss) Recognized in Earnings on Derivative and Related Hedged Item

Derivative Instrument	Location	Three months ended April 30, 2015	Six months ended April 30, 2015	Hedged Item	Location	Three months ended April 30, 2015	Six months ended April 30, 2015
		In millions				In millions	
Interest rate contracts	Interest and other, net	$ (80)	$ 61	Fixed-rate debt	Interest and other, net	$ 80	$ (61)

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

		Gain (Loss) Recognized in Earnings on Derivative and Related Hedged Item					
Derivative Instrument	**Location**	**Three months ended April 30, 2014**	**Six months ended April 30, 2014**	**Hedged Item**	**Location**	**Three months ended April 30, 2014**	**Six months ended April 30, 2014**
		In millions				**In millions**	
Interest rate contracts	Interest and other, net	$ (22)	$ (46)	Fixed-rate debt	Interest and other, net	$ 22	$ 46

The pre-tax effect of derivative instruments in cash flow and net investment hedging relationships for the three and six months ended April 30, 2015 was as follows:

	Gain (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion)		**Gain (Loss) Reclassified from Accumulated OCI Into Earnings (Effective Portion)**		
	Three months ended April 30, 2015	**Six months ended April 30, 2015**	**Location**	**Three months ended April 30, 2015**	**Six months ended April 30, 2015**
	In millions			**In millions**	
Cash flow hedges:					
Foreign currency contracts	$ (84)	$ 653	Net revenue	$ 533	$ 867
Foreign currency contracts	(2)	(140)	Cost of products	(43)	(69)
Foreign currency contracts	1	(2)	Other operating expenses	(3)	(7)
Foreign currency contracts	67	102	Interest and other, net	69	99
Total cash flow hedges	$ (18)	$ 613		$ 556	$ 890
Net investment hedges:					
Foreign currency contracts	$ (6)	$ 123	Interest and other, net	$	$

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

The pre-tax effect of derivative instruments in cash flow and net investment hedging relationships for the three and six months ended April 30, 2014 was as follows:

	Gain (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion)		Gain (Loss) Reclassified from Accumulated OCI Into Earnings (Effective Portion)		
	Three months ended April 30, 2014	Six months ended April 30, 2014	Location	Three months ended April 30, 2014	Six months ended April 30, 2014
	In millions			In millions	
Cash flow hedges:					
Foreign currency contracts	$ (311)	$ (136)	Net revenue	$ (63)	$ (126)
Foreign currency contracts	9	(78)	Cost of products	(21)	(44)
Foreign currency contracts	11	11	Other operating expenses	(3)	(7)
Foreign currency contracts	(18)	(36)	Interest and other, net	(14)	(33)
Total cash flow hedges	$ (309)	$ (239)		$ (101)	$ (210)
Net investment hedges:					
Foreign currency contracts	$ (67)	$ (1)	Interest and other, net	$	$

As of April 30, 2015 no portion of the hedging instruments gain or loss was excluded from the assessment of effectiveness for fair value, cash flow or net investment hedges. As of April 30, 2014, the portion of hedging instruments gain or loss excluded from the assessment of effectiveness was not material for fair value, cash flow or net investment hedges. Hedge ineffectiveness for fair value, cash flow and net investment hedges was not material in the three and six months ended April 30, 2015 and 2014.

As of April 30, 2015, HP expects to reclassify an estimated net accumulated other comprehensive gain of approximately $8 million, net of taxes, to earnings in the next twelve months associated with cash flow hedges along with the earnings effects of the related forecasted transactions.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 11: Financial Instruments (Continued)

The pre-tax effect of derivative instruments not designated as hedging instruments on the Consolidated Condensed Statements of Earnings for the three and six months ended April 30, 2015 and 2014 was as follows:

		Gain (Loss) Recognized in Earnings on Derivatives	
	Location	Three months ended April 30, 2015	Six months ended April 30, 2015
		In millions	
Foreign currency contracts	Interest and other, net	$ (81)	$ 136
Other derivatives	Interest and other, net	(2)	(5)
Total		$ (83)	$ 131

		Gain (Loss) Recognized in Earnings on Derivatives	
	Location	Three months ended April 30, 2014	Six months ended April 30, 2014
		In millions	
Foreign currency contracts	Interest and other, net	$ (169)	$ 40
Other derivatives	Interest and other, net	2	(8)
Total		$ (167)	$ 32

Note 12: Borrowings

Notes Payable and Short-Term Borrowings

	As of April 30, 2015		As of October 31, 2014	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	In millions		In millions	
Current portion of long-term debt	$ 1,930	1.8%	$ 2,655	2.2%
Commercial paper[1]	3,104	0.5%	298	0.5%
Notes payable to banks, lines of credit and other[1]	560	3.6%	533	4.0%

$	5,594	$	3,486

(1) Commercial paper includes $289 million and $298 million and Notes payable to banks, lines of credit and other includes $396 million and $404 million at April 30, 2015 and October 31, 2014, respectively, of borrowing- and funding-related activity associated with HPFS and its subsidiaries.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 12: Borrowings (Continued)

Long-Term Debt

	As of	
	April 30, 2015	October 31, 2014
	In millions	
U.S. Dollar Global Notes[1]		
2006 Shelf Registration Statement:		
$500 issued at discount to par at a price of 99.694% in February 2007 at 5.4%, due March 2017	$ 500	$ 500
$750 issued at discount to par at a price of 99.932% in March 2008 at 5.5%, due March 2018	750	750
2009 Shelf Registration Statement:		
$1,100 issued at discount to par at a price of 99.887% in September 2010 at 2.125%, due September 2015	1,100	1,100
$650 issued at discount to par at a price of 99.911% in December 2010 at 2.2%, due December 2015	650	650
$1,350 issued at discount to par at a price of 99.827% in December 2010 at 3.75%, due December 2020	1,349	1,349
$1,000 issued at discount to par at a price of 99.958% in May 2011 at 2.65%, due June 2016	1,000	1,000
$1,250 issued at discount to par at a price of 99.799% in May 2011 at 4.3%, due June 2021	1,248	1,248
$750 issued at discount to par at a price of 99.977% in September 2011 at 2.35%, paid March 2015		750
$1,300 issued at discount to par at a price of 99.784% in September 2011 at 3.0%, due September 2016	1,299	1,298
$1,000 issued at discount to par at a price of 99.816% in September 2011 at 4.375%, due September 2021	999	999
$1,200 issued at discount to par at a price of 99.863% in September 2011 at 6.0%, due September 2041	1,199	1,199
$650 issued at discount to par at a price of 99.946% in December 2011 at 2.625%, paid December 2014		650
$850 issued at discount to par at a price of 99.790% in December 2011 at 3.3%, due December 2016	849	849
$1,500 issued at discount to par at a price of 99.707% in December 2011 at 4.65%, due December 2021	1,496	1,496
$1,500 issued at discount to par at a price of 99.985% in March 2012 at 2.6%, due September 2017	1,500	1,500
$500 issued at discount to par at a price of 99.771% in March 2012 at 4.05%, due September 2022	499	499
2012 Shelf Registration Statement:		
$750 issued at par in January 2014 at three-month USD LIBOR plus 0.94%, due January 2019	750	750
$1,250 issued at discount to par at a price of 99.954% in January 2014 at 2.75%, due January 2019	1,250	1,250
	16,438	17,837
EDS Senior Notes[1]		
$300 issued October 1999 at 7.45%, due October 2029	313	313
Other, including capital lease obligations, at 0.00%-8.30%, due in calendar years 2015-2024[2]	473	424
Fair value adjustment related to hedged debt	170	120
Less: current portion	(1,930)	(2,655)
Total long-term debt	$ 15,464	$ 16,039

(1) HP may redeem some or all of the fixed-rate U.S. Dollar Global Notes and EDS Senior Notes at any time in accordance with the terms thereof. The U.S. Dollar Global Notes and EDS Senior Notes are senior unsecured debt.

(2) Other, including capital lease obligations includes $196 million and $123 million as of April 30, 2015 and October 31, 2014, respectively, of borrowing- and funding-related activity associated with HPFS and its subsidiaries that are collateralized by receivables and underlying assets associated with the related capital and operating leases. For both the periods presented, the carrying amount of the assets approximated the carrying amount of the borrowings.

As disclosed in Note 11, HP uses interest rate swaps to mitigate the exposure of its debt portfolio to changes in fair value resulting from changes in interest rates by achieving a primarily U.S. dollar

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 12: Borrowings (Continued)

LIBOR-based floating interest expense. Interest rates shown in the table of long-term debt have not been adjusted to reflect the impact of any interest rate swaps.

Interest expense on borrowings recognized in the Consolidated Condensed Statements of Earnings was as follows:

Expense	Location	Three months ended April 30		Six months ended April 30	
		2015	2014	2015	2014
		In millions			
Financing interest	Financing interest	$ 61	$ 69	$ 124	$ 141
Interest expense	Interest and other, net	75	91	142	190
Total interest expense		$ 136	$ 160	$ 266	$ 331

Shelf Registration Statement

In May 2012, HP filed a shelf registration statement (the "2012 Shelf Registration Statement") with the Securities and Exchange Commission ("SEC") to enable the company to offer for sale, from time to time, in one or more offerings, an unspecified amount of debt securities, common stock, preferred stock, depositary shares and warrants. This shelf registration statement expired in May 2015.

Commercial Paper

HP's Board of Directors has authorized the issuance of up to $16.0 billion in aggregate principal amount of commercial paper by HP. HP's subsidiaries are authorized to issue up to an additional $1.0 billion in aggregate principal amount of commercial paper. HP maintains two commercial paper programs, and a wholly-owned subsidiary maintains a third program. HP's U.S. program provides for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of $16.0 billion. HP's euro commercial paper program provides for the issuance of commercial paper outside of the U.S. denominated in U.S. dollars, euros or British pounds up to a maximum aggregate principal amount of $3.0 billion or the equivalent in those alternative currencies. The combined aggregate principal amount of commercial paper outstanding under those programs at any one time cannot exceed the $16.0 billion authorized by HP's Board of Directors. The HP subsidiary's Euro Commercial Paper/Certificate of Deposit Programme provides for the issuance of commercial paper in various currencies of up to a maximum aggregate principal amount of $500 million.

Credit Agreements

HP maintains senior unsecured committed credit facilities primarily to support the issuance of commercial paper. HP has a $3.0 billion five-year credit facility that expires in March 2017 and a $4.5 billion five-year credit facility that expires in April 2019. Both facilities support the U.S. commercial paper program and the euro commercial paper program. Commitment fees, interest rates and other terms of borrowing under the credit facilities vary based on HP's external credit ratings. HP's ability to have an outstanding U.S. commercial paper balance that exceeds the $7.5 billion supported by these credit facilities is subject to a number of factors, including liquidity conditions and business

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 12: Borrowings (Continued)

performance. In addition, the $3.0 billion five-year credit facility was amended in September 2012 to permit borrowings in euros and British pounds, with the amounts available in euros and British pounds being limited to the U.S. dollar equivalent of $2.2 billion and $300 million, respectively.

On April 30, 2015, HP entered into a credit agreement that provides for a senior unsecured delayed, multiple-draw term loan facility in the aggregate principal amount of $5.0 billion. Funds to be borrowed under this agreement may be used for general corporate purposes, including to pay expenses associated with HP's proposed plan to separate into two independent publicly-traded companies and matters related to the acquisition of Aruba. Under the terms of the credit agreement, borrowings will bear interest, at HP's option, by either (i) the LIBOR plus a margin between 100 and 112.5 basis points, depending on the rating of HP's long-term senior unsecured debt or (ii) an alternate base rate, which is the highest of the agent bank's prime rate, the federal funds effective rate plus one half of 1%, and one-month LIBOR plus 1%, plus a margin between zero and 12.5 basis points, depending on the rating of HP's long-term senior unsecured debt. The scheduled maturity date of the credit agreement is the earlier of November 1, 2015 or the completion date of HP's separation. HP has the option to extend the maturity date upon its request, subject to the agreement of the lenders. The credit facility contains customary representations and warranties and customary affirmative, negative and financial covenants. The financial covenant requires HP to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio. As of April 30, 2015, HP was in compliance with the financial covenants in the agreement and no amounts were outstanding. On May 15, 2015, HP borrowed $2.5 billion under this credit agreement.

Available Borrowing Resources

HP's and HP's subsidiaries' resources available to obtain short- or long-term financing were as follows:

	As of April 30, 2015
	In millions
2012 Shelf Registration Statement[1]	Unspecified
Commercial paper programs[2]	$ 13,396
Term Loan Facility	$ 5,000
Uncommitted lines of credit	$ 1,625

(1) HP had the capacity to issue an unspecified amount of additional debt securities, common stock, preferred stock, depositary shares and warrants under the 2012 Shelf Registration Statement. This shelf registration statement expired in May 2015.

(2) The extent to which HP is able to utilize the commercial paper programs as sources of liquidity at any given time is subject to a number of factors, including market demand for HP securities and commercial paper, HP's financial performance, HP's credit ratings and market conditions generally.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 13: Stockholders' Equity

Share Repurchase Program

HP's share repurchase program authorizes both open market and private repurchase transactions. In the three and six months ended April 30, 2015, HP repurchased 18 million shares and 54 million shares of common stock at costs of $0.6 billion and $2.2 billion, respectively. In the three and six months ended April 30, 2014, HP repurchased 27 million shares and 48 million shares of common stock at costs of $0.8 billion and $1.4 billion, respectively. The shares repurchased and settled during the six months ended April 30, 2015 and 2014 were all open market transactions. As of April 30, 2015, HP had remaining authorization of $2.7 billion for future share repurchases under the $10.0 billion repurchase authorization approved by HP's Board of Directors on July 21, 2011.

Tax effects related to Other Comprehensive Loss

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Tax effects on change in unrealized losses on available-for-sale securities:				
Tax benefit (provision) on unrealized losses arising during the period	$ 18	$ (2)	$ 3	$ (1)
	18	(2)	3	(1)
Tax effects on change in unrealized losses on cash flow hedges:				
Tax benefit (provision) on unrealized (losses) gains arising during the period	20	75	(181)	35
Tax provision (benefit) on (gains) losses reclassified into earnings	157	(29)	255	(63)
	177	46	74	(28)
Tax effects on change in unrealized components of defined benefit plans:				
Tax benefit on losses arising during the period		21		21
Tax provision (benefit) on amortization of actuarial loss and prior service benefit	1	(2)	(13)	(14)
Tax provision on curtailments, settlements and other	(1)	(7)	(1)	(7)
		12	(14)	
Tax benefit (provision) on change in cumulative translation adjustment	3	12	(44)	(8)
Tax benefit (provision) on other comprehensive loss	$ 198	$ 68	$ 19	$ (37)

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 13: Stockholders' Equity (Continued)

Changes and reclassifications related to Other Comprehensive Loss, net of taxes

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Other comprehensive loss, net of taxes:				
Change in unrealized losses on available-for-sale securities:				
Unrealized losses arising during the period	$ (41)	$ (2)	$ (10)	$ (2)
Gains reclassified into earnings				(1)
	(41)	(2)	(10)	(3)
Change in unrealized losses on cash flow hedges:				
Unrealized gains (losses) arising during the period	2	(234)	432	(204)
(Gains) losses reclassified into earnings[1]	(399)	72	(635)	147
	(397)	(162)	(203)	(57)
Change in unrealized components of defined benefit plans:				
Losses arising during the period		(90)		(90)
Amortization of actuarial loss and prior service benefit[2]	105	64	203	115
Curtailments, settlements and other	3	33	1	33
	108	7	204	58
Change in cumulative translation adjustment	3	(5)	(112)	(49)
Other comprehensive loss, net of taxes	$ (327)	$ (162)	$ (121)	$ (51)

(1) Reclassification of pre-tax (gains) losses on cash flow hedges into the Consolidated Condensed Statements of Earnings was as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Net revenue	$ (533)	$ 63	$ (867)	$ 126
Cost of products	43	21	69	44
Other operating expenses	3	3	7	7
Interest and other, net	(69)	14	(99)	33

$ (556)	$ 101	$ (890)	$ 210

(2) These components are included in the computation of net pension and post-retirement benefit (credit) cost in Note 4.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 13: Stockholders' Equity (Continued)

The components of accumulated other comprehensive loss, net of taxes and changes were as follows:

	Six months ended April 30, 2015				
	Net unrealized gains (losses) on available-for-sale securities	Net unrealized gains (losses) on cash flow hedges	Unrealized components of defined benefit plans	Cumulative translation adjustment	Accumulated other comprehensive loss
	In millions				
Balance at beginning of period	$ 81	$ 108	$ (5,376)	$ (694)	$ (5,881)
Other comprehensive (loss) income before reclassifications	(10)	432	1	(112)	311
Reclassifications of (gains) losses into earnings		(635)	203		(432)
Balance at end of period	$ 71	$ (95)	$ (5,172)	$ (806)	$ (6,002)

Note 14: Net Earnings Per Share

HP calculates basic net EPS using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted net EPS includes any dilutive effect of restricted stock awards, stock options, performance-based awards and shares purchased under the 2011 ESPP.

The reconciliations of the numerators and denominators of each of the basic and diluted net EPS calculations were as follows:

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions, except per share amounts			
Numerator:				
Net earnings[1]	$ 1,011	$ 1,273	$ 2,377	$ 2,698
Denominator:				
Weighted-average shares used to compute basic net EPS	1,814	1,890	1,824	1,898
Dilutive effect of employee stock plans	22	26	24	24
Weighted-average shares used to compute diluted net EPS	1,836	1,916	1,848	1,922

Net earnings per share:				
Basic	$ 0.56	$ 0.67	$ 1.30	$ 1.42
Diluted	$ 0.55	$ 0.66	$ 1.29	$ 1.40
Anti-dilutive weighted average options[2]	9	26	13	27

(1) HP considers restricted stock awards that provide the holder with a non-forfeitable right to receive dividends to be participating securities. As of April 30, 2015, there were no restricted stock awards

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 14: Net Earnings Per Share (Continued)

outstanding. For the three and six months ended April 30, 2014, the net earnings allocated to participating securities were not significant.

(2) HP excludes options where the assumed proceeds exceed the average market price from the calculation of diluted net EPS, because their effect would be anti-dilutive. The assumed proceeds of an option include the sum of its exercise price, average unrecognized compensation cost and excess tax benefits.

Note 15: Litigation and Contingencies

HP is involved in lawsuits, claims, investigations and proceedings, including those identified below, consisting of IP, commercial, securities, employment, employee benefits and environmental matters that arise in the ordinary course of business. HP accrues a liability when management believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. HP believes it has recorded adequate provisions for any such matters and, as of April 30, 2015, it was not reasonably possible that a material loss had been incurred in excess of the amounts recognized in HP's financial statements. HP reviews these matters at least quarterly and adjusts its accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Based on its experience, HP believes that any damage amounts claimed in the specific matters discussed below are not a meaningful indicator of HP's potential liability. Litigation is inherently unpredictable. However, HP believes it has valid defenses with respect to legal matters pending against it. Nevertheless, cash flows or results of operations could be materially affected in any particular period by the resolution of one or more of these contingencies.

Litigation, Proceedings and Investigations

Copyright Levies. As described below, proceedings are ongoing or have been concluded involving HP in certain European Union ("EU") member countries, including litigation in Germany, Belgium and Austria, seeking to impose or modify levies upon equipment (such as multi-function devices ("MFDs"), PCs and printers) and alleging that these devices enable producing private copies of copyrighted materials. Descriptions of some of the ongoing proceedings are included below. The levies are generally based upon the number of products sold and the per-product amounts of the levies, which vary. Some EU member countries that do not yet have levies on digital devices are expected to implement similar legislation to enable them to extend existing levy schemes, while some other EU member countries have phased out levies or are expected to limit the scope of levy schemes and applicability in the digital hardware environment, particularly with respect to sales to business users. HP, other companies and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders.

VerwertungsGesellschaft Wort ("VG Wort"), a collection agency representing certain copyright holders, instituted legal proceedings against HP in the Stuttgart Civil Court seeking to impose levies on printers. On December 22, 2004, the court held that HP is liable for payments regarding all printers using ASCII code sold in Germany but did not determine the amount payable per unit. HP appealed this decision in January 2005 to the Stuttgart Court of Appeals. On May 11, 2005, the Stuttgart Court of Appeals issued a decision confirming that levies are due. On June 6, 2005, HP filed an appeal to the German Federal Supreme Court in Karlsruhe. On December 6, 2007, the German Federal Supreme

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 15: Litigation and Contingencies (Continued)

Court issued a judgment that printers are not subject to levies under existing law. VG Wort appealed the decision by filing a claim with the German Federal Constitutional Court challenging the ruling that printers are not subject to levies. On September 21, 2010, the Constitutional Court published a decision holding that the German Federal Supreme Court erred by not referring questions on interpretation of German copyright law to the Court of Justice of the European Union ("CJEU") and therefore revoked the German Federal Supreme Court decision and remitted the matter to it. On July 21, 2011, the German Federal Supreme Court stayed the proceedings and referred several questions to the CJEU with regard to the interpretation of the European Copyright Directive. On June 27, 2013, the CJEU issued its decision responding to those questions. The German Federal Supreme Court subsequently scheduled a joint hearing on this matter with other cases relating to reprographic levies on printers and PCs that was held on October 31, 2013. The German Federal Supreme Court issued a decision on July 3, 2014 partially granting the claim of VG Wort. The German Federal Supreme Court decision provides that levies are due where the printer is used with a PC to make permitted reprographic copies in a single process under the control of the same person, but no levies are due on a printer for reprographic copies made with a "scanner-PC-printer" product chain. The case has been remitted to the Stuttgart Court to assess the amount to be paid per printer unit.

In September 2003, VG Wort filed a lawsuit against Fujitsu Technology Solutions GmbH ("Fujitsu") in the Munich Civil Court in Munich, Germany seeking to impose levies on PCs. This is an industry test case in Germany, and HP has agreed not to object to the delay if VG Wort sues HP for such levies on PCs following a final decision against Fujitsu. On December 23, 2004, the Munich Civil Court held that PCs are subject to a levy and that Fujitsu must pay €12 plus compound interest for each PC sold in Germany since March 2001. Fujitsu appealed this decision in January 2005 to the Munich Court of Appeals. On December 15, 2005, the Munich Court of Appeals affirmed the Munich Civil Court decision. Fujitsu filed an appeal with the German Federal Supreme Court in February 2006. On October 2, 2008, the German Federal Supreme Court issued a judgment that PCs were not photocopiers within the meaning of the German copyright law that was in effect until December 31, 2007 and, therefore, were not subject to the levies on photocopiers established by that law. VG Wort subsequently filed a claim with the German Federal Constitutional Court challenging that ruling. In January 2011, the Constitutional Court published a decision holding that the German Federal Supreme Court decision was inconsistent with the German Constitution and revoking the German Federal Supreme Court decision. The Constitutional Court also remitted the matter to the German Federal Supreme Court for further action. On July 21, 2011, the German Federal Supreme Court stayed the proceedings and referred several questions to the CJEU with regard to the interpretation of the European Copyright Directive. On June 27, 2013, the CJEU issued its decision responding to those questions. The German Federal Supreme Court subsequently scheduled a joint hearing on that matter with other cases relating to reprographic levies on printers that was held on October 31, 2013. The German Federal Supreme Court issued a decision on July 3, 2014 partially granting the claim of VG Wort. The German Federal Supreme Court decision provides that levies are due for audio-visual copying of standing text and pictures using a PC as the last device in a single reproduction process under the control of the same person, but no levies are due on a PC for reprographic copies made using a "PC-printer" or a "scanner-PC-printer" chain. The case has been remitted to the Munich Court of Appeals to assess the amount to be paid per PC unit.

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements (Continued)

(Unaudited)

Note 15: Litigation and Contingencies (Continued)

Reprobel, a cooperative society with the authority to collect and distribute the remuneration for reprography to Belgian copyright holders, requested by extra-judicial means that HP amend certain copyright levy declarations submitted for inkjet MFDs sold in Belgium from January 2005 to December 2009 to enable it to collect copyright levies calculated based on the generally higher copying speed when the MFDs are operated in draft print mode rather than when operated in normal print mode. In March 2010, HP filed a lawsuit against Reprobel in the French-speaking chambers of the Court of First Instance of Brussels seeking a declaratory judgment that no copyright levies are payable on sales of MFDs in Belgium or, alternatively, that copyright levies payable on such MFDs must be assessed based on the copying speed when operated in the normal print mode set by default in the device. On November 16, 2012, the court issued a decision holding that Belgium law is not in conformity with EU law in a number of respects and ordered that, by November 2013, Reprobel substantiate that the amounts claimed by Reprobel are commensurate with the harm resulting from legitimate copying under the reprographic exception. HP subsequently appealed that court decision to the Courts of Appeal in Brussels seeking to confirm that the Belgian law is not in conformity with EU law and that, if Belgian law is interpreted in a manner consistent with EU law, no payments by HP are required or, alternatively, the payments already made by HP are sufficient to comply with its obligations under Belgian law. On October 23, 2013, the Court of Appeal in Brussels stayed the proceedings and referred several questions to the CJEU relating to whether the Belgian reprographic copyright levies system is in conformity with EU law. The case was heard by the CJEU on January 29, 2015. The date initially scheduled for delivery of the non-binding Opinion of the Advocate General has been postponed from April 30, 2015 to June 11, 2015.

Based on industry opposition to the extension of levies to digital products, HP's assessments of the merits of various proceedings and HP's estimates of the number of units impacted and the amounts of the levies, HP has accrued amounts that it believes are adequate to address the matters described above. However, the ultimate resolution of these matters and the associated financial impact on HP, including the number of units impacted and the amount of levies imposed, remains uncertain.

Fair Labor Standards Act Litigation. HP is involved in several lawsuits in which the plaintiffs are seeking unpaid overtime compensation and other damages based on allegations that various employees of Electronic Data Systems Corporation ("EDS") or HP have been misclassified as exempt employees under the Fair Labor Standards Act and/or in violation of the California Labor Code or other state laws. Those matters include the following:

Cunningham and Cunningham, et al. v. Electronic Data Systems Corporation is a purported collective action filed on May 10, 2006 in the United States District Court for the Southern District of New York claiming that current and former EDS employees allegedly involved in installing and/or maintaining computer software and hardware were misclassified as exempt employees. Another purported collective action, *Steavens, et al. v. Electronic Data Systems Corporation*, was filed on October 23, 2007 in the same court alleging similar facts. The *Steavens* case has been consolidated for pretrial purposes with the *Cunningham* case. On December 14, 2010, the court granted conditional certification of a class consisting of employees in 20 legacy EDS job codes in the consolidated *Cunningham* and *Steavens* matter. On December 11, 2013, HP and plaintiffs' counsel in the consolidated *Cunningham/Steavens* matter, and the *Salva* matter described below, mediated these cases and reached a settlement agreement. The court

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Notes to Consolidated Condensed Financial Statements (Continued)

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preliminarily approved the settlement on November 4, 2014. The final approval hearing is scheduled for June 8, 2015.

Salva v. Hewlett-Packard Company is a purported collective action filed on June 15, 2012 in the United States District Court for the Western District of New York alleging that certain information technology employees allegedly involved in installing and/or maintaining computer software and hardware were misclassified as exempt employees under the Fair Labor Standards Act. On December 11, 2013, HP and plaintiffs' counsel in the consolidated *Cunningham/Steavens* matter and the *Salva* matter mediated these cases and reached a settlement agreement. The court consolidated the *Salva* matter into the *Cunningham/Steavens* matter and preliminarily approved the settlement on November 4, 2014. The final approval hearing is scheduled for June 8, 2015.

Karlbom, et al. v. Electronic Data Systems Corporation is a class action filed on March 16, 2009 in California Superior Court alleging facts similar to the *Cunningham* and *Steavens* matters. The parties are engaged in discovery.

Benedict v. Hewlett-Packard Company is a purported collective action filed on January 10, 2013 in the United States District Court for the Northern District of California alleging that certain technical support employees allegedly involved in installing, maintaining and/or supporting computer software and/or hardware for HP were misclassified as exempt employees under the Fair Labor Standards Act. The plaintiff has also alleged that HP violated California law by, among other things, allegedly improperly classifying these employees as exempt. On February 13, 2014, the court granted the plaintiff's motion for conditional class certification. The parties are engaged in discovery. On May 7, 2015, Plaintiffs filed a motion to certify a Rule 23 state class of certain Technical Solutions Consultants in California, Massachusetts, and Colorado that they claim were improperly classified as exempt from overtime under state law.

India Directorate of Revenue Intelligence Proceedings. On April 30 and May 10, 2010, the India Directorate of Revenue Intelligence (the "DRI") issued show cause notices to Hewlett-Packard India Sales Private Ltd ("HPIS"), a subsidiary of HP, seven then-current HP employees and one former HP employee alleging that HP underpaid customs duties while importing products and spare parts into India and seeking to recover an aggregate of approximately $370 million, plus penalties. Prior to the issuance of the show cause notices, HP deposited approximately $16 million with the DRI and agreed to post a provisional bond in exchange for the DRI's agreement to not seize HP products and spare parts and to not interrupt the transaction of business by HP in India.

On April 11, 2012, the Bangalore Commissioner of Customs issued an order on the products-related show cause notice affirming certain duties and penalties against HPIS and the named individuals of approximately $386 million, of which HPIS had already deposited $9 million. On December 11, 2012, HPIS voluntarily deposited an additional $10 million in connection with the products-related show cause notice.

On April 20, 2012, the Commissioner issued an order on the parts-related show cause notice affirming certain duties and penalties against HPIS and certain of the named individuals of approximately $17 million, of which HPIS had already deposited $7 million. After the order, HPIS

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Note 15: Litigation and Contingencies (Continued)

deposited an additional $3 million in connection with the parts-related show cause notice so as to avoid certain penalties.

HPIS filed appeals of the Commissioner's orders before the Customs Tribunal along with applications for waiver of the pre-deposit of remaining demand amounts as a condition for hearing the appeals. The Customs Department has also filed cross-appeals before the Customs Tribunal. On January 24, 2013, the Customs Tribunal ordered HPIS to deposit an additional $24 million against the products order, which HPIS deposited in March 2013. The Customs Tribunal did not order any additional deposit to be made under the parts order. In December 2013, HPIS filed applications before the Customs Tribunal seeking early hearing of the appeals as well as an extension of the stay of deposit as to HP and the individuals already granted until final disposition of the appeals. On February 7, 2014, the application for extension of the stay of deposit was granted by the Customs Tribunal until disposal of the appeals. On October 27, 2014, the Customs Tribunal commenced hearings on the cross-appeals of the Commissioner's orders. The Customs Tribunal rejected HP's request to remand the matter to the Commissioner on procedural grounds. The hearing scheduled to reconvene on April 6, 2015 was cancelled at the request of the Customs Tribunal. A new hearing date has not been set.

Russia GPO and Other FCPA Investigations. The German Public Prosecutor's Office ("German PPO") has been conducting an investigation into allegations that current and former employees of HP engaged in bribery, embezzlement and tax evasion relating to a transaction between Hewlett-Packard ISE GmbH in Germany, a former subsidiary of HP, and the General Prosecutor's Office of the Russian Federation. The approximately €35 million transaction, which was referred to as the Russia GPO deal, spanned the years 2001 to 2006 and was for the delivery and installation of an IT network. The German PPO issued an indictment of four individuals, including one current and two former HP employees, on charges including bribery, breach of trust and tax evasion. The German PPO also requested that HP be made an associated party to the case, and, if that request is granted, HP would participate in any portion of the court proceedings that could ultimately bear on the question of whether HP should be subject to potential disgorgement of profits based on the conduct of the indicted current and former employees. The Polish Central Anti-Corruption Bureau is also conducting an investigation into potential corruption violations by an employee of Hewlett-Packard Polska Sp. z o.o., an indirect subsidiary of HP, in connection with certain public-sector transactions in Poland. HP is cooperating with these investigating agencies.

The DOJ and the SEC also conducted an investigation into the Russia GPO deal and potential violations of the Foreign Corrupt Practices Act ("FCPA"). In addition, the same U.S. enforcement agencies conducted investigations into certain other public-sector transactions in Russia, Poland, the Commonwealth of Independent States and Mexico, among other countries. On April 9, 2014, HP announced a resolution of the DOJ and SEC FCPA investigations. Pursuant to the terms of the resolution of the DOJ and SEC FCPA investigation announced in April 2014, on September 11, 2014, an HP subsidiary in Russia, ZAO Hewlett Packard A.O., entered a guilty plea in the United States District Court, Northern District of California, to criminal violations of the FCPA. HP paid the SEC approximately $31 million, and paid approximately $77 million in fines and penalties pursuant to its agreements with the DOJ. HP also agreed to undertake certain compliance, reporting and cooperation obligations.

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Note 15: Litigation and Contingencies (Continued)

On December 2, 2014, plaintiffs Petroleos Mexicanos and Pemex Exploracion filed a complaint against HP and HP Mexico in the United States District Court for the Northern District of California alleging violations of the Racketeer Influenced and Corrupt Organizations Act (RICO Act), fraudulent concealment, tortious interference, and violations of the California Unfair Competition Law in connection with alleged improper payments provided to Pemex officials by third-parties retained by HP Mexico. These allegations arise from the same subject-matter as a previously disclosed 2014 Non-Prosecution Agreement between HP Mexico and the DOJ and a simultaneous cease-and-desist order against HP issued by the SEC. On February 9, 2015, HP and HP Mexico filed a motion to dismiss the complaint in its entirety. The hearing on the motion to dismiss is scheduled for June 25, 2015. HP does not believe that the resolution of this matter will have a material impact on its financial statements.

ECT Proceedings. In January 2011, the postal service of Brazil, Empresa Brasileira de Correios e Telégrafos ("ECT"), notified an HP subsidiary in Brazil ("HP Brazil") that it had initiated administrative proceedings to consider whether to suspend HP Brazil's right to bid and contract with ECT related to alleged improprieties in the bidding and contracting processes whereby employees of HP Brazil and employees of several other companies allegedly coordinated their bids and fixed results for three ECT contracts in 2007 and 2008. In late July 2011, ECT notified HP Brazil it had decided to apply the penalties against HP Brazil and suspend HP Brazil's right to bid and contract with ECT for five years, based upon the evidence before it. In August 2011, HP Brazil appealed ECT's decision. In April 2013, ECT rejected HP Brazil's appeal, and the administrative proceedings were closed with the penalties against HP Brazil remaining in place. In parallel, in September 2011, HP Brazil filed a civil action against ECT seeking to have ECT's decision revoked. HP Brazil also requested an injunction suspending the application of the penalties until a final ruling on the merits of the case. The court of first instance has not issued a decision on the merits of the case, but it has denied HP Brazil's request for injunctive relief. HP Brazil appealed the denial of its request for injunctive relief to the intermediate appellate court, which issued a preliminary ruling denying the request for injunctive relief but reducing the length of the sanctions from five to two years. HP Brazil appealed that decision and, in December 2011, obtained a ruling staying enforcement of ECT's sanctions until a final ruling on the merits of the case. HP expects the decision to be issued in 2015 and any subsequent appeal on the merits to last several years.

Abstrax Proceeding. On February 28, 2014, Abstrax, Inc. ("Abstrax"), a company with a principal place of business in Mesa, Arizona, filed a patent infringement lawsuit against HP. Abstrax claimed to market software for sales operations and manufacturing operations for configurable products, including those in the custom shutter industry. The case was pending in U.S. District Court for the Eastern District of Texas, Marshall Division. Abstrax asserted one patent, U.S. Patent 6,240,328, which is directed generally to a method of generating assembly instructions. In its complaint, Abstrax claimed that HP's methods and processes of manufacturing configurable servers, storage, networking devices, PCs, laptops, imaging and printing devices and their sub-systems infringe its patent, as do the products made by the accused processes. Abstrax also claimed that HP's alleged infringement was willful and that the case was exceptional. On November 14, 2014, HP filed a petition with the U.S. Patent and Trademark Office challenging the validity of the Abstrax patent based on prior art. In late January 2015, Abstrax dropped its infringement allegations against the manufacturing of PCs and imaging and

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Note 15: Litigation and Contingencies (Continued)

printing devices from its expert reports. On March 4, 2015, the court heard HP's motion challenging the subject matter of the patent under 35 U.S.C. Section 101. Trial was scheduled for May 11, 2015. The parties reached a settlement in principle in early April, which was finalized on April 28, 2015. The parties agreed to file separate dismissal papers at the Patent Office to dismiss HP's challenge to the validity of patent. The district court litigation was dismissed on May 5, 2015.

Stockholder Litigation. As described below, HP is involved in various stockholder litigation matters commenced against certain current and former HP executive officers and/or certain current and former members of HP's Board of Directors in which the plaintiffs are seeking to recover damages related to HP's allegedly inflated stock price, certain compensation paid by HP to the defendants, other damages and/or injunctive relief:

A.J. Copeland v. Raymond J. Lane, et al. ("Copeland I") is a lawsuit filed on March 7, 2011 in the United States District Court for the Northern District of California alleging, among other things, that the defendants breached their fiduciary duties and wasted corporate assets in connection with HP's alleged violations of the FCPA, HP's severance payments made to Mark Hurd (a former Chairman of HP's Board of Directors and HP's Chief Executive Officer), and HP's acquisition of 3PAR Inc. The lawsuit also alleges violations of Section 14(a) of the Securities Exchange Act of 1934 (the "Exchange Act") in connection with HP's 2010 and 2011 proxy statements. On February 8, 2012, the defendants filed a motion to dismiss the lawsuit. On October 10, 2012, the court granted the defendants' motion to dismiss with leave to file an amended complaint. On November 1, 2012, the plaintiff filed an amended complaint adding an unjust enrichment claim and claims that the defendants violated Section 14(a) of the Exchange Act and breached their fiduciary duties in connection with HP's 2012 proxy statement. On December 13, 14 and 17, 2012, the defendants moved to dismiss the amended complaint. On December 28, 2012, the plaintiff moved for leave to file a third amended complaint. On May 6, 2013, the court denied the motion for leave to amend, granted the motions to dismiss with prejudice and entered judgment in the defendants' favor. On May 31, 2013, the plaintiff filed an appeal with the United States Court of Appeals for the Ninth Circuit. The appeal has been fully briefed, but a date has not yet been set for oral argument.

A.J. Copeland v. Léo Apotheker, et al. ("Copeland II") is a lawsuit filed on February 10, 2014 in the United States District Court for the Northern District of California alleging, among other things, that the defendants used their control over HP and its corporate suffrage process in effectuating, directly participating in and/or aiding and abetting violations of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, and violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The complaint asserts claims for breach of fiduciary duty, waste of corporate assets, unjust enrichment, and breach of the duty of candor. The claims arise out of the circumstances at HP relating to its 2013 and 2014 proxy statements, the departure of Mr. Hurd as Chairman of HP's Board of Directors and HP's Chief Executive Officer, alleged violations of the FCPA, and HP's acquisition of 3PAR Inc. and Autonomy Corporation plc ("Autonomy"). On February 25, 2014, the court issued an order granting HP's administrative motion to relate *Copeland II* to *Copeland I*. On April 8, 2014, the court granted the parties' stipulation to stay the action pending resolution of *Copeland I* by the United States Court of Appeals for the Ninth Circuit.

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Note 15: Litigation and Contingencies (Continued)

Ernesto Espinoza v. Léo Apotheker, et al. and *Larry Salat v. Léo Apotheker, et al.* are consolidated lawsuits filed on September 21, 2011 in the United States District Court for the Central District of California alleging, among other things, that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by concealing material information and making false statements about HP's business model and the future of webOS, the TouchPad and HP's PC business. The lawsuits also allege that the defendants breached their fiduciary duties, wasted corporate assets and were unjustly enriched when they authorized HP's repurchases of its own stock on August 29, 2010 and July 21, 2011. These lawsuits were previously stayed pending developments in the *Gammel* matter, but those stays have been lifted. The plaintiffs filed an amended consolidated complaint on August 21, 2013, and, on October 28, 2013, the defendants filed a motion to stay these matters. In an order dated February 13, 2014, the court granted the motion to stay. At the August 11, 2014 status conference, the stay was lifted. The plaintiffs informed the court that they would move forward with their complaint. HP filed a motion to dismiss on November 21, 2014. On February 12, 2015, the plaintiffs advised HP that they intended to voluntarily dismiss these actions, and, on February 23, 2015, the parties filed a Joint Stipulation for Voluntary Dismissal of the Action (the "Dismissal"). On February 25, 2015, the court entered an order approving the Dismissal. HP provided notice of the Dismissal by filing it with the SEC on March 10, 2015 and posting it on HP's website. On April 10, 2015, the parties filed a joint request for dismissal of the action. On April 14, 2015, the court entered an order dismissing the action.

Luis Gonzalez v. Léo Apotheker, et al. and *Richard Tyner v. Léo Apotheker, et al.* are consolidated lawsuits filed on September 29, 2011 and October 5, 2011, respectively, in California Superior Court alleging, among other things, that the defendants breached their fiduciary duties, wasted corporate assets and were unjustly enriched by concealing material information and making false statements about HP's business model and the future of webOS, the TouchPad and HP's PC business and by authorizing HP's repurchase of its own stock on August 29, 2010 and July 21, 2011. The lawsuits are currently stayed pending resolution of the *Espinoza/Salat* consolidated action in federal court. On February 23, 2015, the parties filed a Joint Stipulation for Voluntary Dismissal of the Action. On February 25, 2015, the court entered an order approving the Dismissal. HP provided notice of the Dismissal by filing it with the SEC on March 10, 2015 and posting it on HP's website. On April 10, 2015, the parties filed a joint request for dismissal of the action and on April 13, 2015, the court entered an order dismissing the action.

Cement & Concrete Workers District Council Pension Fund v. Hewlett-Packard Company, et al. is a putative securities class action filed on August 3, 2012 in the United States District Court for the Northern District of California alleging, among other things, that from November 13, 2007 to August 6, 2010 the defendants violated Sections 10(b) and 20(a) of the Exchange Act by making statements regarding HP's Standards of Business Conduct ("SBC") that were false and misleading because Mr. Hurd, who was serving as HP's Chairman and Chief Executive Officer during that period, had been violating the SBC and concealing his misbehavior in a manner that jeopardized his continued employment with HP. On February 7, 2013, the defendants moved to dismiss the amended complaint. On August 9, 2013, the court granted the defendants' motion to dismiss with leave to amend the complaint by September 9, 2013. The plaintiff filed an amended complaint on September 9, 2013, and the defendants moved to dismiss that complaint on October 24, 2013. On June 25, 2014, the court issued an order granting the defendants' motions

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(Unaudited)

Note 15: Litigation and Contingencies (Continued)

to dismiss and on July 25, 2014, plaintiff filed a notice of appeal to the United States Court of Appeals for the Ninth Circuit. On November 4, 2014, the plaintiff-appellant filed its opening brief in the Court of Appeals for the Ninth Circuit. HP filed its answering brief on January 16, 2015 and the plaintiff-appellant's reply brief was filed on March 2, 2015. Oral argument has not yet been scheduled.

Autonomy-Related Legal Matters

Investigations. As a result of the findings of an ongoing investigation, HP has provided information to the U.K. Serious Fraud Office, the DOJ and the SEC related to the accounting improprieties, disclosure failures and misrepresentations at Autonomy that occurred prior to and in connection with HP's acquisition of Autonomy. On November 21, 2012, representatives of the U.S. Department of Justice advised HP that they had opened an investigation relating to Autonomy. On February 6, 2013, representatives of the U.K. Serious Fraud Office advised HP that they had also opened an investigation relating to Autonomy. On January 19, 2015, the U.K. Serious Fraud Office notified HP that it was closing its investigation and had decided to cede jurisdiction of the investigation to the U.S. authorities. HP is cooperating with the DOJ and the SEC, whose investigations are ongoing.

Litigation. As described below, HP is involved in various stockholder litigation relating to, among other things, its November 20, 2012 announcement that it recorded a non-cash charge for the impairment of goodwill and intangible assets within its Software segment of approximately $8.8 billion in the fourth quarter of its 2012 fiscal year and HP's statements that, based on HP's findings from an ongoing investigation, the majority of this impairment charge related to accounting improprieties, misrepresentations to the market and disclosure failures at Autonomy that occurred prior to and in connection with HP's acquisition of Autonomy and the impact of those improprieties, failures and misrepresentations on the expected future financial performance of the Autonomy business over the long term. This stockholder litigation was commenced against, among others, certain current and former HP executive officers, certain current and former members of HP's Board of Directors, and certain advisors to HP. The plaintiffs in these litigation matters are seeking to recover certain compensation paid by HP to the defendants and/or other damages. These matters include the following:

In re HP Securities Litigation consists of two consolidated putative class actions filed on November 26 and 30, 2012 in the United States District Court for the Northern District of California alleging, among other things, that from August 19, 2011 to November 20, 2012, the defendants violated Sections 10(b) and 20(a) of the Exchange Act by concealing material information and making false statements related to HP's acquisition of Autonomy and the financial performance of HP's enterprise services business. On May 3, 2013, the lead plaintiff filed a consolidated complaint alleging that, during that same period, all of the defendants violated Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5(b) by concealing material information and making false statements related to HP's acquisition of Autonomy and that certain defendants violated SEC Rule 10b-5(a) and (c) by engaging in a "scheme" to defraud investors. On July 2, 2013, HP filed a motion to dismiss the lawsuit. On November 26, 2013, the court granted in part and denied in part HP's motion to dismiss, allowing claims to

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Note 15: Litigation and Contingencies (Continued)

proceed against HP and Margaret C. Whitman based on alleged statements and/or omissions made on or after May 23, 2012. The court dismissed all of the plaintiff's claims that were based on alleged statements and/or omissions made between August 19, 2011 and May 22, 2012. The lead plaintiff filed a motion for class certification on November 4, 2014 and, on December 15, 2014, defendants filed their opposition to the motion. The hearing on the motion for class certification was held on March 20, 2015. The court has not yet issued a ruling.

In re Hewlett-Packard Shareholder Derivative Litigation consists of seven consolidated lawsuits filed beginning on November 26, 2012 in the United States District Court for the Northern District of California alleging, among other things, that the defendants violated Sections 10(b) and 20(a) of the Exchange Act by concealing material information and making false statements related to HP's acquisition of Autonomy and the financial performance of HP's enterprise services business. The lawsuits also allege that the defendants breached their fiduciary duties, wasted corporate assets and were unjustly enriched in connection with HP's acquisition of Autonomy and by causing HP to repurchase its own stock at allegedly inflated prices between August 2011 and October 2012. One lawsuit further alleges that certain individual defendants engaged in or assisted insider trading and thereby breached their fiduciary duties, were unjustly enriched and violated Sections 25402 and 25403 of the California Corporations Code. On May 3, 2013, the lead plaintiff filed a consolidated complaint alleging, among other things, that the defendants concealed material information and made false statements related to HP's acquisition of Autonomy and Autonomy's Intelligent Data Operating Layer technology and thereby violated Sections 10(b) and 20(a) of the Exchange Act, breached their fiduciary duties, engaged in "abuse of control" over HP, corporate waste and were unjustly enriched. The litigation was stayed until June 2014. The lead plaintiff filed a stipulation of proposed settlement on June 30, 2014. The court declined to grant preliminary approval to this settlement, and, on December 19, 2014, also declined to grant preliminary approval to a revised version of the settlement. On January 22, 2015, the lead plaintiff moved for preliminary approval of a further revised version of the settlement. On March 13, 2015, the court issued an order granting preliminary approval to the settlement. The court has scheduled a hearing for July 24, 2015 to hear any remaining objections to the settlement and decide whether to grant final approval of the settlement.

In re HP ERISA Litigation consists of three consolidated putative class actions filed beginning on December 6, 2012 in the United States District Court for the Northern District of California alleging, among other things, that from August 18, 2011 to November 22, 2012, the defendants breached their fiduciary obligations to HP's 401(k) Plan and its participants and thereby violated Sections 404(a)(1) and 405(a) of the Employee Retirement Income Security Act of 1974, as amended, by concealing negative information regarding the financial performance of Autonomy and HP's enterprise services business and by failing to restrict participants from investing in HP stock. On August 16, 2013, HP filed a motion to dismiss the lawsuit. On March 31, 2014, the court granted HP's motion to dismiss this action with leave to amend. On July 16, 2014, the plaintiffs filed a second amended complaint containing substantially similar allegations and seeking substantially similar relief as the first amended complaint. HP moved to dismiss the second amended complaint and a hearing on the motion was held on February 13, 2015. HP is awaiting a ruling from the court.

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(Unaudited)

Note 15: Litigation and Contingencies (Continued)

Vincent Ho v. Margaret C. Whitman, et al. is a lawsuit filed on January 22, 2013 in California Superior Court alleging, among other things, that the defendants breached their fiduciary duties and wasted corporate assets in connection with HP's acquisition of Autonomy and by causing HP to repurchase its own stock at allegedly inflated prices between August 2011 and October 2012. On April 22, 2013, the court stayed the lawsuit pending resolution of the *In re Hewlett-Packard Shareholder Derivative Litigation* matter in federal court. Two additional derivative actions, *James Gould v. Margaret C. Whitman, et al.* and *Leroy Noel v. Margaret C. Whitman, et al.*, were filed in California Superior Court on July 26, 2013 and August 16, 2013, respectively, containing substantially similar allegations and seeking substantially similar relief. Those actions also have been stayed pending resolution of the *In re Hewlett-Packard Shareholder Derivative Litigation* matter. If the settlement of the federal derivative case is finally approved, it will result in a release of the claims asserted in all three actions other than claims asserted against Michael Lynch, the former chief executive officer of Autonomy.

Cook v. Whitman, et al. is a lawsuit filed on March 18, 2014 in the Delaware Chancery Court, alleging, among other things, that the defendants breached their fiduciary duties and wasted corporate assets in connection with HP's acquisition of Autonomy. On May 15, 2014, HP moved to dismiss or stay the *Cook* matter. On July 22, 2014, the Delaware Chancery Court stayed the motion pending the United States District Court's hearing on preliminary approval of the proposed settlement in the *In re Hewlett- Packard Shareholder Derivative Litigation* matter. If the settlement of the federal derivative case is finally approved, it will result in a release of all the claims asserted in the *Cook* matter other than those asserted against Michael Lynch, Sushovan Hussain, the former chief financial officer of Autonomy, and Deloitte UK.

Environmental

HP's operations and products are subject to various federal, state, local and foreign laws and regulations concerning environmental protection, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, the content of HP's products and the recycling, treatment and disposal of those products. In particular, HP faces increasing complexity in its product design and procurement operations as it adjusts to new and future requirements relating to the chemical and materials composition of its products, their safe use, and the energy consumption associated with those products, including requirements relating to climate change. HP is also subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including computers and printers, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). HP could incur substantial costs, its products could be restricted from entering certain jurisdictions, and it could face other sanctions, if it were to violate or become liable under environmental laws or if its products become non-compliant with environmental laws. HP's potential exposure includes fines and civil or criminal sanctions, third-party property damage or personal injury claims and clean-up costs. The amount and timing of costs to comply with environmental laws are difficult to predict.

HP is party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act

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Note 15: Litigation and Contingencies (Continued)

("CERCLA"), known as "Superfund," or state laws similar to CERCLA, and may become a party to, or otherwise involved in, proceedings brought by private parties for contribution towards clean-up costs. HP is also conducting environmental investigations or remediations at several current or former operating sites pursuant to administrative orders or consent agreements with state environmental agencies.

Note 16: Guarantees

Guarantees

In the ordinary course of business, HP may issue performance guarantees to certain of its clients, customers and other parties pursuant to which HP has guaranteed the performance obligations of third parties. Some of those guarantees may be backed by standby letters of credit or surety bonds. In general, HP would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. HP believes the likelihood of having to perform under a material guarantee is remote.

HP has entered into service contracts with certain of its clients that are supported by financing arrangements. If a service contract is terminated as a result of HP's non-performance under the contract or failure to comply with the terms of the financing arrangement, HP could, under certain circumstances, be required to acquire certain assets related to the service contract. HP believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

Indemnifications

In the ordinary course of business, HP enters into contractual arrangements under which HP may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of HP or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. HP also provides indemnifications to certain vendors and customers against claims of IP infringement made by third parties arising from the vendors' and customers' use of HP's software products and services and certain other matters. Some indemnifications may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

Warranty

HP accrues the estimated cost of product warranties at the time it recognizes revenue. HP engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers; however, contractual warranty terms, repair costs, product call rates, average cost per call, current period product shipments and ongoing product failure rates, as well as specific product class failures outside of HP's baseline experience, affect the estimated warranty obligation.

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(Unaudited)

Note 16: Guarantees (Continued)

HP's aggregate product warranty liabilities and changes were as follows:

	Six months ended April 30, 2015
	In millions
Balance at beginning of period	$ 1,956
Accruals for warranties issued	755
Adjustments related to pre-existing warranties (including changes in estimates)	(46)
Settlements made (in cash or in kind)	(877)
Balance at end of period	$ 1,788

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEWLETT-PACKARD COMPANY AND SUBSIDIARIES

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

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

Overview. A discussion of our business and overall analysis of financial and other highlights affecting the company to provide context for the remainder of this MD&A. The overview analysis compares the three and six months ended April 30, 2015 to the prior-year periods.

Critical Accounting Policies and Estimates. A discussion of accounting policies and estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

Results of Operations. An analysis of our financial results comparing the three and six months ended April 30, 2015 to the prior-year periods. A discussion of results of operations at the consolidated level is followed by a more detailed discussion of results of operations by segment.

Liquidity and Capital Resources. An analysis of changes in our cash flows and a discussion of our financial condition and liquidity.

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

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

October 2014 Announcement of HP Separation Transaction

On October 6, 2014, we announced plans to separate into two independent publicly-traded companies: one comprising our enterprise technology infrastructure, software, services and financing businesses, which will conduct business as Hewlett-Packard Enterprise and one that will comprise our printing and personal systems businesses, which will conduct business as HP Inc. The separation is subject to certain conditions, including, among others, obtaining final approval from HP's Board of Directors, receipt of a favorable opinion and/or rulings with respect to the tax-free nature of the transaction for federal income tax purposes and the effectiveness of a Form 10 filing with the SEC. The separation is expected to be completed by the end of fiscal 2015. Under the separation plan, HP shareholders will own shares of both Hewlett-Packard Enterprise and HP Inc.

We will incur separation charges and foreign tax expenses associated with separating into two companies. These charges include finance, information technology ("IT"), consulting and legal fees, real estate, and other items that are incremental and one-time in nature. As of April 30, 2015, we continue to expect the total separation charges and net foreign tax expenses to be approximately $2.6 billion across fiscal 2015 and fiscal 2016. We are recording a deferred tax asset on these costs and expenses as they are incurred through fiscal 2015. We expect a portion of these deferred tax assets associated with separation costs and expenses will be eliminated, as non-deductible expenses, at the time the separation is executed. Furthermore, we have also concluded on the legal form of the separation and subsequent to April 30, 2015 announced that Hewlett Packard Enterprise will be the

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spinnee in the U.S. Accordingly, during the second half of fiscal 2015, we expect to effect certain internal reorganizations of, and transactions among, our wholly owned subsidiaries and operating activities in preparation for the legal form of separation. As a result, in future periods, we expect to record adjustments to certain deferred tax assets reflecting the impact of separation related activities. Our results of operations could be materially affected in any particular period by the impact of these matters. In addition, gross incremental foreign tax expenses related to the separation of foreign legal entities are estimated to be up to approximately $950 million in fiscal 2015 and we anticipate estimated foreign tax credits up to approximately $200 million in fiscal 2015 with additional tax credit amounts expected over several years. As of April 30, 2015, we also expect separation-related capital expenditures of approximately $300 million in fiscal 2015.

The following chart provides an overview of the planned separation and segment revenues of the respective businesses based on HP's fiscal 2014 financial results, excluding Corporate Investments and intercompany eliminations.

The following Overview, Results of Operations and Liquidity discussions and analysis compare the three and six months ended April 30, 2015 to the prior-year periods, unless otherwise noted. The Capital Resources and Contractual and Other Obligations discussions present information as of April 30, 2015, unless otherwise noted.

OVERVIEW

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

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

We have seven segments for financial reporting purposes: Personal Systems, Printing, the Enterprise Group ("EG"), Enterprise Services ("ES"), Software, HP Financial Services ("HPFS") and Corporate Investments.

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

	HP Consolidated	Printing and Personal Systems Group: Personal Systems	Printing and Personal Systems Group: Printing	Printing and Personal Systems Group: Total	Enterprise Group	Enterprise Services	Software	HPFS	Corporate Investments[3]
	In millions, except per share amounts								
Three months ended April 30, 2015									
Net revenue[1]	$ 25,453	$ 7,740	$ 5,453	$ 13,193	$ 6,561	$ 4,817	$ 892	$ 805	$ 2
Year-over-year change %	(6.8)%	(5.3)%	(6.5)%	(5.8)%	(1.1)%	(15.5)%	(8.1)%	(7.2)%	(66.7)%
Earnings from operations[2]	$ 1,431	$ 235	$ 996	$ 1,231	$ 950	$ 194	$ 160	$ 85	$ (144)
Earnings from operations as a % of net revenue	5.6%	3.0%	18.3%	9.3%	14.5%	4.0%	17.9%	10.6%	NM
Year-over-year change percentage points	(1.1) pts	(0.5) pts	(1.2) pts	(0.9) pts	0.1 pts	1.4 pts	(1.3) pts	(0.8) pts	NM
Net earnings	$ 1,011								
Net earnings per share									
Basic	$ 0.56								
Diluted	$ 0.55								

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

(2) Segment earnings from operations exclude corporate and unallocated costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, acquisition-related charges and separation costs.

(3) "NM" represents not meaningful.

Net revenue declined 6.8% (declined 2.2% on a constant currency basis) in the three months ended April 30, 2015, as compared to the prior-year period. The leading contributors to the net revenue decline were unfavorable currency impacts, key account runoff and soft demand in Infrastructure Technology Outsourcing ("ITO") in ES, lower desktop sales in Personal Systems and lower Printing supplies volume. Partially offsetting the net revenue decline was growth in Industry Standard Servers ("ISS") in the EG segment and growth in notebooks in Personal Systems. HP's gross margin decreased by 0.2 percentage points in the three months ended April 30, 2015 as compared to the prior-year period, due primarily to competitive pricing pressure in Printing, EG and Personal Systems, as well as a higher mix of ISS products. Partially offseting the gross margin decline was service delivery efficiencies and improvements in underperforming contracts in ES. HP's operating margin decreased by 1.1 percentage points in the three months ended April 30, 2015 as compared to the prior-year period, due primarily to the decline in gross margin, the impact of separation costs and higher acquisition-related charges, partially offset by lower selling, general and administrative ("SG&A") expenses and lower intangible asset amortization.

	HP Consolidated	Printing and Personal Systems Group: Personal Systems	Printing and Personal Systems Group: Printing	Printing and Personal Systems Group: Total	Enterprise Group	Enterprise Services	Software	HPFS	Corporate Investments[3]
	In millions, except per share amounts								
Six months ended April 30, 2015									
Net revenue[1]	$ 52,292	$ 16,284	$ 10,996	$ 27,280	$ 13,542	$ 9,810	$ 1,763	$ 1,608	$ 18
Year-over-year change %	(5.7)%	(2.5)%	(5.6)%	(3.8)%	(0.4)%	(13.2)%	(6.6)%	(7.4)%	(93.9)%
Earnings from operations[2]	$ 3,351	$ 548	$ 2,063	$ 2,611	$ 2,040	342	$ 317	$ 175	$ (268)
Earnings from operations as a % of net revenue	6.4%	3.4%	18.8%	9.6%	15.1%	3.5%	18.0%	10.9%	NM
Year-over-year change percentage points	(0.4) pts	0.0 pts	0.6 pts	0.1 pts	0.7 pts	1.7 pts	0.5 pts	(0.6) pts	NM
Net earnings	$ 2,377								
Net earnings per share									
Basic	$ 1.30								
Diluted	$ 1.29								

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

(2) Segment earnings from operations exclude corporate and unallocated costs, stock-based compensation expense, amortization of intangible assets, restructuring charges, acquisition-related charges and separation costs.

(3) "NM" represents not meaningful.

Net revenue declined 5.7% (declined 2.3% on a constant currency basis) in the six months ended April 30, 2015, as compared to the prior-year period. The leading contributors to the net revenue

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decline were unfavorable currency impacts, key account runoff and soft demand in ITO in ES, lower Printing supplies volume and lower desktop sales in Personal Systems. Partially offsetting the net revenue decline was growth from ISS in the EG segment and growth from notebooks in Personal Systems. HP's gross margin increased by 0.2 percentage points in the six months ended April 30, 2015 as compared to the prior-year period, due primarily to service delivery efficiencies and improvements in underperforming contracts in ES and a favorable supplies mix in Printing. Partially offsetting the gross margin increase was the benefit to the prior-year period from a sale of intellectual property ("IP"). We continue to experience gross margin pressures resulting from a competitive pricing environment across our hardware portfolio. HP's operating margin decreased by 0.4 percentage points in the six months ended April 30, 2015 as compared to the prior-year period, due primarily to separation costs, the impact of the IP sale in the prior-year period, and higher restructuring charges, partially offset by the gross margin increase, lower SG&A expenses which include the impact of a gain from the sale of real estate in the prior-year period and lower intangible asset amortization.

As of April 30, 2015, cash and cash equivalents and short- and long-term investments were $15.1 billion, representing a decrease of approximately $0.4 billion from the October 31, 2014 balance of $15.5 billion. During the six months of April 30, 2015, cash flow from operations generated $2.2 billion. Additionally, we issued $3.4 billion of commercial paper, repurchased $2.2 billion of common stock and paid dividends of $595 million to stockholders, made debt payments of $1.9 billion and invested $1.5 billion in property, plant and equipment net of proceeds from sales.

As we entered fiscal 2015, we continued to experience challenges that are representative of trends and uncertainties that may affect our business and results of operations. One set of challenges relates to continuing dynamic and accelerating market trends such as the growth in mobility and transition to cloud computing. Another set of challenges relates to changes in the competitive landscape. Our major competitors are expanding their product and service offerings with integrated products and solutions, our business-specific competitors are exerting increased competitive pressure in targeted areas and are entering new markets, our emerging competitors are introducing new technologies and business models, and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model changes and our go-to-market execution. The macroeconomic weakness we have experienced has moderated in some geographic regions but remains an overall challenge. A discussion of some of these challenges at the segment level is set forth below.

In Personal Systems, we are witnessing a softening demand in the Personal Computer ("PC") market as customers hold onto their PCs longer, thereby extending PC refresh cycles. The growth of and preference towards mobility form factors is also impacting demand for traditional notebooks and desktop tower PCs. To address this trend, HP is investing significantly in mobility form factors such as convertible notebooks, detachable notebooks, and commercial tablets in order to meet varying customer needs. Additionally, demand for PCs is being impacted by weaker macro-economic conditions in certain Asian and European markets. However, the pace of the market decline is expected to slow towards the second-half of 2015, supported by consumer with the launch of Windows 10. In Personal Systems, we are maintaining our strategic focus on profitable growth through improved market segmentation with respect to multi-operating system, multi-architecture, geography, customer segments and other key attributes.

In Printing, we are experiencing the impact of the growth in mobility and demand challenges in consumer and commercial markets. We are also experiencing an overall competitive pricing environment due to aggressive pricing from our Japanese competitors, given the weakness of the Yen. To be successful in addressing these challenges, we need to continue to execute on our key initiatives of focusing on products targeted at high usage categories, developing emerging market opportunities and introducing new revenue delivery models to consumer customers. In the consumer market, our Ink in the Office products are driving unit volume due to demand for our OfficeJet Pro product lines, particularly our OfficeJet Pro X printers which leverage our Page-Wide Array technology. The Ink in the Office initiative targets shifting ink into SMBs more

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profitably. In the commercial market, our focus is on placing higher value printer units which also offers a positive annuity of toner and accelerating growth in graphics. We are accomplishing this in several growth areas: in multi-function printers with recently introduced products that are increasing demand, in managed print services, which presents a strong after-market supplies opportunity, and in graphics with product innovation in our Indigo product line. We plan to continue this focus on replenishing the installed base with value-added units, and expanding our innovative ink, laser and graphics programs.

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

In ES, we are facing challenges, including managing the revenue runoff from several large contracts, pressured public sector spending, a competitive pricing environment and market pressures from a mixed economic recovery in Europe, the Middle East and Africa ("EMEA"). To be successful in addressing these challenges, we must execute on the ES multi-year turnaround plan, which includes a cost reduction initiative to align our costs to our revenue trajectory, a focus on new logo wins and Strategic Enterprise Services ("SES") and initiatives to improve execution in sales performance and accountability, contracting practices and pricing.

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Consolidated Condensed Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses, and disclosure of contingent liabilities. Our management believes that there have been no significant changes during the six months ended April 30, 2015 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2014.

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ACCOUNTING PRONOUNCEMENTS

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

RESULTS OF OPERATIONS

Revenue from our international operations has historically represented, and we expect will continue to represent, a majority of our overall net revenue. As a result, our revenue growth has been impacted, and we expect will continue to be impacted, by fluctuations in foreign currency exchange rates. In order to provide a framework for assessing performance excluding the impact of foreign currency fluctuations, we present the year-over-year percentage change in revenue on a constant currency basis, which assumes no change in foreign currency exchange rates from the prior-year period and doesn't adjust for any repricing or demand impacts from changes in foreign currency exchange rates. This information is provided so that revenue can be viewed without the effect of fluctuations in foreign currency exchange rates, which is consistent with how management evaluates our revenue results and trends. This constant currency disclosure is provided in addition to, and not as a substitute for, the year-over-year percentage change in revenue on a GAAP basis. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

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

	Three months ended April 30				Six months ended April 30			
	2015		2014		2015		2014	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	Dollars in millions							
Net revenue	$ 25,453	100.0%	$ 27,309	100.0%	$ 52,292	100.0%	$ 55,463	100.0%
Cost of sales[1]	19,345	76.0%	20,704	75.8%	39,916	76.3%	42,440	76.5%
Gross profit	6,108	24.0%	6,605	24.2%	12,376	23.7%	13,023	23.5%
Research and development	850	3.3%	873	3.2%	1,675	3.2%	1,684	3.0%
Selling, general and administrative	3,063	12.1%	3,391	12.4%	6,134	11.8%	6,601	12.0%
Amortization of intangible assets	221	0.8%	264	1.0%	443	0.8%	547	1.0%
Restructuring charges	255	1.0%	252	0.9%	401	0.8%	366	0.7%
Separation costs	269	1.1%			349	0.7%		
Acquisition-related charges	19	0.1%	3	0.0%	23	0.0%	6	0.0%
Earnings from operations	1,431	5.6%	1,822	6.7%	3,351	6.4%	3,819	6.8%
Interest and other, net	(139)	(0.5)%	(174)	(0.7)%	(313)	(0.6)%	(337)	(0.6)%
Earnings before taxes	1,292	5.1%	1,648	6.0%	3,038	5.8%	3,482	6.2%
Provision for taxes	(281)	(1.1)%	(375)	(1.3)%	(661)	(1.3)%	(784)	(1.3)%
Net earnings	$ 1,011	4.0%	$ 1,273	4.7%	$ 2,377	4.5%	$ 2,698	4.9%

[1] Cost of products, cost of services and financing interest.

Net Revenue

For the three months ended April 30, 2015, total net revenue decreased 6.8% (decreased 2.2% on a constant currency basis). U.S. net revenue decreased 1.9% to $9.0 billion, while net revenue from outside of the United States decreased 9.3% to $16.4 billion. For the six months ended April 30, 2015,

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total net revenue decreased 5.7% (decreased 2.3% on a constant currency basis). U.S. net revenue decreased 2.2% to $18.4 billion, while net revenue from outside of the United States decreased 7.5% to $33.9 billion.

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

	Three months ended April 30, 2015	Six months ended April 30, 2015
	Percentage Points	
Enterprise Services	(3.2)	(2.7)
Personal Systems	(1.6)	(0.8)
Printing	(1.4)	(1.2)
Enterprise Group	(0.3)	(0.1)
Software	(0.3)	(0.2)
HP Financial Services	(0.2)	(0.2)
Corporate Investments/Other	0.2	(0.5)
Total HP	(6.8)	(5.7)

Three months ended April 30, 2015 compared with three months ended April 30, 2014

For the three months ended April 30, 2015, total net revenue decreased 6.8 percentage points. From a segment perspective, the primary factors contributing to the change in net revenue are summarized as follows:

ES net revenue declined due primarily to unfavorable currency impacts, revenue runoff in key accounts and soft demand in ITO in new and existing accounts, particularly in EMEA;

Personal Systems net revenue decreased due primarily to unfavorable currency impacts, particularly in EMEA and a decline in desktops;

Printing net revenue decreased due primarily to a decline in Supplies, a decline in inkjet and LaserJet printers as a result of competitive pricing pressures and unfavorable currency impacts;

EG net revenue decreased due to unfavorable currency impacts and declines in TS, Networking, Storage and BCS;

Software net revenue decreased due primarily to unfavorable currency impacts and declines in licenses and professional services; and

HPFS net revenue decreased due primarily to unfavorable currency impacts and lower finance income from lower interest rate yield.

Six months ended April 30, 2015 compared with six months ended April 30, 2014

For the six months ended April 30, 2015, total net revenue decreased 5.7 percentage points. From a segment perspective, the primary factors contributing to the change in net revenue are summarized as follows:

ES net revenue declined due primarily to unfavorable currency impacts, revenue runoff in key accounts and soft demand in ITO in new and existing accounts, particularly in EMEA;

Personal Systems net revenue decreased due primarily to unfavorable currency impacts and an overall decline in desktops;

Printing net revenue decreased due primarily to a decline in Supplies, a decline in inkjet and LaserJet printers as a result of competitive pricing pressures and unfavorable currency impacts;

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EG net revenue decreased due to unfavorable currency impacts and declines in TS, Networking, Storage and BCS;

Software net revenue decreased due primarily to unfavorable currency impacts and declines in licenses and professional services;

HPFS net revenue decreased due primarily to unfavorable currency impacts, lower customer buyouts and lower portfolio revenue as a result of lower interest rate yield; and

Corporate Investments net revenue decreased due primarily to the sale of IP in the prior-year period.

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

Gross Margin

Three months ended April 30, 2015 compared with three months ended April 30, 2014

For the three months ended April 30, 2015, total gross margin decreased 0.2 percentage points. From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

Printing gross margin decreased due primarily to competitive pricing pressures on inkjet and LaserJet printers;

EG gross margin decreased due primarily to unfavorable currency impacts, competitive pricing and a higher mix of ISS products;

Personal Systems gross margin decreased due primarily to unfavorable currency impacts and a higher mix of consumer products;

HPFS gross margin decreased due primarily to unfavorable currency impacts and lower portfolio margins due to competitive pricing;

Software gross margin increased due primarily to a favorable mix of support and higher margins in license and support; and

ES gross margin increased due primarily to service delivery efficiencies and improving profit performance in under-performing contracts.

Six months ended April 30, 2015 compared with six months ended April 30, 2014

For the six months ended April 30, 2015, total gross margin increased 0.2 percentage points. From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

ES gross margin increased due primarily to service delivery efficiencies and improving profit performance in under-performing contracts;

Printing gross margin increased due primarily to favorable currency impacts from the Japanese Yen, a lower mix of home printers, a favorable mix of Supplies and rate improvements in graphics products;

Personal Systems gross margin increased due primarily to operational cost improvements and favorable component costs;

Software gross margin increased due primarily to a favorable mix of support and higher margins in support and license;

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EG gross margin decreased due primarily to unfavorable currency impacts, competitive pricing and a higher mix of ISS products;

HPFS gross margin decreased due primarily to unfavorable currency impacts, lower margins in asset management activity as a result of lower customer buyouts, and lower portfolio margins from competitive pricing; and

Corporate Investments gross margin decreased due to the sale of IP in the prior-year period.

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

Operating Expenses

Research and Development

R&D expense decreased 3% and 1% for the three and six months ended April 30, 2015, respectively, due primarily to favorable currency impacts partially offset by increases in Personal Systems, Technology Services in the EG segment and HP Labs as we make investments in our strategic focus areas of security, cloud, mobility and big data.

Selling, General and Administrative

SG&A expense decreased 10% for the three months ended April 30, 2015, due primarily to favorable currency impacts, declines in go-to-market costs as a result of lower commissions and productivity initiatives, and lower investments in systems and tools.

SG&A expense decreased 7% for the six months ended April 30, 2015, due primarily to favorable currency impacts, declines in go-to-market costs as a result of lower commissions and productivity initiatives, and lower investments in systems and tools. The decrease was partially offset by higher administrative expenses due to a gain from the sale of real estate in the prior-year period and employee costs for those employees dedicated to the separation.

Amortization of Intangible Assets

Amortization expense decreased for the three and six months ended April 30, 2015 due primarily to certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods.

Restructuring Charges

Restructuring charges increased for the three and six months ended April 30, 2015, due primarily to higher charges in connection with the multi-year restructuring plan initially announced in May 2012 (the "2012 Plan") and from increases to the 2012 Plan announced in May 2014.

Acquisition-Related Charges

Acquisition-related charges increased for the three and six months ended April 30, 2015, due primarily to professional service and legal fees associated with the acquisition of Aruba Networks, Inc.

Separation Costs

Separation costs for the three and six months ended April 30, 2015 period were primarily related to third-party consulting, contractor fees and other incremental costs.

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Interest and Other, Net

Interest and other, net expense decreased by $35 million for the three months ended April 30, 2015. The decrease was driven by lower interest expense due to lower weighted average interest rates and lower foreign currency transaction losses.

Interest and other, net expense decreased by $24 million for the six months ended April 30, 2015. The decrease was driven by lower interest expense due to lower weighted average interest rates partially offset by higher foreign currency transaction losses.

Provision for Taxes

Our effective tax rate was 21.7% and 22.8% for the three months ended April 30, 2015 and 2014, respectively, and 21.8% and 22.5% for the six months ended April 30, 2015 and 2014, respectively. Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from our operations in lower tax jurisdictions throughout the world. We have not provided U.S. taxes for all foreign earnings because we plan to reinvest some of those earnings indefinitely outside the U.S.

In the three and six months ended April 30, 2015, we recorded discrete items resulting in net tax benefits of $104 million and $185 million, respectively. These amounts included a tax benefit of $86 million and $115 million, for the three and six months ended April 30, 2015, respectively, on separation charges and a tax benefit of $32 million and $53 million for the three and six months ended April 30, 2015, respectively, on restructuring charges. The six month period ended April 30, 2015 also included a tax benefit of $47 million, arising from the retroactive research and development credit provided by the Tax Increase Prevention Act of 2014 signed into law in December 2014. These tax benefits were partially offset by various tax charges of $14 million and $30 million for the three and six months ended April 30, 2015.

In the three and six months ended April 30, 2014, we recorded discrete items resulting in net tax charges of $13 million and $35 million, respectively. These amounts include tax charges of $43 million and $80 million for the three and six months ended April 30, 2014, respectively, partially offset by tax benefits on restructuring charges of $30 million and $45 million for the three and six months ended April 30, 2014, respectively.

Segment Information

A description of the products and services for each segment can be found in Note 2 to the Consolidated Condensed Financial Statements in Item 1, which is incorporated herein by reference. Future changes to this organizational structure may result in changes to the segments disclosed.

Effective at the beginning of our first quarter of fiscal 2015, we implemented an organizational change to align our segment financial reporting more closely with our current business structure. This organizational change resulted in the transfer of third-party multi-vendor support arrangements from the TS business unit within the EG segment to the ITO business unit within the ES segment.

Printing and Personal Systems Group

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

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Personal Systems

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 7,740	$ 8,176	(5.3)%
Earnings from operations	$ 235	$ 290	(19.0)%
Earnings from operations as a % of net revenue	3.0%	3.5%	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 16,284	$ 16,706	(2.5)%
Earnings from operations	$ 548	$ 569	(3.7)%
Earnings from operations as a % of net revenue	3.4%	3.4%	

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

	Three months ended April 30, 2015	Six months ended April 30, 2015
	Percentage Points	
Desktop PCs	(7.1)	(5.4)
Workstations	(0.4)	(0.3)
Other	(0.2)	(0.3)
Notebook PCs	2.4	3.5
Total Personal Systems	(5.3)	(2.5)

Three months ended April 30, 2015 compared with three months ended April 30, 2014

Personal Systems net revenue decreased 5.3% (decreased 0.4% on a constant currency basis) for the three months ended April 30, 2015. The revenue decline in Personal Systems was due primarily to unfavorable currency impacts, particularly in EMEA and a decline in desktops. Net revenue for Notebook PCs increased 5%, Desktop PCs declined 17%, Workstations declined 6% and Other net revenue declined 4%. From a regional perspective, Personal Systems experienced a revenue decline in EMEA due to unfavorable currency impacts and a decline in Asia Pacific due primarily to the impact of the Windows XP operating system replacement in the prior-year period, the effects of which were partially offset by revenue growth in the Americas. Personal Systems net revenue decrease was driven by a 7.3% decline in average selling prices ("ASPs") while unit volume increased by 2%. The decline in ASPs was due primarily to unfavorable currency impacts, a shift in consumer PCs to low-end products, and an unfavorable mix of consumer PCs within Personal Systems. The unit volume increase was primarily led by growth in notebooks, both consumer and commercial, offset by a decline in desktops. Net revenue for commercial clients decreased 7% due primarily to higher revenue during the prior-year period as a result of the replacement of the Windows XP operating system, particularly in Japan. The revenue decline in commercial clients during the current period was also driven by unfavorable currency impacts and a decline in commercial desktops, the effects of which were partially offset by growth in commercial notebooks. Net revenue for consumer clients decreased 2% due primarily to unfavorable currency impacts and a decline in consumer desktops, the effects of which were partially offset by growth in consumer notebooks. The net revenue decline in Other was due primarily to unfavorable currency impacts, partially offset by increased sales of extended warranties and third-party options.

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Personal Systems earnings from operations as a percentage of net revenue decreased by 0.5 percentage points for the three months ended April 30, 2015 as a result of a decline in gross margin while operating expenses as a percentage of net revenue remained flat. The decline in gross margin was due primarily to unfavorable currency impacts and a higher mix of consumer products, the effects of which were partially offset by operational cost improvements and favorable component costs. Operating expenses as a percentage of net revenue remained flat due primarily to lower field selling costs as a result of operational cost improvements and favorable currency impacts, offset by the impact of the decline in revenue, higher administrative expenses as a result of lower bad debt recovery as compared to the prior-year period and higher R&D investments in our commercial, mobility and immersive computing products.

Six months ended April 30, 2015 compared with six months ended April 30, 2014

Personal Systems net revenue decreased 2.5% (increased 1.1% on a constant currency basis) for the six months ended April 30, 2015. The revenue decline in Personal Systems was due primarily to unfavorable currency impacts and an overall decline in desktops, the effects of which were partially offset by growth in notebooks, particularly consumer. Net revenue for Notebook PCs increased 7%, Desktop PCs declined 14%, Workstations declined 4% and Other net revenue declined 8%. From a regional perspective, Personal Systems experienced a revenue decline in EMEA and Asia Pacific, the effects of which were partially offset by revenue growth in the Americas. Personal Systems net revenue decreased as a result of a 7.8% decline in ASPs while unit volume increased 6.0%. The decline in ASPs was due primarily to unfavorable currency impacts, a shift in consumer PCs to low-end products and an unfavorable mix of consumer PCs. The unit volume increase was primarily led by growth in notebooks, both consumer and commercial, partially offset by an overall decline in desktops. Net revenue for commercial clients decreased 4.0% due primarily to unfavorable currency impacts and a decline in commercial desktops, the effects of which were partially offset by growth in commercial notebooks. Net revenue for consumer clients increased 0.3% due primarily to growth in consumer notebooks, partially offset by unfavorable currency impacts and a decline in consumer desktops. The net revenue decline in Other was due primarily to the sale of IP in the prior-year period and unfavorable currency impacts, the effects of which were partially offset by increased sales of extended warranties and third-party options.

Personal Systems earnings from operations as a percentage of net revenue remained flat for the six months ended April 30, 2015 as a result of an increase in gross margin offset by an increase in operating expenses as a percentage of net revenue. The increase in gross margin was due primarily to operational cost improvements and favorable component costs, the effects of which were partially offset by unfavorable currency impacts and a higher mix of consumer products. Operating expenses as a percentage of net revenue increased due primarily to higher administrative expenses as a result of lower bad debt recoveries as compared to the prior-year period and higher R&D investments in our commercial, mobility and immersive computing products, the effects of which were partially offset by a decline in field selling costs as a result of favorable currency impacts and operational cost improvements.

Printing

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 5,453	$ 5,834	(6.5)%
Earnings from operations	$ 996	$ 1,140	(12.6)%
Earnings from operations as a % of net revenue	18.3%	19.5%	

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	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 10,996	$ 11,649	(5.6)%
Earnings from operations	$ 2,063	$ 2,119	(2.6)%
Earnings from operations as a % of net revenue	18.8%	18.2%	

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

	Three months ended April 30, 2015	Six months ended April 30, 2015
	Percentage Points	
Supplies	(3.1)	(3.2)
Commercial Hardware	(1.7)	(1.1)
Consumer Hardware	(1.7)	(1.3)
Total Printing	(6.5)	(5.6)

Three months ended April 30, 2015 compared with three months ended April 30, 2014

Printing net revenue decreased 6.5% (decreased 4.8% on a constant currency basis) for the three months ended April 30, 2015. The decline in net revenue was due primarily to a decline in Supplies, a decline in inkjet and LaserJet printers as a result of competitive pricing pressures and unfavorable currency impacts, the effects of which were partially offset by growth in graphics products. Net revenue for Supplies decreased 5% due primarily to demand weakness, particularly in EMEA driven by a revenue decline in Russia, partially offset by growth in graphics supplies. Printer unit volumes decreased 4% while average revenue per unit ("ARU") decreased 7%. Printer unit volume decreased due primarily to our continued efforts to target high-value areas of the market, which resulted in a decline in home printer units, partially offset by increased units in LaserJet and graphics printers. The decline in printer ARU was due primarily to a competitive pricing environment and unfavorable currency impacts on LaserJet and inkjet printers. Net revenue for Commercial Hardware decreased 7% driven by an 8% decline in ARU, partially offset by a 1% growth in unit volume. The ARU decline in Commercial Hardware was due primarily to a decline in LaserJet and graphics printers as a result of unfavorable currency impacts and a competitive pricing environment. The unit volume increase in Commercial Hardware was due primarily to growth in LaserJet and graphics printers, partially offset by a decline in all-in-one mono laser printers. Net revenue for Consumer Hardware decreased 18% due primarily to a 6% decline in unit volume and a 14% decline in ARU, partially offset by an increase in other peripheral printing solutions. The unit volume decline in Consumer Hardware was due primarily to our continued efforts to target high-value areas of the market which resulted in lower sales of home printers, particularly in the Americas. The ARU decline in Consumer Hardware was due primarily to increased discounting for SMB and high-value home printers driven by a competitive pricing environment and unfavorable currency impacts.

Printing earnings from operations as a percentage of net revenue decreased by 1.2 percentage points for the three months ended April 30, 2015 due to a decline in gross margin and an increase in operating expenses as a percentage of net revenue. The decline in gross margin was due primarily to competitive pricing pressures on inkjet and LaserJet printers, partially offset by favorable currency impacts from the Japanese Yen, a lower mix of home printers and a favorable mix of Supplies. Operating expenses as a percentage of net revenue increased due primarily to higher administrative expenses as a result of lower bad debt recoveries as compared to the prior-year period, partially offset by favorable currency impacts, operational cost improvements and, lower marketing and R&D expenses.

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Six months ended April 30, 2015 compared with six months ended April 30, 2014

Printing net revenue decreased 5.6% (decreased 4.2% on a constant currency basis) for the six months ended April 30, 2015. The decline in net revenue was primarily driven by a decline in Supplies, a decline in inkjet and LaserJet printers as a result of competitive pricing pressures and unfavorable currency impacts, the effects of which were partially offset by growth in graphics products. Net revenue for Supplies decreased 5% due primarily to demand weakness, particularly in EMEA driven by a revenue decline in Russia, partially offset by growth in graphics supplies. Printer ARU decreased 4% while printer unit volumes decreased 4%. The decline in printer ARU was due primarily to a competitive pricing environment and unfavorable currency impacts on LaserJet and inkjet printers, the effects of which were partially offset by an improvement in graphics printers. Printer unit volume decreased due primarily to our continued efforts to target high-value areas of the market, which resulted in a decline in home printer units, partially offset by increased units in value multifunction laser and graphics printers. Net revenue for Commercial Hardware decreased 5% driven by a 5% decline in ARU while unit volume remained flat. The ARU decline in Commercial Hardware was due primarily to a decline in LaserJet printers as a result of unfavorable currency impacts, partially offset by an increase in graphics printers. In Commercial Hardware unit volume remained flat due primarily to growth in multifunction laser and graphics printers, offset by a decline in single-function laser printers. Net revenue for Consumer Hardware decreased 12% due primarily to a 9% decline in ARU and a 6% decline in unit volume, partially offset by an increase in other peripheral solutions. The ARU decline in Consumer Hardware was due primarily to increased discounting for SMB and home printers driven by a competitive pricing environment and unfavorable currency impacts. The unit volume decline in Consumer Hardware was due primarily to lower sales of home and SMB printers.

Printing earnings from operations as a percentage of net revenue increased by 0.6 percentage points for the six months ended April 30, 2015 due to an increase in gross margin combined with lower operating expenses as a percentage of net revenue. The gross margin increase was due primarily to favorable currency impacts from the Japanese Yen, a lower mix of home printers, a favorable mix of Supplies and rate improvements in graphics products the effects of which were partially offset by a competitive pricing environment and a lower mix of toner. Operating expenses as a percentage of net revenue decreased due primarily to favorable currency impacts, operational cost improvements and, lower marketing and R&D expenses, the effects of which were partially offset by higher administrative expenses as a result of lower bad debt recoveries as compared to the prior-year period.

Enterprise Group

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 6,561	$ 6,633	(1.1)%
Earnings from operations	$ 950	$ 957	(0.7)%
Earnings from operations as a % of net revenue	14.5%	14.4%	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 13,542	$ 13,603	(0.4)%
Earnings from operations	$ 2,040	$ 1,960	4.1%
Earnings from operations as a % of net revenue	15.1%	14.4%	

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

	Three months ended April 30, 2015	Six months ended April 30, 2015
	Percentage Points	
Technology Services	(2.7)	(2.1)
Networking	(1.5)	(1.2)
Storage	(1.0)	(0.5)
Business Critical Systems	(0.5)	(0.4)
Industry Standard Servers	4.6	3.8
Total EG	(1.1)	(0.4)

Three and six months ended April 30, 2015 compared with three and six months ended April 30, 2014

EG net revenue decreased 1.1% (increased 4.7% on a constant currency basis) and decreased 0.4% (increased 3.7% on a constant currency basis) for the three and six months ended April 30, 2015, respectively. We continued to experience challenges due to market trends, including the transition to cloud computing, as well as product and technology transitions, along with a highly competitive pricing environment. Net revenue growth in EG was negatively impacted by foreign currency fluctuations across all regions, primarily weakness in the euro. The net revenue decrease for both periods was driven by declines in TS, Networking, Storage and BCS partially offset by growth in ISS.

TS net revenue decreased 8% and 7% for the three and six months ended April 30, 2015, respectively, due primarily to a reduction in support for BCS and traditional storage products along with lower revenue from consulting services, the effects of which were partially offset by growth in HP Data Center Care and HP Proactive Care support solutions. Networking net revenue decreased 16% and 13% for the three and six months ended April 30, 2015, respectively, due primarily to execution challenges and competitive pressure which resulted in lower revenue from switching products, particularly in the Americas and China, and lower revenue from routing products in China. Storage net revenue decreased 8% and 4% for the three and six months ended April 30, 2015, respectively. In Storage we continue to experience market softness and operational challenges. For both the periods, we experienced a net revenue decline in traditional storage products, the effect of which was partially offset by revenue growth in Converged Storage solutions primarily in the 3PAR StoreServ products and StoreOnce. BCS net revenue decreased by 15% and 12% for the three and six months ended April 30, 2015, respectively, as a result of ongoing pressures from the overall UNIX market contraction, partially offset by revenue growth in NonStop products. ISS net revenue increased by 11% and 9% for the three and six months ended April 30, 2015, respectively. For both periods the net revenue increase was due primarily to a higher average unit prices ("AUPs") in rack and blade server products driven by higher option attach rates for memory, processors and hard drives. The AUP increase for rack products was also driven by a mix shift to the higher end HP ProLiant Gen9 server portfolio. Additionally, higher revenue from density optimized server products also contributed to the ISS net revenue increase.

EG earnings from operations as a percentage of net revenue increased by 0.1 percentage point and 0.7 percentage points for the three and six months ended April 30, 2015, due to a decrease in operating expenses as a percentage of net revenue partially offset by a decrease in gross margin. The decrease in gross margin for both periods was due primarily to unfavorable currency impacts, competitive pricing and a higher mix of ISS products, the effects of which were partially offset by improved cost management in TS, improved pricing in Storage and lower warranty costs. The decrease in operating expenses as a percentage of net revenue for the three and six months ended April 30, 2015 was due primarily to favorable currency impacts.

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Enterprise Services

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 4,817	$ 5,702	(15.5)%
Earnings from operations	$ 194	$ 148	31.1%
Earnings from operations as a % of net revenue	4.0%	2.6%	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 9,810	$ 11,297	(13.2)%
Earnings from operations	$ 342	$ 208	64.4%
Earnings from operations as a % of net revenue	3.5%	1.8%	

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

	Three months ended April 30, 2015	Six months ended April 30, 2015
	Percentage Points	
Infrastructure Technology Outsourcing	(12.7)	(9.7)
Application and Business Services	(2.8)	(3.5)
Total Enterprise Services	(15.5)	(13.2)

Three and six months ended April 30, 2015 compared with three and six months ended April 30, 2014

ES net revenue decreased 15.5% (decreased 9.5% on a constant currency basis) and decreased 13.2% (decreased 8.7% on a constant currency basis) for the three and six months ended April 30, 2015, respectively. Performance in ES remains challenged by the impact of several large contracts winding down and lower public sector spending in EMEA, particularly in the United Kingdom. The net revenue decrease in ES for both periods was due primarily to unfavorable currency impacts, revenue runoff in two key accounts and soft demand in ITO in new and existing accounts, particularly in EMEA. Net revenue in ITO decreased by 20% and 15% for the three and six months ended April 30, 2015, respectively, due to revenue runoff in two key accounts, weak growth in new and existing accounts, particularly in EMEA and unfavorable currency impacts. Net revenue in Application and Business Services ("ABS") declined by 8% and 9% for the three and six months ended April 30, 2015, respectively, due to unfavorable currency impacts and weak growth in new and existing accounts.

ES earnings from operations as a percentage of net revenue increased 1.4 percentage points and 1.7 percentage points for the three and six months ended April 30, 2015, respectively. The increase in operating margin for both the three and six months ended April 30, 2015 was due to an increase in gross margin coupled with a decrease in operating expense as a percentage of net revenue. Gross margin increased for both periods due primarily to service delivery efficiencies and improving profit performance in underperforming contracts, partially offset by the net revenue decrease. The decrease in operating expenses as a percentage of net revenue for both periods was primarily driven by lower field selling costs, which was due to favorable currency impacts and our sales transformation initiatives.

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Software

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 892	$ 971	(8.1)%
Earnings from operations	$ 160	$ 186	(14.0)%
Earnings from operations as a % of net revenue	17.9%	19.2%	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 1,763	$ 1,887	(6.6)%
Earnings from operations	$ 317	$ 331	(4.2)%
Earnings from operations as a % of net revenue	18.0%	17.5%	

Three and six months ended April 30, 2015 compared with three and six months ended April 30, 2014

Software net revenue decreased 8.1% (decreased 4.5% on a constant currency basis) and decreased 6.6% (decreased 3.8% on a constant currency basis) for the three and six months ended April 30, 2015, respectively. Revenue growth in Software is being challenged by the overall market and customer shift to SaaS solutions and execution challenges, both of which are impacting growth in license and support revenue.

For the three months ended April 30, 2015, net revenue from licenses, professional services, SaaS, and support decreased by 17%, 15%, 5% and 2%, respectively, while for the six months ended April 30, 2015, net revenue from licenses, professional services, SaaS, and support decreased by 17%, 11%, 2% and 1%, respectively. Net revenue growth was negatively impacted by foreign currency fluctuations across all regions, led primarily by weakness in the euro. The decrease in license revenue for both periods was due primarily to the market and customer shift to SaaS solutions and sales execution challenges. Professional services net revenue decreased for both periods due primarily to unfavorable currency impacts and our continued focus on higher-margin engagements, as a result, we experienced a net revenue decrease in IT management and big data solutions, partially offset by net revenue increase in security products. SaaS net revenue decreased for both periods due primarily to unfavourable currency impacts and sales execution issues, which resulted in lower revenue from big data solutions, partially offset by net revenue growth in IT management. The decrease in support revenue for both periods was due primarily to unfavorable currency impacts and past declines in license revenue, partially offset by growth in support revenue for security products.

For the three months ended April 30, 2015, Software earnings from operations as a percentage of net revenue decreased by 1.3 percentage points due to the increase in operating expenses as a percentage of net revenue, partially offset by an increase in gross margin. The increase in gross margin was due primarily to a favorable mix of support and a higher margin in license and support. The increase in operating expenses as a percentage of net revenue was due to the size of the revenue decline.

For the six months ended April 30, 2015, Software earnings from operations as a percentage of net revenue increased by 0.5 percentage points due to a decrease in operating expenses as a percentage of net revenue, coupled with an increase in gross margin. The increase in gross margin was due primarily to a favorable mix of support and a higher margin in support and license. The decrease in operating expenses as a percentage of net revenue was due to lower SG&A expenses as a result of lower field selling costs driven by expense management, partially offset by higher R&D expenses as a percentage of net revenue.

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HP Financial Services

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 805	$ 867	(7.2)%
Earnings from operations	$ 85	$ 99	(14.1)%
Earnings from operations as a % of net revenue	10.6%	11.4%	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 1,608	$ 1,737	(7.4)%
Earnings from operations	$ 175	$ 200	(12.5)%
Earnings from operations as a % of net revenue	10.9%	11.5%	

Three months ended April 30, 2015 compared with three months ended April 30, 2014

HPFS net revenue decreased 7.2% (decreased 0.2% on a constant currency basis) for the three months ended April 30, 2015, due primarily to unfavorable currency impacts and lower finance income from lower interest rate yield.

HPFS earnings from operations as a percentage of net revenue decreased by 0.8 percentage points for the three months ended April 30, 2015 due primarily to an increase in operating expenses as a percentage of net revenue coupled with a decrease in gross margin. The decrease in gross margin was the result of unfavorable currency impacts and lower portfolio margins due to competitive pricing, the effects of which were partially offset by lower bad debt expenses. The increase in operating expenses as a percentage of net revenue was due to higher SG&A expenses.

Six months ended April 30, 2015 compared with six months ended April 30, 2014

HPFS net revenue decreased 7.4% (decreased 2.3% on a constant currency basis) for the six months ended April 30, 2015. The net revenue decrease for the six months ended April 30, 2015 was due primarily to unfavorable currency impacts, lower customer buyouts and lower portfolio revenue as a result of lower interest rate yield.

HPFS earnings from operations as a percentage of net revenue decreased by 0.6 percentage points for the six months ended April 30, 2015, due primarily to an increase in operating expenses as a percentage of net revenue coupled with a decrease in gross margin. The decrease in gross margin was the result of unfavorable currency impacts, lower margins in asset management activity primarily due to lower customer buyouts, along with lower portfolio margins due to competitive pricing, the effects of which were partially offset by lower bad debt expenses. The increase in operating expenses as a percentage of net revenue was due to higher SG&A expenses.

Financing Volume

	Three months ended April 30		Six months ended April 30	
	2015	2014	2015	2014
	In millions			
Total financing volume	$ 1,440	$ 1,458	$ 3,005	$ 2,830

New financing volume, which represents the amount of financing provided to customers for equipment and related software and services, including intercompany activity, decreased 1.2% for the

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three months ended April 30, 2015 due primarily to unfavorable currency impacts, partially offset by higher financing associated with HP product sales and related services offerings.

New financing volume increased 6.2% for the six months ended April 30, 2015 driven by higher financing associated with HP product sales and related services offerings, partially offset by unfavorable currency impacts.

Portfolio Assets and Ratios

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

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

	April 30, 2015	October 31, 2014
	Dollars in millions	
Financing receivables, gross	$ 6,405	$ 6,670
Net equipment under operating leases	2,606	2,595
Capitalized profit on intercompany equipment transactions[1]	826	783
Intercompany leases[1]	2,182	2,199
Gross portfolio assets	12,019	12,247
Allowance for doubtful accounts[2]	104	111
Operating lease equipment reserve	63	68
Total reserves	167	179
Net portfolio assets	$ 11,852	$ 12,068
Reserve coverage	1.4%	1.5%
Debt-to-equity ratio[3]	7.0x	7.0x

(1) Intercompany activity is eliminated in consolidation.

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

(3) Debt attributable to HPFS consists of intercompany equity that is treated as debt for segment reporting purposes, intercompany debt, and borrowing- and funding-related activity associated with HPFS and its subsidiaries. Debt attributable to HPFS totaled $10.9 billion and $10.7 billion at April 30, 2015 and October 31, 2014, respectively. HPFS equity at April 30, 2015 and October 31, 2014 was $1.6 billion and $1.5 billion respectively. We believe the HPFS debt-to-equity ratio is comparable to that of other similar financing companies.

At April 30, 2015 and October 31, 2014, HPFS cash and cash equivalents balances were approximately $1.2 billion and $0.8 billion, respectively.

Net portfolio assets at April 30, 2015 decreased 1.8% from October 31, 2014. The decrease generally resulted from unfavorable currency impacts, partially offset by new financing volume in excess of portfolio runoff.

For the three and six months ended April 30, 2015, HPFS recorded net bad debt expenses and operating lease equipment reserves of $8 million and $16 million, respectively. For the comparable

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periods in fiscal 2014, net bad debt expenses and operating lease equipment reserves were $12 million and $20 million, respectively.

Corporate Investments

	Three months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 2	$ 6	(66.7)%
Loss from operations	$ (144)	$ (98)	(46.9)%
Loss from operations as a % of net revenue[1]	NM	NM	

	Six months ended April 30		
	2015	2014	% Change
	Dollars in millions		
Net revenue	$ 18	$ 294	(93.9)%
(Loss) earnings from operations[1]	$ (268)	$ 23	NM
(Loss) earnings from operations as a % of net revenue[1]	NM	7.8%	

(1) "NM" represents not meaningful.

Net revenue in Corporate Investments decreased for the six months ended April 30, 2015 due primarily to the sale of IP related to the Palm acquisition in the prior-year period.

The increase in loss from operations in Corporate Investments for the three months ended April 30, 2015 was due primarily to higher expenses associated with cloud-related incubation activities, HP Labs and global alliances. The increase in loss from operations for the six months ended April 30, 2015 was due primarily to the sale of IP in the prior-year period, higher expenses associated with cloud-related incubation activities, HP Labs and global alliances.

LIQUIDITY AND CAPITAL RESOURCES

We use cash generated by operations as our primary source of liquidity. We believe that internally generated cash flows are generally sufficient to support our operating businesses, capital expenditures, restructuring activities, separation activities, maturing debt, income tax payments and the payment of stockholder dividends, in addition to investments and share repurchases. We are able to supplement this short-term liquidity, if necessary, with broad access to capital markets and credit facilities made available by various domestic and foreign financial institutions. While our access to capital markets may be constrained and our cost of borrowing may increase under certain business, market and economic conditions, our access to a variety of funding sources to meet our liquidity needs is designed to facilitate continued access to capital resources under all such conditions. Our liquidity is subject to various risks including the risks identified in the section entitled "Risk Factors" in Item 1A of Part II and the market risks identified in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in Item 3 of Part I, which are incorporated herein by reference.

Our cash balances are held in numerous locations throughout the world, with substantially all of those amounts held outside of the U.S. We utilize a variety of planning and financing strategies in an effort to ensure that our worldwide cash is available when and where it is needed. Our cash position remains strong, and we expect that our cash balances, anticipated cash flow generated from operations and access to capital markets will be sufficient to cover our expected near-term cash outlays.

Amounts held outside of the U.S. are generally utilized to support non-U.S. liquidity needs, although a portion of those amounts may from time to time be subject to short-term intercompany loans into the U.S. Most of the amounts held outside of the U.S. could be repatriated to the U.S. but, under current law, some would be subject to U.S. federal income taxes, less applicable foreign tax

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credits. Repatriation of some foreign earnings is restricted by local law. Except for foreign earnings that are considered indefinitely reinvested outside of the U.S., we have provided for the U.S. federal tax liability on these earnings for financial statement purposes. Repatriation could result in additional income tax payments in future years. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of the U.S. and we would meet liquidity needs through ongoing cash flows, external borrowings, or both. We do not expect restrictions or potential taxes incurred on repatriation of amounts held outside of the U.S. to have a material effect on our overall liquidity, financial condition or results of operations.

Liquidity

	Six months ended April 30	
	2015	**2014**
	In millions	
Net cash provided by operating activities	$ 2,208	$ 5,985
Net cash used in investing activities	(1,639)	(1,194)
Net cash used in financing activities	(934)	(1,858)
Net (decrease) increase in cash and cash equivalents	$ (365)	$ 2,933

Operating Activities

Compared to the corresponding period in fiscal 2014, net cash provided by operating activities decreased by $3.8 billion for the six months ended April 30, 2015. The decrease was due primarily to higher cash payments for defined benefit pension plans, lower cash generated from working capital management activities, lower cash receipts from contract manufacturers, higher cash payments for accrued expenses, lower net earnings in the current period and unfavorable currency impacts.

As of April 30, 2015, the cash conversion cycle remained unchanged as compared to October 31, 2014. The cash conversion cycle decreased four days for the comparable period in the prior fiscal year. As a result, we generated less cash flow from operations from working capital activities in the current period as compared to the same period last fiscal year.

Our working capital metrics and cash conversion impacts were as follows:

	As of			As of			
	April 30, 2015	**October 31, 2014**	**Change**	**April 30, 2014**	**October 31, 2013**	**Change**	**Y/Y Change**
Days of sales outstanding in accounts receivable	44	44	0	47	49	(2)	(3)
Days of supply in inventory	29	27	2	25	24	1	4
Days of purchases outstanding in accounts payable	(69)	(67)	(2)	(59)	(56)	(3)	(10)
Cash conversion cycle	4	4	0	13	17	(4)	(9)

April 30, 2015 as compared to April 30, 2014

Days of sales outstanding in accounts receivable ("DSO") measures the average number of days our receivables are outstanding. DSO is calculated by dividing ending accounts receivable, net of allowance for doubtful accounts, by a 90-day average of net revenue. Compared to the corresponding period in fiscal 2014, the decrease in DSO was due primarily to improved accounts receivable management, currency impacts and favorable revenue linearity.

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Days of supply in inventory ("DOS") measures the average number of days from procurement to sale of our product. DOS is calculated by dividing ending inventory by a 90-day average of cost of goods sold. Compared to the corresponding period in fiscal 2014, the increase in DOS was driven by higher Supplies inventory to improve service levels as well as a slow-down in sales, higher ISS inventory to support future sales levels and a decline in cost of goods sold.

Days of purchases outstanding in accounts payable ("DPO") measures the average number of days our accounts payable balances are outstanding. DPO is calculated by dividing ending accounts payable by a 90-day average of cost of goods sold. Compared to the corresponding period in fiscal 2014, the increase in DPO was primarily the result of an extension of payment terms with our product suppliers and improvement in purchasing linearity.

The cash conversion cycle is the sum of DSO and DOS less DPO. The cash conversion cycle for the second quarter of fiscal 2015 ended below what we expect to be a long-term sustainable rate. Items which may cause the cash conversion cycle in a particular period to differ from a long-term sustainable rate include, but are not limited to, changes in business mix, changes in payment terms, extent of receivables factoring, seasonal trends and the timing of revenue recognition and inventory purchases within the period.

Investing Activities

Compared to the corresponding period in fiscal 2014, net cash used in investing activities increased by $0.4 billion for the six months ended April 30, 2015, due primarily to higher cash utilization for net investments in property, plant and equipment and investments in business acquisitions.

Financing Activities

Compared to the corresponding period in fiscal 2014, net cash used in financing activities decreased by $0.9 billion for the six months ended April 30, 2015. The decrease was due primarily to higher proceeds from the issuance of commercial paper, lower debt maturities partially offset by higher cash utilization for repurchases of common stock. For more information on our share repurchase programs, see Note 13 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Capital Resources

Debt Levels

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

Outstanding borrowings increased to $21.1 billion as of April 30, 2015, as compared to $19.5 billion at October 31, 2014, bearing weighted-average interest rates of 2.4% and 2.7%, respectively. During the six months of fiscal 2015, we issued $5.9 billion and repaid $3.1 billion of commercial paper, and repaid $1.4 billion of U.S. Dollar Global Notes.

During the next twelve months, $1.8 billion of U.S. Dollar Global Notes are scheduled to mature. For more information on our borrowings, see Note 12 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Our weighted-average interest rate reflects the average effective rate on our borrowings prevailing during the period and reflects the impact of interest rate swaps. For more information on our interest rate swaps, see Note 11 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

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Credit Agreement

On April 30, 2015, we entered into a credit agreement that provides for a senior unsecured delayed, multiple-draw term loan facility in the aggregate principal amount of $5.0 billion. The scheduled maturity date is the earlier of November 1, 2015 or the completion date of HP's separation. We have the option to extend the maturity date upon our request, subject to the agreement of the lenders. This facility contains customary representations and warranties and customary affirmative, negative and financial covenants. The financial covenant requires us to meet a quarterly financial test with respect to a minimum consolidated interest coverage ratio. As of April 30, 2015, we were in compliance with the financial covenants in the agreement and no amounts were outstanding. On May 15, 2015, we borrowed $2.5 billion under this credit agreement.

For more information on our credit agreements, see Note 12 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Available Borrowing Resources

We had the following resources available to obtain short- or long-term financing:

	As of April 30, 2015
	In millions
2012 Shelf Registration Statement[1]	Unspecified
Commercial paper programs	$13,396
Term loan facility	$5,000
Uncommitted lines of credit	$1,625

(1) The 2012 Shelf Registration Statement expired in May 2015.

For more information on our available borrowings resources, see Note 12 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Credit Ratings

Our credit risk is evaluated by major independent rating agencies based upon publicly available information as well as information obtained in our ongoing discussions with them. Our credit ratings as of April 30, 2015 were as follows:

	Standard & Poor's Ratings Services	Moody's Investors Service	Fitch Ratings Services
Short-term debt ratings	A-2	Prime-2	F2
Long-term debt ratings	BBB+	Baa1	A

After the announcement of our separation in October 2014, Standard & Poor's Rating Services and Fitch Rating Services placed us on negative watch. Additionally, Moody's Investors Service placed us under review for downgrade. While we do not have any rating downgrade triggers that would accelerate the maturity of a material amount of our debt, previous downgrades have increased the cost of borrowing under our credit facilities, have reduced market capacity for our commercial paper and have required the posting of additional collateral under some of our derivative contracts. In addition, any further downgrade to our credit ratings by any of these rating agencies may further impact us in a similar manner, and, depending on the extent of any such downgrade, could have a negative impact on our liquidity and capital position. We can rely on alternative sources of funding, including drawdowns under our credit facilities, if necessary, to offset potential reductions in the market capacity for our commercial paper.

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CONTRACTUAL AND OTHER OBLIGATIONS

Contractual Obligations

For contractual obligations see "Contractual and Other Obligations" in Item 7 of Part II of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, which is incorporated herein by reference. Our contractual obligations have not changed materially since October 31, 2014.

Retirement and Post-Retirement Benefit Plan Funding

For the remainder of fiscal 2015, we anticipate making contributions of approximately $170 million to our non-U.S. pension plans, and approximately $18 million to cover benefit payments to U.S. non-qualified pension plan participants. We also expect to pay approximately $22 million to cover benefit claims for our post-retirement benefit plans. Our policy is to fund our pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. For more information on our retirement and post-retirement benefit plans, see Note 4 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Restructuring Plans

As of April 30, 2015, we expect future cash payments of approximately $0.9 billion in connection with our approved restructuring plans which include $0.4 billion expected to be paid in the remainder of fiscal 2015 and $0.5 billion expected to be paid through fiscal 2021. For more information on our restructuring activities, see Note 3 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Separation Costs

As of April 30, 2015, we expect future cash payments of up to $2.2 billion in connection with our separation charges and net foreign tax payments, which are expected to be paid in the remainder of fiscal 2015 and in fiscal 2016, with additional tax credit amounts expected over later years. As of April 30, 2015, we also expect separation-related capital expenditures of approximately $200 million in the remainder of fiscal 2015.

Uncertain Tax Positions

As of April 30, 2015, we had approximately $3.6 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include $31 million expected to be paid within one year. For the remaining amount, we are unable to make a reasonable estimate as to when cash settlement with the tax authorities might occur due to the uncertainties related to these tax matters. Payments of these obligations would result from settlements with taxing authorities. For more information on our uncertain tax positions, see Note 6 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

Off-Balance Sheet Arrangements

As part of our ongoing business, we have not participated in transactions that generate material relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

We have third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers. The total aggregate maximum capacity of the financing

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arrangements was $2.9 billion as of April 30, 2015, including an aggregate maximum capacity of $1.1 billion in non-recourse financing arrangements and an aggregate maximum capacity of $1.8 billion in partial-recourse financing arrangements. For more information on our third-party revolving short-term financing arrangements, see Note 7 to the Consolidated Condensed Financial Statements in Item 1 of Part I, which is incorporated herein by reference.

FACTORS THAT COULD AFFECT FUTURE RESULTS

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

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

We are in the process of addressing many challenges facing our business. One set of challenges relates to dynamic and accelerating market trends, such as the decline in the PC market, the growth of multi-architecture devices running competing operating systems, the market shift towards tablets within mobility, the market shift to cloud-related infrastructure, software, and services, and the growth in software-as-a-service business models. Another set of challenges relates to changes in the competitive landscape. Our major competitors are expanding their product and service offerings with integrated products and solutions; our business-specific competitors are exerting increased competitive pressure in targeted areas and are going after new markets; our emerging competitors are introducing new technologies and business models; and our alliance partners in some businesses are increasingly becoming our competitors in others. A third set of challenges relates to business model and go-to-market execution. In addition, we are facing a series of significant macroeconomic challenges, including weakness across many geographic regions, particularly in the United States, Central Eastern Europe and Russia, and certain countries and businesses in Asia. We may experience delays in the anticipated timing of activities related to these efforts and higher than expected or unanticipated execution costs. In addition, we are vulnerable to increased risks associated with these efforts given our large portfolio of businesses, the broad range of geographic regions in which we and our customers and partners operate, and the integration of acquired businesses. If we do not succeed in these efforts, or if these efforts are more costly or time-consuming than expected, our business and results of operations may be adversely affected, which could limit our ability to invest in and grow our business.

In May 2012, we announced a company-wide restructuring plan. The restructuring plan includes both voluntary early retirement programs and non-voluntary workforce reductions. Significant risks associated with these actions that may impair our ability to achieve anticipated cost reductions or that may otherwise harm our business include delays in implementation of anticipated workforce reductions in highly regulated locations outside of the United States, particularly in Europe and Asia, decreases in employee morale and the failure to meet operational targets due to the loss of employees. In addition, our ability to achieve the anticipated cost savings and other benefits from these actions within the expected time frame is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays, or if other unforeseen events occur, our business and financial results could be adversely affected.

Competitive pressures could harm our revenue, gross margin and prospects.

We encounter aggressive competition from numerous and varied competitors in all areas of our business, and our competitors may target our key market segments. We compete primarily on the basis of technology, performance, price, quality, reliability, brand, reputation, distribution, range of products and services, ease of use of our products, account relationships, customer training, service and support,

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security, availability of application software, and internet infrastructure offerings. If our products, services, support and cost structure do not enable us to compete successfully based on any of those criteria, our results of operations and prospects could be harmed.

We have a large portfolio of businesses and must allocate resources across all of those businesses while competing with companies that have much smaller portfolios or specialize in one or more of these product lines. As a result, we may invest less in certain areas of our businesses than our competitors do, and these competitors may have greater financial, technical and marketing resources available to them than our businesses that compete against them. Industry consolidation also may affect competition by creating larger, more homogeneous and potentially stronger competitors in the markets in which we compete, and our competitors also may affect our business by entering into exclusive arrangements with existing or potential customers or suppliers.

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

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

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

Even if we are able to maintain or increase market share for a particular product, revenue could decline because the product is in a maturing industry or market segment or contains technology that is becoming obsolete. For example, our Storage business unit is experiencing the effects of a market transition towards converged products and solutions, which has led to a decline in demand for our traditional storage products. In addition, the performance of our Business Critical Systems business unit has been affected by the decline in demand for UNIX servers and concerns about the development of new versions of software to support our Itanium-based products. Revenue and margins also could decline due to increased competition from other types of products. For example, growing demand for an increasing array of mobile computing devices and the development of cloud-based solutions has reduced demand for some of our existing hardware products. In addition, refill and remanufactured alternatives for some of HP's LaserJet toner and inkjet cartridges compete with our printing supplies business.

If we cannot successfully execute on our strategy and continue to develop, manufacture and market products, services and solutions that meet customer requirements for innovation and quality, our revenue and gross margin may suffer.

Our long-term strategy is focused on leveraging our portfolio of hardware, software and services as we adapt to a changing and hybrid model of IT delivery and consumption driven by the growing adoption of cloud computing and increased demand for integrated IT solutions. To successfully execute

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on this strategy, we need to continue evolving our focus towards the delivery of integrated IT solutions for our customers and to continue to invest and expand into cloud computing, security, big data and mobility. Any failure to successfully execute this strategy, including any failure to invest sufficiently in strategic growth areas, could adversely affect our business, results of operation and financial results.

The process of developing new high-technology products, software, services and solutions and enhancing existing hardware and software products, services and solutions is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share and results of operations. For example, as the transition to an environment characterized by cloud-based computing and software being delivered as a service progresses, we must continue to successfully develop and deploy cloud-based solutions for our customers. We must make long-term investments, develop or obtain, and protect, appropriate intellectual property, and commit significant research and development and other resources before knowing whether our predictions will accurately reflect customer demand for our products, services and solutions. In addition, after we develop a product, we must be able to manufacture appropriate volumes quickly while also managing costs and preserving margins. To accomplish this, we must accurately forecast volumes, mixes of products and configurations that meet customer requirements, and we may not succeed at doing so within a given product's life cycle or at all. Any delay in the development, production or marketing of a new product, service or solution could result in us not being among the first to market, which could further harm our competitive position.

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

Our plan to separate into two independent publicly-traded companies is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.

On October 6, 2014, we announced plans to separate into two independent publicly-traded companies. The separation, which is currently targeted to be completed by the end of fiscal 2015, is subject to approval by our Board of Directors of the final terms of the separation and market, regulatory and certain other conditions. Unanticipated developments, including changes in the competitive conditions of Hewlett Packard Enterprise Company's and HP Inc.'s respective markets, possible delays in obtaining various tax opinions or rulings, regulatory approvals or clearances, the uncertainty of the financial markets and challenges in executing the separation, could delay or prevent

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the completion of the proposed separation, or cause the proposed separation to occur on terms or conditions that are different or less favorable than expected.

We have established a Separation Management Office tasked with driving the separation process. We expect that the process of completing the proposed separation will be time-consuming and involve significant costs and expenses, which may be significantly higher than what we currently anticipate and may not yield a discernible benefit if the separation is not completed. Executing the proposed separation will require significant time and attention from our senior management and employees, which could adversely affect our business, financial results and results of operations. We may also experience increased difficulties in attracting, retaining and motivating employees during the pendency of the separation and following its completion, which could harm our businesses.

The separation may not achieve some or all of the anticipated benefits.

We may not realize some or all of the anticipated strategic, financial, operational, marketing or other benefits from the separation. As independent publicly-traded companies, Hewlett Packard Enterprise and HP Inc. will be smaller, less diversified companies with a narrower business focus and may be more vulnerable to changing market conditions, which could materially and adversely affect their respective business, financial condition and results of operations. Further, there can be no assurance that the combined value of the common stock of the two publicly-traded companies will be equal to or greater than what the value of our common stock would have been had the proposed separation not occurred.

The proposed separation may result in disruptions to, and negatively impact our relationships with, our customers and other business partners.

Uncertainty related to the proposed separation may lead customers and other parties with which we currently do business or may do business in the future to terminate or attempt to negotiate changes in existing business relationships, or consider entering into business relationships with parties other than us. These disruptions could have a material and adverse effect on our businesses, financial condition, results of operations and prospects. The effect of such disruptions could be exacerbated by any delays in the completion of the separation.

The separation could result in substantial tax liability.

We intend to obtain an opinion of outside counsel to the effect that, for U.S. federal income tax purposes, the separation will qualify, for both HP and its stockholders, as a reorganization within the meaning of Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended. In addition, we intend to obtain a private letter ruling from the Internal Revenue Service (the "IRS") and/or one or more opinions of outside counsel regarding certain matters impacting the U.S. federal income tax treatment of the separation for HP, and certain related transactions, as transactions that are generally tax-free for U.S. federal income tax purposes. The opinions of outside counsel and any IRS private letter ruling will be based, among other things, on various factual assumptions we have authorized and representations we have made to outside counsel or the IRS. If any of these assumptions or representations are, or become, inaccurate or incomplete, reliance on the opinions and/or IRS private letter ruling may be affected. An opinion of outside counsel represents their legal judgment but is not binding on the IRS or any court. Accordingly, there can be no assurance that the IRS will not challenge the conclusions reflected in the opinions or that a court would not sustain such a challenge. In addition, we may incur certain tax costs in connection with the separation, including non-U.S. tax expense resulting from separations in multiple non-U.S. jurisdictions that do not legally provide for tax-free separations, which may be material.

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Economic weakness and uncertainty could adversely affect our revenue, gross margin and expenses.

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

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

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

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

Our revenue, gross margin and profit vary among our products and services, customer groups and geographic markets and therefore will likely be different in future periods than our current results. Our revenue depends on the overall demand for our products and services. Delays or reductions in customer IT spending could have a material adverse effect on demand for our products and services, which could result in a significant decline in our revenue. In addition, revenue declines in some of our businesses, particularly our services businesses, may affect revenue in our other businesses as we may lose cross-selling opportunities. Overall gross margins and profitability in any given period are dependent partially on the product, service, customer and geographic mix reflected in that period's net revenue. Competition, lawsuits, investigations and other risks affecting those businesses therefore may have a significant impact on our overall gross margin and profitability. Certain segments have a higher fixed cost structure and more variation in gross margins across their business units and product portfolios than others and may therefore experience significant operating profit volatility on a quarterly basis. In addition, newer geographic markets may be relatively less profitable due to investments associated with entering those markets and local pricing pressures, and we may have difficulty establishing and maintaining the operating infrastructure necessary to support the high growth rate

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associated with some of those markets. Market trends, industry shifts, competitive pressures, commoditization of products, seasonal rebates, increased component or shipping costs, regulatory impacts and other factors may result in reductions in revenue or pressure on gross margins of certain segments in a given period, which may lead to adjustments to our operations. Moreover, our efforts to address the challenges facing our business could increase the level of variability in our financial results because the rate at which we are able to realize the benefits from those efforts may vary from period to period.

If we fail to manage the distribution of our products and services properly, our revenue, gross margins and profitability could suffer.

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

Our financial results could be materially adversely affected due to channel conflicts or if the financial conditions of our channel partners were to weaken.

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

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

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

Our operations depend on our ability to anticipate our needs for components, products and services, as well as our suppliers' ability to deliver sufficient quantities of quality components, products and services at reasonable prices and in time for us to meet critical schedules. Given the wide variety

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of systems, products and services that we offer, the large number of our suppliers and contract manufacturers that are located around the world, and the long lead times required to manufacture, assemble and deliver certain components and products, problems could arise in production, planning, and inventory management that could seriously harm us. In addition, our ongoing efforts to optimize the efficiency of our supply chain could cause supply disruptions and be more expensive, time-consuming and resource intensive than expected. Other supplier problems that we could face include component shortages, excess supply, risks related to the terms of our contracts with suppliers, risks associated with contingent workers, and risks related to our relationships with single source suppliers, as described below.

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

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

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

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discontinue conducting business with us. Any of these actions by our competitors, OMs or suppliers could adversely affect our future results of operations and financial condition.

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

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

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

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or manmade disasters or catastrophic events, for which we are predominantly self-insured. The occurrence of any of these business disruptions could result in significant losses, seriously harm our revenue, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters and a portion of our research and development activities are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults known for seismic activity. In addition, six of our principal worldwide IT data centers are located in the southern United States, making our operations more vulnerable to natural disasters or other business disruptions occurring in that geographical area. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Shanghai, Singapore and India. We also rely on major logistics hubs primarily in Asia to manufacture and distribute our products and in the southwestern United States to import products into the Americas region. Our operations could be adversely affected if manufacturing, logistics or other

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operations in these locations are disrupted for any reason, including natural disasters, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near locations more vulnerable to the occurrence of the aforementioned business disruptions and being consolidated in certain geographical areas is unknown and remains uncertain.

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

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

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

Due to the international nature of our business, political or economic changes or other factors could harm our future revenue, costs and expenses, and financial condition.

Sales outside the United States make up approximately 65% of our net revenue. In addition, an increasing portion of our business activity is being conducted in emerging markets, including Brazil, Russia, India and China. Our future revenue, gross margin, expenses and financial condition could suffer due to a variety of international factors, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military or political conflicts;
- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products;
- local labor conditions and regulations, including local labor issues faced by specific HP suppliers and OMs;

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- managing a geographically dispersed workforce;
- changes in the regulatory or legal environment;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase our cost of doing business in certain jurisdictions, prevent us from shipping products to particular countries or markets, affect our ability to obtain favorable terms for components, increase our operating costs or lead to penalties or restrictions;
- difficulties associated with repatriating earnings generated or held abroad in a tax-efficient manner and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

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

Currencies other than the U.S. dollar, including the euro, the British pound, Chinese yuan renminbi and the Japanese Yen, can have an impact on our results (expressed in U.S. dollars). In particular, the economic uncertainties relating to European sovereign and other debt obligations and the related European financial restructuring efforts may cause the value of the euro to fluctuate. Currency variations also contribute to variations in sales of products and services in impacted jurisdictions. For example, in the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established. Accordingly, fluctuations in foreign currency rates, most notably the strengthening of the dollar against the euro, could adversely affect our revenue growth in future periods. In addition, currency variations can adversely affect margins on sales of our products in countries outside of the United States and margins on sales of products that include components obtained from suppliers located outside of the United States. We use a combination of forward contracts and options designated as cash flow hedges to protect against foreign currency exchange rate risks. The effectiveness of our hedges depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and services and highly volatile exchange rates. We may incur significant losses from our hedging activities due to factors such as volatility and currency variations. In addition, our hedging activities may be ineffective or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Losses associated with hedging activities also may impact our revenue and to a lesser extent our cost of sales and financial condition.

In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act (the "FCPA"). For example, as discussed in Note 15 to the Consolidated Condensed Financial Statements, the German Public Prosecutor's Office has been investigating allegations that certain current and former employees of HP engaged in bribery, embezzlement and tax evasion. In addition, the Polish Central Anti-Corruption Bureau is conducting investigations into potential FCPA violations by a former employee of an HP subsidiary in connection with certain public-sector transactions in Poland. Although we implement policies and procedures designed to facilitate compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such

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violation, even if prohibited by our policies, could have an adverse effect on our business and reputation.

Any failure by us to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully could harm our financial results, business and prospects, and the costs, expenses and other financial and operational effects associated with managing, completing and integrating acquisitions may result in financial results that are different than expected.

As part of our business strategy, we may acquire companies or businesses, divest businesses or assets, enter into strategic alliances and joint ventures and make investments to further our business (collectively, "business combination and investment transactions"). In order to pursue this strategy successfully, we must identify candidates for and successfully complete business combination and investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees. Risks associated with business combination and investment transactions include the following, any of which could adversely affect our revenue, gross margin, profitability and financial results:

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

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

Business combination and investment transactions have resulted, and in the future may result, in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, asset impairment charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.

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

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

Our due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices or internal control deficiencies.

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

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

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

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

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

Business combination and investment transactions may lead to litigation.

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

We have incurred and will incur additional depreciation and amortization expense over the useful lives of certain assets acquired in connection with business combination and investment transactions, and, to the extent that the value of goodwill or intangible assets acquired in connection with a business combination and investment transaction becomes impaired, we may be required to incur additional material charges relating to the impairment of those assets. For example, in our third fiscal quarter of 2012, we recorded an $8.0 billion impairment charge relating to the goodwill associated with our enterprise services reporting unit within our former Services segment and a $1.2 billion impairment charge as a result of an asset impairment analysis of the "Compaq" trade name acquired in 2002. In addition, in our fourth fiscal quarter of 2012, we recorded an $8.8 billion impairment charge relating to the goodwill and intangible assets associated with Autonomy. If there are future decreases in our stock price or significant changes in the business climate or results of operations of our reporting units, we may incur additional charges, which may include goodwill impairment or intangible asset charges.

Integration issues are often complex, time-consuming and expensive and, without proper planning and implementation, could significantly disrupt our business and the acquired business. The challenges involved in integration include:

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

convincing customers and distributors that the transaction will not diminish client service standards or business focus, persuading customers and distributors to not defer purchasing decisions or switch to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and expanding and coordinating sales, marketing and distribution efforts;

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

minimizing the diversion of management attention from ongoing business concerns;

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

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

achieving savings from supply chain integration; and

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

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

Our revenue, cost of sales, and expenses may suffer if we cannot continue to license or enforce the intellectual property rights on which our businesses depend or if third parties assert that we violate their intellectual property rights.

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

Because of the rapid pace of technological change in the information technology industry, much of our business and many of our products rely on key technologies developed or licensed by third-parties. We may not be able to obtain or continue to obtain licenses and technologies from these third-parties at all or on reasonable terms, or such third-parties may demand cross-licenses to our intellectual property. In addition, it is possible that as a consequence of a merger or acquisition, third-parties may obtain licenses to some of our intellectual property rights or our business may be subject to certain restrictions that were not in place prior to the transaction. Consequently, we may lose a competitive advantage with respect to these intellectual property rights or we may be required to enter into costly arrangements in order to terminate or limit these rights.

Third-parties also may claim that we or customers indemnified by us are infringing upon their intellectual property rights. For example, individuals and groups may purchase intellectual property assets for the purpose of asserting claims of infringement and attempting to extract settlements from companies such as HP and its customers. The number of these claims has increased in recent periods and may continue to increase in the future. If we cannot or do not license infringed intellectual property at all or on reasonable terms, or if we are required to substitute similar technology from another source, our operations could be adversely affected. Even if we believe that intellectual property claims are without merit, they can be time-consuming and costly to defend against and may divert management's attention and resources away from our business. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements, pay costly damage awards, or face a temporary or permanent injunction prohibiting us

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from importing, marketing or selling certain of our products. Even if we have an agreement to indemnify us against such costs, the indemnifying party may be unable or unwilling to uphold its contractual obligations to us.

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

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

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

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

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

Some of our IT services agreements require significant investment in the early stages that is expected to be recovered through billings over the life of the agreement. These agreements often involve the construction of new IT systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each agreement with these characteristics, and some or all elements of service delivery under these agreements are dependent upon successful completion of the development, construction and

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deployment phases. Any failure to perform satisfactorily under these agreements may expose us to legal liability, result in the loss of customers and harm our reputation, which could decrease the revenues and profitability of our IT services business.

Some of our outsourcing services agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third-party. The benchmarking process typically compares the contractual price of our services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed upon adjustment and normalization factors. Generally, if the benchmarking study shows that our pricing has a difference outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith any appropriate adjustments to the pricing. This may result in the reduction of our rates for the benchmarked services performed after the implementation of those pricing adjustments, which could decrease the cash flows of our IT services business.

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

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

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

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HP's stock price has historically fluctuated and may continue to fluctuate, which may make future prices of HP's stock difficult to predict.

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

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

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

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

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

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

- the timing and amount of share repurchases by HP.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to HP's performance also may affect the price of HP stock. For these reasons, investors should not rely on recent or historical trends to predict future stock prices, financial condition, results of operations or cash flows. In addition, as discussed in Note 15 to the Consolidated Condensed Financial Statements, we are involved in several securities class action litigation matters. Additional volatility in the price of our securities could result in the filing of additional securities class action litigation matters, which could result in substantial costs and the diversion of management time and resources.

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

Our credit risk is evaluated by the major independent rating agencies. Two of those rating agencies, Moody's Investors Service and Standard & Poor's Ratings Services, downgraded our ratings once during fiscal 2012, and a third rating agency, Fitch Ratings, downgraded our ratings twice during that fiscal year. In addition, Moody's Investors Service downgraded our ratings again in November 2012. Past downgrades have increased the cost of borrowing under our credit facilities, have reduced market capacity for our commercial paper, and may require the posting of additional collateral under some of our derivative contracts. There can be no assurance that we will be able to maintain our current credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may further impact us in a similar manner and may have a negative impact on our liquidity, capital position and access to capital markets.

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

In connection with the preparation of HP's Consolidated Financial Statements, we use certain estimates and assumptions based on historical experience and other factors. Our most critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of this report. In addition, as discussed in Note 15 to the Consolidated Condensed Financial Statements, we make certain estimates, including decisions related to provisions for legal proceedings and other contingencies. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, it could adversely affect our results of operations.

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

We are subject to income and other taxes in the United States and numerous non-U.S. jurisdictions. Our tax liabilities are affected by the amounts we charge in intercompany transactions for inventory, services, licenses, funding and other items. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. In addition, our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In addition, proposals for tax legislation have been introduced or are being considered that could have significant adverse effects on our tax rate, the carrying value of deferred tax assets, or our deferred tax liabilities. Any of these changes could affect our profitability.

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

In order to be successful, we must attract, retain, train, motivate, develop and transition qualified executives and other key employees, including those in managerial, technical, sales, marketing and IT support positions. Identifying, developing internally or hiring externally, training and retaining qualified executives, engineers, skilled solutions providers in the IT support business and qualified sales representatives are critical to our future, and competition for experienced employees in the IT industry can be intense. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including cash- and share-based compensation. Our share-based incentive awards include stock options, restricted stock units and performance-based restricted units, some of which contain conditions relating to HP's stock price performance and HP's long-term financial performance that make the future value of those awards uncertain. If the anticipated value of such share-based incentive awards does not materialize, if our share-based compensation otherwise ceases to be viewed as a valuable benefit, if our total compensation package is not viewed as being competitive, or if we do not obtain the shareholder

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approval needed to continue granting share-based incentive awards in the amounts we believe are necessary, our ability to attract, retain, and motivate executives and key employees could be weakened. The failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business, and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

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

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

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

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

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

Terrorist acts, conflicts or wars (wherever located around the world) may cause damage or disruption to our business, our employees, facilities, partners, suppliers, distributors, resellers or

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

Unforeseen environmental costs could adversely affect our business and results of operations.

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

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

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

authorizing blank check preferred stock, which we could issue with voting, liquidation, dividend and other rights superior to our common stock;

limiting the liability of, and providing indemnification to, our directors and officers;

specifying that our stockholders may take action only at a duly called annual or special meeting of stockholders and otherwise in accordance with our bylaws and limiting the ability of our stockholders to call special meetings;

requiring advance notice of proposals by our stockholders for business to be conducted at stockholder meetings and for nominations of candidates for election to our Board of Directors; and

controlling the procedures for conduct of our Board of Directors and stockholder meetings and election, appointment and removal of our directors.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk affecting HP, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014, which is incorporated herein by reference. Our exposure to market risk has not changed materially since October 31, 2014.

Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to HP, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to HP's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any change in our internal control over financial reporting during that quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information contained in Note 15 to the Consolidated Condensed Financial Statements in Part I, Item 1 is incorporated herein by reference.

Item 1A. Risk Factors.

A description of factors that could materially affect our business, financial condition or operating results is included under "Factors that Could Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in Item 2 of Part I of this report. This description includes any material changes to the risk factor disclosure in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended October 31, 2014 and is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
	In thousands, except per share amounts			
Month #1 (February 2015)	6,278	$ 37.68	6,278	$ 3,109,353
Month #2 (March 2015)	9,130	$ 33.43	9,130	$ 2,804,165
Month #3 (April 2015)	3,641	$ 32.29	3,641	$ 2,686,593
Total	19,049	$ 34.61	19,049	

On July 21, 2011, HP's Board of Directors authorized a $10.0 billion share repurchase program. HP may choose to repurchase shares when sufficient liquidity exists and the shares are trading at a discount relative to estimated intrinsic value. This program, which does not have a specific expiration date, authorizes repurchases in the open market or in private transactions. All share repurchases settled in the second quarter of fiscal 2015 were open market transactions. As of April 30, 2015, HP had remaining authorization of $2.7 billion for future share repurchases.

Item 5. Other Information.

None.

Item 6. Exhibits.

The Exhibit Index beginning on page 110 of this report sets forth a list of exhibits.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEWLETT-PACKARD COMPANY

/s/ CATHERINE A. LESJAK

Catherine A. Lesjak
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

Date: June 8, 2015

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HEWLETT-PACKARD COMPANY AND SUBSIDIARIES
EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
2(a)	Agreement and Plan of Merger, dated as of March 2, 2015, among the Registrant, Aspen Acquisition Sub, Inc. and Aruba Networks, Inc.**	8-K	001-04423	2.1	March 2, 2015
3(a)	Registrant's Certificate of Incorporation.	10-Q	001-04423	3(a)	June 12, 1998
3(b)	Registrant's Amendment to the Certificate of Incorporation.	10-Q	001-04423	3(b)	March 16, 2001
3(c)	Registrant's Amended and Restated Bylaws effective November 20, 2013.	8-K	001-04423	3.1	November 26, 2013
4(a)	Senior Indenture between the Registrant and The Bank of New York Mellon Trust Company, National Association, as successor in interest to J.P. Morgan Trust Company, National Association (formerly known as Chase Manhattan Bank and Trust Company, National Association), as Trustee, dated June 1, 2000.	S-3	333-134327	4.9	June 7, 2006
4(b)	Form of Subordinated Indenture.	S-3	333-30786	4.2	March 17, 2000
4(c)	Form of Registrant's 5.40% Global Note due March 1, 2017.	8-K	001-04423	4.3	February 28, 2007
4(d)	Form of Registrant's 5.50% Global Note due March 1, 2018.	8-K	001-04423	4.3	February 29, 2008
4(e)	Form of Registrant's 2.125% Global Note due September 13, 2015 and form of related Officers' Certificate.	8-K	001-04423	4.3 and 4.4	September 13, 2010
4(f)	Form of Registrant's 2.200% Global Note due December 1, 2015 and 3.750% Global Note due December 1, 2020 and form of related Officers' Certificate.	8-K	001-04423	4.1, 4.2 and 4.3	December 2, 2010
4(g)	Form of Registrant's 2.650% Global Note due June 1, 2016 and 4.300% Global Note due June 1, 2021 and form of related Officers' Certificate.	8-K	001-04423	4.4, 4.5 and 4.6	June 1, 2011

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4(h)	Form of Registrant's 2.350% Global Note due March 15, 2015, 3.000% Global Note due September 15, 2016, 4.375% Global Note due September 15, 2021 and 6.000% Global Note due September 15, 2041 and form of related Officers' Certificate.	8-K	001-04423	4.2, 4.3, 4.4, 4.5 and 4.6	September 19, 2011
4(i)	Form of Registrant's 3.300% Global Note due December 9, 2016, 4.650% Global Note due December 9, 2021 and related Officers' Certificate.	8-K	001-04423	4.2, 4.3 and 4.4	December 12, 2011
4(j)	Form of Registrant's 2.600% Global Note due September 15, 2017 and 4.050% Global Note due September 15, 2022 and related Officers' Certificate.	8-K	001-04423	4.1, 4.2 and 4.3	March 12, 2012
4(k)	Form of Registrant's 2.750% Global Note due January 14, 2019 and Floating Rate Global Note due January 14, 2019 and related Officers' Certificate.	8-K	001-04423	4.1, 4.2 and 4.3	January 14, 2014
4(l)	Specimen certificate for the Registrant's common stock.	8-A/A	001-04423	4.1	June 23, 2006
10(a)	Registrant's 2004 Stock Incentive Plan.*	S-8	333-114253	4.1	April 7, 2004
10(b)	Registrant's 2000 Stock Plan, amended and restated effective September 17, 2008.*	10-K	001-04423	10(b)	December 18, 2008
10(c)	Registrant's Excess Benefit Retirement Plan, amended and restated as of January 1, 2006.*	8-K	001-04423	10.2	September 21, 2006
10(d)	Hewlett-Packard Company Cash Account Restoration Plan, amended and restated as of January 1, 2005.*	8-K	001-04423	99.3	November 23, 2005
10(e)	Registrant's 2005 Pay-for-Results Plan, as amended.*	10-K	001-04423	10(h)	December 14, 2011
10(f)	Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	8-K	001-04423	10.1	September 21, 2006
10(g)	First Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(q)	June 8, 2007

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(h)	Registrant's Executive Severance Agreement.*	10-Q	001-04423	10(u)(u)	June 13, 2002
10(i)	Registrant's Executive Officers Severance Agreement.*	10-Q	001-04423	10(v)(v)	June 13, 2002
10(j)	Form letter regarding severance offset for restricted stock and restricted units.*	8-K	001-04423	10.2	March 22, 2005
10(k)	Second Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-04423	10(l)(l)	December 18, 2007
10(l)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California).*	8-K	001-04423	10.2	January 24, 2008
10(m)	Form of Agreement Regarding Confidential Information and Proprietary Developments (Texas).*	10-Q	001-04423	10(o)(o)	March 10, 2008
10(n)	Form of Stock Option Agreement for Registrant's 2004 Stock Incentive Plan.*	10-Q	001-04423	10(r)(r)	March 10, 2008
10(o)	Form of Option Agreement for Registrant's 2000 Stock Plan.*	10-Q	001-04423	10(t)(t)	June 6, 2008
10(p)	Form of Common Stock Payment Agreement for Registrant's 2000 Stock Plan.*	10-Q	001-04423	10(u)(u)	June 6, 2008
10(q)	Third Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-04423	10(v)(v)	December 18, 2008
10(r)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options.*	10-K	001-04423	10(y)(y)	December 18, 2008
10(s)	First Amendment to the Hewlett-Packard Company Excess Benefit Retirement Plan.*	10-Q	001-04423	10(b)(b)(b)	March 10, 2009
10(t)	Fourth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(c)(c)(c)	June 5, 2009

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(u)	Fifth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(d)(d)(d)	September 4, 2009
10(v)	Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan.*	8-K	001-04423	10.2	March 23, 2010
10(w)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options.*	10-K	001-04423	10(i)(i)(i)	December 15, 2010
10(x)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California new hires).*	10-K	001-04423	10(j)(j)(j)	December 15, 2010
10(y)	Form of Agreement Regarding Confidential Information and Proprietary Developments (California current employees).*	10-K	001-04423	10(k)(k)(k)	December 15, 2010
10(z)	First Amendment to the Registrant's Executive Deferred Compensation Plan, as amended and restated effective October 1, 2004.*	10-Q	001-04423	10(o)(o)(o)	September 9, 2011
10(a)(a)	Sixth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(p)(p)(p)	September 9, 2011
10(b)(b)	Employment offer letter, dated September 27, 2011, between the Registrant and Margaret C. Whitman.*	8-K	001-04423	10.2	September 29, 2011
10(c)(c)	Seventh Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-04423	10(e)(e)(e)	December 14, 2011
10(d)(d)	Registrant's Severance Plan for Executive Officers, as amended and restated September 18, 2013.*	10-K	001-04423	10(q)(q)	December 30, 2013
10(e)(e)	Aircraft Time Sharing Agreement, dated March 16, 2012, between the Registrant and Margaret C. Whitman.*	10-Q	001-04423	10(h)(h)(h)	June 8, 2012
10(f)(f)	Second Amended and Restated Hewlett-Packard Company 2004 Stock Incentive Plan, as amended effective February 28, 2013.*	8-K	001-04423	10.2	March 21, 2013

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(g)(g)	Aircraft Time Sharing Agreement, dated April 22, 2013, between the Registrant and John M. Hinshaw.*	10-Q	001-04423	10(t)(t)	June 6, 2013
10(h)(h)	Form of Stock Notification and Award Agreement for awards of restricted stock units.*	10-Q	001-04423	10(u)(u)	March 11, 2014
10(i)(i)	Form of Stock Notification and Award Agreement for awards of foreign stock appreciation rights.*	10-Q	001-04423	10(v)(v)	March 11, 2014
10(j)(j)	Form of Stock Notification and Award Agreement for long-term cash awards.*	10-Q	001-04423	10(w)(w)	March 11, 2014
10(k)(k)	Form of Stock Notification and Award Agreement for awards of non-qualified stock options.*	10-Q	001-04423	10(x)(x)	March 11, 2014
10(l)(l)	Form of Grant Agreement for grants of performance-adjusted restricted stock units.*	10-Q	001-04423	10(y)(y)	March 11, 2014
10(m)(m)	Form of Stock Notification and Award Agreement for awards of restricted stock.*	10-Q	001-04423	10(z)(z)	March 11, 2014
10(n)(n)	Form of Stock Notification and Award Agreement for awards of performance-contingent non-qualified stock options.*	10-Q	001-04423	10(a)(a)(a)	March 11, 2014
10(o)(o)	Form of Grant Agreement for grants of performance-contingent non-qualified stock options.*	10-Q	001-04423	10(b)(b)(b)	March 11, 2014
10(p)(p)	Eighth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(c)(c)(c)	March 11, 2014
10(q)(q)	Ninth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-Q	001-04423	10(d)(d)(d)	March 11, 2014
10(r)(r)	Tenth Amendment to the Registrant's 2005 Executive Deferred Compensation Plan, as amended and restated effective October 1, 2006.*	10-K	001-0442	10(e)(e)(e)	December 17, 2014
10(s)(s)	Form of Grant Agreement for grants of restricted stock units.*	10-Q	001-04423	10(c)(c)(c)	March 11, 2015

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10(t)(t)	Form of Grant Agreement for grants of foreign stock appreciation rights.*	10-Q	001-04423	10(d)(d)(d)	March 11, 2015
10(u)(u)	Form of Grant Agreement for grants of long-term cash awards.*	10-Q	001-04423	10(e)(e)(e)	March 11, 2015
10(v)(v)	Form of Grant Agreement for grants of non-qualified stock options.*	10-Q	001-04423	10(f)(f)(f)	March 11, 2015
10(w)(w)	Form of Grant Agreement for grants of performance-adjusted restricted stock units.*	10-Q	001-04423	10(g)(g)(g)	March 11, 2015
10(x)(x)	Form of Grant Agreement for grants of restricted stock awards.*	10-Q	001-04423	10(h)(h)(h)	March 11, 2015
10(y)(y)	Form of Grant Agreement for grants of performance-contingent non-qualified stock options.*	10-Q	001-04423	10(i)(i)(i)	March 11, 2015
10(z)(z)	Registrant's Severance Plan for Executive Officers, as amended and restated November 19, 2014.*	10-Q	001-04423	10(j)(j)(j)	March 11, 2015
10(a)(a)(a)	Voting Agreement, dated as of March 2, 2015, among the Registrant and the listed stockholders of Aruba Networks, Inc.	8-K	001-04423	10.1	March 2, 2015
10(b)(b)(b)	Term Loan Agreement, dated as of April 30, 2015, among the Registrant, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent.				
10(c)(c)(c)	Amendment, dated as of June 1, 2015, to the Term Loan Agreement, dated as of April 30, 2015, among the Registrant, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent.				
11	None.				
12	Statements of Computation of Ratio of Earnings to Fixed Charges.				
15	None.				
18-19	None.				
22-24	None.				

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Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.				
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.				
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				

*
Indicates management contract or compensatory plan, contract or arrangement.

**
Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Registration S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.

Filed herewith.

Furnished herewith.

The registrant agrees to furnish to the Commission supplementally upon request a copy of (1) any instrument with respect to long-term debt not filed herewith as to which the total amount of securities authorized thereunder does not exceed 10% of the total assets of the registrant and its subsidiaries on a consolidated basis and (2) any omitted schedules to any material plan of acquisition, disposition or reorganization set forth above.

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