UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended October 31, 2018
Or

☐ **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 001-37483

HEWLETT PACKARD ENTERPRISE COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**47-3298624**
(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)

Registrant's telephone number, including area code: **(650) 687-5817**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 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 ☒ No ☐

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
			Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revise financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates was $25,624,852,116 based on the last sale price of common stock on April 30, 2018.

The number of shares of Hewlett Packard Enterprise Company common stock outstanding as of November 30, 2018 was 1,398,678,425 shares.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT DESCRIPTION	10-K PART
Portions of the Registrant's proxy statement related to its 2019 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of October 31, 2018 are incorporated by reference into Part III of this Report.	III

Hewlett Packard Enterprise Company

Form 10-K

For the Fiscal Year ended October 31, 2018

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Forward-Looking Statements

This Annual Report on Form 10-K, including "”Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, 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 Enterprise Company and its consolidated subsidiaries ("Hewlett Packard Enterprise") 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, the impact of the U.S. Tax Cuts and Job Act of 2017, including the effect on deferred tax assets and the one-time transition tax on unremitted foreign earnings, net earnings, net earnings per share, cash flows, benefit plan funding, deferred tax assets, share repurchases, currency exchange rates or other financial items; any projections of the amount, timing or impact of cost savings or restructuring charges; any statements of the plans, strategies and objectives of management for future operations, as well as the execution of transformation and restructuring plans and any resulting cost savings, revenue or profitability improvements; any statements concerning the expected development, performance, market share or competitive performance relating to products or services; any statements regarding current or future macroeconomic trends or events and the impact of those trends and events on Hewlett Packard Enterprise 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 Hewlett Packard Enterprise's businesses; the competitive pressures faced by Hewlett Packard Enterprise's businesses; risks associated with executing Hewlett Packard Enterprise's strategy; the impact of macroeconomic and geopolitical trends and events; the need to manage third-party suppliers and the distribution of Hewlett Packard Enterprise's products and the delivery of Hewlett Packard Enterprise's services effectively; the protection of Hewlett Packard Enterprise's intellectual property assets, including intellectual property licensed from third parties and intellectual property shared with its former Parent; risks associated with Hewlett Packard Enterprise'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 Hewlett Packard Enterprise 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; and the execution, timing and results of any transformation or restructuring plans, including estimates and assumptions related to the cost (including any possible disruption of Hewlett Packard Enterprise's business) and the anticipated benefits of the transformation and restructuring plans; the effects of the U.S. Tax Cuts and Jobs Act and related guidance and regulations that may be implemented; 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 I of this report and that are otherwise described or updated from time to time in Hewlett Packard Enterprise's other filings with the Securities and Exchange Commission. Hewlett Packard Enterprise assumes no obligation and does not intend to update these forward-looking statements.

PART I

ITEM 1. Business

We are a global technology leader focused on developing intelligent solutions that allow customers to capture, analyze and act upon data seamlessly from edge to cloud. We enable customers to accelerate business outcomes by driving new business models, creating new customer and employee experiences, and increasing operational efficiency today and into the future. Our legacy dates back to a partnership founded in 1939 by William R. Hewlett and David Packard, and we strive every day to uphold and enhance that legacy through our dedication to providing innovative technological solutions to our customers.

On November 1, 2015, HP Inc. ("former Parent"), formerly known as Hewlett-Packard Company ("HPE Co.") spun-off Hewlett Packard Enterprise Company ("we", "us", "our", "Hewlett Packard Enterprise", "HPE", or "the Company") pursuant to a separation agreement (the "Separation and Distribution Agreement") (collectively the "Separation"). To effect the spin-off, HP Inc. distributed all of the shares of Hewlett Packard Enterprise Company ("HPE") common stock owned by HP Inc. to its stockholders on November 1, 2015. Holders of HP Inc. common stock received one share of Hewlett Packard Enterprise Company stock for every share of HP Inc. stock held as of the record date. As a result of the Separation, we now operate as an independent, publicly-traded company.

Separation Transactions

On April 1, 2017, we completed the separation and merger of our Enterprise Services business with Computer Sciences Corporation (“CSC”) (collectively, the “Everett Transaction”). The Everett Transaction was accomplished by a series of transactions among CSC, HPE, Everett SpinCo, Inc. (a wholly-owned subsidiary of HPE) (“Everett”), and New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett (“Merger Sub”). We transferred the Enterprise Services business to Everett and distributed all of the shares of Everett to HPE stockholders. Following the distribution of shares, the Merger Sub merged with and into CSC, which became a wholly-owned subsidiary of Everett. At the time of the merger, Everett changed its name to DXC Technology Company (“DXC”).

On September 1, 2017, we completed the separation and merger of our Software business segment with Micro Focus International plc (“Micro Focus”) (collectively, the “Seattle Transaction”). The Seattle Transaction was accomplished by a series of transactions among HPE, Micro Focus, Seattle SpinCo, Inc. (a wholly-owned subsidiary of HPE) (“Seattle”), and Seattle MergerSub, Inc., an indirect wholly-owned subsidiary of Micro Focus (“Merger Sub”). We transferred the Software business to Seattle and distributed all of the shares of Seattle to HPE stockholders. Following the distribution of shares, the Merger Sub merged with and into Seattle which became an indirect, wholly-owned subsidiary of Micro Focus.

With the completion of the Everett and Seattle Transactions, we have reclassified the historical financial results of our former Enterprise Services segment ("former ES segment") and our former Software segment to Net loss from discontinued operations in our Consolidated Statements of Earnings, and to assets and liabilities of discontinued operations in our Consolidated Balance Sheets.

HPE Next

During the third quarter of fiscal 2017, we launched an initiative called HPE Next, through which we are in the process of putting in place a purpose-built company designed to compete and win in the markets where we participate. Through this initiative, we are simplifying our operating model and the way we work, streamlining our offerings and business processes to improve our execution. More importantly, we will continue to shift our investments in innovation towards high growth and higher margin solutions and services.

This initiative includes consolidating our manufacturing and support services locations, streamlining our business systems and reducing the number of countries in which we have a direct sales presence, while simultaneously migrating to a channel-only model in the remaining countries.

The HPE Next initiative is expected to be implemented through fiscal 2020. During this time, we expect to incur expenses for workforce reductions, to upgrade and simplify our IT infrastructure, and for other non-labor actions. These costs will be partially offset by proceeds received from real estate sales.

Our Strategy

HPE’s strategy is to accelerate our customers’ enterprises from edge to cloud, helping them connect all of their data, edge and cloud environments. Our capabilities focused on technology, people and economics will enable our customers' digital transformation.

First, we are focused on the transformation of our customers' technology for an edge-centric, cloud-enabled, data-driven world. We help our customers create a software-defined, hybrid operating model that spans any cloud to multi-cloud, on and off-premises and the edge so they can create and deliver everything-as-a-service dynamically, everywhere.

Second is transformation of our customers' people and processes by creating a culture of growth and innovation. The hardest part of any digital transformation involves people, their skills, processes and culture. That's why we built a new kind of services organization with HPE Pointnext to help our customers at every step of their unique journey. HPE Pointnext draws on the expertise of approximately 22,000 specialists worldwide to support customers across Operational Services and Advisory and Professional Services. These teams collaborate with businesses worldwide to speed their adoption of emerging technologies, including cloud computing and hybrid IT, big data and analytics, the intelligent edge, and the Internet of Things ("IoT").

Third is transformation of our customers' economics and technology investment strategy. One of the most underappreciated aspects of any digital transformation is our customers' financial strategy. Capital trapped in underutilized fixed assets is a barrier to speed and innovation. With HPE Financial Services we provide the right strategies and as-a-service consumption models to optimize IT investments.

Our Business Segments, Products and Services

We organize our business into the following four segments:

- *Hybrid IT* provides a broad portfolio of services-led and software-enabled infrastructure and solutions including secure, software-defined servers, storage, data center networking and HPE Pointnext services, thereby combining HPE's hardware, software and services capabilities to make Hybrid IT simple for its customers.
- *Intelligent Edge* is comprised of enterprise networking and security solutions for businesses of any size, offering secure connectivity for campus and branch environments, operating under the Aruba brand.
- *Financial Services* ("FS") enables flexible IT consumption models, financial architectures and customized investment solutions for our customers.
- *Corporate Investments* includes Hewlett Packard Labs and certain business incubation projects.

A summary of our net revenue, earnings from operations and assets for our segments can be found in Note 3, "Segment Information", to our Consolidated Financial Statements in Item 8 of Part II. A discussion of certain factors potentially affecting our operations is set forth in Item 1A, "Risk Factors."

Hybrid IT

Hybrid IT provides a broad portfolio of services-led and software-enabled infrastructure and solutions including secure, software-defined servers, storage, data center networking and HPE Pointnext services, thereby combining HPE's hardware, software and services capabilities to make Hybrid IT simple for its customers. Described below are the business units capabilities within Hybrid IT.

- Hybrid IT Product includes Compute, Storage, and Data Center Networking ("DC Networking").
    - *Compute.* We offer both Industry Standard Servers ("ISS"), which are general purpose servers for multi-workload computing, as well as Mission Critical Servers ("MCS"), which are servers optimized for particular workloads, to address the full array of the customers' computing needs. Our general purpose servers include the HPE ProLiant, secure and versatile rack and tower servers; HPE BladeSystem, a modular infrastructure that converges server, storage and networking; and HPE Synergy, a composable infrastructure for traditional and cloud-native applications. Our workload optimized server portfolio includes the HPE Apollo for high performance computing and artificial intelligence, HPE Cloudline for cloud data centers, HPE Edgeline for computing at the network edge, HPE Integrity for mission-critical applications, and HPE SimpliVity, a hyper-converged platform for virtualization.
    - *Storage.* With storage offerings that are AI-driven and built for cloud environments with as-a-service consumption and flexible investment options, HPE provides the right workload optimized destinations for data. Powered by HPE InfoSight advanced analytics and machine learning and HPE Cloud Volumes data mobility, HPE delivers intelligent storage for hybrid cloud environments so that customers can unlock data's full potential and derive business insights. Key solutions include HPE 3PAR Storage and HPE Nimble Storage all-flash arrays for mission critical workloads and general purpose workloads, respectively, and big data solutions running on HPE Apollo Servers. Storage also provides comprehensive data protection with

HPE StoreOnce and HPE Recovery Manager Central, solutions for secondary workloads and traditional tape, storage networking and disk products, such as HPE MSA and HPE XP.

- ◦ *DC Networking.* Our offerings include top-of-rack switches, core switches, and open networking switches. We offer a full stack of networking solutions that deliver open, scalable, secure and agile solutions, by enabling programmable fabric, network virtualization, and network management products.

- HPE Pointnext creates preferred IT experiences that power the digital business. The HPE Pointnext team and our extensive partner network provide value across the IT life cycle delivering advice, transformation projects, professional services, support services and operational services for Hybrid IT and the Intelligent Edge. HPE Pointnext is also a provider of on-premises flexible consumption models, such as HPE GreenLake, that enable IT agility, simplify operations and align cost to business value. HPE Pointnext offerings includes Operational Services, Advisory and Professional Services, and Communication and Media Solutions ("CMS").

Intelligent Edge

The Intelligent Edge business is comprised of enterprise networking and security solutions for businesses of any size, offering secure connectivity for campus and branch environments, operating under the Aruba brand. The primary business drivers for Intelligent Edge solutions are mobility and IoT.

- ◦ *HPE Aruba Product* includes wired and wireless local area network hardware products such as Wi-Fi access points, switches, routers, sensors, and software products that include network management, network access control, analytics and assurance, and location services software .
- ◦ *HPE Aruba Services* offers professional and support services for the Intelligent Edge portfolio of products.

Financial Services

Financial Services provides flexible investment solutions, such as leasing, financing, IT consumption, and utility programs and asset management services, for customers that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from Hewlett Packard Enterprise and others. In order to provide flexible services and capabilities that support the entire IT life cycle, FS partners with customers globally to help build investment strategies that enhance their business agility and support their business transformation. FS 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

Corporate Investments includes Hewlett Packard Labs and certain business incubation projects.

Our Strengths

We believe that we possess a number of competitive advantages that distinguish us from our competitors, including:

Strong solutions portfolio for the data center, cloud and intelligent edge . We combine our software-defined infrastructure and services capabilities to provide what we believe is the strongest portfolio of enterprise solutions in the IT industry. Our ability to deliver a comprehensive IT strategy-from the cloud to the data center to the intelligent edge, through our high-quality products and high-value consulting and support services in a single package-is one of our principal differentiators.

Multi-year innovation roadmap . We have been in the technology and innovation business for over 75 years. Our vast intellectual property portfolio and global research and development capabilities are part of a broader innovation roadmap designed to help organizations take advantage of the expanding amount of data available and leverage the latest technology developments like cloud, artificial intelligence, and cybersecurity to drive business outcomes now and in the future.

Global distribution and partner ecosystem . We are experts in delivering innovative technological solutions to our customers in complex multi-country, multi-vendor and/or multi-language environments. We have one of the largest go-to-market capabilities in our industry, including a large ecosystem of channel partners, which enables us to market and deliver our product offerings to customers located virtually anywhere in the world.

Custom financial solutions . We have developed innovative financing solutions and IT consumption models to facilitate the delivery of our products and services to our customers. We deliver flexible investment solutions and expertise that help customers and other partners create unique technology deployments based on specific business needs.

Experienced leadership team with track record of successful performance . Our management team has an extensive track record of performance and execution. We are led by our President and Chief Executive Officer, Antonio Neri, who has proven experience in developing transformative business models, building global brands and driving sustained growth and expansion in the technology industry. Mr. Neri's experience includes over 20 years combined at HPE and HP Co. in various leadership positions. Our senior management team has many years of experience in our industry and possesses extensive knowledge of and experience in the enterprise IT business and the markets in which we compete. Moreover, we have a deep bench of management and technology talent that we believe provides us with an unparalleled pipeline of future leaders and innovators.

Sales, Marketing and Distribution

We manage our business and report our financial results based on the segments described above. Our customers are organized by commercial and large enterprise groups, including business and public sector enterprises, and purchases of our products, solutions and services may be fulfilled directly by us or indirectly through a variety of partners, including:

- resellers that sell our products and services, frequently with their own value-added products or services, to targeted customer groups;
- distribution partners that supply our solutions to resellers;
- original equipment manufacturers ("OEMs") that integrate our products and services with their own products and services, and sell the integrated solution;
- independent software vendors that provide their clients with specialized software products and often assist us in selling our products and services to clients purchasing their products;
- systems integrators that provide expertise in designing and implementing custom IT solutions and often partner with us to extend their expertise or influence the sale of our products and services; and
- advisory firms that provide various levels of management and IT consulting, including some systems integration work, and typically partner with us on client solutions that require our unique products and services.

The mix of our business conducted by direct sales or channel differs substantially by business and region. We believe that customer buying patterns and different regional market conditions require us to tailor our sales, marketing and distribution efforts accordingly. We are focused on driving the depth and breadth of our coverage, in addition to identifying efficiencies and productivity gains, in both our direct and indirect businesses. For example, through our HPE Next initiative, we are in the process of reducing the number of countries in which we have a direct sales presence, while simultaneously migrating to a channel-only model in the remaining countries. We typically assign an account manager to manage relationships across our business with large enterprise customers. The account manager is supported by a team of specialists with product and services expertise. For other customers and for consumers, our businesses collaborate to manage relationships with commercial resellers targeting SMBs where appropriate.

Manufacturing and Materials

We utilize a significant number of outsourced manufacturers around the world to manufacture products that we design. The use of outsourced manufacturers is intended to generate cost efficiencies and reduce time to market for our products as well as maintain flexibility in our supply chain and manufacturing processes. In some circumstances, third-party OEMs produce products that we purchase and resell under our brand. In addition to our use of outsourced manufacturers, we currently manufacture a limited number of finished products from components and subassemblies that we acquire from a wide range of vendors. To generate further cost efficiencies, through our HPE Next initiative, we will reduce the number of our manufacturing locations.

Historically, we have utilized two primary methods of fulfilling demand for products: building products to order and configuring products to order. We build products to order to maximize manufacturing and logistics efficiencies by producing high volumes of basic product configurations. Alternatively, configuring products to order enables units to match a customer's particular hardware and software customization requirements. To streamline and simplify our operations and reduce our costs, through our HPE Next initiative, we will reduce the number of active configurations that we will sell to our customers. Our inventory management and distribution practices in both, building products to order and configuring products to order seek to minimize inventory holding periods by taking delivery of the inventory and manufacturing shortly before the sale or distribution of products to our customers.

We purchase materials, supplies and product subassemblies from a substantial number of vendors. For most of our products, we have existing alternate sources of supply or such alternate sources of supply are readily available. However, we do rely on sole sources for certain customized parts (although some of these sources have operations in multiple locations in the

event of a disruption). We are dependent upon Intel and AMD as suppliers of x86 processors; however, we believe that disruptions with these suppliers would result in industry-wide dislocations and therefore would not disproportionately disadvantage us relative to our competitors.

Like other participants in the IT industry, we ordinarily acquire materials and components through a combination of blanket and scheduled purchase orders to support our demand requirements for periods averaging 90 to 120 days. From time to time, we may experience significant price volatility or supply constraints for certain components that are not available from multiple sources due to certain events taking place where our suppliers are geographically concentrated. When necessary, we are often able to obtain scarce components for somewhat higher prices on the open market, which may have an impact on our gross margin, but does not generally disrupt production. We may also acquire component inventory in anticipation of supply constraints, or enter into longer-term pricing commitments with vendors to improve the priority, price and availability of supply. See "Risk Factors—We depend on third-party suppliers, and our financial results could suffer if we fail to manage our suppliers properly."

International

Our products and services are available worldwide. We believe geographic diversity allows us to meet demand on a worldwide basis for our customers, draws on business and technical expertise from a worldwide workforce, provides stability to our operations, provides revenue streams that may offset geographic economic trends, and offers us an opportunity to access new markets for maturing products.

A summary of our domestic and international results is set forth in Note 3, "Segment Information", to our Consolidated Financial Statements in Item 8 of Part II. Approximately 67% of our overall net revenue in fiscal 2018 came from outside the United States.

For a discussion of certain risks attendant to our international operations, see "Risk Factors—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," and "—We are exposed to fluctuations in foreign currency exchange rates" in Item 1A, "Quantitative and Qualitative Disclosure about Market Risk" in Item 7A and Note 14, "Financial Instruments", to our Consolidated Financial Statements in Item 8 of Part II, which are incorporated herein by reference.

Research and Development

Innovation is a key element of our culture and critical to our success. Our research and development efforts are focused on designing and developing products, services and solutions that anticipate customers' changing needs and desires and emerging technological trends. Our efforts also are focused on identifying the areas where we believe we can make a unique contribution and where partnering with other leading technology companies will leverage our cost structure and maximize our customers' experiences.

Expenditures for research and development were $1.7 billion in fiscal 2018, $1.5 billion in fiscal 2017 and $1.7 billion in fiscal 2016. We anticipate that we will continue to have significant research and development expenditures in the future to support the design and development of innovative, high-quality products, services and solutions to maintain and enhance our competitive position. For a discussion of risks attendant to our research and development activities, see "Risk Factors—If we cannot successfully execute our go-to-market strategy and continue to develop, manufacture and market innovative products, services and solutions, our business and financial performance may suffer" in Item 1A.

Patents

Our general policy is to seek patent protection for those inventions likely to be incorporated into our products and services or where obtaining such proprietary rights will improve our competitive position. At present, our worldwide patent portfolio includes approximately 16,000 issued and pending patents.

Patents generally have a term of up to 20 years from the date they are filed. As our patent portfolio has been built over time, the remaining terms of the individual patents across our patent portfolio vary. We believe that our patents and patent applications are important for maintaining the competitive differentiation of our products and services, enhancing our freedom of action to sell our products and services in markets in which we choose to participate, and maximizing our return on research and development investments. No single patent is in itself essential to our company as a whole or to any of our business segments.

In addition to developing our patent portfolio, we license intellectual property from third parties as we deem appropriate. We have also granted and continue to grant to others licenses and other rights under our patents when we consider these arrangements to be in our interest. These license arrangements include a number of cross-licenses with third parties.

For a discussion of risks attendant to intellectual property rights, see "Risk Factors—Our financial performance may suffer if we cannot continue to develop, license or enforce the intellectual property rights on which our businesses depend" and "—Our products and services depend in part on intellectual property and technology licensed from third parties" in Item 1A.

Backlog

We believe that our backlog is not a meaningful indicator of our future business prospects due to our diverse product and service portfolio, including the large volume of products delivered from finished goods or channel partner inventories and the shortening of product life cycles. Therefore, we believe that backlog information is not material to an understanding of our overall business.

Seasonality

General economic conditions have an impact on our business and financial results. From time to time, the markets in which we sell our products, services and solutions experience weak economic conditions that may negatively affect sales. We experience some seasonal trends in the sale of our products and services. For example, European sales are often weaker in the summer months. See Item 1A, "Risk Factors—Our uneven sales cycle makes planning and inventory management difficult and future financial results less predictable."

Competition

We have a broad technology portfolio of enterprise IT infrastructure products, solutions and services. We encounter strong competition in all areas of our business. We compete primarily on the basis of technology, innovation, 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, security, and the availability of our IT infrastructure offerings.

The markets in which we compete are characterized by strong competition among major corporations with long-established positions and a large number of new and rapidly growing firms. Most product life cycles are relatively short, and to remain competitive we must develop new products and services, continuously enhance our existing products and services and compete effectively on the basis of the factors listed above, among others. In addition, we compete with many of our current and potential partners, including OEMs that design, manufacture and market their products under their own brand names. Our successful management of these competitive partner relationships is critical to our future success. Moreover, we anticipate that we will have to continue to adjust prices on many of our products and services to stay competitive.

The competitive environments in which each segment operates are described below:

Hybrid IT operates in the highly competitive data center infrastructure market, which is characterized by rapid and ongoing technological innovation and price competition. Our primary competitors include technology vendors such as Dell Technologies Inc., Cisco Systems, Inc., NetApp, Inc., Lenovo Group Ltd., International Business Machines Corporation, Huawei Technologies Co. Ltd., Amazon.com, Inc., Oracle Corporation, Fujitsu Limited, Juniper Networks, Inc., Inspur Co., Ltd., Hitachi Ltd., Extreme Networks, Inc., Pure Storage, Inc., VMware, Nutanix, Inc., Google Inc., and Rackspace Inc. In certain regions, we also experience competition from local companies and from generically branded or "white-box" manufacturers. Our strategy is to deliver superior products, high-value technology support services and differentiated integrated solutions that combine our infrastructure, software and services capabilities. Our competitive advantages include our broad end-to-end solutions portfolio, supported by our strong intellectual property portfolio and research and development capabilities, coupled with our global reach and partner ecosystem.

Intelligent Edge operates in the highly competitive networking and connectivity infrastructure market, which is characterized by rapid and ongoing technological innovation and price competition. Our primary competitors include technology vendors such as Cisco Systems, Inc., Extreme Networks, Inc., Juniper Networks, Inc., Aerohive Networks, Inc., Fortinet, Inc., Ruckus Wireless, Inc., Arista Networks, Inc., Dell Technologies Inc., and Huawei Technologies Co. Ltd. Our strategy is to deliver superior enterprise wired and wireless local-area networking components and software, high-value technology support services and differentiated integrated solutions that combine our infrastructure, software and services capabilities. Our competitive advantages include our broad end-to-end solutions portfolio, supported by our strong intellectual property portfolio and research and development capabilities, coupled with our global reach and partner ecosystem.

Financial Services. In our financing business, our competitors are captive financing companies, such as IBM Global Financing, as well as banks and other financial institutions. We believe our competitive advantage over banks and other financial institutions in our financing business is our ability to deliver flexible investment solutions and expertise that help customers and other partners create unique technology deployments based on specific business needs.

For a discussion of certain risks attendant to these competitive environments, see "Risk Factors—We operate in an intensely competitive industry and competitive pressures could harm our business and financial performance" in Item 1A.

Environment

Our operations are subject to regulation under various federal, state, local, and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the clean-up of contaminated sites. We could incur substantial costs, including clean-up costs, fines and civil or criminal sanctions and third-party damage or personal injury claims, if we were to violate or become liable under environmental laws.

Many of our products are subject to various federal, state, local, and foreign laws governing chemical substances in products and their safe use, including laws restricting the presence of certain substances in electronics products and in some cases, laws regulating the manufacture and distribution of chemical substances. Some of our products and services also are, or may in the future be, subject to requirements applicable to their energy consumption. In addition, we face increasing complexity in our product design and procurement operations as we adjust to new and future requirements relating to recycling and reuse of materials as part of the transition to a circular economy, the chemical and materials composition of our products, appropriate product packaging and labeling, their safe use and their energy efficiency, including requirements relating to climate change. We are also subject to legislation in an increasing number of jurisdictions that makes producers of electrical goods, including servers and networking equipment, financially responsible for specified collection, recycling, treatment, and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). In the event our products become non-compliant with these laws, our products could be restricted from entering certain jurisdictions and we could face other sanctions, including fines.

Our operations, services and ultimately our products are expected to become increasingly subject to federal, state, local, and foreign laws, regulations and international treaties relating to climate change. As these laws, regulations, treaties, and similar initiatives and programs are adopted and implemented throughout the world, we will be required to comply or potentially face market access limitations or other sanctions, including fines. However, we believe that technology will be fundamental to finding solutions to achieve compliance with and manage those requirements, and we are collaborating with industry, business groups and governments to find and promote ways that our technology can be used to address climate change and to facilitate compliance with related laws, regulations and treaties.

We are committed to maintaining compliance with all environmental laws applicable to our operations, products and services, and to reducing our environmental impact across all aspects of our business. We meet this commitment with a comprehensive environmental, health and safety policy, strict environmental management of our operations and worldwide environmental programs and services.

Environmental costs and accruals are presently not material to our operations, cash flows or financial position. Although there is no assurance that existing or future environmental laws applicable to our operations, services or products will not have a material adverse effect on our operations, cash flows or financial condition, we do not currently anticipate material capital expenditures for environmental control facilities.

Employees

We had approximately 60,000 employees as of October 31, 2018.

Additional Information

Intel®, Itanium®, and Intel® Itanium® are trademarks of Intel Corporation in the United States and other countries. AMD is a trademark of Advanced Micro Devices, Inc.

Executive Officers

The following are our current executive officers:

Antonio Neri; age 51; President and Chief Executive Officer

Mr. Neri has served as President and Chief Executive Officer at Hewlett Packard Enterprise since June 2017 and February 2018, respectively. Prior to that, Mr. Neri served as Executive Vice President and General Manager, Enterprise Group from November 2015 to June 2017. Prior to that, Mr. Neri served as Senior Vice President and General Manager, Enterprise Group at HP Co. from October 2014 to November 2015. Previously, he served as Senior Vice President and General Manager of the HP Servers business unit from September 2013 to October 2014 and concurrently as Senior Vice President and General Manager of the HP Networking business unit from May 2014 to October 2014. Prior to that, Mr. Neri served as Senior Vice

President and General Manager of the HP Technology Services business unit from August 2011 to September 2013 and as Senior Vice President, Customer Services for the HP Personal Systems Group from 1995 until August 2011. From March 2012 to February 2013, Mr. Neri served as a director of MphasiS Limited, a technology company.

Philip Davis; age 51; Chief Sales Officer and President, Hybrid IT

Mr. Davis has served as the Chief Sales Officer and President of Hybrid IT of Hewlett Packard Enterprise since November 2017 and August 2018, respectively. Prior to this appointment, Mr. Davis served as Senior Vice President and Regional Managing Director of HPE’s Enterprise Group in the Asia Pacific Japan region, from November 2016 to October 2017. From November 2015 to October 2016, Mr. Davis served as Vice President and General Manager, Storage of HPE’s Enterprise Group in the Asia Pacific Japan region. Prior to that, Mr. Davis served in a similar role at HP Co. from September 2014 to November 2015. Before joining HPE, Mr. Davis served as Vice President and General Manager of Dell’s Enterprise Solutions Group for Asia Pacific and Japan from January 2008 to September 2014.

Kirt P. Karros; age 49; Senior Vice President, Finance and Treasurer

Mr. Karros has served as Senior Vice President, Finance and Treasurer at Hewlett Packard Enterprise since November 2015. Prior to that, Mr. Karros performed a similar role at HP Co. as well as leading Investor Relations from May 2015 to October 2015. Previously, Mr. Karros served as a Principal and Managing Director of Research for Relational Investors LLC, an investment fund, from 2001 to May 2015. Mr. Karros served as a director of PMC-Sierra, a semiconductor company, from August 2013 to May 2015.

Alan May; age 60; Executive Vice President, Human Resources

Mr. May has served as Executive Vice President, Human Resources at Hewlett Packard Enterprise since June 2015. Before joining Hewlett Packard Enterprise, Mr. May served as Vice President, Human Resources at Boeing Commercial Aircraft, a division of The Boeing Company, from April 2013 to June 2015. Previously, Mr. May served as Vice President of Human Resources for Boeing Defense, Space and Security at Boeing from April 2011 to June 2015 and as Vice President, of Compensation, Benefits and Strategy at Boeing from August 2007 to April 2011.

Keerti Melkote; age 48; President, Intelligent Edge

Mr. Melkote has served as President of the Intelligent Edge division of HPE since January 2017. Previously, Mr. Melkote served as Chief Technology Officer of the Intelligent Edge division from May 2015 to December 2016. Prior to that, Mr. Melkote performed a similar role as Chief Technology Officer and Co-Founder of Aruba Networks from February 2009 until HPE’s acquisition of Aruba Networks in May 2015. Previously, Mr. Melkote served as Co-Founder and Vice President of Products at Aruba Networks from February 2002 to January 2009.

Jeff T. Ricci; age 57; Senior Vice President, Controller and Principal Accounting Officer

Mr. Ricci has served as Senior Vice President, Controller and Principal Accounting Officer at Hewlett Packard Enterprise since November 2015. Prior to that, Mr. Ricci performed a similar role at HP Co. from April 2014 to November 2015. Previously, Mr. Ricci served as Controller and Principal Accounting Officer at HP Co. on an interim basis from November 2013 to April 2014. Prior to that, Mr. Ricci served as Vice President of Finance for HP Co.'s Technology and Operations organization from May 2012 to November 2013. Mr. Ricci served as HP Co.'s Vice President of Finance for Global Accounts and HP Financial Services from March 2011 to May 2012 and Vice President of Finance for HP Software from March 2009 to March 2011.

Tarek Robbiati; age 53; Executive Vice President and Chief Financial Officer

Mr. Robbiati has served as Executive Vice President and Chief Financial Officer at Hewlett Packard Enterprise since September 2018. Prior to that, Mr. Robbiati served as Chief Financial Officer of Sprint Corporation from August 2015 until February 2018. From January 2013 until August 2015, Mr. Robbiati served as Chief Executive Officer and Managing Director of FlexiGroup Limited in Australia. From December 2009 until December 2012, Mr. Robbiati was Group Managing Director and President of Telstra International Group in Hong Kong. From December 2009 until December 2012, Mr. Robbiati was Executive Chairman of Hong Kong CSL Limited (“CSL”), a subsidiary of Telstra Corporation Limited, and from July 2007 until May 2010, Mr. Robbiati served as the Chief Executive Officer of CSL in Hong Kong.

Irv Rothman; age 71; President and CEO of HPE Financial Services

Mr. Rothman has served as President and Chief Executive Officer of HPE Financial Services (FS), the IT investment and financing subsidiary of Hewlett Packard Enterprise since May 2002. Prior to that, Mr. Rothman was President and Chief Executive Officer of Compaq Financial Services Corporation (CFS) from January 1997 to April 2002.

John F. Schultz; age 54; Executive Vice President, Chief Legal and Administrative Officer and Secretary

Mr. Schultz has served as Executive Vice President, Chief Legal and Administrative Officer and Secretary of Hewlett Packard Enterprise since December 2017. Mr. Schultz previously served as Executive Vice President, General Counsel and Secretary of Hewlett Packard Enterprise from November 2015 to December 2017. Prior to that, Mr. Schultz performed a similar role at HP Co. from April 2012 to November 2015. Previously, he served as Deputy General Counsel for Litigation, Investigations and Global Functions at HP Co. from September 2008 to April 2012. From March 2005 to September 2008, Mr. Schultz was a partner in the litigation practice at Morgan, Lewis & Bockius LLP, a law firm, where, among other clients, he supported HP Co. as external counsel on a variety of litigation and regulatory matters.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available on our website at http://investors.hpe.com, as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the Securities and Exchange Commission. Hewlett Packard Enterprise's Corporate Governance Guidelines, Board of Directors' committee charters (including the charters of the Audit Committee, Finance and Investment Committee, HR and Compensation Committee, Technology Committee, and Nominating, Governance and Social Responsibility Committee) and code of ethics entitled "Standards of Business Conduct" are also available at that same location on our website. Stockholders may request free copies of these documents from:

Hewlett Packard Enterprise Company

Attention: Investor Relations

3000 Hanover Street

Palo Alto, CA 94304

http://investors.hpe.com/financial/requested-printed-reports

ITEM 1A. Risk Factors.

You should carefully consider the following risks and other information in this Form 10-K in evaluating Hewlett Packard Enterprise and its common stock. Any of the following risks could materially and adversely affect our results of operations or financial condition. The following risk factors should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the Consolidated Financial Statements and related notes in Part II, Item 8, "Financial Statements and Supplemental Data" of this Form 10-K.

Risks Related to Our Business

If we cannot successfully execute our go-to-market strategy and continue to develop, manufacture and market innovative products, services and solutions, our business and financial performance may suffer.

Our long-term strategy is focused on leveraging our existing portfolio of hardware, software and services as we deliver Hybrid IT solutions to our customers and power the intelligent edge that runs campus, branch and Internet of Things applications. To successfully execute this strategy, we must address business model shifts and optimize go-to-market execution by improving cost structure, aligning sales coverage with strategic goals, improving channel execution and strengthening our capabilities in our areas of strategic focus, while continuing to pursue new product innovation that builds on our strategic capabilities in areas such as cloud and data center computing, software-defined networking, converged storage, high-performance compute, and wireless networking. Any failure to successfully execute this strategy, including any failure to invest sufficiently in strategic growth areas, could adversely affect our business, results of operations and financial condition.

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, results of operations and financial condition. 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. Any failure to accurately predict technological and business trends, control research and development costs or execute our innovation strategy could harm our business and financial performance. Our research and development initiatives may not be successful in whole or in part, including research and development projects which we have prioritized with respect to funding and/or personnel.

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.

We operate in an intensely competitive industry and competitive pressures could harm our business and financial performance.

We encounter aggressive competition from numerous and varied competitors in all areas of our business, and our competitors have targeted and are expected to continue targeting our key market segments. We compete primarily on the basis of our technology, innovation, 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, security, and the availability of our 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 business prospects could be harmed.

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

Companies with whom we have alliances in certain areas may be or become our 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 business and results of operations could be adversely affected.

We face aggressive price competition and may have to continue lowering the prices of many of our products and services to stay competitive, while simultaneously seeking to maintain or improve our revenue and gross margin. In addition, competitors who have a greater presence in some of the lower-cost markets in which we compete, or who can obtain better pricing, more favorable contractual terms and conditions or more favorable allocations of products and components during periods of limited supply 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 of our revenues on research and development than some of our competitors. If we cannot proportionately decrease our cost structure (apart from research and development expenses) 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 facets of our offerings 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 financial performance and business prospects.

Even if we are able to maintain or increase market share for a particular product, its financial performance 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. Financial performance could decline due to increased competition from other types of products. For example, the development of cloud-based solutions has reduced demand for some of our existing hardware products.

If we cannot continue to produce quality products and services, our reputation, business and financial performance may suffer .

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 their employees. 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 errors, 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 could delay revenue recognition and receipt of customer payments and could adversely affect our revenue, cash flows and profitability. In addition, after products are delivered, quality issues may require us to repair or replace such products. Addressing quality issues can be expensive and may result in additional warranty, repair, replacement and other costs, adversely affecting our financial performance. 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.

If we fail to manage the distribution of our products and services properly, our business and financial performance could suffer.

We use a variety of distribution methods to sell our products and services around the world, 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.

Our financial results could be materially adversely affected due to distribution 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 distribution channels or the loss or deterioration of any alliance or distribution arrangement. Moreover, some of our wholesale distributors may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness, industry consolidation and market trends. Many of our significant distributors operate on narrow margins and have been negatively affected by business pressures in the past.

Considerable trade receivables that are not covered by collateral or credit insurance are outstanding with our distribution 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 both owned and channel inventory effectively, particularly with respect to sales to distributors, which involves forecasting demand and pricing challenges. 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 trends and 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.

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.

Our business and financial performance 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 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 manage inventory and make accurate forecasts of revenue, gross margin, cash flows and expenses.

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, and costs of hedging activities and the fair value of derivative instruments. Economic downturns also may lead to restructuring actions and associated expenses. Further, ongoing U.S. federal government spending limits may limit 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.

Sales outside the United States constituted approximately 67% of our net revenue in fiscal 2018. Our future business and financial performance 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, including uncertainties and instability in economic and market conditions caused by the United Kingdom’s vote to exit the European Union;
- longer collection cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favor domestic companies and technologies over foreign competitors, or federal and state tax reforms;
- local labor conditions and regulations, including local labor issues faced by specific suppliers and original equipment manufacturers ("OEMs"), or changes to immigration and labor law policies which may adversely impact our access to technical and professional talent;
- managing our geographically dispersed workforce;
- changes in the international, national or local regulatory and legal environments;
- 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 in restricted countries, 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 suppliers in Asia for product assembly and manufacture.

In many foreign countries, particularly in those with developing economies, there are companies that engage in business practices prohibited by laws and regulations applicable to us, such as the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"). Although we implement policies, procedures and training designed to facilitate compliance with these laws, our employees, contractors and agents, as well as those of the companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have an adverse effect on our business and reputation.

We are exposed to fluctuations in foreign currency exchange rates.

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 as expressed in U.S. dollars. Currency volatility contributes to variations in our sales of products and services in impacted jurisdictions. Fluctuations in foreign currency exchange rates, most notably the strengthening of the U.S. 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.

From time to time, we may use 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 demand volatility and currency variations. In addition, certain or all of our hedging activities may be ineffective, may expire and not be renewed 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.

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 diverse products and services, customer groups and geographic markets and therefore will likely be different in future periods than our historical results. Our revenue depends on the overall demand for our products and services. Delays or reductions in IT spending by our customers or potential customers could have a material adverse effect on demand for our products and services, which could result in a significant decline in revenue. In addition, revenue declines in some of our 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, increases in component and manufacturing costs that we are unable to pass on to our customers, component supply disruptions and other risks affecting those businesses therefore may have a significant impact on our overall gross margin and profitability. Variations in fixed cost structure and gross margins across business units and product portfolios may lead to significant operating profit volatility on a quarterly or annual basis. In addition, newer geographic markets may be relatively less profitable due to our 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 associated with some of those markets. Market trends, industry shifts, competitive pressures, commoditization of products, 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

We depend on third-party suppliers, and our financial results could suffer if we fail to manage our 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 for the delivery of our own products and services. Given the wide variety 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 our business. 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. Furthermore, certain of our suppliers may decide to discontinue conducting business with us. 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, each of which is described below.

- *Component shortages.* We may experience a shortage of, or a delay in receiving, certain components as a result of strong demand, capacity constraints, supplier financial weaknesses, the inability of suppliers to borrow funds in the credit markets, disputes with suppliers (some of whom are also our customers), disruptions in the operations of component suppliers, other problems experienced by suppliers or problems faced during the transition to new suppliers. If shortages or delays persist, the price of certain components may increase, 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 needed or according to our specifications. Accordingly, our business and financial performance could suffer if we lose time-sensitive sales, incur additional freight costs or are unable to pass on price increases to our customers. If we cannot adequately address supply issues, we might have to reengineer some product or service offerings, which could result in further costs and delays.
- *Excess supply.* In order to secure components for our 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 business and financial performance.
- *Contractual terms.* As a result of binding long-term 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. Any of these developments 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.* We obtain a significant number of components from single sources due to technology, availability, price, quality or other considerations. 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, 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 our components. 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 business and financial performance.

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

Our worldwide operations could be disrupted by natural or human induced disasters such as earthquakes, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, power or water shortages, telecommunications failures, and medical epidemics or pandemics. We are predominantly self-insured to mitigate the impact of most catastrophic events. However, a changing climate may aggravate natural disasters that affect our worldwide business operations thereby compelling us to build additional resiliency in order to mitigate impact. The occurrence of 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, which has suffered from drought conditions and catastrophic wildfires affecting the health and safety of our employees. 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, our principal worldwide IT data centers are located in the southern United States, making our operations more vulnerable to climate-related natural disasters, such as 2017 hurricane Harvey, which caused severe damage in Houston. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including the Czech Republic, Mexico, China and Singapore. We also rely on major logistics hubs, primarily in Asia to manufacture and distribute our products, and primarily in the southwestern United States to import products into the Americas region. Our operations could be adversely affected if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, IT 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 vulnerable locations is continuing to be assessed **.**

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

In some of our businesses, our quarterly sales have periodically reflected a pattern in which a disproportionate percentage of each quarter's total sales occurs towards the end of the 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 our 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 each quarter and such orders may be canceled. 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 our 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 our 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, and many customers whose fiscal year is the calendar year 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. 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.

Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business and results of operations.

The U.S. government has adopted a new approach to trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. It has also imposed tariffs on certain foreign goods, including information and communication technology products. These measures may materially increase costs for goods imported into the United States. This in turn could require us to materially increase prices to our customers which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold. Changes in U.S. Trade policy have resulted in, and could result in more, U.S. trading partners adopting responsive trade policy making it more difficult or costly for us to export our products to those countries.

Any failure by us to identify, manage and complete acquisitions, divestitures and other significant transactions successfully could harm our financial results, business and prospects.

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"). For example, in April 2017, we acquired Nimble Storage, Inc., which provides predictive all-flash and hybrid-flash storage solutions. In May 2016, we completed the sale to Tsinghua Holdings Co., Ltd. ("Tsinghua"), the asset management arm of Tsinghua University in China, of a 51% interest in our wholly owned subsidiary that owns and operates H3C Technologies and our China-based server, storage and technology services businesses for approximately $2.6 billion. On April 1, 2017 and September 1, 2017, we spun off our Enterprise Services and Software businesses, respectively. See also the risk factors below under the heading “Risks Related to the Separations of our Former Enterprise Services Business and our Former Software Segment”.

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 particular business combination and investment transaction, and the timeframe for realizing the benefits of a particular business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers, other third parties or market trends.
- Certain previous business combination and investment transactions have resulted, and in the future any such transactions by us may result, in significant costs and expenses, including those related to severance pay, early retirement costs, employee benefit costs, charges from the elimination of duplicative facilities and contracts, 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 our 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.
- 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 on the expected timeframe 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, which could impact our financial condition and results of operations.
- 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.

As part of our business strategy, we 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.

Integrating acquisitions may be difficult and time-consuming. Any failure by us to integrate acquired companies, products or services into our overall business in a timely manner could harm our financial results, business and prospects.

In order to pursue our 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. Integration issues are often 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:

- successfully combining product and service offerings, including under the single new Hewlett Packard Enterprise brand, 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 customer 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, 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.

We may not achieve some or all of the expected benefits of our restructuring plans and our restructuring may adversely affect our business.

We have announced restructuring plans, including the HPE Next initiative and previously announced 2012 Plan and the 2015 Plan (each as defined below), in order to realign our cost structure due to the changing nature of our business and to achieve operating efficiencies that we expect to reduce costs, as well as simplify our organizational structure, upgrade our IT infrastructure and redesign business processes. We may not be able to obtain the cost savings and benefits that were initially anticipated in connection with our restructuring. Additionally, as a result of restructuring initiatives, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganization and restructuring can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of restructuring, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. For more information about our restructuring plans, including details regarding the 2012 Plan and the 2015 Plan, and the HPE Next initiative, see Note 4, "Restructuring", and Note 5, “HPE Next”, to the Consolidated Financial Statements.

Our financial performance may suffer if we cannot continue to develop, license or enforce the intellectual property rights on which our businesses depend.

We rely upon patent, copyright, trademark, trade secret and other intellectual property 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. 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 ability to sell products or services and our competitive position.

Our products and services depend in part on intellectual property and technology licensed from third parties.

Much of our business and many of our products rely on key technologies developed or licensed by third parties. For example, many of our software offerings are developed using software components or other intellectual property licensed from third parties, including through both proprietary and open source licenses. These third-party software components may become obsolete, defective or incompatible with future versions of our products, or our relationship with the third party may deteriorate, or our agreements with the third party may expire or be terminated. We may face legal or business disputes with licensors that may threaten or lead to the disruption of inbound licensing relationships. In order to remain in compliance with the terms of our licenses, we must carefully monitor and manage our use of third-party software components, including both proprietary and open source license terms that may require the licensing or public disclosure of our intellectual property without compensation or on undesirable terms. Additionally, some of these licenses may not be available to us in the future on terms that are acceptable or that allow our product offerings to remain competitive. Our inability to obtain licenses or rights on favorable terms could have a material effect on our business, including our financial condition and results of operations. 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 such transaction. Because the availability and cost of licenses from third parties depends upon the willingness of third parties to deal with us on the terms we request, there is a risk that third parties who license to our competitors will either refuse to license us at all, or refuse to license us on terms equally favorable to those granted to our competitors. 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-party claims of intellectual property infringement, including patent infringement, are commonplace in the IT industry and successful third-party claims may limit or disrupt our ability to sell our products and services.

Third parties may claim that we or customers indemnified by us are infringing upon their intellectual property rights. For example, patent assertion entities may purchase intellectual property assets for the purpose of asserting claims of infringement and attempting to extract settlements from companies such as Hewlett Packard Enterprise and its customers. If we cannot or do not license allegedly 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, discontinue certain product offerings, enter into costly settlement or license agreements, pay costly damage awards or face a temporary or permanent injunction prohibiting us 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.

Failure to comply with our customer contracts or government contracting regulations could adversely affect our business 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. Such failures could also cause reputational damage to our business. In addition, our former Parent has in the past been, and we 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 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, our financial performance could suffer.

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

In connection with the preparation of our Consolidated Financial Statements, we use certain estimates and assumptions based on historical experience and other factors. Our most critical accounting estimates are described in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." In addition, as discussed in

Note 18, "Litigation and Contingencies", to our Consolidated 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 financial performance.

We are subject to income and other taxes in the United States and numerous foreign 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 may assess additional taxes as a result. 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. The carrying value of our deferred tax assets is dependent on our ability to generate future taxable income.

Uncertainties in the interpretation and application of the 2017 Tax Cuts and Jobs Act could materially affect our tax obligations and effective tax rate.

On December 22, 2017, the U.S. government enacted comprehensive federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Tax Act makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for our taxable years beginning after October 31, 2017. These changes could have a material adverse impact on the realizability of our U.S. deferred tax assets, result in significant one-time charges in the current or future taxable years and increase our future U.S. tax expense. We are continuing to evaluate the Tax Act and its requirements, as well as its application to our business and its impact on our effective tax rate. At this stage, it is unclear how many U.S. states will incorporate these federal law changes, or portions thereof, into their tax codes. The implementation by us of new practices and processes designed to comply with, and benefit from, the Tax Act and its rules and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations and financial condition. In addition, we have not completed our accounting for the tax effects of the Tax Act. Reasonable estimates of the impacts of the Tax Act are provided in accordance with guidance from the U.S. Securities and Exchange Commission that allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. Adjustments may materially impact our provision for income taxes and effective tax rate in the period(s) in which the adjustments are made.

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, development, 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 equity-based compensation. Our equity-based incentive awards may contain conditions relating to our stock price performance and our long-term financial performance that make the future value of those awards uncertain. If the anticipated value of such equity-based incentive awards does not materialize, if our equity-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 stockholder approval needed to continue granting equity-based incentive awards in the amounts we believe are necessary, our ability to attract, retain, and motivate executives and key employees could be weakened.

Our 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, cyberattacks and systems integration issues could disrupt our internal operations or IT services provided to customers, and any such disruption could reduce our revenue, increase our expenses, damage our reputation and adversely affect our stock price.

As a leading technology firm we are exposed to attacks from criminals, nation state actors and activist hackers (collectively, "malicious parties") who may be able to circumvent or bypass our cyber security measures and misappropriate, maliciously alter or destroy our confidential information or that of third parties, create system disruptions or cause shutdowns. Malicious parties also may be able to develop and deploy viruses, worms, ransomware and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. Malicious parties may compromise our manufacturing supply chain to embed malicious software or hardware in our products for use in compromising our customers. 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 flaws that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, including bugs, viruses, worms, malicious software programs and other 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 HPE Pointnext services business may processes, store and transmits data relevant to our clients, including commercially sensitive and personally identifiable information, including the personal information of European citizens covered by the General Data Protection Regulation ("GDPR"). Breaches of our cyber or physical security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or our 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 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 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 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.

Our business is subject to various federal, state, local and foreign laws and regulations that could result in costs or other sanctions that adversely affect our business and results of operations.

We are subject to various federal, state, local and foreign laws and regulations. For example, we are subject to laws and regulations concerning environmental protection, including laws addressing the energy performance of our products and operations, the discharge of pollutants, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, the material content of our products and the recycling, as well as treatment and disposal of our products. 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 material 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.

In addition, our business is subject to laws addressing privacy and information security. In particular, we face an increasingly complex regulatory environment as we adjust to new and future requirements relating to the security of our offerings. If we were to violate or become liable under laws or regulations associated with security, we could incur substantial costs or face other sanctions. Our potential exposure includes fines and civil or criminal sanctions, and third-party claims.

Our stock price has fluctuated and may continue to fluctuate, which may make future prices of our stock difficult to predict.

Hewlett Packard Enterprise'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 Hewlett Packard Enterprise 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 Hewlett Packard Enterprise and variations between actual and estimated financial results;
- announcements of actual and anticipated financial results by Hewlett Packard Enterprise'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 Hewlett Packard Enterprise.

General or industry specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to Hewlett Packard Enterprise's performance also may affect the price of Hewlett Packard Enterprise's 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. Volatility in the price of our securities could result in the filing of securities class action litigation matters, which could result in substantial costs and the diversion of management time and resources.

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

We currently maintain investment grade credit ratings with Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings Services. Despite these investment grade credit ratings, any future downgrades could increase the cost of borrowing under any indebtedness we may incur, reduce market capacity for our commercial paper or require the posting of additional collateral under our derivative contracts. Additionally, increased borrowing costs, including those arising from a credit rating downgrade, can potentially reduce the competitiveness of our financing business. There can be no assurance that we will be able to maintain our credit ratings, and any additional actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade, may have a negative impact on our liquidity, capital position and access to capital markets.

Our debt obligations may adversely affect our business and our ability to meet our obligations and pay dividends.

In addition to our current total carrying debt, we may also incur additional indebtedness in the future. This collective amount of debt could have important adverse consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make principal and interest payments;
- making it more difficult to satisfy other obligations;

- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flows available to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry; and
- limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise, pay cash dividends or repurchase our common stock.

To the extent that we incur additional indebtedness, the risks described above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to service our outstanding debt or to repay our outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to service or refinance our debt.

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws, and of Delaware law, may prevent or delay an acquisition of Hewlett Packard Enterprise, which could decrease the trading price of our common stock.

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 Hewlett Packard Enterprise 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.

These provisions, alone or together, could deter or delay hostile takeovers, proxy contests and changes in control or management of Hewlett Packard Enterprise. 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 Hewlett Packard Enterprise could limit the opportunity for our stockholders to receive a premium for their shares of Hewlett Packard Enterprise stock and also could affect the price that some investors are willing to pay for Hewlett Packard Enterprise stock.

Risks Related to the Separations of our Former Enterprise Services Business and our Former Software Segment

The stock distribution in either or both of the completed separations of our former Enterprise Services business and our former Software segment could result in significant tax liability, and DXC or Micro Focus (as applicable) may in certain cases be obligated to indemnify us for any such tax liability imposed on us.

The completed separations of our former Enterprise Services business and our Software Segment were conditioned upon the receipt of an opinion from outside counsel regarding the qualification of (i) the relevant distribution and related transactions as a “reorganization” within the meaning of Sections 368(a), 361 and 355 of the Internal Revenue Code of 1986 (the “Code”); and (ii) the relevant merger as a “reorganization” within the meaning of Section 368(a) of the Code. While the Software Separation generally qualified for tax-free treatment for us, Seattle SpinCo and Micro Focus, the acquisition of Seattle SpinCo by Micro Focus resulted in the recognition of gain (but not loss) for U.S. persons who receive Micro Focus American Depositary Shares in the Software Separation.

Each opinion of outside counsel was based upon and relied on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings of us, Everett SpinCo and CSC, or us, Seattle SpinCo and Micro Focus,

as applicable. If any of these representations, statements or undertakings are, or become, inaccurate or incomplete, or if any party breaches any of its covenants in the relevant separation documents, the relevant opinion of counsel may be invalid and the conclusions reached therein could be jeopardized. Notwithstanding the opinions of counsel, the Internal Revenue Service (the “IRS”) could determine that either or both of the distributions should be treated as a taxable transaction if it determines that any of the facts, assumptions, representations, statements or undertakings upon which the relevant opinion of counsel was based are false or have been violated, or if it disagrees with the conclusions in the opinion of counsel. An opinion of counsel is not binding on the IRS and there can be no assurance that the IRS will not assert a contrary position.

If the distribution of Everett SpinCo or Seattle SpinCo, as applicable, together with certain related transactions, failed to qualify as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Code, in general, we would recognize taxable gain as if we had sold the stock of Everett SpinCo or Seattle SpinCo, as applicable, in a taxable sale for its fair market value, and our stockholders who receive Everett SpinCo shares or Seattle SpinCo shares in the relevant distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

We obtained private letter rulings from the IRS regarding certain U.S. federal income tax matters relating to the separation of our Enterprise Services business and Software Segment. Those rulings concluded that certain transactions in those separations are generally tax-free for U.S. federal income tax purposes. The conclusions of the IRS private letter rulings were based, among other things, on various factual assumptions we have authorized and representations we have made to the IRS. If any of these assumptions or representations are, or become, inaccurate or incomplete, the validity of the IRS private letter rulings may be affected. Notwithstanding the foregoing, we incurred certain tax costs in connection with the completed separation of our former Enterprise Services business and Software Segment, including non-U.S. tax expenses resulting from the completed separation of our former Enterprise Services business and Software Segment in multiple non-U.S. jurisdictions that do not legally provide for tax-free separations, which may be material. If the completed separation of our former Enterprise Services business or Software Segment (including certain internal transactions undertaken in anticipation of those separations) are determined to be taxable for U.S. federal income tax purposes, we, our stockholders that are subject to U.S. federal income tax and/or DXC and/or Micro Focus could incur significant U.S. federal income tax liabilities.

Under the tax matters agreements entered into by us with Everett SpinCo and CSC, and with Seattle SpinCo and Micro Focus, Everett SpinCo and Seattle SpinCo generally would be required to indemnify us for any taxes resulting from the relevant separation (and any related costs and other damages) to the extent such amounts resulted from (i) certain actions taken by, or acquisitions of capital stock of, Everett SpinCo or Seattle SpinCo, as applicable (excluding actions required by the documents governing the relevant Separation), or (ii) any breach of certain representations and covenants made by Everett SpinCo or Seattle SpinCo, as applicable. Any such indemnity obligations could be material.

Risks Related to the Prior Separation from Former Parent

If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Hewlett Packard Enterprise and those who received Hewlett Packard Enterprise common stock in the distribution could be subject to significant tax liabilities, and, in certain circumstances, Hewlett Packard Enterprise could be required to indemnify HP Inc. for material taxes and other related amounts pursuant to indemnification obligations under the tax matters agreement.

It was a condition to the distribution that our former Parent receive (i) a private letter ruling from the U.S. Internal Revenue Service (the "IRS") and/or one or more opinions from its external tax advisors, regarding certain U.S. federal income tax matters relating to the Separation and related transactions, and (ii) opinions of outside counsel regarding the qualification of the distribution, together with certain related transactions, as a transaction that is generally tax-free, for U.S. federal income tax purposes, under Sections 355 and 368(a)(1)(D) of the Code. These opinions of outside counsel or other external tax advisors and the IRS private letter ruling were based, among other things, on various facts and assumptions, as well as certain representations, statements and undertakings of HP Co. and Hewlett Packard Enterprise (including those relating to the past and future conduct of HP Co. and Hewlett Packard Enterprise). If, in the future, any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if HP Inc., as successor to HP Co., or Hewlett Packard Enterprise breach any of their respective covenants contained in any of the Separation-related agreements or in the documents relating to the IRS private letter ruling and/or any tax opinion, the IRS private letter ruling and/or any tax opinion may be rendered invalid. Accordingly, notwithstanding HP Co.'s receipt of the IRS private letter ruling and/or opinions of counsel or other external tax advisors, the IRS could determine that the distribution and certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the facts, assumptions, representations, statements or undertakings that were included in the request for the IRS private letter ruling or on which any opinion was based are false or have been violated. In addition, the IRS private letter ruling does not address all of the issues that are relevant to determining whether the distribution, together with certain related transactions, qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes, and an opinion of outside counsel or other external tax advisor represents the

judgment of such counsel or advisor which is not binding on the IRS or any court. Accordingly, notwithstanding receipt by HP Co. of the IRS private letter ruling and the tax opinions referred to above, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail with such challenge, HP Inc., Hewlett Packard Enterprise and HP Co. stockholders who received Hewlett Packard Enterprise common stock in the distribution could be subject to significant U.S. federal income tax liability.

If the distribution, together with certain related transactions, is found to no longer qualify as a transaction that is generally tax-free under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, HP Inc. would recognize taxable gain as if it has sold the Hewlett Packard Enterprise common stock in a taxable sale for its fair market value and HP Co. stockholders who received shares of Hewlett Packard Enterprise common stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

Under the tax matters agreement we entered into with HP Inc. in connection with the Separation (the "Tax Matters Agreement"), we are generally required to indemnify HP Inc. for any taxes resulting from the Separation (and any related costs and other damages) to the extent such amounts resulted from (i) an acquisition of all or a portion of the equity securities or assets of Hewlett Packard Enterprise, whether by merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (ii) other actions or failures to act by Hewlett Packard Enterprise or (iii) any of the representations or undertakings of Hewlett Packard Enterprise contained in any of the Separation-related agreements or in the documents relating to the IRS private letter ruling and/or any tax opinion being incorrect or violated. Any such indemnity obligations could be material.

Hewlett Packard Enterprise or HP Inc. may fail to perform under the transition services agreement and other transaction agreements executed as part of the Separation, and we may not have necessary systems and services in place when these transaction agreements expire.

In connection with the Separation, Hewlett Packard Enterprise and HP Inc. entered into several agreements, including among others a transition services agreement (the "Transition Services Agreement"), the Separation and Distribution Agreement, the Tax Matters Agreement, an employee matters agreement (the "Employee Matters Agreement"), a real estate matters agreement (the "Real Estate Matters Agreement"), a commercial agreement (the "Master Commercial Agreement") and an IT service agreement (the "Information Technology Service Agreement" or the "IT Service Agreement"). The Transition Services Agreement provides for the performance of certain services by each company for the benefit of the other for a transition period after the Separation. The Separation and Distribution Agreement, Tax Matters Agreement, Employee Matters Agreement and Real Estate Matters Agreement determine the allocation of assets and liabilities between the companies following the Separation for those respective areas and include any necessary indemnifications related to liabilities and obligations. The Master Commercial Agreement establishes a bilateral relationship between HP Inc. and us for the purchase and sale of commercially available products and services for internal use, incorporation and bundling in OEM products and services, resale to customers and use in the provision of managed services to customers, as well as joint customer pursuits and joint development activities. The IT Service Agreement provides for the performance by one of our subsidiaries of certain application development and maintenance and IT infrastructure services for HP Inc. We rely on HP Inc. to satisfy its performance and payment obligations under these agreements. If HP Inc. is unable to satisfy its obligations under these agreements, including its obligations with respect to the provision of transition services, we could incur operational difficulties or losses that could have a material and adverse effect on our business, financial condition and results of operations.

Indemnification liabilities to HP Inc. pursuant to the Separation and Distribution Agreement could materially and adversely affect our business, financial condition, results of operations and cash flows.

The Separation and Distribution Agreement provides for, among other things, indemnification obligations generally designed to make us financially responsible for (i) liabilities primarily associated with our business; (ii) our failure to pay, perform or otherwise promptly discharge any such liabilities or contracts, in accordance with their respective terms, whether prior to, at or after the distribution; (iii) any guarantee, indemnification obligation, surety bond or other credit support agreement, arrangement, commitment or understanding by HP Inc. for our benefit, unless related to liabilities primarily associated with the HP Inc. business; (iv) any breach by us of the separation agreement or any of the ancillary agreements or any action by us in contravention of our amended and restated certificate of incorporation or amended and restated bylaws; and (v) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in our registration statement on Form 10 or any other disclosure document that describes the Separation or the distribution or Hewlett Packard Enterprise and its subsidiaries or primarily relates to the transactions contemplated by the Separation and Distribution Agreement, subject to certain exceptions. If we are required to indemnify HP Inc. under the circumstances set forth in the Separation and Distribution Agreement, we may be subject to substantial liabilities.

In connection with the Separation, HP Inc. has indemnified us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities, or that HP Inc.'s ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation and Distribution Agreement and certain other agreements we have entered into with HP Inc., HP Inc. has agreed to indemnify Hewlett Packard Enterprise for certain liabilities. However, third parties could also seek to hold us responsible for any of the liabilities that HP Inc. has agreed to retain, and there can be no assurance that the indemnity from HP Inc. will be sufficient to protect us against the full amount of such liabilities, or that HP Inc. will be able to fully satisfy its indemnification obligations. In addition, HP Inc.'s insurers may attempt to deny us coverage for liabilities associated with certain occurrences of indemnified liabilities prior to the Separation. Moreover, even if we ultimately succeed in recovering from HP Inc. or such insurance providers any amounts for which we are held liable, we may be temporarily required to bear these losses. Each of these risks could negatively affect our business, financial position, results of operations and cash flows.

We are subject to continuing contingent liabilities as a result of our separation from our former Parent.

As a result of the Separation from our former Parent, there are several significant areas where the liabilities of our former Parent have or may become our obligations. For example, under the Code and the related rules and regulations, each corporation that was a member of the consolidated U.S. federal income tax return group of our former Parent during a taxable period or portion of a taxable period ending on or before the effective date of the distribution is severally liable for the U.S. federal income tax liability of the consolidated U.S. federal income tax return group of our former Parent for that taxable period. Consequently, if HP Inc. is unable to pay the consolidated U.S. federal income tax liability for a pre-Separation period, we could be required to pay the amount of such tax, which could be substantial and in excess of the amount allocated to us under the tax matters agreement.

Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations.

In connection with the Separation and distribution, our former Parent undertook several corporate reorganization transactions involving its subsidiaries which, along with the Separation and distribution, may be subject to federal and state fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the Separation and distribution, any entity involved in these reorganization transactions or the Separation and distribution:

- was insolvent;
- was rendered insolvent by reason of the Separation and distribution;
- had remaining assets constituting unreasonably small capital; or
- intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured, then the court could void the Separation and distribution, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our stockholders to return to HP Inc. some or all of the shares of Hewlett Packard Enterprise common stock issued in the distribution, or require HP Inc. or Hewlett Packard Enterprise, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency will vary depending upon the jurisdiction whose law is being applied. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities, or if it incurred debt beyond its ability to repay the debt as it matures.

The allocation of intellectual property rights that was made between Hewlett Packard Enterprise and HP Inc. as part of the Separation, and the shared use of certain intellectual property rights following the Separation, could in the future adversely impact our reputation, our ability to enforce certain intellectual property rights that are important to us and our competitive position.

In connection with the Separation, HP Co. allocated to each of Hewlett Packard Enterprise and HP Inc. the intellectual property assets relevant to their respective businesses. The terms of the Separation include cross-licenses and other arrangements to provide for certain ongoing use of intellectual property in the existing operations of both businesses. For example, through a joint brand holding structure, both Hewlett Packard Enterprise and HP Inc. retain the ability to make ongoing use of certain variations of the legacy Hewlett-Packard and HP branding, respectively. As a result of this continuing shared use of the legacy branding there is a risk that conduct or events adversely affecting the reputation of HP Inc. could also adversely affect the reputation of Hewlett Packard Enterprise. In addition, as a result of the allocation of intellectual property as part of the Separation, Hewlett Packard Enterprise no longer has ownership of intellectual property allocated to HP Inc. and our resulting intellectual property ownership position could adversely affect our position and options relating to patent enforcement and patent licensing, our ability to sell our products or services and our competitive position in the industry.

ITEM 1B. Unresolved Staff Comments.

None.

ITEM 2. Properties.

As of October 31, 2018 , we owned or leased approximately 18 million square feet of space worldwide. A summary of the Company's operationally utilized space is provided below.

	As of October 31, 2018		
	Owned	Leased	Total
	(Square feet in millions)		
Administration and support	4.3	6.9	11.2
(Percentage)	38%	62%	100%
Core data centers, manufacturing plants, research and development facilities, and warehouse operations	1.0	1.4	2.4
(Percentage)	42%	58%	100%
Total	5.3	8.3	13.6
(Percentage)	39%	61%	100%

We believe that our existing properties are in good condition and are suitable for the conduct of our business. Substantially all of our properties are utilized in whole or in part by our Hybrid IT and Intelligent Edge segments.

In connection with the HPE Next initiative, we continue to anticipate changes in our real estate portfolio over the next two years. These changes may include reductions in overall space, and an increase in leased space as a percentage of total space.

Principal Executive Offices

Our principal executive offices, including our global headquarters, are located at 3000 Hanover Street, Palo Alto, California, 94304, United States of America ("U.S."). Our principal executive offices, including our global headquarters is expected to be relocated to a facility at 6280 America Center Drive, San Jose, California, 95002, U.S. and this move is expected to be completed by early fiscal 2019.

Product Development, Services and Manufacturing

The locations of our major product development, manufacturing, and Hewlett Packard Labs facilities are as follows:

Americas

Brazil— Campinas
Puerto Rico —Aguadilla

United States —Alpharetta, Andover, Austin, Carrollton, Chippewa Falls, Colorado Springs, Fremont, Fort Collins, Houston, Milpitas, Palo Alto, Roseville, San Jose, Santa Clara, Sunnyvale

Asia Pacific

China —Beijing, Shanghai
India —Bangalore
Japan —Tokyo
Singapore— Singapore
Taiwan— Taipei

Europe, Middle East, Africa

United Kingdom —Bristol, Erskine

ITEM 3. Legal Proceedings.

Information with respect to this item may be found in Note 18, "Litigation and Contingencies", to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The common stock of Hewlett Packard Enterprise is listed on the New York Stock Exchange ("NYSE") with the ticker symbol "HPE." There were 59,868 stockholders of record of Hewlett Packard Enterprise common stock as of November 30, 2018 . The high and low common stock sales prices per share for fiscal 2018 and 2017 were as follows:

	Market Price Per Share				Adjusted Market Price Per Share (3)	
	2018		2017		2017	
Fiscal Quarter	High	Low	High	Low	High	Low
First quarter	$ 17.07	$ 12.82	$ 24.79	$ 21.52	$ 14.41	$ 12.51
Second quarter (1)	$ 19.48	$ 14.66	$ 24.88	$ 17.31	$ 14.57	$ 12.78
Third quarter	$ 17.82	$ 14.46	$ 19.16	$ 16.37	$ 14.86	$ 12.70
Fourth quarter (2)	$ 17.59	$ 14.36	$ 18.14	$ 12.97	$ 15.12	$ 12.97

(1) On April 1, 2017, HPE completed the Everett Transaction, which adjusted the share price due to the distribution.
(2) On September 1, 2017, HPE completed the Seattle Transaction, which adjusted the share price due to the distribution.
(3) Fiscal 2017 adjusted market prices per share reflect historical share prices that have been adjusted to reflect the Everett and Seattle Transactions.

Dividends declared and paid per share by fiscal quarter in 2018 were as follows:

	2018			
	Q1	Q2	Q3	Q4
Dividends declared	$ 0.1500	$ 0.1125	$ 0.1125	$ 0.1125
Dividends paid	$ 0.0750	$ 0.0750	$ 0.1125	$ 0.1125

Dividends declared and paid per share by fiscal quarter in 2017 were as follows:

	2017			
	Q1	Q2	Q3	Q4
Dividends declared	$ 0.130	$ 0.065	$ 0.065	$ —
Dividends paid	$ 0.065	$ 0.065	$ 0.065	$ 0.065

On February 22, 2018, the Company announced an increase to the regular quarterly dividend from $0.075 per share to $0.1125 per share, which was effective in the third quarter of fiscal 2018. The payment of any dividends in the future, and the timing and amount thereof, is within the discretion of our Board of Directors. Our Board of Directors' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, restrictive covenants in our debt, industry practice, legal requirements, regulatory constraints, and other factors that our Board of Directors deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and on our access to the capital markets. We cannot guarantee that we will continue to pay a dividend in any future period.

Issuer Purchases of Equity Securities

Fourth Quarter of Fiscal 2018	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 (August 2018)	21,499	$ 16.12	21,499	$ 5,349,463
Month 2 (September 2018)	16,333	$ 16.64	16,333	$ 5,077,731
Month 3 (October 2018)	23,310	$ 15.63	23,310	$ 4,713,427
Total	61,142	$ 16.07	61,142	

During the fiscal year ended October 31, 2018 , the Company repurchased and settled 222 million shares of the Company's common stock, which included 1.7 million shares that were unsettled open market purchases as of October 31, 2017. Additionally, the Company had unsettled open market repurchases of 2.4 million shares as of October 31, 2018. Shares repurchased during fiscal 2018 were recorded as a $3.6 billion reduction to stockholders' equity. As of October 31, 2018, the Company had a remaining authorization of $4.7 billion for future share repurchases.

On October 13, 2015, the Company's Board of Directors approved a share repurchase program with a $3.0 billion authorization, which was refreshed with additional share repurchase authorizations of $3.0 billion , $5.0 billion and $2.5 billion on May 24, 2016, October 16, 2017 and February 21, 2018, respectively. The Company 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. Share repurchases settled in the fourth quarter of fiscal 2018 were open market repurchases.

Stock Performance Graph and Cumulative Total Return

The graph below shows the cumulative total stockholder return, the S&P 500 Index and the S&P Information Technology Index. This graph covers the period from November 2, 2015 (the first day HPE's common stock began trading "regular-way" on the NYSE) through October 31, 2018. This graph assumes the investment of $100 in the stock or the index on November 2, 2015 (and the reinvestment of dividends thereafter). On April 1, 2017, we completed the separation and merger of our Enterprise Services business with Computer Sciences Corporation (“CSC”) (collectively, the “Everett Transaction”). HPE stockholders received 0.085904 shares of common stock in the new company for every one share of HPE common stock held at the close of business on the record date. On September 1, 2017, we completed the separation and merger of our Software business segment with Micro Focus International plc (“Micro Focus”) (collectively, the “Seattle Transaction”). HPE stockholders received 0.13732611 American Depository Shares (“Micro Focus ADSs”) in the new company, each of which represents one ordinary share of Micro Focus, for every one share of HPE common stock held at the close of business on the record date. The effect of the Everett and Seattle Transactions are reflected in the cumulative total return as reinvested dividends. The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, future performance of our common stock.

	Fiscal 2016					Fiscal 2017				Fiscal 2018			
	11/2015	1/2016	4/2016	7/2016	10/2016	1/2017	4/2017	7/2017	10/2017	1/2018	4/2018	7/2018	10/2018
Hewlett Packard Enterprise	$ 100.00	$ 95.30	$ 115.78	$ 146.51	$ 157.00	$ 158.90	$ 174.73	$ 164.86	$ 169.80	$ 201.08	$ 209.88	$ 191.42	$ 190.36
S&P 500 Index	$ 100.00	$ 92.71	$ 99.25	$ 105.02	$ 103.27	$ 111.28	$ 117.02	$ 121.86	$ 127.67	$ 140.65	$ 132.53	$ 141.64	$ 137.04
S&P Information Technology Index	$ 100.00	$ 92.88	$ 94.74	$ 104.96	$ 109.74	$ 116.00	$ 128.24	$ 135.90	$ 152.49	$ 166.03	$ 159.84	$ 174.60	$ 171.25

ITEM 6. Selected Financial Data.

The following table presents selected consolidated and combined financial data, which should be read in conjunction with our Consolidated Financial Statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K. The Statement of Earnings data for each of the three fiscal years ended October 31, 2018 , 2017 and 2016 , and the Balance Sheet data as of October 31, 2018 and 2017 set forth below are derived from our audited Consolidated Financial Statements included elsewhere in this Form 10-K. The Statement of Earnings data for fiscal years ended October 31, 2015 and 2014 , and the Balance Sheet data as of October 31, 2016 , 2015 and 2014 are derived from our audited Consolidated and Combined Financial Statements that are not included in this Form 10-K.

With the completion of the Everett and Seattle Transactions on April 1, 2017 and September 1, 2017, respectively, the Company has reclassified the historical financial results of the former Enterprise Services segment ("former ES segment") and the former Software segment to Net loss from discontinued operations in its Consolidated Statements of Earnings, and to assets and liabilities of discontinued operations in its Consolidated Balance Sheets.

Prior to October 31, 2015, the Combined and Consolidated Statements of Earnings for the Company reflect allocations of general corporate expenses from HP Co. including, but not limited to, executive management, finance, legal, information technology, employee benefits administration, treasury, risk management, procurement, and other shared services. These allocations were made on a direct usage basis when identifiable, with the remainder allocated on the basis of revenue, expenses, headcount, or other relevant measures. Management of the Company and HP Co. consider these allocations to be a reasonable reflection of the utilization of services by, or the benefits provided to, the Company. The allocations may not, however, reflect the expense the Company would have incurred as a standalone company for the periods presented. Actual costs that may have been incurred if the Company had been a standalone company would depend on a number of factors, including the chosen organizational structure, what functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure.

The information set forth below is not necessarily indicative of future results of operations and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and notes thereto included in Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K, which are incorporated herein by reference, in order to understand further the factors that may affect the comparability of the financial data presented below.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Selected Financial Data

	For the fiscal years ended October 31,				
	2018	2017	2016	2015	2014
	In millions, except per share amounts				
Statements of Earnings:					
Net revenue	$ 30,852	$ 28,871	$ 30,280	$ 31,077	$ 31,518
Earnings from continuing operations	$ 1,858	$ 625	$ 3,903	$ 1,946	$ 2,859
Net earnings from continuing operations [1]	$ 2,012	$ 436	$ 3,237	$ 2,640	$ 2,249
Net loss from discontinued operations	(104)	(92)	(76)	(179)	(601)
Net earnings	$ 1,908	$ 344	$ 3,161	$ 2,461	$ 1,648
Net earnings (loss) per share					
Basic					
Continuing operations	$ 1.32	$ 0.26	$ 1.89	$ 1.46	$ 1.25
Discontinued operations	(0.07)	(0.05)	(0.05)	(0.10)	(0.34)
Total basic net earnings per share	$ 1.25	$ 0.21	$ 1.84	$ 1.36	$ 0.91
Diluted					
Continuing operations	$ 1.30	$ 0.26	$ 1.86	$ 1.44	$ 1.23
Discontinued operations	(0.07)	(0.05)	(0.04)	(0.10)	(0.33)
Total diluted net earnings per share	$ 1.23	$ 0.21	$ 1.82	$ 1.34	$ 0.90
Cash dividends declared per share	$ 0.4875	$ 0.2600	$ 0.2200	$ —	$ —
Basic shares outstanding [2]	1,529	1,646	1,715	1,804	1,804
Diluted shares outstanding [2]	1,553	1,674	1,739	1,834	1,834
Balance Sheets:					
At year-end:					
Total assets [3]	$ 55,493	$ 61,406	$ 79,629	$ 79,862	$ 64,626
Long-term debt [4]	$ 10,136	$ 10,182	$ 12,168	$ 14,679	$ 104
Total debt [4]	$ 12,141	$ 14,032	$ 15,693	$ 15,353	$ 968

(1) Net earnings from continuing operations includes the following items:

	2018	2017	2016	2015	2014
			In millions		
Amortization of intangible assets	$ 294	$ 321	$ 272	$ 229	$ 260
Restructuring charges	19	417	417	197	375
Transformation costs (5)	445	359	—	—	—
Disaster charges	—	93	—	—	—
Impairment of goodwill	88	—	—	—	—
Acquisition and other related charges	82	203	145	84	1
Separation costs	12	248	362	797	—
Defined benefit plan settlement charges and remeasurement (benefit)	—	(64)	—	(7)	—
Gain on H3C and MphasiS divestitures	—	—	(2,420)	—	—
Tax indemnification adjustments (6)	1,354	3	(317)	—	—
Loss from equity interests (7)	151	155	93	—	—
Total charges before taxes	$ 2,445	$ 1,735	$ (1,448)	$ 1,300	$ 636
Adjustments for taxes	(166)	(348)	(537)	(386)	(52)
Valuation allowances, net, and separation taxes (8)	(208)	(215)	—	(1,296)	—
Tax settlements (6)	(2,022)	—	647	—	—
Impacts of the Tax Act	422	—	—	—	—
Excess tax benefit from stock-based compensation	(65)	—	—	—	—
Total charges, net of taxes	$ 406	$ 1,172	$ (1,338)	$ (382)	$ 584

(2) For comparative purposes, the number of shares used to compute basic and diluted net earnings (loss) per share for the fiscal year ended October 31, 2015 is also used for the calculation of net earnings (loss) per share for the fiscal year ended October 31, 2014.

(3) In fiscal 2017, total assets decreased due to the Everett and Seattle Transactions. Total assets increased in fiscal 2015 due to debt issuances and cash transfers from former Parent resulting from our separation capitalization plan.

(4) In fiscal 2015, total debt increased due to issuances resulting from our separation capitalization plan.

(5) In fiscal 2018, includes transformation costs related to cumulative translation adjustments as a result of country exits associated with the HPE Next initiative, which were recorded within Interest and Other, net in the Consolidated Statement of Earnings.

(6) Represents tax indemnification adjustments and corresponding tax expense (benefit) related to the settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities indemnified by HP Inc. through the Tax Matters Agreement.

(7) Represents the amortization of the basis difference resulting from the Company's equity method investment in H3C. This amount does not include the Company's share of H3C's net income.

(8) Represents taxes related to the Everett and Seattle Transactions. In fiscal 2018, primarily represents the release of non-U.S. valuation allowances on deferred taxes established in connection with the Everett Transaction, following changes in foreign tax laws. In fiscal 2017, primarily represents the income tax benefit related to U.S. foreign tax credits generated, partially offset by income tax expense as a result of recording valuation allowances on certain U.S. state deferred tax assets. In fiscal 2015, represents an income tax benefit resulting from the release of valuation allowances pertaining to certain U.S. deferred tax assets, partially offset by tax charges to record valuation allowances on certain foreign deferred tax assets.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HEWLETT PACKARD ENTERPRISE 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 MD&A. The overview analysis compares fiscal 2018 to fiscal 2017.
- *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 fiscal 2018 and fiscal 2017 to the prior-year periods. A discussion of the results of operations at the consolidated level is followed by a discussion of the results of operations at the segment level.
- *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, uncertain tax positions, off-balance sheet arrangements, cross-indemnifications with HP Inc. (formerly known as "Hewlett-Packard Company" and also referred to in this Annual Report as "former Parent"), and cross-indemnifications with DXC Technology Company ("DXC") and Micro Focus International plc (“Micro Focus”).

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 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 Financial Statements. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes that appear elsewhere in this document.

Former Parent Separation Transaction

On November 1, 2015, the Company became an independent publicly-traded company through a pro rata distribution by HP Inc. ("former Parent" or "HPI"), formerly known as Hewlett-Packard Company ("HP Co."), of 100% of the outstanding shares of Hewlett Packard Enterprise Company to HP Inc.'s stockholders (collectively, the "Separation"). Each HP Inc. stockholder of record received one share of Hewlett Packard Enterprise common stock for each share of HP Inc. common stock held on the record date. Following the Separation, the Company became an independent publicly-traded company.

Discontinued Operations

On April 1, 2017, HPE completed the separation and merger of its Enterprise Services business with Computer Sciences Corporation (“CSC”) (collectively, the “Everett Transaction”). HPE transferred its Enterprise Services business to Everett SpinCo, Inc. (a wholly-owned subsidiary of HPE) ("Everett") and distributed all of the shares of Everett to HPE stockholders. Following the distribution, New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett, merged with and into CSC and Everett changed its name to DXC Technology Company ("DXC").

On September 1, 2017, HPE completed the separation and merger of its Software business segment with Micro Focus International plc (“Micro Focus”) (collectively, the “Seattle Transaction”). HPE transferred its Software business segment to Seattle SpinCo, Inc. (a wholly-owned subsidiary of HPE) ("Seattle"), and distributed all of the shares of Seattle to HPE stockholders. Following the share distribution, Seattle MergerSub, Inc., an indirect, wholly-owned subsidiary of Micro Focus, merged with and into Seattle.

The following Overview, Results of Operations and Liquidity discussions and analysis compare fiscal 2018 to fiscal 2017 and fiscal 2017 to fiscal 2016, unless otherwise noted. The Capital Resources and Contractual and Other Obligations discussions present information as of October 31, 2018, unless otherwise noted.

For purposes of this MD&A section, we use the terms "Hewlett Packard Enterprise", "HPE", "the Company", "we", "us", and "our" to refer to Hewlett Packard Enterprise Company. References in this MD&A section to "former Parent" refer to HP Inc.

OVERVIEW

We are a global technology leader focused on developing intelligent solutions that allow customers to capture, analyze and act upon data seamlessly from edge to cloud. We enable customers to accelerate business outcomes by driving new business models, creating new customer and employee experiences, and increasing operational efficiency today and into the future. Our legacy dates back to a partnership founded in 1939 by William R. Hewlett and David Packard, and we strive every day to uphold and enhance that legacy through our dedication to providing innovative technological solutions to our customers.

We organize our business into four segments for financial reporting purposes: Hybrid IT, Intelligent Edge, Financial Services ("FS") and Corporate Investments. The following provides an overview of our key financial metrics by segment for fiscal 2018, as compared to fiscal 2017:

	HPE Consolidated	Hybrid IT	Intelligent Edge	Financial Services	Corporate Investments [4]
	Dollars in millions, except for per share amounts				
Net revenue [1]	$ 30,852	$ 25,033	$ 2,929	$ 3,671	$ (1)
Year-over-year change %	6.9 %	6.0 %	13.4%	1.9 %	NM
Earnings (loss) from continuing operations [2]	$ 1,858	$ 2,654	$ 237	$ 290	$ (90)
Earnings (loss) from continuing operations as a % of net revenue	6.0%	10.6%	8.1%	7.9%	NM
Year-over-year change percentage points	3.8pts	1.0pts	(1.7)pts	(0.4)pts	NM
Net earnings from continuing operations [3]	$ 2,012				
Net earnings per share					
Basic net EPS from continuing operations	$ 1.32				
Diluted net EPS from continuing operations	$ 1.30				

(1) HPE consolidated net revenue excludes intersegment net revenue and other.
(2) Segment earnings from operations exclude certain unallocated corporate costs and eliminations, stock-based compensation expense related to corporate and certain global functions, transformation costs, amortization of intangible assets, acquisition and other related charges, restructuring charges, separation costs, defined benefit plan settlement charges and remeasurement (benefit), disaster charges and impairment of goodwill.
(3) Includes a net benefit from taxes and tax indemnifications of $0.7 billion, primarily relating to tax amounts incurred in connection with the settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities indemnified through the Tax Matters Agreement with HP Inc., U.S. tax reform, the Everett and Seattle Transactions, and excess tax benefits associated with stock-based compensation.
(4) "NM" represents not meaningful.

Net revenue increased by $2.0 billion, or 6.9% (increased 5.0% on a constant currency basis), in fiscal 2018 as compared to fiscal 2017. The leading contributor to the net revenue increase was higher product revenue of $1.4 billion in Hybrid IT due primarily to revenue growth in Compute from core Industry Standard Servers ("ISS") products due to higher average unit prices ("AUPs") and growth in Storage as a result of the Nimble Storage acquisition. Also contributing to the HPE net revenue increase was favorable currency fluctuations, growth in the Intelligent Edge primarily from campus switching products and higher net revenue in Financial Services, which was primarily due to favorable foreign currency fluctuations.

Gross margin was 30.1% ($9.3 billion) and 30.1% ($8.7 billion) for fiscal 2018 and 2017, respectively. Gross margin was unchanged from the prior-year period due primarily to a decline in Hybrid IT as a result of a higher mix of lower margin solutions and higher variable compensation expense offset by a higher gross margin from Financial Services and lower costs in Corporate Investments. Operating margin increased by 3.8 percentage points in fiscal 2018 as compared to fiscal 2017, due primarily to lower expenses for restructuring charges, separation costs, and acquisition and other related charges, and lower selling, general and administrative expense as a percentage of net revenue. Partially offsetting these expense declines was

higher research and development expense as a percentage of net revenue and higher transformation costs related to the HPE Next initiative (net of gains from the sale of real estate).

As of October 31, 2018, cash and cash equivalents and long-term cash investments were $4.9 billion, representing a decrease of approximately $4.7 billion from the October 31, 2017 balance of $9.6 billion. The decrease in cash and cash equivalents and long-term cash investments during fiscal 2018 was due primarily to the following: share repurchases and cash dividend payments of $4.1 billion, debt payments of $4.1 billion, investments in property, plant and equipment, net of sales proceeds, of $1.9 billion, partially offset by $3.0 billion of cash provided by operating activities and proceeds from debt issuances of $2.5 billion.

Trends and Uncertainties

We are in the process of addressing many challenges facing our business. One set of challenges include dynamic and accelerating market trends, such as the market shift of workloads to cloud-related IT infrastructure business models, emergence of software-defined architectures and converged infrastructure functionality and growth in IT consumption models. Certain of our legacy hardware businesses in Hybrid IT face challenges as customers migrate to cloud-based offerings and reduce their purchases of hardware products. Therefore, the demand environment for traditional server and storage products is challenging and lower traditional compute and storage unit volume is impacting support attach opportunities in HPE Pointnext within the Hybrid IT segment.

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.

To be successful in overcoming these challenges, we must address business model shifts and optimize go-to-market execution by improving cost structure, aligning sales coverage with our strategic goals, improving channel execution, and strengthening our capabilities in our areas of strategic focus, which includes accelerating growth in the Intelligent Edge and delivering profitable growth in Hybrid IT. We need to continue to pursue new product innovation that builds on our existing capabilities in areas such as cloud and data center computing, software-defined networking, converged storage, high-performance compute, and wireless networking, which will keep us 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.

During the third quarter of fiscal 2017, we launched an initiative called HPE Next, through which we are putting in place a purpose-built company designed to compete and win in the markets where we participate. Through this initiative, we are simplifying our operating model and the way we work. We are streamlining our offerings and business processes to improve our execution. More importantly, we are shifting our investments in innovation towards high growth and higher margin solutions and services such as an edge-to-cloud data platform, multi-cloud management though OneSphere, consumption-based service models with HPE Greenlake, and the adoption of composable infrastructure. The HPE Next initiative includes consolidating our manufacturing and support services locations, streamlining our business systems and reducing the number of countries in which we have a direct sales presence, while simultaneously migrating to a channel-only model in the remaining countries. For additional details on the HPE Next initiative, see Note 5, "HPE Next", to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference.

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

General

Our Consolidated Financial Statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenue and expenses, and the disclosure of contingent liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources. Management has discussed the development, selection and disclosure of these estimates with the Audit Committee of HPE's Board of Directors. Management believes that the accounting estimates employed and the resulting amounts are reasonable; however, actual results may differ from these estimates. Making estimates and judgments about future events is inherently unpredictable and is 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 have a material impact on our results of operations, financial position and cash flows.

A summary of significant accounting policies is included in Note 1, "Overview and Summary of Significant Accounting Policies", to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the Consolidated Financial Statements.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured, as well as when other revenue recognition principles are met, including industry-specific revenue recognition guidance.

We enter into contracts to sell our products and services, and while many of our sales agreements contain standard terms and conditions, there are agreements we enter into which contain non-standard terms and conditions. Further, many of our arrangements include multiple elements. As a result, significant contract interpretation may be required to determine the appropriate accounting, including the identification of deliverables considered to be separate units of accounting, the allocation of the transaction price among elements in the arrangement and the timing of revenue recognition for each of those elements.

We recognize revenue for delivered elements as separate units of accounting when the delivered elements have standalone value to the customer. For elements with no standalone value, we recognize revenue consistent with the pattern of the undelivered elements. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items and the delivery and performance of the undelivered items is considered probable and substantially within our control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

We establish the selling prices used for each deliverable based on vendor-specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE"), if VSOE of selling price is not available, or estimated selling price ("ESP"), if neither VSOE of selling price nor TPE is available. We establish VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. TPE of selling price is established by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers. ESP is established based on management's judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life-cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life-cycles. We may modify or develop new go-to-market practices in the future, which may result in changes in selling prices, impacting both VSOE of selling price and ESP. In most arrangements with multiple elements, the transaction price is allocated to the individual units of accounting at inception of the arrangement based on their relative selling price. However, the aforementioned factors may result in a different allocation of the transaction price to deliverables in multiple element arrangements entered into in future periods. This may change the pattern and timing of revenue recognition for identical arrangements executed in future periods, but will not change the total revenue recognized for any given arrangement.

We reduce revenue for customer and distributor programs and incentive offerings, including price protection, rebates, promotions, other volume-based incentives and expected returns. Future market conditions and product transitions may require us to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. For certain incentive programs, we estimate the number of customers expected to redeem the incentive based on historical experience and the specific terms and conditions of the incentive.

For hardware products, we recognize revenue generated from direct sales to end customers and indirect sales to channel partners (including resellers, distributors and value-added solution providers) when the revenue recognition criteria are satisfied. For indirect sales to channel partners, we recognize revenue at the time of delivery when the channel partner has economic substance apart from us and we have completed our obligations related to the sale.

For the various software products we sell, we assess whether the software products were sold on a standalone basis or with hardware products. If the software sold with a hardware product is not essential to the functionality of the hardware product and is more-than-incidental, we treat it as a software deliverable.

We recognize revenue from the sale of perpetual software licenses at inception of the license term, assuming all revenue recognition criteria have been satisfied. Term-based software license revenue is generally recognized ratably over the term of the license. We use the residual method to allocate revenue to software licenses at inception of the arrangement when VSOE of fair value for all undelivered elements, such as post-contract customer support, exists and all other revenue recognition criteria have been satisfied. Revenue from maintenance and unspecified upgrades or updates provided on a when-and-if-available basis is recognized ratably over the period during which such items are delivered.

For software-as-a-service ("SaaS") arrangements, we recognize revenue as the service is delivered, generally on a straight-line basis, over the contractual period of performance.

We recognize revenue from fixed-price support or maintenance contracts, including extended warranty contracts and software post-contract customer support agreements, ratably over the contract period. For certain fixed-price contracts, such as consulting arrangements, we recognize revenue as work progresses using a proportional performance method. We estimate the total expected labor costs in order to determine the amount of revenue earned to date. We apply a proportional performance method because reasonably dependable estimates of the labor costs applicable to various stages of a contract can be made. Total project costs are regularly reassessed during the life of a fixed-price contract. Provisions for estimated losses on fixed-price contracts are recognized in the period when such losses become known and are recorded as a component of cost of sales. In circumstances when reasonable and reliable cost estimates for a project cannot be made we recognize revenue using the completed contract method.

Warranty

We accrue the estimated cost of product warranties at the time we recognize revenue. We evaluate our warranty obligations on a product group basis. Our standard product warranty terms generally include post-sales support and repairs or replacement of a product at no additional charge for a specified period of time. While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, we base our estimated warranty obligation on 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 failure outside of our baseline experience. Warranty terms generally range from one to five years for parts and labor, depending upon the product. For certain networking products, we offer a lifetime warranty. Over the last three fiscal years, the annual warranty expense has averaged approximately 1.8% of annual net product revenue.

Restructuring

We have engaged in restructuring actions which require management to estimate the timing and amount of severance and other employee separation costs for workforce reduction and enhanced early retirement programs, the fair value of assets made redundant or obsolete, and the value of lease and contract cancellation and other exit costs. We accrue for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements. For a full description of our restructuring actions, refer to our discussions of restructuring in "Results of Operations" below and in Note 4, "Restructuring" and Note 5, "HPE Next", to the Consolidated Financial Statements.

Retirement and Post-Retirement Benefits

Our pension and other post-retirement benefit costs and obligations depend on various assumptions. Our major assumptions relate primarily to discount rates, mortality rates, expected increases in compensation levels and the expected long-term return on plan assets. The discount rate assumption is based on current investment yields of high-quality fixed-income securities with maturities similar to the expected benefits payment period. Mortality rates help predict the expected life of plan participants and are based on a historical demographic study of the plan. The expected increase in the compensation levels assumption reflects our long-term actual experience and future expectations. The expected long-term return on plan assets is determined based on asset allocations, historical portfolio results, historical asset correlations and management's expected returns for each asset class. In any fiscal year, significant differences may arise between the actual return and the expected long-term return on plan assets. Historically, differences between the actual return and expected long-term return on plan assets have resulted from changes in target or actual asset allocation, short-term performance relative to expected long-term performance, and to a lesser extent, differences between target and actual investment allocations, the timing of benefit payments compared to expectations, and the use of derivatives intended to effect asset allocation changes or hedge certain investment or liability exposures.

Our major assumptions vary by plan, and the weighted-average rates used are set forth in Note 6, "Retirement and Post-Retirement Benefit Plans", to the Consolidated Financial Statements, which is incorporated herein by reference. The following table provides the impact changes in the weighted-average assumptions of discount rates, the expected increase in compensation levels and the expected long-term return on plan assets would have had on our net periodic benefit cost for fiscal 2018 :

	Change in basis points	Change in Net Periodic Benefit Cost
		In millions
Assumptions:		
Discount rate	(25)	$ 26
Expected increase in compensation levels	25	$ 4
Expected long-term return on plan assets	(25)	$ 32

Taxes on Earnings

We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the final positions reflected in our income tax returns. We will adjust our current and deferred tax provisions based on our tax returns which are generally filed in the third or fourth quarters of the subsequent fiscal year.

We recognize deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse.

We record a valuation allowance to reduce deferred tax assets to the amount that we are more likely than not to realize. In determining the need for a valuation allowance, we consider future market growth, forecasted earnings, future sources of taxable income, the mix of earnings in the jurisdictions in which we operate, and prudent and feasible tax planning strategies. In the event we were to determine that it is more likely than not that we will be unable to realize all or part of our deferred tax assets in the future, we would increase the valuation allowance and recognize a corresponding charge to earnings or other comprehensive income in the period in which we make such a determination. Likewise, if we later determine that we are more likely than not to realize the deferred tax assets, we would reverse the applicable portion of the previously recognized valuation allowance. In order for us to realize our deferred tax assets, we must be able to generate sufficient taxable income in the jurisdictions in which the deferred tax assets are located.

Our effective tax rate includes the impact of certain undistributed foreign earnings and basis differences for which we have not provided for U.S. federal taxes because we plan to reinvest such earnings and basis differences indefinitely outside the U.S. In connection with the Tax Act, substantially all accumulated undistributed earnings became subject to U.S. tax. In addition, future earnings from non-U.S. operations will largely be subject to U.S. tax. Therefore, the indefinitely reinvested undistributed foreign earnings and basis differences represent amounts that are not currently subject to U.S. tax post-Tax Act and are not expected to be subject to U.S. tax in the foreseeable future.

We are subject to income taxes in the U.S. and approximately 110 other countries, and we are subject to routine corporate income tax audits in many of these jurisdictions. We believe that positions taken on our tax returns are fully supported, but tax authorities may challenge these positions, which may not be fully sustained on examination by the relevant tax authorities. Accordingly, our income tax provision includes amounts intended to satisfy assessments that may result from these challenges. Determining the income tax provision for these potential assessments and recording the related effects requires management judgments and estimates. The amounts ultimately paid on resolution of an audit could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on our income tax provision, net income and cash flows. Our accrual for uncertain tax positions is attributable primarily to uncertainties concerning the tax treatment of our international operations, including the allocation of income among different jurisdictions, intercompany transactions and related interest, as well as pre-Separation income tax liabilities of HP Inc. for which the Company is jointly and severally liable. For a further discussion on taxes on earnings, refer to Note 8, "Taxes on Earnings", to the Consolidated Financial Statements.

Inventory

We state our inventory at the lower of cost or net realizable value on a first-in, first-out basis. We make adjustments to reduce the cost of inventory to its net realizable value at the product group level for estimated excess or obsolescence. Factors influencing these adjustments include changes in demand, technological changes, product life-cycle and development plans, component cost trends, product pricing, physical deterioration, and quality issues.

Business Combinations

We allocate the fair value of purchase consideration to the assets acquired, including in-process research and development ("IPR&D"), liabilities assumed, and non-controlling interests in the acquiree generally based on their fair values at the acquisition date. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, we will record a charge for the value of the related intangible asset to our Consolidated Statement of Earnings in the period it is abandoned. The excess of the fair value of purchase consideration over the fair value of these assets acquired, liabilities assumed and non-controlling interests in the acquiree is recorded as goodwill.

When determining the fair values of assets acquired, liabilities assumed, and non-controlling interests in the acquiree, management makes significant estimates and assumptions, especially with respect to intangible assets. Critical estimates in valuing intangible assets include, but are not limited to, expected future cash flows, which includes consideration of future growth rates and margins, attrition rates, future changes in technology and brand awareness, loyalty and position, and discount rates. Fair value estimates are based on the assumptions management believes a market participant would use in pricing the asset or liability. Amounts recorded in a business combination may change during the measurement period, which is a period not to exceed one year from the date of acquisition, as additional information about conditions existing at the acquisition date becomes available.

Goodwill

We review goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We are permitted to conduct a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. We perform a quantitative test for each of our reporting units as part of our annual goodwill impairment test in the fourth quarter of each fiscal year.

Goodwill is tested for impairment at the reporting unit level. On November 1, 2017, the Company's former EG segment was realigned into two new reportable segments, Hybrid IT and Intelligent Edge. Further, following certain executive leadership changes in 2018, near the end of the fourth quarter, Hybrid IT segment management changed its evaluation of Hybrid IT to evaluate the previously integrated Communication and Media Services (“CMS”) business separately from the remainder of Hybrid IT, resulting in a reassessment of the reporting units. As of October 31, 2018, our reporting units within Hybrid IT include CMS and Hybrid IT excluding CMS. We expect to move CMS to the Corporate Investments segment under new management effective November 1, 2018. Our other reporting units are consistent with the reportable segments identified in Note 3 “Segment Information” to the Consolidated Financial Statements.

In the goodwill impairment test, we compare the fair value of each reporting unit to its carrying amount. We estimate the fair value of our reporting units using a weighting of fair values derived most significantly from the income approach and, to a

lesser extent, the market approach. Under the income approach, we estimate the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate the fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with operating and investment characteristics similar to the reporting unit. We weight the fair value derived from the market approach depending on the level of comparability of these publicly traded companies to the reporting unit. When market comparables are not meaningful or not available, we estimate the fair value of a reporting unit using only the income approach. A significant and sustained decline in our stock price could provide evidence of a need to record a goodwill impairment charge.

Estimating the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk adjusted discount rates, future economic and market conditions, and the determination of appropriate comparable publicly traded companies. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to individual reporting units to determine the carrying amount of each reporting unit.

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired. The goodwill impairment loss is measured as the excess of the reporting unit's carrying value over its fair value (not to exceed the total goodwill allocated to that reporting unit).

Our annual goodwill impairment analysis, which we performed as of the first day of the fourth quarter of fiscal 2018 , did not result in any impairment charges. The excess of fair value over carrying amount for our reporting units ranged from approximately 29% to 72% of the respective carrying amounts. In order to evaluate the sensitivity of the estimated fair value of our reporting units in the goodwill impairment test, we applied a hypothetical 10% decrease to the fair value of each reporting unit. Based on the results of this hypothetical 10% decrease all of the reporting units had an excess of fair value over carrying amount.

Subsequent to our annual test date, CMS was identified as a separate reporting unit within the Hybrid IT segment. Due to this triggering event, we performed an interim impairment test for CMS and based on the results of that analysis, the fair value of CMS was less than its carrying amount. Prior to calculating the goodwill impairment loss, we analyzed the recoverability of CMS long-lived assets (other than goodwill) and concluded such assets were not impaired. As a result, we recorded a goodwill impairment charge of $88 million. There is no remaining goodwill in the CMS reporting unit as of October 31, 2018.

Intangible Assets

We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of our finite-lived intangible assets is assessed based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the finite-lived intangible assets are considered to be impaired. The amount of the impairment loss, if any, is measured as the difference between the carrying amount of the asset and its fair value. We estimate the fair value of finite-lived intangible assets by using an income approach or, when available and appropriate, using a market approach.

Fair Value of Derivative Instruments

We use derivative instruments to manage a variety of risks, including risks related to foreign currency exchange rates and interest rates. We use forwards, swaps and, at times, options to hedge certain foreign currency and interest rate exposures. We do not use derivative financial instruments for speculative purposes. At October 31, 2018 , the gross notional amount of our derivative portfolio was $23.9 billion . Assets and liabilities related to derivative instruments are measured at fair value, and were $496 million and $476 million , respectively, as of October 31, 2018 .

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. The determination of fair value often involves significant judgments about assumptions such as determining

an appropriate discount rate that factors in both risk and liquidity premiums, identifying the similarities and differences in market transactions, weighting those differences accordingly and then making the appropriate adjustments to those market transactions to reflect the risks specific to the asset or liability being valued. We generally use industry standard valuation models to measure the fair value of our derivative positions. When prices in active markets are not available for an identical asset or liability, we use 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, Company and counterparty credit risk, foreign currency exchange rates, and forward and spot prices.

For a further discussion of fair value measurements and derivative instruments, refer to Note 13, "Fair Value" and Note 14, "Financial Instruments", respectively, to the Consolidated Financial Statements.

Loss Contingencies

We are involved in various lawsuits, claims, investigations and proceedings including those consisting of IP, commercial, securities, employment, employee benefits, and environmental matters, which arise in the ordinary course of business. We record a liability when we believe that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. We review these matters at least quarterly and adjust these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other updated information and events, pertaining to a particular case. Based on our experience, we believe that any damage amounts claimed in the specific litigation and contingency matters further discussed in Note 18, "Litigation and Contingencies", to the Consolidated Financial Statements are not a meaningful indicator of our potential liability. Litigation is inherently unpredictable. However, we believe we have valid defenses with respect to legal matters pending against us. 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. We believe we have recorded adequate provisions for any such matters and, as of October 31, 2018 , it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in our financial statements.

ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 1, "Overview and Summary of Significant Accounting Policies", to the Consolidated Financial Statements in Item 8 of Part II, 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 change in revenue on a constant currency basis is calculated as the quotient of (a) current year revenue converted to U.S. dollars using the prior-year period's foreign currency exchange rates divided by (b) prior-year period revenue. 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:

	For the fiscal years ended October 31,					
	2018		2017		2016	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	Dollars in millions					
Net revenue	$ 30,852	100.0 %	$ 28,871	100.0 %	$ 30,280	100.0 %
Cost of sales	21,560	69.9	20,177	69.9	20,507	67.7
Gross profit	9,292	30.1	8,694	30.1	9,773	32.3
Research and development	1,663	5.4	1,486	5.1	1,714	5.7
Selling, general and administrative	4,851	15.7	5,006	17.3	5,380	17.8
Amortization of intangible assets	294	0.9	321	1.1	272	0.9
Impairment of goodwill	88	0.3	—	—	—	—
Restructuring charges	19	0.1	417	1.5	417	1.3
Transformation costs	425	1.4	359	1.2	—	—
Disaster charges	—	—	93	0.3	—	—
Acquisition and other related charges	82	0.3	203	0.7	145	0.5
Separation costs	12	—	248	0.9	362	1.2
Defined benefit plan settlement charges and remeasurement (benefit)	—	—	(64)	(0.2)	—	—
Gain on H3C and MphasiS divestitures	—	—	—	—	(2,420)	(8.0)
Earnings from continuing operations	1,858	6.0	625	2.2	3,903	12.9
Interest and other, net	(274)	(0.9)	(327)	(1.1)	(284)	(0.9)
Tax indemnification adjustments	(1,354)	(4.3)	(3)	—	317	1.0
Earnings (loss) from equity interests	38	0.1	(23)	(0.1)	(76)	(0.3)
Earnings from continuing operations before taxes	268	0.9	272	1.0	3,860	12.7
Benefit (provision) for taxes	1,744	5.6	164	0.5	(623)	(2.0)
Net earnings from continuing operations	2,012	6.5	436	1.5	3,237	10.7
Net loss from discontinued operations	(104)	(0.3)	(92)	(0.3)	(76)	(0.3)
Net earnings	$ 1,908	6.2 %	$ 344	1.2 %	$ 3,161	10.4 %

Net Revenue

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

	For the fiscal years ended October 31,	
	2018	2017
	Percentage Points	
Hybrid IT	4.9	(5.0)
Intelligent Edge	1.2	(0.3)
Financial Services	0.2	1.4
Corporate Investments/Other [1]	0.6	(0.8)
Total HPE	6.9	(4.7)

(1) Other primarily related to the elimination of intersegment net revenue.

Fiscal 2018 compared with Fiscal 2017

In fiscal 2018 , our total net revenue increased by $2.0 billion or 6.9% (increased 5.0% on a constant currency basis). U.S. net revenue increased by $170 million or 1.7% to $10.2 billion , while net revenue from outside of the U.S. increased by $1.8 billion or 9.6% to $20.7 billion . Prior period revenue was reclassified between the regions to conform with the current period presentation.

From a segment perspective, the primary factors contributing to the change in our total net revenue are summarized as follows:

- Hybrid IT net revenue increased due to growth in Compute from core ISS due to higher AUPs and partially from increased market demand for IT products, favorable currency fluctuations, and growth in Storage primarily as a result of the Nimble Storage acquisition.
- Intelligent Edge net revenue increased due primarily to growth in HPE Aruba Product from campus switching and edge compute products; and
- FS net revenue increased due primarily to favorable foreign currency fluctuations and higher asset management revenue.

Fiscal 2017 compared with Fiscal 2016

In fiscal 2017 , our total net revenue decreased by 4.7% (decreased 4.1% on a constant currency basis) as compared to fiscal 2016 . U.S. net revenue decreased 3.0% to $10.0 billion , while net revenue from outside of the U.S. decreased 5.5% to $18.9 billion.

From a segment perspective, the primary factors contributing to the change in our total net revenue are summarized as follows:

- Hybrid IT net revenue decreased due primarily to a decline in Compute revenue from lower Tier-1 server sales and a decline in DC Networking as a result of the H3C divestiture in May 2016;
- Intelligent Edge net revenue decreased due primarily to a decrease in HPE Aruba Product revenue as a result of the H3C divestiture; and
- FS net revenue increased due primarily to higher rental revenue resulting from an increase in operating lease volume and the conversion of capital leases to operating leases in connection with the Everett Transaction.

Gross Margin

Fiscal 2018 compared with Fiscal 2017

Our gross margin remained flat for fiscal 2018 as compared with fiscal 2017 . From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

- Hybrid IT gross margin decreased due primarily to a higher mix of lower margin solutions and higher variable compensation expense;
- Intelligent Edge gross margin decreased due primarily to a higher mix of revenue from lower margin edge compute products and higher variable compensation expense;
- FS gross margin increased due primarily to favorable foreign currency fluctuations, higher asset management activity related to lease extensions and higher margins on lease buyouts; and
- Corporate Investments contributed to an increase in gross margin due primarily to lower costs.

Fiscal 2017 compared with Fiscal 2016

Our gross margin decreased by 2.2 percentage points for fiscal 2017 compared with fiscal 2016 . From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

- Hybrid IT gross margin decreased due primarily to higher commodity costs, particularly DRAM, and competitive pressures affecting Compute and Storage, the impact of the H3C divestiture, particularly in DC Networking, and unfavorable currency fluctuations;
- Intelligent Edge gross margin increased due to a higher mix of revenue from higher margin WLAN and campus switching products; and
- FS gross margin decreased due to lower portfolio margins resulting from the increase in operating lease assets and the impact of a bad debt reserve release in the prior-year period.

Operating Expenses

Research and Development

R&D expense increased by $ 177 million , or 12% , in fiscal 2018 as compared to fiscal 2017 , due to higher variable compensation expense and as we increase new product development in the Hybrid IT and Intelligent Edge segments.

R&D expense decreased by $ 228 million , or 13% , in fiscal 2017 as compared to fiscal 2016 , due primarily to cost reduction actions in Hewlett Packard Labs, a decline in cloud-related activities and the impact of the H3C divestiture. This decrease was partially offset by higher expenses due to business acquisitions in fiscal 2017.

Selling, General and Administrative

SG&A expense decreased by $ 155 million , or 3% , for fiscal 2018 as compared to fiscal 2017 , due primarily to lower administrative expenses as a result of the HPE Next initiative, partially offset by higher marketing and field selling costs primarily from higher variable compensation expense and unfavorable currency fluctuations.

SG&A expense decreased by $ 374 million , or 7% , for fiscal 2017 as compared to fiscal 2016 , due primarily to the impact of the H3C and MphasiS divestitures in fiscal 2016, which represented $294 million of expenses in the prior-year period, cost reduction actions, favorable foreign currency fluctuations, and lower variable compensation expense. This decrease was partially offset by higher expenses resulting from business acquisitions in fiscal 2017.

Amortization of Intangible Assets

Amortization expense decreased by $ 27 million , or 8% , in fiscal 2018 as compared to fiscal 2017 , due to certain intangible assets associated with prior acquisitions reaching the end of their amortization periods, partially offset by higher amortization expense in the current period related to intangible assets from business acquisitions in fiscal 2017.

Amortization expense increased by $ 49 million , or 18% , in fiscal 2017 as compared to fiscal 2016 , due to the addition of intangible assets resulting from business acquisitions in fiscal 2017, partially offset by certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods.

Impairment of Goodwill

During the fourth quarter of fiscal 2018, Hybrid IT segment management changed its evaluation of Hybrid IT to evaluate the previously integrated CMS business separately from the remainder of Hybrid IT, resulting in a reassessment of the reporting units. This change in segment management review triggered an interim goodwill test in the fourth quarter of fiscal 2018 and based on that test, the fair value of CMS was lower than its carrying value, leading to a goodwill impairment charge of $88 million.

Restructuring Charges

Restructuring charges decreased in fiscal 2018 as compared to fiscal 2017 , due to the completion of the restructuring plan we announced in September 2015 (the "2015 Plan") in connection with the Separation and the plan initially announced in May 2012 (the "2012 Plan"). As of October 31, 2018, both the 2015 Plan and the 2012 Plan are complete.

Restructuring charges remained flat in fiscal 2017 as compared to fiscal 2016 , due primarily to continuing charges from the 2015 Plan, partially offset by lower charges from the 2012 Plan.

Transformation Costs

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Management's Discussion and Analysis of
Financial Condition and Results of Operations (Continued)

For fiscal 2018 , transformation costs of $ 425 million include $ 531 million of restructuring charges related to the HPE Next Plan, $ 148 million related to IT costs, $95 million of program management costs and $ 56 million of other costs, partially offset by $405 million related to gains from the sale of real estate.

Transformation costs increased by $66 million in fiscal 2018 as compared to fiscal 2017 due to higher charges in connection with the HPE Next Initiative, which is expected to be implemented through fiscal 2020.

Disaster Charges

During the fourth quarter of fiscal 2017, our facilities in Houston, Texas sustained significant damage as a result of Hurricane Harvey. For fiscal 2017, we recorded $93 million in Disaster charges, which primarily represented the deductible under the insurance program and an asset impairment charge, in our Consolidated Statement of Earnings.

Acquisition and Other Related Charges

Acquisition and other related charges decreased by $ 121 million in fiscal 2018 as compared to fiscal 2017 , due primarily to reduced costs related to integration activities and retention bonuses.

Acquisition and other related charges increased by $ 58 million in fiscal 2017 as compared to fiscal 2016 , due primarily to charges resulting from the acquisitions of Nimble Storage, SimpliVity and SGI.

Separation Costs

Separation costs decreased by $236 million in fiscal 2018 as compared to fiscal 2017 due to lower costs from the Separation, Everett and Seattle Transactions along with a tax credit related to the Separation.

Separation costs decreased by $114 million in fiscal 2017 as compared to fiscal 2016 due to lower costs from the Separation, partially offset by costs from the Everett and Seattle Transactions.

Defined Benefit Plan Settlement Charges and Remeasurement (Benefit)

Defined benefit plan settlement charges and remeasurement (benefit) in fiscal 2017 represents an adjustment to the net periodic pension benefit cost resulting from the remeasurement of certain Hewlett Packard Enterprise pension plans due to plan separations in connection with the Everett and Seattle Transactions.

Interest and Other, Net

Interest and other, net expense decreased by $53 million in fiscal 2018 as compared to fiscal 2017 , due primarily to lower currency transaction losses, a gain on the sale of Internet Protocol addresses and the sale of certain tax assets, partially offset by cumulative translation adjustments resulting from country exits associated with the HPE Next Initiative.

Interest and other, net expense increased by $43 million in fiscal 2017 as compared to fiscal 2016 , due primarily to higher interest expense from higher weighted-average interest rate.

Tax Indemnification Adjustments

Tax indemnification adjustments, representing $ 1.4 billion of expense, $ 3 million of expense, and $317 million of income in fiscal 2018, 2017 , and 2016, respectively, resulted from the settlement of certain pre-Separation tax liabilities for which we share joint and several liability with HP Inc. and for which we are partially indemnified by HP Inc. under the Tax Matters Agreement.

Earnings (loss) from Equity Interests

Earnings (loss) from equity interests primarily represents our 49% interest in H3C. Earnings from equity interests increased by $61 million in fiscal 2018 as compared to fiscal 2017 due to higher net income earned by H3C.

Loss from equity interests decreased by $53 million in fiscal 2017 as compared to fiscal 2016 due to higher net income earned by H3C. The loss was primarily the result of the amortization of our interest in the basis difference which is offset against our share of the net income earned by H3C.

Provision for Taxes

Our effective tax rates were (650.7)%, (60.3)% and 16.1% in fiscal 2018, 2017 and 2016, respectively. Our effective tax rate generally differs from the U.S. federal statutory rate of 23.3% due to favorable tax rates associated with certain earnings from our operations in lower tax jurisdictions throughout the world but may also be materially impacted by discrete tax adjustments during the fiscal year. The jurisdictions with favorable tax rates that had the most significant impact on our effective tax rate in the periods presented include Puerto Rico and Singapore.

We have an October 31 fiscal year end; therefore, the lower corporate tax rate enacted by the Tax Act will be phased in, resulting in a U.S. statutory federal rate of 23.3% for the fiscal year ending October 31, 2018 and 21% for subsequent fiscal years.

In fiscal 2018, we recorded $2.0 billion of net income tax benefits related to items unique to the year. These amounts primarily included $2.0 billion of income tax benefits related to the settlement of certain pre-Separation tax liabilities for which we share joint and several liability with HP Inc. and for which we are partially indemnified by HP Inc. under the Tax Matters Agreement, $208 million of income tax benefits related to Everett pre-divestiture tax matters and valuation allowances, $125 million of income tax benefits on restructuring charges, separation costs, transformation costs and acquisition and other related charges, and $65 million of income tax benefits on net excess tax benefits related to stock-based compensation, the effects of which were partially offset by $422 million of income tax charges related to impacts of the Tax Act.

In fiscal 2017, we recorded $554 million of net income tax benefits related to items unique to the year. These amounts primarily included $699 million of income tax benefits in connection with the Everett and Seattle Transactions and $326 million of income tax benefits on restructuring charges, separation costs, transformation costs, and acquisition and other related charges, the effects of which were partially offset by $473 million of income tax charges to record valuation allowances on U.S. state deferred tax assets and $88 million of income tax charges related to pre-Separation tax matters.

In fiscal 2016, we recorded $250 million of net income tax charges related to items unique to the year. These amounts primarily included $714 million of income tax charges related to pre-Separation tax matters, of which $647 million was related to the effect of the potential settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities, and $169 million of income tax charges resulting from a gain on the H3C divestiture, the effects of which were partially offset by $509 million of income tax benefits on restructuring charges, separation costs and acquisition and other related charges, and $124 million of income tax benefits resulting from a gain on the MphasiS divestiture.

On December 22, 2017, the Tax Act was enacted into law, which significantly changes existing U.S. tax law and includes numerous provisions that affect our business, such as imposing a one-time Transition Tax on deemed repatriation of deferred foreign income, reducing the U.S. federal statutory tax rate, and adopting a modified territorial tax system. For a reconciliation of our effective tax rate to the U.S. federal statutory rate of 23.3% and further explanation of our provision for taxes, see Note 8, "Taxes on Earnings", to the Consolidated Financial Statements.

Segment Information

A description of the products and services for each segment, along with other pertinent information related to Segments can be found in Note 3, "Segment Information", to the Consolidated Financial Statements in Item 8 of Part II, which is incorporated herein by reference. Future changes to our organizational structure may result in changes to the segments disclosed.

Hybrid IT

	For the fiscal years ended October 31,		
	2018	**2017**	**2016**
	Dollars in millions		
Net revenue	$ 25,033	$ 23,627	$ 25,102
Earnings from operations	$ 2,654	$ 2,274	$ 3,182
Earnings from operations as a % of net revenue	10.6%	9.6%	12.7%

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

	For the fiscal years ended October 31,				
	Net Revenue			Weighted Net Revenue Change Percentage Points	
	2018	2017	2016	2018	2017
	Dollars in millions				
Compute	$ 13,823	$ 12,837	$ 13,994	4.3	(4.6)
Storage	3,706	3,280	3,389	1.8	(0.4)
DC Networking	225	214	407	—	(0.8)
Hybrid IT Product	$ 17,754	$ 16,331	$ 17,790	6.1	(5.8)
HPE Pointnext	7,279	7,296	7,312	(0.1)	(0.1)
Total Hybrid IT	$ 25,033	$ 23,627	$ 25,102	6.0	(5.9)

Fiscal 2018 compared with Fiscal 2017

Hybrid IT net revenue increased by $1.4 billion, or 6.0% (increased 4.1% on a constant currency basis), in fiscal 2018 as compared to fiscal 2017. The increase in Hybrid IT net revenue was due primarily to growth in Compute from core ISS due to higher AUPs and partially from increased market demand for IT products, favorable currency fluctuations, and growth in Storage primarily as a result of the Nimble Storage acquisition.

Hybrid IT Product net revenue increased by $1.4 billion, or 9%, with growth of 8% in Compute, 13% in Storage and 5% in DC Networking.

- The net revenue increase in Compute was due primarily to growth in core ISS products and favorable currency fluctuations. Mission-critical servers ("MCS") also experienced a net revenue increase for the period. The increase in Compute net revenue was partially offset by a decline in Tier-1 server sales as we continue to exit less profitable product categories. The growth in core ISS revenue was driven by an increase in AUPs across most core products due to several factors including the cost of certain commodities, Generation 10 servers representing a higher mix of overall core ISS server products and improved server configurations. The increase in AUPs was partially offset by a decline in unit shipments, primarily in the rack, tower and blade categories. MCS revenue increased as a result of higher revenue from NonStop products.
- The net revenue increase in Storage was driven by growth in our converged and traditional storage products. Converged storage revenue growth was due primarily to revenue from HPE Nimble Storage and growth in big data products. Traditional storage revenue increased as a result of growth in networking and MSA products.
- Higher revenue in DC Networking was due primarily to growth in switching products.

HPE Pointnext net revenue decreased by $17 million, or 0.2% compared to the prior-year period, due primarily to a revenue decline in Advisory and Professional Services and Communications and Media Services, partially offset by favorable currency fluctuations and revenue growth in Operational Services. The revenue decline in Advisory and Professional Services was due to our exit from low margin countries in this business. Revenue in Operational Services increased due to growth in HPE Datacenter Care and HPE Proactive Care support solutions, partially offset by a reduction in support for legacy server and storage solutions.

Hybrid IT earnings from operations as a percentage of net revenue increased by a 1.0 percentage point, in fiscal 2018 as compared to fiscal 2017. The increase was due to a decrease in operating expenses as a percentage of net revenue partially offset by a decline in gross margin. The gross margin decline was due primarily to a higher mix of lower margin solutions and higher variable compensation expense, partially offset by a lower mix of revenue from lower margin Tier-1 server sales. Operating expenses as a percentage of net revenue decreased due to lower expenses as a result of cost reduction and streamlining initiatives partially offset by higher variable compensation expense.

Fiscal 2017 compared with Fiscal 2016

Hybrid IT net revenue decreased by $1.5 billion, or 5.9% (decreased 5.2% on a constant currency basis), in fiscal 2017. The decrease was due primarily to a decline in Compute revenue as a result of a revenue decline of $1.3 billion from Tier-1 server sales and a decline in DC Networking as a result of the H3C divestiture in May 2016, which contributed $384 million in Hybrid IT net revenue in the prior-year period, partially offset by a revenue contribution of approximately $640 million from the acquisitions of SGI and Nimble Storage during fiscal 2017.

Hybrid IT Product net revenue decreased by $1.5 billion, or 8%, with declines of 8% in Compute, 3% in Storage and 47% in DC Networking

- Compute net revenue decreased by $1.2 billion, or 8%, due primarily to a decline in revenue from ISS and MCS. The decline in ISS revenue was due primarily to lower revenue from Tier-1 server sales, partially offset by growth in core server products, which included revenue from the recently acquired SGI business. ISS unit volumes decreased by 13%, while AUPs increased by 6%. The decrease in unit volumes was a result of the volume decline in the Tier-1 server category. The increase in AUPs was experienced in the density optimized, blades and rack product categories, partially offset by a decline in the tower product category. MCS revenue declined due primarily to the decline in revenue from Itanium products and NonStop solutions.
- Storage net revenue decreased by $109 million, or 3%, due to continued weakness in traditional storage products and go-to-market sales execution issues. Compared to the prior-year period, revenue from traditional storage solutions declined, while converged storage revenue increased due primarily to growth in our All-Flash Array products, which included revenue from the recently acquired Nimble Storage business.
- DC Networking net revenue decreased by $193 million, or 47%, due primarily to the H3C divestiture, which contributed $214 million of revenue in the prior-year period, partially offset by revenue growth in switching products.

HPE Pointnext net revenue decreased by $16 million, which was flat compared to the prior-year period as the impact of the H3C divestiture, which represented $170 million of revenue in the prior-year period, was offset by revenue from SGI and growth in the HPE Data Center Care and HPE Proactive Care support solutions.

Hybrid IT earnings from operations as a percentage of net revenue decreased by 3.1 percentage points in fiscal 2017 due to a decrease in gross margin and an increase in operating expenses as a percentage of net revenue. The gross margin decrease was due primarily to higher commodity costs, particularly DRAM, and competitive pressures affecting Compute and Storage, the impact of the H3C divestiture, particularly in DC Networking, and unfavorable currency fluctuations, which was partially offset by improved gross margin from a lower mix of Tier-1 server sales and lower variable compensation expense. Operating expense as a percentage of net revenue increased due to the revenue decline notwithstanding the reduction in operating expense. The decrease in operating expense was due primarily to cost reduction actions, the impact of the H3C divestiture, which represented $109 millio n of expense in the prior year, and lower variable compensation expense, which was partially offset by increased expenses as a result of business combinations.

Intelligent Edge

	For the fiscal years ended October 31,		
	2018	2017	2016
	Dollars in millions		
Net revenue	$ 2,929	$ 2,584	$ 2,674
Earnings from operations	$ 237	$ 253	$ 74
Earnings from operations as a % of net revenue	8.1%	9.8%	2.8%

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

	For the fiscal years ended October 31,				
	Net Revenue			Weighted Net Revenue Change Percentage Points	
	2018	2017	2016	2018	2017
	Dollars in millions				
HPE Aruba Product	$ 2,619	$ 2,307	$ 2,423	12.1	(4.3)
HPE Aruba Services	310	277	251	1.3	0.9
Total Intelligent Edge	$ 2,929	$ 2,584	$ 2,674	13.4	(3.4)

Fiscal 2018 compared with Fiscal 2017

Intelligent Edge net revenue increased by $345 million , or 13.4% (increased 11.2% on a constant currency basis), in fiscal 2018 as compared to fiscal 2017. The increase in Intelligent Edge net revenue was due primarily to a net increase in HPE Aruba Product revenue of $312 million , or 14% . The increase in HPE Aruba Product revenue was due primarily to revenue growth in Aruba branded campus switching products, as well as revenue growth in our edge compute products, partially offset by a decline in revenue from WLAN products. HPE Aruba Services net revenue increased by $33 million , or 12% due primarily to services attach on a growing product installed base.

Intelligent Edge earnings from operations as a percentage of net revenue decreased 1.7 percentage points in fiscal 2018 as compared to fiscal 2017. The decrease was due to a decrease in gross margin and an increase in operating expenses as a percentage of net revenue. The decrease in gross margin was due primarily to a higher mix of revenue from lower margin edge compute products and higher variable compensation expense. The increase in operating expenses as a percentage of net revenue was due primarily to higher R&D and field selling costs and higher variable compensation expense.

Fiscal 2017 compared with Fiscal 2016

Intelligent Edge net revenue decreased by $90 million or 3.4% (decreased 3.0% on a constant currency basis), in fiscal 2017 as compared to fiscal 2016. The decrease in Intelligent Edge net revenue was due primarily to a decrease in HPE Aruba Product revenue of $116 million , or 5% . The decrease in HPE Aruba Product revenue was due primarily to the divestiture of H3C in May 2016, which contributed $425 million of revenue in fiscal 2016, partially offset by growth in WLAN and campus switching products. HPE Aruba Services net revenue increased by $26 million , or 10% due primarily to services attach on a growing HPE Aruba Product installed base.

Intelligent Edge earnings from operations as a percentage of net revenue increased 7.0 percentage points in fiscal 2017 as compared to fiscal 2016. The increase was due to an increase in gross margin and a decrease in operating expenses as a percentage of net revenue. The increase in gross margin was due primarily to a higher mix of revenue from higher margin WLAN and campus switching products, partially offset by the impact of the H3C divestiture. The decrease in operating expenses as a percentage of net revenue was due primarily to a decrease in operating expenses which was greater than the decrease in revenue.

Financial Services

	For the fiscal years ended October 31,		
	2018	2017	2016
	Dollars in millions		
Net revenue	$ 3,671	$ 3,602	$ 3,190
Earnings from operations	$ 290	$ 299	$ 338
Earnings from operations as a % of net revenue	7.9%	8.3%	10.6%

Fiscal 2018 compared with Fiscal 2017

FS net revenue increased by $69 million, or 1.9% (increased 0.4% on a constant currency basis), in fiscal 2018 due primarily to favorable foreign currency fluctuations and higher asset management revenue from end-of-lease monthly rentals, remarketing sales and lease extensions, partially offset by a decrease in rental revenue due to lower average operating leases and lower lease buyout revenue due primarily to a large customer buyout transaction in the fourth quarter of fiscal 2017.

FS earnings from operations as a percentage of net revenue decreased 0.4 percentage points due to an increase in operating expenses as a percentage of net revenue, partially offset with an increase in gross margin. Operating expenses as a percentage of net revenue increased due primarily to higher marketing, administrative and field selling costs. The increase in gross margin was due primarily to favorable foreign currency fluctuations, higher asset management activity related to lease extensions and higher margins on lease buyouts, which was partially offset by an increase in bad debt expense in the current period.

Fiscal 2017 compared with Fiscal 2016

FS net revenue increased by $412 million, or 12.9% (increased 13.1% on a constant currency basis), in fiscal 2017 due primarily to higher rental revenue resulting from an increase in operating lease volume and the conversion of capital leases to operating leases in connection with the Everett Transaction, along with higher lease buyout revenue due primarily to a large customer buyout transaction in the fourth quarter of fiscal 2017.

FS earnings from operations as a percentage of net revenue decreased by 2.3 percentage points in fiscal 2017 due to a decrease in gross margin, partially offset by a decrease in operating expense as a percentage of net revenue. The decrease in gross margin was due primarily to lower portfolio margins resulting from the increase in operating lease assets and the impact of a bad debt reserve release in the prior-year period, partially offset by higher margins on lease buyout activity. Operating expenses as a percentage of net revenue decreased primarily as a result of the net revenue increase, as total operating expenses increased by only 3% from the prior-year period.

Financing Volume

	For the fiscal years ended October 31,		
	2018	2017	2016
	Dollars in millions		
Total financing volume	$ 6,521	$ 6,085	$ 6,478

Financing volume, which represents the amount of financing provided to customers for equipment and related software and services, including intercompany activity, increased 7.2% in fiscal 2018 and decreased 6.1% in fiscal 2017 as compared to the prior-year periods, respectively. The increase in fiscal 2018 was primarily driven by higher financing associated with third-party product sales and related service offerings, along with favorable currency fluctuations. The decrease in fiscal 2017 was driven by lower financing volume associated with third-party and HPE product sales and related services offerings, along with unfavorable currency fluctuations.

Portfolio Assets and Ratios

The FS 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 FS amounts are substantially the same as those used by the Company. However, intercompany loans and certain accounts that are reflected in the segment balances are eliminated in our Consolidated Financial Statements.

The portfolio assets and ratios derived from the segment balance sheets for FS were as follows:

	As of October 31,	
	2018	2017
	Dollars in millions	
Financing receivables, gross	$ 8,256	$ 7,844
Net equipment under operating leases	4,212	4,413
Capitalized profit on intercompany equipment sales [(1)]	502	656
Intercompany leases [(1)]	125	115
Gross portfolio assets	13,095	13,028
Allowance for doubtful accounts [(2)]	120	86
Operating lease equipment reserve	63	49
Total reserves	183	135
Net portfolio assets	$ 12,912	$ 12,893
Reserve coverage	1.4%	1.0%
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 benefiting FS consists of intercompany equity that is treated as debt for segment reporting purposes, intercompany debt and borrowing- and funding-related activity associated with FS and its subsidiaries. Debt benefiting FS totaled $11.4 billion and $11.2 billion at October 31, 2018 and October 31, 2017, respectively, and was determined by applying an assumed debt-to-equity ratio, which management believes to be comparable to that of other similar financing companies. FS equity at both October 31, 2018 and October 31, 2017 was $1.6 billion.

At October 31, 2018 and 2017, FS net cash and cash equivalents were $735 million and $873 million, respectively.

Net portfolio assets at October 31, 2018 increased 0.1% from October 31, 2017. The increase generally resulted from new financing volume, partially offset by unfavorable foreign currency fluctuations.

FS bad debt expense includes charges to reserves for sales-type, direct-financing and operating leases. FS recorded net bad debt expense of $91 million, $45 million and $23 million in fiscal 2018, 2017 and 2016, respectively.

Corporate Investments

	For the fiscal years ended October 31,		
	2018	2017	2016
	Dollars in millions		
Net revenue	$ (1)	$ 3	$ 594
Loss from operations	$ (90)	$ (106)	$ (61)
Loss from operations as a % of net revenue [(1)]	NM	NM	NM

(1) "NM" represents not meaningful.

Effective at the beginning of the second quarter of fiscal 2017, and prior to the completion of the Everett Transaction, we transferred the historical net revenue and operating profit related to the previously divested MphasiS product group from the former ES segment to the Corporate Investments segment.

Net revenue in fiscal 2017 represents IP-related royalty revenue. Net revenue in fiscal 2016 primarily represents revenue from the MphasiS product group, which was divested in the fourth quarter of fiscal 2016. Corporate Investments net revenue decreased by 133% in fiscal 2018, as compared to the prior-year period, due to lower IP-related royalty revenue in HP labs, and decreased by 99% in fiscal 2017 , as compared to the prior-year period, due to the absence of revenue from MphasiS.

Corporate Investments loss from operations decreased by 15% in fiscal 2018 and increased by 74% in fiscal 2017 , as compared to the prior-year periods, respectively. The decline in loss from operations for fiscal 2018 was due to lower expenses in HP Labs. The increase in loss from operations for fiscal 2017 was due to higher expenses in HP labs and certain cloud-related activities, partially offset by the absence of operating expenses related to MphasiS.

LIQUIDITY AND CAPITAL RESOURCES

We use cash generated by operations as our primary source of liquidity. We believe that internally generated cash flows will be generally sufficient to support our operating businesses, capital expenditures, product development initiatives, acquisitions, restructuring activities, transformation costs, indemnifications, maturing debt, interest payments, income tax payments, in addition to any future investments and any future share repurchases, and future stockholder dividend payments. We expect to supplement this short-term liquidity, if necessary, by accessing the capital markets, issuing commercial paper, and borrowing under credit facilities made available by various domestic and foreign financial institutions. However, our access to capital markets may be constrained and our cost of borrowing may increase under certain business, market and economic conditions. Our liquidity is subject to various risks including the risks identified in the section entitled "Risk Factors" in Item 1A and market risks identified in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A, each of which is incorporated herein by reference.

Our cash balances are held in numerous locations throughout the world, with a substantial amount 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 is 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. Due to the enactment of the Tax Act, all of our cash, cash equivalents and investments held by foreign subsidiaries were subject to U.S. taxation under the one-time Transition Tax as further discussed in Note 8, "Taxes on Earnings". Subsequent repatriations generally will not be taxable from a U.S. federal tax perspective but may be subject to state income or foreign withholding tax. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is to keep cash balances outside of the U.S. and to 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.

On October 13, 2015, our Board of Directors approved a share repurchase program with a $3.0 billion authorization, which was refreshed with additional share repurchase authorizations of $3.0 billion, $5.0 billion and $2.5 billion on May 24, 2016, October 16, 2017 and February 21, 2018, respectively. As of October 31, 2018, we had a remaining authorization of $4.7 billion for future share repurchases. The number of shares that we repurchase under the share repurchase program may vary depending on numerous factors, including share price, liquidity and other market conditions, our ongoing capital allocation planning, levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic or business conditions, and board and management discretion. Additionally, our share repurchase activity, if any, during any particular period may fluctuate. We may commence, accelerate, suspend, delay, or discontinue any share repurchase activity at any time, without notice. This program does not have a specific expiration date.

In fiscal 2018, we repurchased an aggregate of $3.6 billion of our stock as a result of our share repurchase program. For more information on our share repurchase program, refer to Note 16, "Stockholders' Equity", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

Liquidity

Our cash and cash equivalents, total debt and available borrowing resources were as follows:

	As of October 31,		
	2018	2017	2016
	In millions		
Cash and cash equivalents	$ 4,880	$ 9,579	$ 12,987
Total debt	$ 12,141	$ 14,032	$ 15,693
Available borrowing resources	$ 5,757	$ 5,891	$ 6,058

Our key cash flow metrics were as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Net cash provided by operating activities	$ 2,964	$ 1,335	$ 5,056
Net cash (used in) provided by investing activities	(2,071)	(4,907)	419
Net cash (used in) provided by financing activities	(5,592)	164	(2,330)
Net (decrease) increase in cash and cash equivalents	$ (4,699)	$ (3,408)	$ 3,145

Operating Activities

Net cash provided by operating activities increased by $1.6 billion for fiscal 2018 as compared to fiscal 2017. The increase was due primarily to higher net earnings in the current period and a payment of $1.9 billion for pension funding in connection with the Everett Transaction in the prior-year period, partially offset by higher cash usage for net working capital management in the current period. Net cash provided by operating activities decreased by $3.7 billion for fiscal 2017 as compared to fiscal 2016 due primarily to a payment of $1.9 billion for pension funding in connection with the Everett Transaction and lower net earnings.

Our key working capital metrics were as follows:

	As of October 31,		
	2018	2017	2016
Days of sales outstanding in accounts receivable	37	36	39
Days of supply in inventory	40	39	31
Days of purchases outstanding in accounts payable	(100)	(102)	(89)
Cash conversion cycle	(23)	(27)	(19)

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. For fiscal 2018, as compared to the prior-year period, the increase in DSO was due primarily to unfavorable billing linearity partially offset by an increase in early payments and factoring. For fiscal 2017, as compared to the prior-year period, the decrease in DSO was due primarily to lower aged accounts receivables, a reduction in accounts receivables of recent acquisitions and improvements in credit and collections.

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. For fiscal 2018, as compared to the prior-year period, the increase in DOS was due primarily to higher levels of strategic commodities inventory to support customer demand, manage supply risk and component cost increases, and higher inventory of server solutions which have longer time-to-shipment cycles. For fiscal 2017, as compared to the prior-year period, the increase in DOS was due primarily to higher inventory resulting from increases in memory component costs and an increase in inventory as a result of recent acquisitions.

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. For fiscal 2018, as compared to the prior-year period, the decrease in DPO was primarily the result of a reduction in purchases with original equipment manufacturers ("OEMs") and a shift to internal manufacturing for certain compute products. For fiscal 2017, as compared to the prior-year period, the increase in DPO was primarily the result of an extension of payment terms with our product suppliers.

The cash conversion cycle is the sum of DSO and DOS, less DPO. Items which may cause the cash conversion cycle in a particular period to differ include, but are not limited to, changes in business mix, changes in payment terms (including extended payment terms from suppliers), the extent of receivables factoring, seasonal trends, the timing of revenue recognition and inventory purchases within the period, and acquisition activity.

Investing Activities

Net cash used in investing activities decreased by $2.8 billion in fiscal 2018 as compared to fiscal 2017. The decrease was due primarily to payments of $2.2 billion in the prior-year period in connection with business acquisitions and a decrease of $0.6 billion of cash used in the current period for investments in property, plant and equipment, net of proceeds from sales. Net cash used in investing activities was $4.9 billion in fiscal 2017 due primarily to $2.5 billion of investments in property, plant and equipment, net of proceeds from sales, and payments of $2.2 billion in connection with business acquisitions.

Financing Activities

Net cash used in financing activities increased by $5.8 billion in fiscal 2018 as compared to fiscal 2017. The increase was due primarily to cash dividends of $3.0 billion and $2.5 billion from Everett and Seattle, respectively, in the prior period, and higher cash used in the current period for share repurchase activity of $1.0 billion, partially offset by $0.8 billion of net transfers of cash and cash equivalents to DXC and Micro Focus in the prior period. Net cash provided by financing activities was $0.2 billion in fiscal 2017 due primarily to a $3.0 billion cash dividend payment from Everett, a $2.5 billion cash dividend payment from Seattle and $2.3 billion of cash proceeds from the issuance of debt, partially offset by $3.8 billion of debt redemption payments and $3.0 billion of cash utilization for repurchases of common stock and dividend payments. Net cash used in financing activities was $2.3 billion in fiscal 2016 due primarily to cash utilization for repurchases of common stock and dividend payments.

Capital Resources

Debt Levels

	As of October 31,		
	2018	2017	2016
	Dollars in millions		
Short-term debt	$ 2,005	$ 3,850	$ 3,525
Long-term debt	$ 10,136	$ 10,182	$ 12,168
Weighted-average interest rate	4.5%	3.8%	3.4%

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), share repurchase activities, our cost of capital, and targeted capital structure.

On September 19, 2018, we completed our offering of $0.5 billion aggregate principal amount of 3.5% notes due in 2021 and $0.8 billion aggregate principal amount of floating rate notes due in 2021. The net proceeds from this offering was used to fund the repayment of $1.05 billion outstanding principal amount of our 2.85% notes and $250 million outstanding principal amount of our floating rate notes that both became due in October 2018, and for general corporate purposes.

On June 29, 2018 we redeemed $1.6 billion face value of $2.65 billion Senior Notes with an original maturity date of October 5, 2018.

During fiscal 2018, we issued $21.5 billion and repaid $21.5 billion of commercial paper. For more information on our borrowings, see Note 15, "Borrowings", to the Consolidated Financial Statements in Item 8, 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 14, "Financial Instruments", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

In December 2017, we filed a shelf registration statement with the Securities and Exchange Commission that allows us to sell, at any time and from time to time, in one or more offerings, debt securities, preferred stock, common stock, warrants, depositary shares, purchase contracts, guarantees or units consisting of any of these securities.

Revolving Credit Facility

On November 1, 2015, we entered into a revolving credit facility (the "Credit Agreement"), together with the lenders named therein, JPMorgan Chase Bank, N.A. ("JPMorgan"), as co-administrative agent and administrative processing agent, and Citibank, N.A., as co-administrative agent, providing for a senior, unsecured revolving credit facility with aggregate lending commitments of $4.0 billion. Loans under the revolving credit facility may be used for general corporate purposes. Commitments under the Credit Agreement are available for a period of five years, which period may be extended, subject to the satisfaction of certain conditions, by up to two, one-year periods. Commitment fees, interest rates and other terms of borrowing under the credit facility vary based on Hewlett Packard Enterprise's external credit rating. As of October 31, 2018 and 2017, no borrowings were outstanding under the Credit Agreement.

Available Borrowing Resources

As of October 31, 2018, we had the following resources available to obtain short- or long-term financing if we need additional liquidity:

	As of October 31, 2018
	In millions
Commercial paper programs	$ 4,108
Uncommitted lines of credit	$ 1,649

For more information on our available borrowings resources, see Note 15, "Borrowings", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

CONTRACTUAL AND OTHER OBLIGATIONS

Our contractual and other obligations as of October 31, 2018, were as follows:

		Payments Due by Period			
	Total	1 Year or Less	1-3 Years	3-5 Years	More than 5 Years
			In millions		
Principal payments on long-term debt [1]	$ 11,675	$ 1,196	$ 4,358	$ 1,371	$ 4,750
Interest payments on long-term debt [2]	5,004	553	915	618	2,918
Operating lease obligations (net of sublease rental income)	1,003	172	285	205	341
Purchase obligations and other [3]	637	257	306	25	49
Capital lease obligations (includes interest)	81	7	13	13	48
Total [4][5][6][7][8][9]	$ 18,400	$ 2,185	$ 5,877	$ 2,232	$ 8,106

(1) Amounts represent the principal cash payments relating to our long-term debt and do not include fair value adjustments, discounts or premiums and debt issuance costs.
(2) Amounts represent the expected interest payments relating to our long-term debt. We have outstanding interest rate swap agreements accounted for as fair value hedges that have the economic effect of changing fixed interest rates associated with some of our U.S. Dollar Senior Notes to variable interest rates. The impact of our outstanding interest rate swaps at October 31, 2018 was factored into the calculation of the future interest payments on long-term debt.

(3) Purchase obligations and other include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction, as well as settlements that we have reached with third parties, requiring us to pay determined amounts over a specific period of time. These purchase obligations are related principally to software maintenance and support services and other items. Purchase obligations exclude agreements that are cancelable without penalty. Purchase obligations also exclude open purchase orders that are routine arrangements entered into in the ordinary course of business as they are difficult to quantify in a meaningful way. Even though open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust terms based on our business needs prior to the delivery of goods or performance of services.

(4) In fiscal 2019, we anticipate making contributions of $190 million to our non-U.S. pension plans. Our policy is to fund pension plans so that we meet at least the minimum contribution requirements, as established by local government, funding and taxing authorities. Expected contributions and payments to our pension and post-retirement benefit plans are excluded from the contractual obligations table because they do not represent contractual cash outflows, as they are dependent on numerous factors which may result in a wide range of outcomes. For more information on our retirement and post-retirement benefit plans, see Note 6, "Retirement and Post-Retirement Benefit Plans", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(5) As of October 31, 2018 we expect future cash payments of approximately $1.0 billion in connection with our approved restructuring plans, which includes $0.5 billion expected to be paid in fiscal 2019 and $0.5 billion expected to be paid through fiscal 2022. Payments for restructuring activities have been excluded from the contractual obligations table, because they do not represent contractual cash outflows and there is uncertainty as to the timing of these payments. For more information on our restructuring activities, see Note 4, "Restructuring", and Note 5, "HPE Next", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(6) As of October 31, 2018, we had approximately $1.5 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include $26 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 8, "Taxes on Earnings", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(7) In connection with the Separation, the Company entered into a Separation and Distribution Agreement with HP Inc., effective November 1, 2015, whereby the Company agreed to indemnify HP Inc., each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to the Company as part of the Separation. HP Inc. similarly agreed to indemnify the Company, each of its subsidiaries and each of their respective directors, officers and employees from and against all claims and liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to HP Inc. as part of the Separation. Additionally, in connection with the Separation, the Company entered into a Tax Matters Agreement (the "Tax Matters Agreement") with HP Inc., effective November 1, 2015, that governs the rights and obligations of the Company and HP Inc. for certain pre-Separation tax liabilities. The Tax Matters Agreement provides that the Company and HP Inc. will share certain pre-Separation income tax liabilities that arise from adjustments made by tax authorities to the Company and HP Inc.'s U.S. and certain non-U.S. income tax returns. As of October 31, 2018, we had approximately $359 million of recorded net liabilities, offset with $341 million of recorded net receivables, pertaining to income tax indemnification with HP Inc. These liabilities include $115 million expected to be paid within one year. For the remaining amounts, we are unable to make a reasonable estimate as to when cash settlement with HP Inc. might occur due to uncertainties related to the underlying tax matters. Payments of these obligations would result from settlements under the Tax Matters Agreement with HP Inc. For more information on our general cross-indemnification, Tax Matters Agreement and other income tax matters with HP Inc., see Note 19, "Guarantees, Indemnifications and Warranties", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(8) In connection with the Everett and Seattle Transactions, the Company entered into a Separation and Distribution Agreement with each of DXC, effective May 24, 2016, and Seattle, effective September 7, 2016, whereby DXC and Seattle, as applicable, agreed to indemnify HPE, each of its subsidiaries and each of their respective directors, officers and employees from and against all losses relating to, arising out of or resulting from, among other matters, the liabilities allocated to DXC and Seattle as part of the Everett Transaction and Seattle Transaction, respectively. HPE similarly agreed to indemnify DXC and Seattle, each of their subsidiaries and each of their respective directors, officers and employees from and against all losses relating to, arising out of or resulting from, among other matters, the liabilities allocated to the Company as part of the Everett Transaction and Seattle Transaction, respectively. Additionally, in connection with the Everett and Seattle Transactions, HPE entered into a Tax Matters Agreement with DXC and affiliates, effective March 31, 2017, (the "DXC Tax Matters Agreement"), and Micro Focus and affiliates, effective September 1, 2017, (the "Micro Focus Tax Matters Agreement"), that governs the rights and obligations of HPE and DXC or Micro Focus, as applicable, for certain pre-divestiture tax liabilities and tax receivables. Each of the DXC Tax Matters Agreement and Micro Focus Tax Matters Agreement generally provides that HPE will be responsible for pre-divestiture tax liabilities and will be entitled to pre-divestiture tax receivables that arise from adjustments made by tax authorities to HPE's and DXC's, or Micro Focus', as applicable, U.S. and certain non-U.S. tax returns. In certain jurisdictions, HPE and DXC, or Micro Focus, as applicable, have joint and several liability for past income tax liabilities and accordingly, HPE could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. As of October 31, 2018, we had approximately $6 million of recorded net liabilities and $28 million of recorded net liabilities pertaining to tax indemnification with DXC and Micro Focus, respectively. These liabilities include $19 million expected to be paid within one year. For the remaining amounts, we are unable to make a reasonable estimate as to when cash settlement with DXC or Micro Focus might occur due to the uncertainties related to the underlying tax matters. Payments of these obligations would result from settlements under the Tax Matters Agreement with DXC or Micro Focus. For more information on our general cross-indemnification, Tax Matters Agreement and

other income tax matters with DXC and Micro Focus, see Note 19, "Guarantees, Indemnifications and Warranties", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

(9) Due to the enactment of the Tax Act, we recognized a one-time expense for Transition Tax of $1.7 billion on the deemed repatriation of previously deferred foreign income, but this tax expense does not result in direct current or deferred cash payments given that we have sufficient U.S. tax credits to offset such cash obligation.

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, 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. For more information on our third-party revolving short-term financing arrangements, see Note 9, "Balance Sheet Details", to the Consolidated Financial Statements in Item 8, which is incorporated herein by reference.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to foreign currency exchange rate and interest rate risks that could impact our financial position and results of operations. Our risk management strategy with respect to these market risks may include the use of derivative financial instruments. We use derivative contracts only to manage existing underlying exposures. Accordingly, we do not use derivative contracts for speculative purposes. Our risks, risk management strategy and a sensitivity analysis estimating the effects of changes in fair value for each of these exposures is outlined below.

Actual gains and losses in the future may differ materially from the sensitivity analyses based on changes in the timing and amount of foreign currency exchange rate and interest rate movements and our actual exposures and derivatives in place at the time of the change, as well as the effectiveness of the derivative to hedge the related exposure.

Foreign currency exchange rate risk

We are exposed to foreign currency exchange rate risk inherent in our sales commitments, anticipated sales, anticipated purchases, and assets and liabilities denominated in currencies other than the U.S. dollar. We transact business in approximately 60 currencies worldwide, of which the most significant foreign currencies to our operations for fiscal 2018 were the euro, Japanese yen, British pound, and Chinese yuan (renminbi). For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker U.S. dollar and are adversely affected by a stronger U.S. dollar relative to the foreign currency. Even where we are a net receiver of the foreign currency, a weaker U.S. dollar may adversely affect certain expense figures, if taken alone.

We use a combination of forward contracts and, from time to time, options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our 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. In addition, when debt is denominated in a foreign currency, we may use swaps to exchange the foreign currency principal and interest obligations for U.S. dollar-denominated amounts to manage the exposure to changes in foreign currency exchange rates. We also use other derivatives not designated as hedging instruments, consisting primarily of forward contracts, to hedge foreign currency balance sheet exposures. Alternatively, we may choose not to hedge the risk associated with our foreign currency exposures, primarily if such exposure acts as a natural hedge for offsetting amounts denominated in the same currency or if the currency is too difficult or too expensive to hedge.

We have performed sensitivity analyses as of October 31, 2018 and 2017, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency derivative contracts offset by underlying exposures. The foreign currency exchange rates we used in performing the sensitivity analysis were based on market rates in effect at October 31, 2018 and 2017. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in a foreign exchange fair value loss of $36 million and $39 million at October 31, 2018 and 2017, respectively.

Interest rate risk

We also are exposed to interest rate risk related to debt we have issued and our investment portfolio and financing receivables. We issue long-term debt in either U.S. dollars or foreign currencies based on market conditions at the time of financing.

We often use interest rate and/or currency swaps to modify the market risk exposures in connection with the debt to achieve U.S. dollar LIBOR-based floating interest expense. The swap transactions generally involve the exchange of fixed for floating interest payments. However, we may choose not to swap fixed for floating interest payments or may terminate a previously executed swap if we believe a larger proportion of fixed-rate debt would be beneficial.

In order to hedge the fair value of certain fixed-rate investments, we may enter into interest rate swaps that convert fixed interest returns into variable interest returns. We may use cash flow hedges to hedge the variability of LIBOR-based interest income received on certain variable-rate investments, by entering into interest rate swaps that convert variable rate interest returns into fixed-rate interest returns.

We have performed sensitivity analyses as of October 31, 2018 and 2017, using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of interest rates across the entire yield curve, with all other variables held constant. The analyses cover our debt, investments, financing receivables, and interest rate swaps. The analyses use actual or approximate maturities for the debt, investments, financing receivables, and interest rate swaps. The discount rates used were based on the market interest rates in effect at October 31, 2018 and 2017. The sensitivity analyses indicated that a hypothetical 10% adverse movement in interest rates would result in a loss in the fair values of our

debt, investments and financing receivables, net of interest rate swaps, of $29 million and $43 million at October 31, 2018 and 2017, respectively.

ITEM 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hewlett Packard Enterprise Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hewlett Packard Enterprise Company and subsidiaries (the Company) as of October 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 12, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

San Jose, California

December 12, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Hewlett Packard Enterprise Company

Opinion on Internal Control over Financial Reporting

We have audited Hewlett Packard Enterprise Company and subsidiaries' internal control over financial reporting as of October 31, 2018, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Hewlett Packard Enterprises Company and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of October 31, 2018 and 2017, the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2018, and the related notes and our report dated December 12, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California

December 12, 2018

ITEM 8. Financial Statements and Supplementary Data.

Management's Report on Internal Control Over Financial Reporting

Hewlett Packard Enterprise's management is responsible for establishing and maintaining adequate internal control over financial reporting for Hewlett Packard Enterprise. Hewlett Packard Enterprise's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Hewlett Packard Enterprise's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Hewlett Packard Enterprise; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Hewlett Packard Enterprise are being made only in accordance with authorizations of management and directors of Hewlett Packard Enterprise; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Hewlett Packard Enterprise's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Hewlett Packard Enterprise's management assessed the effectiveness of Hewlett Packard Enterprise's internal control over financial reporting as of October 31, 2018, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on the assessment by Hewlett Packard Enterprise's management, we determined that Hewlett Packard Enterprise's internal control over financial reporting was effective as of October 31, 2018. The effectiveness of Hewlett Packard Enterprise's internal control over financial reporting as of October 31, 2018 has been audited by Ernst & Young LLP, Hewlett Packard Enterprise's independent registered public accounting firm, as stated in their report which appears on page 63 of this Annual Report on Form 10-K.

/s/ ANTONIO F. NERI	/s/ TAREK A. ROBBIATI
Antonio F. Neri	Tarek A. Robbiati
President and Chief Executive Officer	*Executive Vice President and Chief Financial Officer*
December 12, 2018	December 12, 2018

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions, except per share amounts		
Net revenue:			
Products	$ 19,504	$ 17,597	$ 18,843
Services	10,901	10,878	11,073
Financing income	447	396	364
Total net revenue	30,852	28,871	30,280
Costs and expenses:			
Cost of products	14,079	12,715	13,040
Cost of services	7,203	7,197	7,218
Financing interest	278	265	249
Research and development	1,663	1,486	1,714
Selling, general and administrative	4,851	5,006	5,380
Amortization of intangible assets	294	321	272
Impairment of goodwill	88	—	—
Restructuring charges	19	417	417
Transformation costs	425	359	—
Disaster charges	—	93	—
Acquisition and other related charges	82	203	145
Separation costs	12	248	362
Defined benefit plan settlement charges and remeasurement (benefit)	—	(64)	—
Gain on H3C and MphasiS divestitures	—	—	(2,420)
Total costs and expenses	28,994	28,246	26,377
Earnings from continuing operations	1,858	625	3,903
Interest and other, net	(274)	(327)	(284)
Tax indemnification adjustments	(1,354)	(3)	317
Earnings (loss) from equity interests	38	(23)	(76)
Earnings from continuing operations before taxes	268	272	3,860
Benefit (provision) for taxes	1,744	164	(623)
Net earnings from continuing operations	2,012	436	3,237
Net loss from discontinued operations	(104)	(92)	(76)
Net earnings	$ 1,908	$ 344	$ 3,161
Net earnings (loss) per share:			
Basic			
Continuing operations	$ 1.32	$ 0.26	$ 1.89
Discontinued operations	(0.07)	(0.05)	(0.05)
Total basic net earnings per share	$ 1.25	$ 0.21	$ 1.84
Diluted			
Continuing operations	$ 1.30	$ 0.26	$ 1.86
Discontinued operations	(0.07)	(0.05)	(0.04)
Total diluted net earnings per share	$ 1.23	$ 0.21	$ 1.82
Cash dividends declared per share	$ 0.4875	$ 0.2600	$ 0.2200
Weighted-average shares used to compute net earnings per share:			
Basic	1,529	1,646	1,715
Diluted	1,553	1,674	1,739

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

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Net earnings	$ 1,908	$ 344	$ 3,161
Other comprehensive (loss) income before taxes:			
Change in net unrealized losses on available-for-sale securities:			
Net unrealized losses arising during the period	(3)	(8)	(4)
(Gains) losses reclassified into earnings	(9)	(4)	3
	(12)	(12)	(1)
Change in net unrealized gains (losses) on cash flow hedges:			
Net unrealized gains arising during the period	169	46	226
Net losses (gains) reclassified into earnings	8	(145)	(270)
	177	(99)	(44)
Change in unrealized components of defined benefit plans:			
(Losses) gains arising during the period	(423)	944	(1,777)
Amortization of actuarial loss and prior service benefit	191	285	284
Curtailments, settlements and other	22	15	(18)
	(210)	1,244	(1,511)
Change in cumulative translation adjustment:			
Cumulative translation adjustment arising during the period	(70)	(14)	(154)
Release of cumulative translation adjustment as a result of divestitures and country exits	20	—	75
	(50)	(14)	(79)
Other comprehensive (loss) income before taxes	(95)	1,119	(1,635)
(Provision) benefit for taxes	(42)	(145)	51
Other comprehensive (loss) income, net of taxes	(137)	974	(1,584)
Comprehensive income	$ 1,771	$ 1,318	$ 1,577

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

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

	As of October 31,	
	2018	2017
	In millions, except par value	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,880	$ 9,579
Accounts receivable	3,263	3,073
Financing receivables	3,396	3,378
Inventory	2,447	2,315
Assets held for sale	6	14
Other current assets	3,280	3,085
Total current assets	17,272	21,444
Property, plant and equipment	6,138	6,269
Long-term financing receivables and other assets	11,359	12,600
Investments in equity interests	2,398	2,535
Goodwill	17,537	17,516
Intangible assets	789	1,042
Total assets	$ 55,493	$ 61,406
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and short-term borrowings	$ 2,005	$ 3,850
Accounts payable	6,092	6,072
Employee compensation and benefits	1,412	1,156
Taxes on earnings	378	429
Deferred revenue	3,177	3,128
Accrued restructuring	294	445
Other accrued liabilities	3,840	3,844
Total current liabilities	17,198	18,924
Long-term debt	10,136	10,182
Other non-current liabilities	6,885	8,795
Commitments and contingencies		
Stockholders' equity		
HPE stockholders' equity:		
Preferred stock, $0.01 par value (300 shares authorized; none issued)	—	—
Common stock, $0.01 par value (9,600 shares authorized; 1,423 and 1,595 shares issued and outstanding at October 31, 2018 and October 31, 2017, respectively)	14	16
Additional paid-in capital	30,342	33,583
Accumulated deficit	(5,899)	(7,238)
Accumulated other comprehensive loss	(3,218)	(2,895)
Total HPE stockholders' equity	21,239	23,466
Non-controlling interests	35	39
Total stockholders' equity	21,274	23,505
Total liabilities and stockholders' equity	$ 55,493	$ 61,406

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

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Cash flows from operating activities:			
Net earnings	$ 1,908	$ 344	$ 3,161
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	2,576	3,051	3,775
Impairment of goodwill	88	—	—
Stock-based compensation expense	286	428	558
Provision for inventory and doubtful accounts	198	129	232
Restructuring charges	550	964	1,236
Deferred taxes on earnings	2,229	(1,122)	(1,345)
Gain on H3C and MphasiS divestitures	—	—	(2,420)
(Earnings) loss from equity interests	(38)	23	76
Dividends received from equity investee	164	98	—
Other, net	(158)	543	195
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(220)	457	991
Financing receivables	(366)	(462)	(301)
Inventory	(260)	(542)	34
Accounts payable	(27)	992	66
Taxes on earnings	(4,516)	(265)	1,615
Restructuring	(647)	(800)	(1,044)
Other assets and liabilities [1]	1,197	(2,503)	(1,773)
Net cash provided by operating activities	2,964	1,335	5,056
Cash flows from investing activities:			
Investment in property, plant and equipment	(2,956)	(3,137)	(3,280)
Proceeds from sale of property, plant and equipment	1,094	679	450
Purchases of available-for-sale securities and other investments	(33)	(45)	(656)
Maturities and sales of available-for-sale securities and other investments	98	38	585
Financial collateral posted	(1,547)	(686)	—
Financial collateral returned	1,467	466	—
Payments made in connection with business acquisitions, net of cash acquired	(207)	(2,202)	(22)
Proceeds from business divestitures, net	13	(20)	3,342
Net cash (used in) provided by investing activities	(2,071)	(4,907)	419
Cash flows from financing activities:			
Short-term borrowings with original maturities less than 90 days, net	5	18	(71)
Proceeds from debt, net of issuance costs	2,457	2,259	1,074
Payment of debt	(4,138)	(3,783)	(833)
Settlement of cash flow hedge	—	5	3
Net proceeds related to stock-based award activities	116	108	41
Repurchase of common stock	(3,568)	(2,556)	(2,662)
Net transfers from former Parent	—	—	491
Net transfer of cash and cash equivalents to Everett	(41)	(711)	—
Net transfer of cash and cash equivalents from (to) Seattle	156	(227)	—
Cash dividend from Everett [2]	—	3,008	—
Cash dividend from Seattle [3]	—	2,500	—
Restricted cash transfer [4]	—	(29)	—
Cash dividends paid to non-controlling interests	(9)	—	—
Cash dividends paid	(570)	(428)	(373)

Net cash (used in) provided by financing activities		(5,592)		164		(2,330)
(Decrease) increase in cash and cash equivalents		(4,699)		(3,408)		3,145
Cash and cash equivalents at beginning of period		9,579		12,987		9,842
Cash and cash equivalents at end of period	$	4,880	$	9,579	$	12,987
Supplemental cash flow disclosures:						
Income taxes paid, net of refunds	$	538	$	836	$	656
Interest expense paid	$	609	$	415	$	585
Supplemental schedule of non-cash investing and financing activities:						
Net assets transferred to Everett and Seattle	$	—	$	5,946	$	—

(1) For fiscal 2017, the amount includes $1.9 billion of pension funding payments associated with the separation and merger of Everett SpinCo, Inc. with Computer Sciences Corporation.

(2) In fiscal 2017, represents a $3.0 billion cash dividend payment from Everett SpinCo, Inc. to HPE, the proceeds of which were funded from the issuance of $3.5 billion of debt by Everett SpinCo, Inc. The debt was retained by Everett SpinCo, Inc.

(3) In fiscal 2017, represents a $2.5 billion cash dividend payment from Seattle SpinCo, Inc. to HPE, the proceeds of which were funded from the issuance of $2.6 billion of aggregate debt by Seattle SpinCo, Inc. The debt was retained by Seattle SpinCo, Inc.

(4) In fiscal 2017, represents the difference between the net proceeds from the Seattle debt issuance in the third quarter of fiscal 2017 and the amount held in escrow through the close of the transaction. This was settled in the fourth quarter of fiscal 2017 with the net transfer of cash and cash equivalents to Seattle.

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

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Common Stock								
	Number of Shares	**Par Value**	**Additional Paid-in Capital**	**Former Parent Company Investment**	**(Accumulated Deficit) Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Equity Attributable to the Company**	**Non-controlling Interests**	**Total Equity**
				In millions, except number of shares in thousands					
Balance at October 31, 2015	—	$ —	$ —	$ 38,550	$ —	$ (5,015)	$ 33,535	$ 383	$ 33,918
Separation-related adjustments				(1,236)			(1,236)		(1,236)
Issuance of common stock and reclassification of former Parent company investment	1,803,719	18	37,296	(37,314)			—		—
Net earnings					3,161		3,161	33	3,194
Other comprehensive loss						(1,584)	(1,584)	—	(1,584)
Comprehensive income							1,577	33	1,610
Issuance of common stock in connection with employee stock plans and other	20,374		15				15		15
Repurchases of common stock	(157,761)	(1)	(2,661)				(2,662)		(2,662)
Tax benefit from employee stock plans			1				1		1
Cash dividends declared					(379)		(379)		(379)
Stock-based compensation expense			597				597		597
Changes in non-controlling interests								(9)	(9)
MphasiS divestiture								(337)	(337)
Balance at October 31, 2016	1,666,332	$ 17	$ 35,248	$ —	$ 2,782	$ (6,599)	$ 31,448	$ 70	$ 31,518
Everett Transaction					(3,671)	2,579	(1,092)	(30)	(1,122)
Seattle Transaction					(6,182)	151	(6,031)		(6,031)
Net earnings					344		344	(1)	343
Other comprehensive income						974	974	—	974
Comprehensive income							1,318	(1)	1,317
Issuance of common stock in connection with employee stock plans and other	66,618		75				75		75
Repurchases of common stock	(137,789)	(1)	(2,497)		(82)		(2,580)		(2,580)
Tax benefit from employee stock plans			137				137		137
Cash dividends declared					(429)		(429)		(429)
Stock-based compensation expense			620				620		620
Balance at October 31, 2017	1,595,161	$ 16	$ 33,583	$ —	$ (7,238)	$ (2,895)	$ 23,466	$ 39	$ 23,505
Activity related to separation and merger transactions					164	(186)	(22)		(22)
Net earnings					1,908		1,908	(4)	1,904
Other comprehensive loss						(137)	(137)	—	(137)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Comprehensive income							1,771	(4)	1,767
Issuance of common stock in connection with employee stock plans and other [(1)]	50,369	—	27				27		27
Repurchases of common stock	(222,227)	(2)	(3,577)		—		(3,579)		(3,579)
Cash dividends declared					(733)		(733)		(733)
Stock-based compensation expense			309				309		309
Balance at October 31, 2018	1,423,303	$ 14	$ 30,342	$ —	$ (5,899)	$ (3,218)	$ 21,239	$ 35	$ 21,274

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

(1) In fiscal 2018, the Company recorded an adjustment of $55 million to reduce a deferred tax asset established in connection with the Separation as a reduction to Additional paid-in capital in the Consolidated Statement of Stockholders' Equity.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: Overview and Summary of Significant Accounting Policies

Background

Hewlett Packard Enterprise Company ("Hewlett Packard Enterprise", "HPE", or "the Company") is a global technology leader focused on developing intelligent solutions that allow customers to capture, analyze and act upon data seamlessly from edge to cloud. Hewlett Packard Enterprise enables customers to accelerate business outcomes by driving new business models, creating new customer and employee experiences, and increasing operational efficiency today and into the future. Hewlett Packard Enterprise's customers range from small- and medium-sized businesses ("SMBs") to large global enterprises.

Former Parent Separation

On November 1, 2015, the Company became an independent publicly-traded company through a pro rata distribution by HP Inc. ("former Parent" or "HPI"), formerly known as Hewlett-Packard Company ("HP Co."), of 100% of the outstanding shares of Hewlett Packard Enterprise Company to HP Inc.'s stockholders (the "Separation"). Each HP Inc. stockholder of record received one share of Hewlett Packard Enterprise common stock for each share of HP Inc. common stock held on the record date. Following the Separation, the Company became an independent publicly-traded company.

On October 31, 2015 and November 1, 2015, the Company entered into several agreements with former Parent that govern the relationship between the Company and former Parent following the distribution.

- Separation and Distribution Agreement;
- Transition Services Agreement;
- Tax Matters Agreement;
- Employee Matters Agreement;
- Real Estate Matters Agreement;
- Master Commercial Agreement; and
- Information Technology Service Agreement.

These agreements provided for the allocation between the Company and former Parent's assets, employees, liabilities, and obligations (including its investments, property and employee benefits and tax-related assets and liabilities) attributable to periods prior to, at and after the Separation. Obligations under the service and commercial contracts generally extend through five years.

Discontinued Operations

On April 1, 2017, HPE completed the separation and merger of its Enterprise Services business with Computer Sciences Corporation (“CSC”) (collectively, the “Everett Transaction”). HPE transferred its Enterprise Services business to Everett SpinCo, Inc. (a wholly-owned subsidiary of HPE) ("Everett") and distributed all of the shares of Everett to HPE stockholders. Following the distribution, New Everett Merger Sub Inc., a wholly-owned subsidiary of Everett, merged with and into CSC and Everett changed its name to DXC Technology Company ("DXC").

On September 1, 2017, HPE completed the separation and merger of its Software business segment with Micro Focus International plc (“Micro Focus”) (collectively, the “Seattle Transaction”). HPE transferred its Software business segment to Seattle SpinCo, Inc. (a wholly-owned subsidiary of HPE) ("Seattle"), and distributed all of the shares of Seattle to HPE stockholders. Following the share distribution, Seattle MergerSub, Inc., an indirect, wholly-owned subsidiary of Micro Focus, merged with and into Seattle.

HPE had entered into several agreements with each of DXC and Micro Focus that govern the relationship between the parties, including the following:

- Separation and Distribution Agreement;
- Transition Services Agreement;
- Tax Matters Agreement;
- Employee Matters Agreement;
- Real Estate Matters Agreement;
- Intellectual Property Matters Agreement
- Information Technology Service Agreement; and
- Preferred Vendor Agreements.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

These agreements provided for the allocation of assets, employees, liabilities and obligations (including its investments, property, employee benefits, litigation, and tax-related assets and liabilities) between HPE and DXC and HPE and Micro Focus, respectively, attributable to periods prior to, at and after the transactions. Obligations under the service and commercial contracts generally extend through five years.

HPE Next

During the third quarter of fiscal 2017, the Company launched an initiative called HPE Next, through which it will simplify the organizational structure and redesign business processes. The HPE Next initiative is expected to be implemented through fiscal 2020. During this time, the Company expects to incur expenses for workforce reductions, to upgrade and simplify its IT infrastructure, and for other non-labor actions. These costs were partially offset by gains from real estate sales, all of which was recorded within Transformation costs in the Consolidated Statements of Earnings. For more details on the HPE Next initiative and Transformation costs, see Note 5, "HPE Next".

Basis of Presentation

The historical results of operations and financial position of both Everett and Seattle are reported as discontinued operations in the Consolidated Statements of Earnings and the Consolidated Balance Sheets. The historical information in the accompanying Notes to the Consolidated Financial Statements has been restated to reflect the effects of the Everett Transaction and the Seattle Transaction. For further information on discontinued operations, see Note 2, "Discontinued Operations".

Principles of Consolidation and Combination

The accompanying Consolidated Financial Statements include the accounts of the Company and other subsidiaries and affiliates in which the Company has a controlling financial interest or is the primary beneficiary. All intercompany transactions and accounts within the consolidated businesses of the Company have been eliminated.

Intercompany transactions between the Company and former Parent, prior to the Separation, are considered to be effectively settled in the Consolidated and Combined Financial Statements at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Consolidated Statements of Cash Flows within financing activities.

The Company accounts for investments in companies over which it has the ability to exercise significant influence but does not hold a controlling interest under the equity method of accounting, and the Company records its proportionate share of income or losses in Earnings (loss) from equity interests in the Consolidated Statements of Earnings.

Non-controlling interests are presented as a separate component within Total stockholders' equity in the Consolidated Balance Sheets. Net earnings attributable to non-controlling interests are recorded within Interest and other, net in the Consolidated Statements of Earnings and are not presented separately, as they were not material for any period presented.

Segment Realignment

During the first quarter of fiscal 2018, the Company completed an organizational change in 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 impact the Company's previously reported consolidated net revenue, earnings from operations, net earnings or net earnings per share ("EPS"). See Note 3, "Segment Information", for a further discussion of the Company's segment realignment.

Use of Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the Company's Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Foreign Currency Translation

The Company predominately uses the U.S. dollar as its functional currency. Assets and liabilities denominated in non-U.S. currencies are remeasured into U.S. dollars at current exchange rates for monetary assets and liabilities and at historical exchange rates for non-monetary assets and liabilities. Net revenue, costs and expenses denominated in non-U.S. currencies are recorded in U.S. dollars at the average rates of exchange prevailing during the period. The Company includes gains or losses

from foreign currency remeasurement in Interest and other, net in the Consolidated Statements of Earnings and gains and losses from cash flow hedges in Net revenue as the hedged revenue is recognized. Certain non-U.S. subsidiaries designate the local currency as their functional currency, and the Company records the translation of their assets and liabilities into U.S. dollars at the balance sheet date as translation adjustments and includes them as a component of Accumulated other comprehensive loss in the Consolidated Balance Sheets. The effect of foreign currency exchange rates on cash and cash equivalents was not material for any of the fiscal years presented.

Former Parent Company Investment

Former Parent company investment in Consolidated Statements of Stockholders' Equity represents former Parent's historical investment in the Company, the net effect of transactions with and allocations from former Parent and the Company's accumulated earnings.

In December 2015, in connection with the Separation and Distribution Agreement, the Company received a net cash allocation of $526 million from former Parent. The cash allocation was based on the projected cash requirements of the Company, in light of the intended investment grade credit rating, business plan and anticipated operations and activities.

Former Parent historically used a centralized approach to manage cash and finance its operations. Prior to the Separation, transactions between the Company and former Parent were considered to be effectively settled for cash at the time the transaction was recorded. The net effect of these transactions is included in Net transfer from former Parent in the Consolidated Statements of Cash Flows.

Revenue Recognition

General

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured. Additionally, the Company recognizes hardware revenue on sales to channel partners, including resellers, distributors or value-added solution providers at the time of delivery when the channel partners have economic substance apart from the Company, and the Company has completed its obligations related to the sale. The Company generally recognizes revenue for its standalone software sales to channel partners on receipt of evidence that the software has been sold to a specific end user. The Company limits the amount of revenue recognized for delivered elements to the amount that is not contingent on the future delivery of products or services, future performance obligations or subject to customer-specified refund or return rights.

The Company reduces revenue for customer and distributor programs and incentive offerings, including price protection, rebates, promotions, other volume-based incentives, and expected returns, at the later of the date of revenue recognition or the date the sales incentive is offered. Future market conditions and product transitions may require the Company to take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenue at the time the incentive is offered. For certain incentive programs, the Company estimates the number of customers expected to redeem the incentive based on historical experience and the specific terms and conditions of the incentive.

In instances when revenue is derived from sales of third-party vendor products or services, the Company records revenue on a gross basis when the Company is a principal to the transaction and on a net basis when the Company is acting as an agent between the customer and the vendor. The Company considers several factors to determine whether it is acting as a principal or an agent, most notably whether the Company is the primary obligor to the customer, has established its own pricing and has inventory and credit risks.

The Company reports revenue net of any taxes collected from customers and remitted to government authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

Multiple element arrangements

When a sales arrangement contains multiple elements or deliverables, such as hardware and software products, and/or services, the Company allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE") if VSOE of selling price is not available, or estimated selling price ("ESP") if neither VSOE of selling price nor TPE is available. The Company establishes VSOE of selling price using the price charged for a deliverable when sold separately and, in rare instances, using the price established by management having the relevant authority. The Company establishes TPE of selling price by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated

customers. The Company establishes ESP based on management judgment considering internal factors such as margin objectives, pricing practices and controls, customer segment pricing strategies and the product life-cycle. Consideration is also given to market conditions such as competitor pricing strategies and technology industry life-cycles. In most arrangements with multiple elements, the Company allocates the transaction price to the individual units of accounting at inception of the arrangement based on their relative selling price.

In multiple element arrangements that include software that is more-than-incidental, the Company allocates the transaction price to the individual units of accounting for the non-software deliverables and to the software deliverables as a group using the relative selling price of each of the deliverables in the arrangement based on the selling price hierarchy. If the arrangement contains more than one software deliverable, the transaction price allocated to the group of software deliverables is then allocated to each component software deliverable.

The Company evaluates each deliverable in an arrangement to determine whether it represents a separate unit of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value to the customer. For elements with no standalone value, the Company recognizes revenue consistent with the pattern of the undelivered elements. If the arrangement includes a customer-negotiated refund or return right or other contingency relative to the delivered items, and the delivery and performance of the undelivered items is considered probable and substantially within the Company's control, the delivered element constitutes a separate unit of accounting. In arrangements with combined units of accounting, changes in the allocation of the transaction price among elements may impact the timing of revenue recognition for the contract but will not change the total revenue recognized for the contract.

Product revenue

Hardware

Under the Company's standard terms and conditions of sale, the Company transfers title and risk of loss to the customer at the time product is delivered to the customer and recognizes revenue accordingly, unless customer acceptance is uncertain or significant obligations to the customer remain. The Company reduces revenue for estimated customer returns, price protection, rebates and other programs offered under sales agreements established by the Company with its distributors and resellers. The Company records revenue from the sale of equipment under sales-type leases as product revenue at the inception of the lease. The Company accrues the estimated cost of post-sale obligations, including standard product warranties, based on historical experience at the time the Company recognizes revenue.

Software

The Company recognizes revenue from perpetual software licenses at the inception of the license term, assuming all revenue recognition criteria have been satisfied. Term-based software license revenue is generally recognized ratably over the term of the license. The Company uses the residual method to allocate revenue to software licenses at the inception of the arrangement when VSOE of fair value for all undelivered elements, such as post-contract customer support, exists and all other revenue recognition criteria have been satisfied. The Company recognizes revenue from maintenance and unspecified upgrades or updates provided on a when-and-if-available basis ratably over the period during which such items are delivered. The Company recognizes revenue for software-as-a-service ("SaaS") arrangements as the service is delivered, generally on a straight-line basis, over the contractual period of performance.

Services revenue

The Company recognizes revenue from fixed-price support or maintenance contracts, including extended warranty contracts and software post-contract customer support agreements, ratably over the contract period and recognizes the costs associated with these contracts as incurred. For time and material contracts, the Company recognizes revenue as services are rendered and recognizes costs as they are incurred.

The Company recognizes revenue from certain fixed-price contracts, such as consulting arrangements, as work progresses over the contract period on a proportional performance basis, as determined by the percentage of labor costs incurred to date compared to the total estimated labor costs of a contract. Estimates of total project costs for fixed-price contracts are regularly reassessed during the life of a contract. Provisions for estimated losses on fixed-priced contracts are recognized in the period when such losses become known. If reasonable and reliable cost estimates for a project cannot be made, the Company uses the completed contract method and recognizes revenue and costs upon service completion.

The Company recognizes revenue from operating leases on a straight-line basis as service revenue over the rental period.

Financing income

Sales-type and direct-financing leases produce financing income, which the Company recognizes at consistent rates of return over the lease term.

Deferred revenue

The Company records amounts invoiced to customers in excess of revenue recognized as deferred revenue until the revenue recognition criteria are satisfied. The Company records revenue that is earned and recognized in excess of amounts invoiced on services contracts as trade receivables.

Deferred revenue represents amounts invoiced in advance for product support contracts, software customer support contracts, consulting and integration projects, product sales or leasing income.

Shipping and Handling

The Company includes costs related to shipping and handling in Cost of products.

Stock-Based Compensation

Stock-based compensation expense is based on the measurement date fair value of the award and is recognized only for those awards expected to meet the service and performance vesting conditions on a straight-line basis over the requisite service period of the award. Stock-based compensation expense is determined at the aggregate grant level for service-based awards and at the individual vesting tranche level for awards with performance and/or market conditions. The forfeiture rate is estimated based on historical experience.

Retirement and Post-Retirement Plans

The Company has various defined benefit, other contributory and noncontributory, retirement and post-retirement plans. The Company generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the average remaining estimated service life or, in the case of closed plans, life expectancy of participants. In limited cases, actuarial gains and losses are amortized using the corridor approach. See Note 6, “Retirement and Post-Retirement Benefit Plans” for a full description of these plans and the accounting and funding policies.

Advertising

Costs to produce advertising are expensed as incurred during production. Costs to communicate advertising are expensed when the advertising is first run. Advertising expense totaled approximately $193 million in fiscal 2018, $255 million in fiscal 2017, and $215 million in fiscal 2016.

Restructuring

The Company records charges associated with approved restructuring plans to reorganize one or more of the Company's business segments, to remove duplicative headcount and infrastructure associated with business acquisitions or to simplify business processes and accelerate innovation. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, and contract cancellation costs. The Company records restructuring charges based on estimated employee terminations and site closure and consolidation plans. The Company accrues for severance and other employee separation costs under these actions when it is probable that benefits will be paid and the amount is reasonably estimable. The rates used in determining severance accruals are based on existing plans, historical experiences and negotiated settlements.

Taxes on Earnings

The Company recognizes deferred tax assets and liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse.

The Company records a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to realize. In determining the need for a valuation allowance, the Company considers future market growth, forecasted earnings, future sources of taxable income, the mix of earnings in the jurisdictions in which the Company operates, and prudent and feasible tax planning strategies. In the event the Company were to determine that it is more likely than not that the Company will be unable to realize all or part of its deferred tax assets in the future, the Company would increase the valuation allowance

and recognize a corresponding charge to earnings or other comprehensive income in the period in which such a determination were made. Likewise, if the Company later determines that the deferred tax assets are more likely than not to be realized, the Company would reverse the applicable portion of the previously recognized valuation allowance. In order for the Company to realize deferred tax assets, the Company must be able to generate sufficient taxable income in the jurisdictions in which the deferred tax assets are located.

The Company records accruals for uncertain tax positions when the Company believes that it is not more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The Company makes adjustments to these accruals when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The provision for income taxes includes the effects of adjustments for uncertain tax positions, effects of settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities, as well as any related interest and penalties.

Accounts Receivable

The Company establishes an allowance for doubtful accounts for accounts receivable. The Company records a specific reserve for individual accounts when the Company becomes aware of specific customer circumstances, such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position. If there are additional changes in circumstances related to the specific customer, the Company further adjusts estimates of the recoverability of receivables. The Company maintains bad debt reserves for all other customers based on a variety of factors, including the use of third-party credit risk models that generate quantitative measures of default probabilities based on market factors, the financial condition of customers, the length of time receivables are past due, trends in the weighted-average risk rating for the portfolio, macroeconomic conditions, information derived from competitive benchmarking, significant one-time events, and historical experience. The past due or delinquency status of a receivable is based on the contractual payment terms of the receivable.

The Company has third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers. These financing arrangements, which in certain cases provide for partial recourse, result in the transfer of the Company's trade receivables to a third party. The Company reflects amounts transferred to, but not yet collected from, the third party in Accounts receivable in the Consolidated Balance Sheets. For arrangements involving an element of recourse, the fair value of the recourse obligation is measured using market data from similar transactions and reported as a current liability in Other accrued liabilities in the Consolidated Balance Sheets.

Concentrations of Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, receivables from trade customers and contract manufacturers, financing receivables and derivatives.

The Company maintains cash and cash equivalents, investments, derivatives, and certain other financial instruments with various financial institutions. These financial institutions are located in many different geographic regions, and the Company's policy is designed to limit exposure from any particular institution. As part of its risk management processes, the Company performs periodic evaluations of the relative credit standing of these financial institutions. The Company has not sustained material credit losses from instruments held at these financial institutions. The Company utilizes derivative contracts to protect against the effects of foreign currency and interest rate exposures. Such contracts involve the risk of non-performance by the counterparty, which could result in a material loss.

Credit risk with respect to accounts receivable and financing receivables is generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and geographic regions. The Company performs ongoing credit evaluations of the financial condition of its customers and may require collateral, such as letters of credit and bank guarantees, in certain circumstances. As of October 31, 2018 and 2017 no single customer accounted for more than 10% of the Company's gross accounts receivable balance.

The Company utilizes outsourced manufacturers around the world to manufacture company-designed products. The Company may purchase product components from suppliers and sell those components to its outsourced manufacturers thereby creating receivable balances from the outsourced manufacturers. The three largest outsourced manufacturer receivable balances collectively represented 92% and 87% of the Company's manufacturer receivables of $684 million and $594 million at October 31, 2018 and 2017, respectively. The Company includes the manufacturer receivables in Other current assets in the Consolidated Balance Sheets on a gross basis. The Company's credit risk associated with these receivables is mitigated wholly or in part by the amount the Company owes to these outsourced manufacturers, as the Company generally has the legal right to

offset its payables to the outsourced manufacturers against these receivables. The Company does not reflect the sale of these components in revenue and does not recognize any profit on these component sales until the related products are sold by the Company, at which time any profit is recognized as a reduction to cost of sales. The Company obtains a significant number of components from single source suppliers due to technology, availability, price, quality or other considerations. The loss of a single source supplier, the deterioration of the Company's relationship with a single source supplier, or any unilateral modification to the contractual terms under which the Company is supplied components by a single source supplier could adversely affect the Company's revenue and gross margins.

Inventory

The Company values inventory at the lower of cost or net realizable value. Cost is computed using standard cost which approximates actual cost on a first-in, first-out basis. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess or obsolescence determined primarily by future demand forecasts.

Property, Plant and Equipment

The Company states property, plant and equipment at cost less accumulated depreciation. The Company capitalizes additions and improvements and expenses maintenance and repairs as incurred. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are five to 40 years for buildings and improvements and three to 15 years for machinery and equipment. The Company depreciates leasehold improvements over the life of the lease or the asset, whichever is shorter. The Company depreciates equipment held for lease over the initial term of the lease to the equipment's estimated residual value. The estimated useful lives of assets used solely to support a customer services contract generally do not exceed the term of the customer contract. On retirement or disposition, the asset cost and related accumulated depreciation are removed from the Consolidated Balance Sheets with any gain or loss recognized in the Consolidated Statements of Earnings.

The Company capitalizes certain internal and external costs incurred to acquire or create internal use software, principally related to software coding, designing system interfaces and installation and testing of the software. The Company amortizes capitalized internal use software costs using the straight-line method over the estimated useful lives of the software, generally from three to five years.

Business Combinations

The Company includes the results of operations of acquired businesses in the Company's consolidated results prospectively from the date of acquisition. The Company allocates the fair value of purchase consideration to the assets acquired including in-process research and development ("IPR&D"), liabilities assumed, and non-controlling interests in the acquired entity generally based on their fair values at the acquisition date. IPR&D is initially capitalized at fair value as an intangible asset with an indefinite life and assessed for impairment thereafter. When the IPR&D project is complete, it is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. If an IPR&D project is abandoned, the Company will record a charge for the value of the related intangible asset to the Company's Consolidated Statement of Earnings in the period it is abandoned. The excess of the fair value of purchase consideration over the fair value of the assets acquired, liabilities assumed and non-controlling interests in the acquired entity is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired company and the Company and the value of the acquired assembled workforce, neither of which qualifies for recognition as an intangible asset. Acquisition-related expenses and post-acquisition restructuring costs are recognized separately from the business combination and are expensed as incurred.

Goodwill

The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. The Company performs a quantitative test for all of its reporting units as part of its annual goodwill impairment test in the fourth quarter of each fiscal year.

The Company estimates the fair value of its reporting units using a weighting of fair values derived most significantly from the income approach, and to a lesser extent, the market approach. Under the income approach, the Company estimates the fair value of a reporting unit based on the present value of estimated future cash flows. The Company prepares cash flow projections based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The Company bases the discount rate on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the

projected cash flows. Under the market approach, the Company estimates fair value based on market multiples of revenue and earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit. The Company weights the fair value derived from the market approach depending on the level of comparability of these publicly traded companies to the reporting unit. When market comparables are not meaningful or not available, the Company estimates the fair value of a reporting unit using only the income approach.

If the fair value of a reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than its carrying amount, goodwill is impaired. The goodwill impairment loss is measured as the excess of the reporting unit's carrying value over its fair value (not to exceed the total goodwill allocated to that reporting unit).

Intangible Assets and Long-Lived Assets

The Company reviews intangible assets with finite lives and long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of assets based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, the asset is impaired. The Company measures the amount of impairment loss, if any, as the difference between the carrying amount of the asset and its fair value using an income approach or, when available and appropriate, using a market approach. The Company amortizes intangible assets with finite lives using the straight-line method over the estimated economic lives of the assets, ranging from one to ten years.

Assets Held for Sale

The Company classifies its long-lived assets to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company stops recording depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

Equity Method Investments

Investments and ownership interests are accounted for under equity method accounting if the Company has the ability to exercise significant influence, but does not have a controlling financial interest. The Company records its interest in the net earnings of its equity method investees, along with adjustments for unrealized profits or losses on intra-entity transactions and amortization of basis differences, within earnings or loss from equity interests in the Consolidated Statements of Earnings. Profits or losses related to intra-entity sales with its equity method investees are eliminated until realized by the investor or investee. Basis differences represent differences between the cost of the investment and the underlying equity in net assets of the investment and are generally amortized over the lives of the related assets that gave rise to them. Equity method goodwill is not amortized or tested for impairment; instead the equity method investment is tested for impairment. The Company records its interest in the net earnings of its equity method investments based on the most recently available financial statements of the investees.

The carrying amount of the investment in equity interests is adjusted to reflect the Company's interest in net earnings, dividends received and other-than-temporary impairments. The Company reviews for impairment whenever factors indicate that the carrying amount of the investment might not be recoverable. In such a case, the decrease in value is recognized in the period the impairment occurs in the Consolidated Statement of Earnings.

Debt and Marketable Equity Securities Investments

Debt and marketable equity securities are generally considered available-for-sale and are reported at fair value with unrealized gains and losses, net of applicable taxes, in Accumulated other comprehensive loss in the Consolidated Balance Sheets. Realized gains and losses for available-for-sale securities are calculated based on the specific identification method and included in Interest and other, net in the Consolidated Statements of Earnings. The Company monitors its investment portfolio for potential impairment on a quarterly basis. When the carrying amount of an investment in debt securities exceeds its fair

value and the decline in value is determined to be other-than-temporary, the Company records an impairment charge to Interest and other, net in the amount of the credit loss and the balance, if any, is recorded in Accumulated other comprehensive loss in the Consolidated Balance Sheets.

Derivatives

The Company uses derivative financial instruments, primarily forwards, swaps, and, at times, options, to hedge certain foreign currency and interest rate exposures. The Company also may use other derivative instruments, such as forwards, to hedge foreign currency balance sheet exposures. The Company does not use derivative financial instruments for speculative purposes. See Note 14, "Financial Instruments", for a full description of the Company's derivative financial instrument activities and related accounting policies.

Loss Contingencies

The Company is involved in various lawsuits, claims, investigations, and proceedings that arise in the ordinary course of business. The Company records a liability for contingencies when it believes it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. See Note 18, "Litigation and Contingencies", for a full description of the Company's loss contingencies and related accounting policies.

Recent Tax Legislation

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law. The Tax Act includes significant changes to the U.S. corporate income tax structure, including a federal corporate rate reduction from 35% to 21% effective January 1, 2018; limitations on the deductibility of interest expense and executive compensation; creation of new minimum taxes such as the Base Erosion Anti-abuse Tax ("BEAT") and the Global Intangible Low Taxed Income ("GILTI") tax; and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system, which will result in a one-time U.S. tax liability on those earnings which have not previously been repatriated to the U.S. (the "Transition Tax").

In December 2017, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which allows the Company to record provisional amounts during a measurement period not to extend beyond one year of the enactment date, which for the Company will end in the first quarter of fiscal 2019. Due to the complexity involved in applying the provisions of the Tax Act, the Company has not completed the accounting for the effects of the Tax Act, but has made reasonable estimates of the effects and recorded provisional amounts in its Consolidated Financial Statements for fiscal 2018. The accounting for the tax effects of the Tax Act will be completed during the measurement period in accordance with SAB 118. For further details, see Note 8, "Taxes on Earnings".

Recently Adopted Accounting Pronouncements

In March 2018, the Financial Accounting Standards Board ("FASB") issued guidance that amends ASC 740, Income Taxes, to reflect and codify SAB 118. The guidance became effective upon issuance. The Company applied SAB 118 upon the original issuance in December 2017 prior to the codification. See Note 8, "Taxes on Earnings" for a full description of the impact of the Tax Act to the Company's operations.

In January 2017, the FASB issued guidance that clarifies the definition of a business. The guidance provides a more robust framework to use in determining when a set of assets and activities acquired or sold is a business. The Company adopted the guidance in the fourth quarter of fiscal 2018 on a prospective basis. The adoption of this guidance has no material impact on the Company's Consolidated Financial Statements.

In March 2016, the FASB amended the existing accounting standards for employee share-based payment arrangements. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when stock awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as an inflow from financing activities, with a corresponding outflow from operating activities, but will be classified along with other income tax cash flows as an operating activity. The standard also allows the Company to repurchase more of an employee's vesting shares for tax withholding purposes without triggering liability accounting and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on the statement of cash flows. The Company adopted the guidance in the first quarter of fiscal 2018 and prospectively recorded all excess tax benefits and tax deficiencies arising from stock awards vesting as settled as income tax expense or benefit, rather than in equity. For the fiscal year ended October 31, 2018, the impact of the adoption was $65 million , of net excess tax benefits as a component of the (provision) benefit for income taxes. The Company elected to continue to estimate forfeitures of awards in determining stock-

based compensation expense. The Company elected to apply the presentation requirements for cash flows retrospectively, which resulted in increases to net cash provided by operating activities of $446 million and $98 million and corresponding increases to net cash used in financing activities for the fiscal years ended October 31, 2017 and 2016, respectively. There were no other material impacts to the Company's Consolidated Financial Statements as a result of adopting this standard.

Recently Enacted Accounting Pronouncements

In August 2018, the FASB issued guidance on a customer's accounting for implementation costs incurred in cloud-computing arrangements that are hosted by a vendor. Certain types of implementation costs should be capitalized and amortized over the term of the hosting arrangement. The Company is required to adopt the guidance in the first quarter of fiscal 2021. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated Financial Statements.

In August 2018, the FASB issued guidance which changes the disclosure requirements for fair value measurements and defined benefit plans. The Company is required to adopt the guidance in the first quarter of fiscal 2021. Early adoption is permitted. As the guidance represents a change to disclosure only, the Company does not expect the guidance to have a material impact on its Consolidated Financial Statements.

In February 2018, the FASB issued guidance that allows companies to reclassify stranded tax effects resulting from the Tax Act, from accumulated other comprehensive loss to retained earnings. The guidance also requires certain new disclosures regardless of the election. The Company is required to adopt the guidance in the first quarter of fiscal 2020. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated Financial Statements.

In August 2017, the FASB amended the existing accounting standards for hedge accounting. The amendments expand an entity’s ability to hedge non-financial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The new guidance eliminates the requirement to separately measure and report hedge ineffectiveness and requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also simplifies certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. The Company is required to adopt the guidance in the first quarter of fiscal 2020. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated Financial Statements.

In March 2017, the FASB amended the existing accounting standards for retirement benefits. The amendments require the presentation of the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs, unless eligible for capitalization. The other components of net periodic benefit costs will be presented separately from service cost as non-operating costs. The Company plans to adopt the guidance in the first quarter of fiscal 2019, beginning November 1, 2018, using the retrospective method. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements.

In November 2016, the FASB amended the existing accounting standards for the classification and presentation of restricted cash in the statement of cash flows. The amendments require that the statement of cash flows explain the change during the period to total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Company plans to adopt the guidance in the first quarter of fiscal 2019, beginning November 1, 2018, using the retrospective method. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements.

In October 2016, the FASB amended the existing accounting standards for income taxes. The amendments require the recognition of the income tax consequences for intra-entity transfers of assets other than inventory when the transfer occurs. Under current GAAP, current and deferred income taxes for intra-entity asset transfers are not recognized until the asset has been sold to an outside party. The Company plans to adopt the guidance in the first quarter of fiscal 2019, beginning November 1, 2018, using the modified retrospective method. The Company expects to recognize $2.4 billion of income taxes as an adjustment to retained earnings in the first quarter of fiscal 2019.

In August 2016, the FASB amended the existing accounting standards for the statement of cash flows. The amendments provide guidance on eight classification issues related to the statement of cash flows. The Company plans to adopt the guidance in the first quarter of fiscal 2019, beginning November 1, 2018. The amendments should be applied retrospectively to all periods presented. For issues that are impracticable to apply retrospectively, the amendments may be applied prospectively as of

the earliest date practicable. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements.

In June 2016, the FASB amended the existing accounting standards for the measurement of credit losses. The amendments require an entity to estimate its lifetime expected credit loss for most financial instruments, including trade and lease receivables, and record an allowance for the portion of the amortized cost the entity does not expect to collect. The estimate of expected credit losses should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. The Company is required to adopt the guidance in the first quarter of fiscal 2021. Early adoption is permitted beginning in fiscal 2020. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated Financial Statements.

The FASB issued guidance in February 2016, with amendments in 2018, which changes the accounting standards for leases. The amendments require lessees to record, at lease inception, a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term on their balance sheets. Lessees may elect to not recognize lease liabilities and ROU assets for most leases with terms of 12 months or less. The lease liability is measured at the present value of the lease payments over the lease term. The ROU asset will be based on the liability, adjusted for lease prepayments, lease incentives received, and the lessee's initial direct costs. For finance leases, lease expense will be the sum of interest on the lease obligation and amortization of the ROU asset, resulting in a front-loaded expense pattern. For operating leases, lease expense will generally be recognized on a straight-line basis over the lease term. The amended lessor accounting model is similar to the current model, updated to align with certain changes to the lessee model and the new revenue standard. The current sale-leaseback guidance, including guidance applicable to real estate, is also replaced with a new model for both lessees and lessors. The Company plans to adopt the guidance in the first quarter of fiscal 2020, beginning November 1, 2019, using the transition method whereby prior comparative periods will not be retrospectively presented in the Consolidated Financial Statements. The Company is currently evaluating the impact of these amendments and other available practical expedients on its Consolidated Financial Statements.

In January 2016, the FASB issued guidance that requires equity investments with readily determinable fair values (other than those accounted for under the equity method or those that result in consolidation of the investee) to be measured at fair value and recognize any changes in fair value in net income. The guidance provides for electing the measurement alternative or defaulting to the fair value option. The Company plans to elect the measurement alternative for equity investments that do not have readily determinable fair values. These investments will be measured at cost, less any impairment, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, which are recorded in net income. The Company plans to adopt the guidance in the first quarter of fiscal 2019, beginning November 1, 2018, using a prospective method. The Company is currently evaluating the impact of these amendments on its Consolidated Financial Statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The Company plans to adopt the new revenue standard in the first quarter of fiscal 2019, beginning November 1, 2018, using the modified retrospective method. The Company has completed a review of the accounting systems and processes required to apply the modified retrospective method. In response, the Company is implementing a new IT solution as part of the adoption of the new standard and finalizing changes to accounting policies, processes and internal controls. The Company expects the impact from the revenue recognition standard changes for its broad portfolio of hardware, software and services offerings to be largely immaterial. However, the guidance is expected to change the timing of revenue recognition in certain areas, including accounting for certain software licenses. Since the Company currently expenses sales commissions as incurred, the requirement in the new standard to capitalize certain sales commissions will result in an accounting change for the Company. The Company is in the process of completing the assessment of these changes and quantifying the impact on its Consolidated Financial Statements as it works through the final steps for the adoption of the new revenue standard.

Note 2: Discontinued Operations

On April 1, 2017 and September 1, 2017, the Company completed the Everett and Seattle Transactions, respectively. As a result, the financial results of Everett and Seattle are presented as Net loss from discontinued operations in the Consolidated Statements of Earnings.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The following table presents the financial results for HPE's discontinued operations.

	Fiscal years ended October 31,		
	2018	2017	2016
		In millions	
Net revenue	$ —	$ 8,511	$ 19,843
Cost of revenue [1]	—	5,890	15,000
Expenses [2]	51	3,063	4,596
Interest and other, net	58	39	28
(Loss) earnings from discontinued operations before taxes	(109)	(481)	219
Benefit (provision) for taxes	5	389	(295)
Net loss from discontinued operations	$ (104)	$ (92)	$ (76)

(1) Cost of revenue includes cost of products and services.

(2) For the periods following the Everett and Seattle Transactions in fiscal 2017, expenses primarily consist of separation costs, which relate to third-party consulting, contractor fees and other incremental costs arising from the transactions. Prior to the Everett and Seattle Transactions, expenses in fiscal 2017 and 2016 primarily consist of selling, general and administrative (“SG&A”) expenses, research and development (“R&D”) expenses, restructuring charges, separation costs, amortization of intangible assets, acquisition and other related charges, and defined benefit plan settlement charges and remeasurement (benefit).

For the fiscal years ended October 31, 2017 and 2016 , significant non-cash items of discontinued operations consisted of depreciation and amortization of $526 million and $1,524 million , respectively. For the fiscal years ended October 31, 2017 and 2016 , purchases of property, plant and equipment of discontinued operations consisted of $158 million and $331 million , respectively.

Note 3: Segment Information

Hewlett Packard Enterprise's operations are organized into four segments for financial reporting purposes: Hybrid IT, Intelligent Edge, Financial Services ("FS") and Corporate Investments. Hewlett Packard Enterprise's organizational structure is based on a number of factors that the Chief Operating Decision Maker ("CODM"), the Chief Executive Officer ("CEO"), uses to evaluate, view and run 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 Hewlett Packard Enterprise's management to evaluate segment results.

A summary description of each segment follows.

Hybrid IT provides a broad portfolio of services-led and software-enabled infrastructure and solutions including secure, software-defined servers, storage, data center networking and HPE Pointnext services, thereby combining HPE's hardware, software and services capabilities to make Hybrid IT simple for its customers. Described below are the business unit capabilities within Hybrid IT.

- Hybrid IT Product includes Compute, Storage, and Data Center Networking ("DC Networking").
    - *Compute* offers both Industry Standard Servers ("ISS"), which are general purpose servers for multi-workload computing, as well as Mission Critical Servers ("MCS"), which are servers optimized for particular workloads, to address the full array of the customers' computing needs. HPE's general purpose servers include the HPE ProLiant, secure and versatile rack and tower servers; HPE BladeSystem, a modular infrastructure that converges server, storage and networking; and HPE Synergy, a composable infrastructure for traditional and cloud-native applications. The Company's workload optimized server portfolio includes the HPE Apollo for high performance computing and artificial intelligence, HPE Cloudline for cloud data centers, HPE Edgeline for computing at the network edge, HPE Integrity for mission-critical applications, and HPE SimpliVity, a hyperconverged platform for virtualization.
    - *Storage.* With storage offerings that are AI-driven and built for cloud environments with as-a-service consumption and flexible investment options, HPE provides the right workload optimized destinations for data. Powered by HPE InfoSight advanced analytics and machine learning and HPE Cloud Volumes data mobility, HPE delivers intelligent storage for hybrid cloud environments so that customers can unlock data’s

full potential and derive business insights. Key solutions include HPE 3PAR Storage and HPE Nimble Storage all-flash arrays for mission critical workloads and general purpose workloads, respectively, and big data solutions running on HPE Apollo Servers. Storage also provides comprehensive data protection with HPE StoreOnce and HPE Recovery Manager Central, solutions for secondary workloads and traditional tape, storage networking and disk products, such as HPE MSA and HPE XP.

  - *DC Networking* offerings include top-of-rack switches, core switches, and open networking switches. The Company offers a full stack of networking solutions that deliver open, scalable, secure and agile solutions, by enabling programmable fabric, network virtualization, and network management products.

- HPE Pointnext creates preferred IT experiences that power the digital business. The HPE Pointnext team and the Company's extensive partner network provide value across the IT life cycle delivering advice, transformation projects, professional services, support services and operational services for Hybrid IT and the Intelligent Edge. HPE Pointnext is also a provider of on-premises flexible consumption models, such as HPE GreenLake, that enable IT agility, simplify operations and align cost to business value. HPE Pointnext offerings includes Operational services, Advisory and Professional Services, and Communication and Media Solutions ("CMS").

The *Intelligent Edge* business is comprised of enterprise networking and security solutions for businesses of any size, offering secure connectivity for campus and branch environments, operating under the Aruba brand. The primary business drivers for Intelligent Edge solutions are mobility and the Internet of Things ("IoT").

  - *HPE Aruba Product* includes wired and wireless local area network hardware products such as Wi-Fi access points, switches, routers, sensors, and software products that include network management, network access control, analytics and assurance, and location services software .
  - *HPE Aruba Services* offers professional and support services for the Intelligent Edge portfolio of products.

Financial Services provides flexible investment solutions, such as leasing, financing, IT consumption, and utility programs and asset management services, for customers that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from Hewlett Packard Enterprise and others. In order to provide flexible services and capabilities that support the entire IT life cycle, FS partners with customers globally to help build investment strategies that enhance their business agility and support their business transformation. FS 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 Hewlett Packard Labs and certain business incubation projects.

Segment Policy

Hewlett Packard Enterprise derives the results of its business segments directly from its internal management reporting system. The accounting policies that Hewlett Packard Enterprise uses to derive segment results are substantially the same as those the consolidated company uses. The CODM measures the performance of each segment based on several metrics, including earnings from operations. The CODM 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 FS to our customers. Hewlett Packard Enterprise's consolidated net revenue is derived and reported after the elimination of intersegment revenues from such arrangements.

Hewlett Packard Enterprise 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 Hewlett Packard Enterprise legal entities involved in such transactions; however, these advanced payments are eliminated from revenues as reported by Hewlett Packard Enterprise and its business segments. As disclosed in Note 8, "Taxes on Earnings", Hewlett Packard Enterprise executed intercompany advanced royalty payment arrangements resulting in advanced payments of $63 million and $439 million during fiscal 2018 and 2017, respectively. 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. The impact of these intercompany arrangements is eliminated from both Hewlett Packard Enterprise's consolidated and segment net revenues.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Financing interest in the Consolidated Statements of Earnings reflects interest expense on borrowing and funding-related activity associated with FS and its subsidiaries, and debt issued by Hewlett Packard Enterprise for which a portion of the proceeds benefited FS.

Hewlett Packard Enterprise does not allocate to its segments certain operating expenses, which it manages at the corporate level. These unallocated costs include certain corporate costs and eliminations, stock-based compensation expense related to corporate and certain global functions, transformation costs, amortization of intangible assets, impairment of goodwill, acquisition and other related charges, restructuring charges, separation costs, disaster charges, defined benefit plan settlement charges and remeasurement (benefit) and the gain on H3C and MphasiS divestitures.

Segment Organizational Changes

Effective at the beginning of the first quarter of fiscal 2018, the Company implemented organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes primarily include: (i) the transfer of the former Servers and Storage business units, the HPE Pointnext and CMS businesses within the former Technology Services business unit, and the Data Center Networking business within the former Networking businesses unit, all of which were previously reported within the former Enterprise Group ("EG") segment, to the newly formed Hybrid IT segment; (ii) the transfer of the remaining Networking business unit, and Aruba services within the former Technology Services business unit, all of which were previously reported within the former EG segment, to the newly formed Intelligent Edge segment; and (iii) the transfer of cloud-related activities previously reported within Corporate Investments to the Hybrid IT Segment.

The Company reflected these changes to its segment information retrospectively to the earliest period presented, which primarily resulted in the transfer of net revenue, related eliminations of intersegment revenues and operating profit or loss from the former business units and segments to the newly formed business units and segments described above.

The Company also implemented certain changes to its allocation methodology for stock-based compensation expense and certain corporate costs, which aligned to its segment financial reporting and are consistent with the manner in which the operating segments will be evaluated for performance on a prospective basis.

The Company reflected these changes retrospectively to the earliest period presented, which resulted in: (i) the transfer of a portion of stock-based compensation expense, which under the prior allocation methodology was not allocated to the segments, to the Hybrid IT, Intelligent Edge, and Financial Services segments; and (ii) the transfer of certain corporate function costs previously allocated to the segments to unallocated corporate costs.

These changes had no impact on Hewlett Packard Enterprise's previously reported net revenue, earnings from operations, net earnings, or net earnings per share.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Segment Operating Results

	Hybrid IT	Intelligent Edge	Financial Services	Corporate Investments	Total
			In millions		
2018					
Net revenue	$ 24,285	$ 2,912	$ 3,656	$ (1)	$ 30,852
Intersegment net revenue and other	748	17	15	—	780
Total segment net revenue	$ 25,033	$ 2,929	$ 3,671	$ (1)	$ 31,632
Segment earnings (loss) from operations	$ 2,654	$ 237	$ 290	$ (90)	$ 3,091
2017					
Net revenue	$ 22,740	$ 2,554	$ 3,574	$ 3	$ 28,871
Intersegment net revenue and other [(1)]	887	30	28	—	945
Total segment net revenue	$ 23,627	$ 2,584	$ 3,602	$ 3	$ 29,816
Segment earnings (loss) from operations	$ 2,274	$ 253	$ 299	$ (106)	$ 2,720
2016					
Net revenue	$ 23,954	$ 2,635	$ 3,097	$ 594	$ 30,280
Intersegment net revenue and other [(1)]	1,148	39	93	—	1,280
Total segment net revenue	$ 25,102	$ 2,674	$ 3,190	$ 594	$ 31,560
Segment earnings (loss) from operations	$ 3,182	$ 74	$ 338	$ (61)	$ 3,533

(1) For the periods prior to the Everett and Seattle Transactions presented above, the amounts include the elimination of pre-separation intercompany sales to the former ES and Software segments, which are included within Net loss from discontinued operations in the Consolidated Statements of Earnings.

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The reconciliation of segment operating results to Hewlett Packard Enterprise consolidated results was as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Net Revenue:			
Total segments	$ 31,632	$ 29,816	$ 31,560
Elimination of intersegment net revenue and other	(780)	(945)	(1,280)
Total Hewlett Packard Enterprise consolidated net revenue	$ 30,852	$ 28,871	$ 30,280
Earnings before taxes:			
Total segment earnings from operations	$ 3,091	$ 2,720	$ 3,533
Unallocated corporate costs and eliminations	(240)	(408)	(720)
Unallocated stock-based compensation expense	(73)	(110)	(134)
Amortization of intangible assets	(294)	(321)	(272)
Impairment of goodwill	(88)	—	—
Restructuring charges	(19)	(417)	(417)
Transformation costs	(425)	(359)	—
Disaster charges	—	(93)	—
Acquisition and other related charges	(82)	(203)	(145)
Separation costs	(12)	(248)	(362)
Defined benefit plan settlement charges and remeasurement (benefit)	—	64	—
Gain on H3C and MphasiS divestitures	—	—	2,420
Interest and other, net	(274)	(327)	(284)
Tax indemnification adjustments	(1,354)	(3)	317
Earnings (loss) from equity interests	38	(23)	(76)
Total Hewlett Packard Enterprise consolidated earnings from continuing operations before taxes	$ 268	$ 272	$ 3,860

Segment Assets

Hewlett Packard Enterprise allocates assets to its business segments based on the segments primarily benefiting from the assets. Total assets by segment and the reconciliation of segment assets to Hewlett Packard Enterprise consolidated assets were as follows:

	As of October 31,	
	2018	2017
	In millions	
Hybrid IT	$ 25,839	$ 25,923
Intelligent Edge	2,990	3,002
Financial Services	13,746	13,470
Corporate Investments	170	161
Corporate and unallocated assets	12,748	18,850
Total Hewlett Packard Enterprise consolidated assets	$ 55,493	$ 61,406

Corporate and unallocated assets in fiscal 2018 decreased as compared to fiscal 2017 due primarily to a decrease in cash and cash equivalents and tax assets.

Major Customers

No single customer represented 10% or more of Hewlett Packard Enterprise's total net revenue in any fiscal year presented.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Geographic Information

Fiscal 2017 revenue was reclassified between the regions to conform with the current period presentation. Net revenue by country is based upon the sales location that predominately represents the customer location. For each of the fiscal years of 2018 , 2017 and 2016 , other than the U.S., no country represented more than 10% of Hewlett Packard Enterprise's net revenue.

Net revenue by country in which Hewlett Packard Enterprise operates was as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
U.S.	$ 10,192	$ 10,022	$ 10,333
Other countries	20,660	18,849	19,947
Total net revenue	$ 30,852	$ 28,871	$ 30,280

Net property, plant and equipment by country in which Hewlett Packard Enterprise operates was as follows:

	As of October 31,	
	2018	2017
	In millions	
U.S.	$ 2,813	$ 2,673
Other countries	3,325	3,596
Total net property, plant and equipment	$ 6,138	$ 6,269

Net revenue by segment and business unit was as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Hybrid IT			
Hybrid IT Product			
Compute	$ 13,823	$ 12,837	$ 13,994
Storage	3,706	3,280	3,389
DC Networking	225	214	407
Total Hybrid IT Product	17,754	16,331	17,790
HPE Pointnext	7,279	7,296	7,312
Total Hybrid IT	25,033	23,627	25,102
Intelligent Edge			
HPE Aruba Product	2,619	2,307	2,423
HPE Aruba Services	310	277	251
Total Intelligent Edge	2,929	2,584	2,674
Financial Services	3,671	3,602	3,190
Corporate Investments	(1)	3	594
Total segment net revenue	31,632	29,816	31,560
Eliminations of intersegment net revenue and other	(780)	(945)	(1,280)
Total net revenue	$ 30,852	$ 28,871	$ 30,280

Note 4: Restructuring

Summary of Restructuring Plans

Restructuring charges of $19 million , $417 million and $417 million were recorded by the Company during fiscal 2018 , 2017 and 2016 , respectively, based on restructuring activities impacting the Company's employees and infrastructure. The restructuring charges for fiscal 2016 include reversals of $2 million related to earlier plans not included in the table below. Additionally, restructuring charges of $251 million and $819 million for fiscal 2017 and 2016 , respectively, are included in Net loss from discontinued operations in the Consolidated Statements of Earnings. For details on restructuring charges related to HPE Next, see Note 5, "HPE Next".

Restructuring activities related to the Company's employees and infrastructure, summarized by plan, are presented in the table below:

	Fiscal 2015 Plan		Fiscal 2012 Plan		
	Employee Severance	Infrastructure and other	Employee Severance and EER	Infrastructure and other	Total
			In millions		
Liability as of October 31, 2015	$ 67	$ —	$ 47	$ 37	$ 151
Charges	301	42	75	1	419
Cash payments	(172)	(19)	(82)	(15)	(288)
Non-cash items	38	(10)	(3)	(9)	16
Liability as of October 31, 2016	$ 234	$ 13	$ 37	$ 14	$ 298
Charges	374	37	6	—	417
Cash payments	(355)	(19)	(32)	(6)	(412)
Non-cash items	(34)	(14)	5	(6)	(49)
Liability as of October 31, 2017	$ 219	$ 17	$ 16	$ 2	$ 254
Charges	9	(2)	13	(1)	19
Cash payments	(158)	(8)	(15)	—	(181)
Non-cash items	(8)	3	(3)	—	(8)
Liability as of October 31, 2018	$ 62	$ 10	$ 11	$ 1	$ 84
Total costs incurred to date as of October 31, 2018	$ 751	$ 78	$ 1,268	$ 145	$ 2,242
Total expected costs to be incurred as of October 31, 2018	$ 751	$ 78	$ 1,268	$ 145	$ 2,242

The current restructuring liability related to the plans in the table above, reported in Accrued restructuring in the Consolidated Balance Sheets as of October 31, 2018 and 2017 , was $53 million and $158 million , respectively. The non-current restructuring liability related to the plans in the table above, reported in Other liabilities in the Consolidated Balance Sheets as of October 31, 2018 and 2017 , was $31 million and $96 million , respectively.

Fiscal 2015 Restructuring Plan

On September 14, 2015, former Parent's Board of Directors approved a restructuring plan (the "2015 Plan") in connection with the Separation. As a result of the Everett and Seattle Transactions, cost amounts and total headcount exits were revised. As such, as of October 31, 2018 , the Company had eliminated 8,300 positions as part of the 2015 Plan. As of October 31, 2018 , the plan is complete, with no further positions being eliminated. The Company recognized $0.8 billion in total aggregate charges in connection with the 2015 Plan through fiscal 2018 , of which approximately $751 million related to workforce reductions and approximately $78 million primarily related to real estate consolidation and asset impairments. The severance- and infrastructure-related cash payments associated with the 2015 Plan are expected to be paid out through fiscal 2022.

Fiscal 2012 Restructuring Plan

On May 23, 2012, former Parent 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. As a result of the Everett and Seattle Transactions, cost amounts and total headcount exits were revised. As such, as of October 31, 2018 , the Company had eliminated 10,300 positions, 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, 2018 , the plan is complete, with no further positions being eliminated. The Company recognized $1.4 billion in total aggregate charges in connection with the 2012 Plan, of which approximately $1.3 billion related to workforce reductions, including the EER programs, and approximately $0.1 billion related to infrastructure, including data center and real estate consolidation and other items. The severance- and infrastructure-related cash payments associated with the 2012 Plan are expected to be paid out through fiscal 2022.

Note 5: HPE Next

Transformation Costs

The HPE Next initiative is expected to be implemented through fiscal 2020, during which time the Company expects to incur expenses for workforce reductions, to upgrade and simplify its IT infrastructure, and for other non-labor actions. These costs will be partially offset by proceeds received from real estate sales.

During fiscal 2018 and 2017 , the Company incurred $425 million and $359 million , respectively in net charges associated with the HPE Next initiative, which were recorded within Transformation costs in the Consolidated Statements of Earnings. Additionally, the Company incurred $20 million of transformation costs in fiscal 2018 related to cumulative translation adjustments which were recorded within Interest and other, net in the Consolidated Statements of Earnings.

	Fiscal years ended October 31,	
	2018	2017
	In millions	
Program management [1]	$ 95	$ 57
IT costs	148	34
Restructuring charges	531	296
Other [2]	56	—
Gains on real estate sales [3]	(405)	(28)
Total Transformation Costs	$ 425	$ 359

(1) Primarily consists of consulting fees and other direct costs attributable to the design and implementation of the HPE Next initiative.

(2) Primarily consists of costs related to real estate improvements in connection with the HPE Next initiative.

(3) In fiscal 2018, primarily includes the gain on the sale of the Company's Palo Alto, California corporate headquarters.

Restructuring Plan

On October 16, 2017, the Company's Board of Directors approved a restructuring plan in connection with the HPE Next initiative (the "HPE Next Plan") and on September 20, 2018, the Company's Board of Directors approved a revision to that restructuring plan. As a result of the revision to the plan, cost amounts and total headcount exits were revised and the completion of the workforce reductions was extended to fiscal 2020. The changes to the workforce will vary by country, based on business needs, local legal requirements and consultations with employee work councils and other employee representatives, as appropriate. As of October 31, 2018 , the Company estimates that it will incur aggregate pre-tax charges of approximately $1.4 billion through fiscal 2020 in connection with the HPE Next Plan, of which approximately $1.2 billion relates to workforce reductions and approximately $0.2 billion relates to infrastructure, primarily real estate site exits.

	Employee Severance	Infrastructure and other
	In millions	
Liability as of October 31, 2016	$ —	$ —
Charges	296	—
Liability as of October 31, 2017	$ 296	$ —
Charges	470	61
Cash payments	(452)	(14)
Non-cash items	(23)	(14)
Liability as of October 31, 2018	$ 291	$ 33
Total costs incurred to date as of October 31, 2018	$ 766	$ 61
Total expected costs to be incurred as of October 31, 2018	$ 1,200	$ 180

The current restructuring liability related to the HPE Next Plan, reported in Accrued restructuring in the Consolidated Balance Sheets at October 31, 2018 and 2017 , was $241 million and $287 million , respectively. The non-current restructuring liability related to the HPE Next Plan, reported in Other liabilities in the Consolidated Balance Sheets as of October 31, 2018 and 2017 was $83 million and $9 million , respectively.

Note 6: Retirement and Post-Retirement Benefit Plans

Defined Benefit Plans

The Company sponsors defined benefit pension plans worldwide, the most significant of which are the United Kingdom ("UK") and Germany. The pension plan in the UK is closed to new entrants, however, members continue to earn benefit accruals. This plan provides benefits based on final pay and years of service and generally requires contributions from members. The German pension program that is open to new hires consists of cash balance plans that provide employer credits as a percentage of pay, certain employee pay deferrals and for a matching contribution. There also are previously closed German pension programs that include cash balance and final average pay plans. These previously closed pension programs comprise the majority of the pension obligations in Germany.

Prior to the Everett and Seattle Transactions, the Company went through an analysis to determine which defined benefit plans would be assigned to either the Company or to Everett or Seattle. The Company's plans either transferred in their entirety to Everett or Seattle, remained in their entirety with the Company, or were split, thus resulting in the transfer of plan assets and liabilities between existing and newly created plans. The Everett plans were legally established in the first and second quarter of fiscal 2017 and transferred and reported as discontinued operations in the second quarter of fiscal 2017. The Seattle plans were legally established in the third quarter of fiscal 2017 and transferred and reported as discontinued operations in the fourth quarter of fiscal 2017. As a result of the Everett and Seattle Transactions, the Company transferred out plan assets of $8.3 billion , a benefit obligation of $8.1 billion and an accumulated other comprehensive loss of $1.9 billion .

Post-Retirement Benefit Plans

The Company sponsors retiree health and welfare benefit plans, the most significant of which is in the U.S. Generally, employees hired before August 2008 are eligible for employer credits under the Hewlett Packard Enterprise Retirement Medical Savings Account Plan (“RMSA”) upon attaining age 45. Employer credits to the RMSA available after September 2008 are provided in the form of matching credits on employee contributions made to a voluntary employee beneficiary association. Upon retirement, employees may use these employer credits for the reimbursement of certain eligible medical expenses.

As a result of the Everett and Seattle Transactions, any employees who were involuntarily terminated during fiscal 2017 were fully vested in their RMSA balances and are able to take a distribution out of their plan balances.

Defined Contribution Plans

The Company offers various defined contribution plans for U.S. and non-U.S. employees. The Company's defined contribution expense was approximately $158 million in fiscal 2018 , $157 million in fiscal 2017 and $213 million in fiscal 2016 . U.S. employees are automatically enrolled in the Hewlett Packard Enterprise Company 401(k) Plan ("HPE 401(k) Plan"), when they meet eligibility requirements, unless they decline participation. Effective January 1, 2018, and during calendar year 2016, the HPE 401(k) Plan's quarterly employer matching contributions were 100% of an employee's contributions, up to a maximum of 4% of eligible compensation. In calendar year 2017, the annual employer matching contributions in the HPE 401(k) Plan were 50% of an employee's contributions, up to a maximum of 6% of eligible compensation.

As a result of the Everett and Seattle Transactions, any plan participants who were involuntarily terminated during fiscal 2017 were fully vested in their Company matching contributions and earnings thereon, and are able to take a distribution out of their plan balances.

Pension Benefit Expense

The Company's net pension and post-retirement benefit costs that were directly attributable to the eligible employees, retirees and other former employees of Hewlett Packard Enterprise and recognized in the Consolidated Statements of Earnings for fiscal 2018 , 2017 and 2016 are presented in the table below.

	As of October 31,					
	2018	2017	2016	2018	2017	2016
	Defined Benefit Plans			Post-Retirement Benefit Plans		
	In millions					
Service cost	$ 105	$ 139	$ 199	$ 1	$ 3	$ 3
Interest cost	225	213	317	7	6	6
Expected return on plan assets	(567)	(548)	(667)	(1)	(2)	(2)
Amortization and deferrals:						
Actuarial loss (gain)	211	264	220	(3)	(2)	(3)
Prior service benefit	(17)	(17)	(19)	—	—	—
Net periodic benefit cost	(43)	51	50	4	5	4
Curtailment gain	(1)	(1)	—	—	—	—
Settlement loss	20	15	4	—	—	—
Special termination benefits	6	5	5	—	—	—
Plan credit allocation [(1)]	—	(14)	(15)	—	(1)	(1)
Net benefit (credit) cost from continuing operations [(2)]	(18)	56	44	4	4	3
Summary of net benefit (credit) cost:						
Continuing operations	(18)	56	44	4	4	3
Discontinued operations	—	81	92	—	1	1
Total net benefit (credit) cost	$ (18)	$ 137	$ 136	$ 4	$ 5	$ 4

(1) Plan credit allocation represents the net cost impact of employees of HPE covered under Everett or Seattle plans and employees of Everett or Seattle covered under HPE plans.

(2) Net benefit cost from continuing operations for the Company's U.S. defined benefit plans, included in the above table, was not material for fiscal 2018, 2017 and 2016.

The weighted-average assumptions used to calculate the net benefit (credit) cost from continuing operations in the table above for fiscal 2018 , 2017 and 2016 were as follows:

	As of October 31,					
	2018	2017	2016	2018	2017	2016
	Defined Benefit Plans			Post-Retirement Benefit Plans		
Discount rate used to determine benefit obligation	2.0%	2.0%	2.7%	4.5%	4.2%	4.6%
Discount rate used to determine service cost	2.4%	2.0%	2.7%	3.7%	3.7%	4.6%
Discount rate used to determine interest cost	1.7%	1.8%	2.7%	4.2%	3.8%	4.6%
Expected increase in compensation levels	2.3%	2.4%	2.3%	—	—	—
Expected long-term return on plan assets	4.4%	4.4%	5.8%	2.6%	3.1%	4.0%

Prior to October 31, 2016, the Company estimated the service and interest cost components using a single weighted-average discount rate derived from the yield curves used to measure the benefit obligation. Beginning in fiscal 2017, the Company changed its method used to estimate the service and interest cost components of net periodic benefit cost for defined benefit plans that use the yield curve approach, which represent substantially all of the Company's defined benefit plans. The Company has elected to use a full yield curve approach in the estimation of these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The Company made this change to improve the correlation between projected benefit cash flows and the corresponding yield curve spot rates and to provide a more precise measurement of service and interest costs. The Company has accounted for this change as a change in estimate that is inseparable from a change in accounting principle and has accounted for it prospectively beginning in fiscal 2017.

Funded Status

The funded status of the plans was as follows:

	As of October 31,			
	2018	2017	2018	2017
	Defined Benefit Plans		Post-Retirement Benefit Plans	
	In millions			
Change in fair value of plan assets:				
Fair value—beginning of year	$ 12,610	$ 11,989	$ 50	$ 47
Transfers [1]	6	(799)	—	—
Addition/deletion of plans [2]	181	5	—	—
Actual return on plan assets	93	941	1	1
Employer contributions	158	266	6	4
Participant contributions	25	17	4	4
Benefits paid	(450)	(408)	(9)	(6)
Settlement	(104)	(60)	—	—
Currency impact	(352)	659	—	—
Fair value—end of year [3]	$ 12,167	$ 12,610	$ 52	$ 50
Change in benefit obligation:				
Projected benefit obligation—beginning of year	$ 13,069	$ 13,555	$ 170	$ 158
Transfers [1]	5	(668)	—	—
Addition/deletion of plans [2]	181	19	—	—
Service cost	105	139	1	3
Interest cost	225	213	7	6
Participant contributions	25	17	4	4
Actuarial (gain) loss	(40)	(445)	(9)	4
Benefits paid	(450)	(408)	(9)	(6)
Plan amendments	22	(1)	—	—
Curtailment	(4)	(1)	—	—
Settlement	(104)	(60)	—	—
Special termination benefits	6	5	—	—
Currency impact	(372)	704	(4)	1
Projected benefit obligation—end of year [3]	$ 12,668	$ 13,069	$ 160	$ 170
Funded status at end of year	$ (501)	$ (459)	$ (108)	$ (120)
Accumulated benefit obligation	$ 12,446	$ 12,832	$ —	$ —

(1) In fiscal 2017, in connection with the Everett and Seattle Transactions, the Company transferred plan assets and liabilities from the Company's plans to newly established Everett and Seattle plans. The Company transferred net plan assets of $702 million and $97 million to Everett and Seattle, respectively, and liabilities of $503 million and $165 million to Everett and Seattle, respectively.

(2) Includes the addition/deletion of plans resulting from acquisitions or divestitures. Fiscal 2018 amounts relate primarily to the addition of a Belgium plan.

(3) As of October 31, 2018 and 2017, the Company's U.S. defined benefit plans had zero plan assets and a projected benefit obligation of $5 million for both fiscal years.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The weighted-average assumptions used to calculate the projected benefit obligations were as follows:

	As of October 31,			
	2018	2017	2018	2017
	Defined Benefit Plans		Post-Retirement Benefit Plans	
Discount rate	2.1%	2.0%	4.9%	4.5%
Expected increase in compensation levels	2.5%	2.3%	—	—

The net amounts recognized for defined benefit and post-retirement benefit plans in the Company's Consolidated Balance Sheets were as follows:

	As of October 31,			
	2018	2017	2018	2017
	Defined Benefit Plans		Post-Retirement Benefit Plans	
	In millions			
Non-current assets	$ 829	$ 830	$ —	$ —
Current liabilities	(40)	(39)	(6)	(4)
Non-current liabilities	(1,290)	(1,250)	(102)	(116)
Funded status at end of year	$ (501)	$ (459)	$ (108)	$ (120)

The following table summarizes the pre-tax net actuarial loss and prior service benefit recognized in Accumulated other comprehensive loss for the defined benefit plans:

	As of October 31, 2018	
	Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions	
Net actuarial loss (gain)	$ 2,938	$ (11)
Prior service benefit	(65)	—
Total recognized in accumulated other comprehensive loss	$ 2,873	$ (11)

The following table summarizes the net actuarial loss and prior service benefit for plans that are expected to be amortized from Accumulated other comprehensive loss and recognized as components of net periodic benefit cost (credit) during the next fiscal year.

	As of October 31, 2018	
	Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions	
Net actuarial loss (gain)	$ 228	$ (4)
Prior service benefit	(15)	—
Total expected to be recognized in net periodic benefit cost (credit)	$ 213	$ (4)

Defined benefit plans with projected benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31,	
	2018	2017
	In millions	
Aggregate fair value of plan assets	$ 2,314	$ 2,596
Aggregate projected benefit obligation	$ 3,644	$ 3,884

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Defined benefit plans with accumulated benefit obligations exceeding the fair value of plan assets were as follows:

	As of October 31,	
	2018	2017
	In millions	
Aggregate fair value of plan assets	$ 2,291	$ 1,272
Aggregate accumulated benefit obligation	$ 3,495	$ 2,476

Fair Value of Plan Assets

The Company pays the U.S. defined benefit plan obligations when they come due since these plans are unfunded. The table below sets forth the fair value of non-U.S defined benefit plan assets by asset category within the fair value hierarchy as of October 31, 2018 and 2017 .

	As of October 31, 2018				As of October 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	In millions							
Asset Category:								
Equity securities								
U.S.	$ 187	$ 7	$ —	$ 194	$ 270	$ 13	$ —	$ 283
Non-U.S.	344	225	—	569	365	140	—	505
Non-U.S. at NAV (1)				473				480
Debt securities								
Corporate	—	1,221	—	1,221	—	1,966	—	1,966
Government (7)	—	4,621	—	4,621	—	702	—	702
Government at NAV (2)				692				687
Alternative investments								
Private Equity	—	2	40	42	—	7	33	40
Hybrids (3)	—	1,214	132	1,346	—	492	—	492
Hybrids at NAV (4)				506				2,339
Hedge Funds	—	45	—	45	—	63	—	63
Hedge Funds at NAV				—				21
Common Contractual Funds at NAV (5)								
Equities at NAV				1,929				2,547
Fixed Income at NAV				639				701
Emerging Markets at NAV				275				368
Alternative investments at NAV				378				363
Real Estate Funds	6	186	37	229	38	158	57	253
Insurance Group Annuity Contracts	—	59	38	97	—	35	52	87
Cash and Cash Equivalents	167	256	—	423	184	363	—	547
Other (6)	39	250	1	290	43	122	1	166
Obligation to return cash received from repurchase agreements (7)	—	(1,802)	—	(1,802)	—	—	—	—
Total	$ 743	$ 6,284	$ 248	$ 12,167	$ 900	$ 4,061	$ 143	$ 12,610

(1) Includes various worldwide equity index funds with the objective to provide returns that are consistent with the FTSE All World indexes. While the funds are not publicly traded, the custodians strike a net asset value at least monthly. There are no redemption restrictions or future commitments on these investments.

(2) Includes various government bonds issued by worldwide governments, interest rate swaps, and cash, to match or slightly outperform the benchmark of the future liabilities of the funds. While the funds are not publicly traded, the custodians strike a net asset value daily. There are no redemption restrictions or future commitments on these investments.

(3) Includes a fund that invests in both private and public equities primarily in the UK, as well as emerging markets across all sectors. The fund also holds fixed income and derivative instruments to hedge interest rate and inflation risk. In addition, the fund includes units in transferable securities, collective investment schemes, money market funds, asset-backed income, private debt, cash, and deposits.

(4) Includes pooled funds that invest in asset-backed securities awaiting investment into non-liquid secured income opportunities. Units are available for subscription on the first day of each calendar month at net asset value. In fiscal 2017, also included pooled funds that invest in government bonds and derivative instruments, such as interest rate swaps, future contracts and repurchase agreements with the objective to provide nominal and/or inflation-linked returns. While the funds in fiscal 2017 were not publicly traded, the custodians struck a net asset value at least monthly. There are no redemption restrictions or future commitments on these investments.

(5) HP Invest Common Contractual Funds (CCFs) are investment arrangements in which institutional investors pool their assets. Units may be acquired in four different sub-funds focused on equities, fixed income, alternative investments, and emerging markets. Each sub-fund

is invested in accordance with the fund's investment objective and units are issued in relation to each sub-fund. While the sub-funds are not publicly traded, the custodian strikes a net asset value either once or twice a month, depending on the sub-fund. There are no redemption restrictions or future commitments on these investments.

(6) Includes international insured contracts, derivative instruments, mortgage backed securities, and unsettled transactions.

(7) Repurchase agreements, primarily in the UK, represent the plans' short-term borrowing to hedge against interest rate and inflation risks. Investments in government bonds collateralize this short-term borrowing. The plans have an obligation to return the cash after the term of the agreements. Due to the short-term nature of the agreements, the outstanding balance of the obligation approximates fair value.

Post-retirement benefit plan assets of $52 million and $50 million as of October 31, 2018 and 2017 , respectively, were invested in publicly traded registered investment entities and were classified within Level 1 of the fair value hierarchy.

Changes in fair value measurements of Level 3 investments for the non-U.S. defined benefit plans were as follows:

	Fiscal year ended October 31, 2018					
	Alternative Investments					
	Private Equity	Hybrids	Real Estate Funds	Insurance Group Annuities	Other	Total
	In millions					
Balance at beginning of year	$ 33	$ —	$ 57	$ 52	$ 1	$ 143
Actual return on plan assets:						
Relating to assets held at the reporting date	6	2	—	(7)	—	1
Relating to assets sold during the period	5	—	—	—	—	5
Purchases, sales, and settlements	(4)	130	(20)	(7)	—	99
Transfers in and/or out of Level 3	—	—	—	—	—	—
Balance at end of year	$ 40	$ 132	$ 37	$ 38	$ 1	$ 248

	Fiscal year ended October 31, 2017				
	Alternative Investments				
	Private Equity	Real Estate Funds	Insurance Group Annuities	Other	Total
	In millions				
Balance at beginning of year	$ 32	$ 26	$ 63	$ 8	$ 129
Actual return on plan assets:					
Relating to assets held at the reporting date	—	3	(39)	12	(24)
Relating to assets sold during the period	1	—	—	—	1
Purchases, sales, and settlements	—	—	—	28	28
Transfers in and/or out of Level 3	—	28	28	(47)	9
Balance at end of year	$ 33	$ 57	$ 52	$ 1	$ 143

The following is a description of the valuation methodologies used to measure plan assets at fair value.

Investments in publicly traded equity securities are valued using the closing price on the measurement date as reported on the stock exchange on which the individual securities are traded. For corporate, government backed debt securities, and some other investments, fair value is based on observable inputs of comparable market transactions. The valuation of certain real estate funds, insurance group annuity contracts and alternative investments, such as limited partnerships and joint ventures, may require significant management judgment. The valuation is generally based on fair value as reported by the asset manager and adjusted for cash flows, if necessary. In making such an assessment, a variety of factors are reviewed by management, including, but are not limited to, the timeliness of fair value as reported by the asset manager and changes in general economic and market conditions subsequent to the last fair value reported by the asset manager. Cash and cash equivalents includes money market funds, which are valued based on cost, which approximates fair value. Other than those assets that have quoted prices from an active market, investments are generally classified in Level 2 or Level 3 of the fair value hierarchy based on the

lowest level input that is significant to the fair value measure in its entirety. Investments measured using net asset value as a practical expedient are not categorized within the fair value hierarchy.

Plan Asset Allocations

The weighted-average target and actual asset allocations across the benefit plans at the respective measurement dates for the non-U.S. defined benefit plans were as follows:

	Defined Benefit Plans		
		Plan Assets	
Asset Category	2018 Target Allocation	2018	2017
Public equity securities		28.7%	33.8%
Private/hybrid equity securities		18.7%	25.7%
Real estate and other		4.2%	3.3%
Equity-related investments	56.3%	51.6%	62.8%
Debt securities	41.9%	44.9%	32.9%
Cash and cash equivalents	1.8%	3.5%	4.3%
Total	100.0%	100.0%	100.0%

For the Company's post-retirement benefit plans, 100% of the plan assets are invested in cash and cash equivalents.

Investment Policy

The Company's investment strategy is to seek a competitive rate of return relative to an appropriate level of risk depending on the funded status of each plan and the timing of expected benefit payments. The majority of the plans' investment managers employ active investment management strategies with the goal of outperforming the broad markets in which they invest. Risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. A number of the plans' investment managers are authorized to utilize derivatives for investment or liability exposures, and the Company may utilize derivatives to effect asset allocation changes or to hedge certain investment or liability exposures.

Asset allocation decisions are typically made by an independent board of trustees for the specific plan. Investment objectives are designed to generate returns that will enable the plan to meet its future obligations. In some countries, local regulations may restrict asset allocations, typically leading to a higher percentage of investment in fixed income securities than would otherwise be deployed. The Company reviews the investment strategy and provides a recommended list of investment managers for each country plan, with final decisions on asset allocation and investment managers made by the board of trustees or investment committees for the specific plan.

Basis for Expected Long-Term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the expected returns for each major asset class in which the plan invests and the weight of each asset class in the target mix. Expected asset returns reflect the current yield on government bonds, risk premiums for each asset class and expected real returns, which considers each country's specific inflation outlook. Because the Company's investment policy is to employ primarily active investment managers who seek to outperform the broader market, the expected returns are adjusted to reflect the expected additional returns, net of fees.

Employer Contributions and Funding Policy

During fiscal 2018 , the Company contributed approximately $158 million to its non-U.S. pension plans and paid $6 million to cover benefit claims under the Company's post-retirement benefit plans.

During fiscal 2019, the Company expects to contribute approximately $190 million to its non-U.S. pension plans. In addition, the Company expects to contribute approximately $1 million to cover benefit payments to U.S. non-qualified plan participants. The Company expects to pay approximately $6 million to cover benefit claims for its post-retirement benefit plans. The Company'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.

Estimated Future Benefits Payments

As of October 31, 2018 , estimated future benefits payments for the Company's retirement plans were as follows:

Fiscal year	Defined Benefit Plans	Post-Retirement Benefit Plans
	In millions	
2019	$ 453	$ 9
2020	427	10
2021	449	10
2022	469	10
2023	492	11
Next five fiscal years to October 31, 2028	2,704	59

Note 7: Stock-Based Compensation

Prior to the Separation, certain of the Company's employees participated in stock-based compensation plans sponsored by former Parent ("former Parent's Plans"). In conjunction with the Separation, the Company adopted the Hewlett Packard Enterprise Company 2015 Stock Incentive Plan (the "Plan"). The Plan became effective on November 1, 2015. The total number of shares of the Company's common stock authorized under the Plan was 260 million . On January 25, 2017, the Company amended the Plan and reduced the authorized shares of common stock to 210 million shares. In connection with the Everett and Seattle Transactions, the number of shares of the Company's common stock authorized for issuance under the Plan increased by 67 million . The Plan provides for the grant of various types of awards including restricted stock awards, stock options, and performance-based awards. These awards generally vest over three years from the grant date. The Company's stock-based incentive compensation program also includes various equity plans assumed through acquisitions under which stock-based awards are outstanding.

In connection with the Separation, the Company granted one-time retention stock awards, with a total grant date fair value of approximately $137 million , to certain executives in the first quarter of fiscal 2016. These awards generally vest over three years from the grant date.

Stock-Based Compensation Expense

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

	Fiscal years ended October 31,		
	2018	2017	2016
		In millions	
Stock-based compensation expense from continuing operations	$ 309	$ 454	$ 408
Income tax benefit	(56)	(159)	(131)
Stock-based compensation expense from continuing operations, net of tax	$ 253	$ 295	$ 277
Stock-based compensation expense from discontinued operations	$ —	$ 166	$ 189

In May 2016, in connection with the announcement of the Everett Transaction, the Company modified its stock-based compensation program such that certain unvested equity awards outstanding on May 24, 2016 would vest upon the earlier of: (i) the termination of an employee's employment with HPE as a direct result of an announced sale, divestiture or spin-off of a subsidiary, division or other business; (ii) the termination of an employee's employment with HPE without cause; or (iii) June 1, 2018. This modification also included changes to the performance and market conditions of certain performance-based awards. The incremental expense arising from this modification was not material. Additionally, as a result of the accelerated vesting related to this modification, the Company incurred stock-based compensation expense of $126 million during fiscal 2017, of which $92 million was recorded in Net loss from discontinued operations in the Consolidated Statement of Earnings for the fiscal year ended October 31, 2017. The remaining $34 million arising from the acceleration for fiscal 2017 was recorded within Separation costs in the Consolidated Statement of Earnings. The stock-based compensation expense arising from the acceleration for fiscal 2018 was not material.

Additionally, as permitted by the Plan, in connection with the Everett and Seattle Transactions and in accordance with the respective Employee Matters Agreements, HPE made certain post-spin adjustments to the exercise price and number of stock-based compensation awards with the intention of preserving the intrinsic value of the outstanding awards prior to the close of the transactions. The incremental expense incurred by the Company related to the Everett and Seattle Transactions was not material.

For the fiscal year ended October 31, 2018 , stock-based compensation expense from continuing operations in the table above includes pre-tax expense of $10 million , which was recorded within Separation costs, $3 million related to workforce reductions, which was recorded within Restructuring charges and $10 million related to the acquisition of Nimble Storage, Inc. ("Nimble Storage"), which was recorded within Acquisition and other related charges in the Consolidated Statement of Earnings.

For the fiscal year ended October 31, 2017 , stock-based compensation expense from continuing operations in the table above includes pre-tax expense of $41 million , which was recorded within Separation costs, $33 million , related to workforce reductions, which was recorded within Restructuring charges, and $23 million related to the acquisitions of Silicon Graphics International Corp. ("SGI") and Nimble Storage, which was recorded within Acquisition and other related charges, in the Consolidated Statement of Earnings.

For the fiscal year ended October 31, 2016 , stock-based compensation expense from continuing operations in the table above includes pre-tax expense of $33 million , which was recorded within Separation costs, and $8 million related to workforce reductions, which was recorded within Restructuring charges, in the Consolidated Statement of Earnings.

Employee Stock Purchase Plan

Effective November 1, 2015, the Company adopted the Hewlett Packard Enterprise Company 2015 Employee Stock Purchase Plan ("ESPP"). The total number of shares of Company's common stock authorized under the ESPP was 80 million . The ESPP allows eligible employees to contribute up to 10% of their eligible compensation to purchase Hewlett Packard Enterprise's common stock. The ESPP provides for a discount not to exceed 15% and an offering period up to 24 months. The Company currently offers 6 -month offering periods during which employees have the ability to purchase shares at 95% of the closing market price on the purchase date. No stock-based compensation expense was recorded in connection with those purchases, as the criteria of a non-compensatory plan were met.

Restricted Stock Units

Restricted stock units have forfeitable dividend equivalent rights equal to the dividend paid on common stock. Restricted stock units do not have the voting rights of common stock, and the shares underlying restricted stock units are not considered issued and outstanding upon grant. The fair value of the restricted stock units is the closing price of the Company's common stock on the grant date of the award. The Company expenses the fair value of restricted stock units ratably over the period during which the restrictions lapse. The Company also issues performance-adjusted restricted stock units ("PARSU") that vest only on the satisfaction of service, performance and market conditions. The Company estimates the fair value of PARSUs subject to performance-contingent vesting conditions using the Monte Carlo simulation model.

The following table summarizes restricted stock unit activity:

	Fiscal years ended October 31,					
	2018		2017		2016	
	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share	Shares	Weighted-Average Grant Date Fair Value Per Share
	In thousands		In thousands		In thousands	
Outstanding at beginning of year	48,517	$ 14	57,321	$ 15	—	$ —
Converted from former Parent's Plans	—	$ —	—	$ —	42,012	$ 15
Granted and assumed through acquisition [(1)]	22,131	$ 15	23,980	$ 21	32,752	$ 15
Additional shares granted due to post-spin adjustments [(2)]	—	$ —	25,543	$ 9	—	$ —
Vested [(3)]	(32,659)	$ 14	(51,976)	$ 16	(12,747)	$ 15
Forfeited/canceled [(4)]	(5,572)	$ 14	(6,351)	$ 16	(4,696)	$ 15
Outstanding at end of year	32,417	$ 14	48,517	$ 14	57,321	$ 15

(1) Fiscal 2017 includes approximately 11 million restricted stock units assumed by the Company through acquisition with a weighted-average grant date fair value of $18 per share. Fiscal 2016 includes a one-time restricted stock unit retention grant of approximately 5 million shares.

(2) Additional shares granted as a result of the post-spin exercise price adjustments made related to the Everett and Seattle Transactions, as permitted by the Plan, in order to preserve the intrinsic value of outstanding awards prior to the close of the transactions.

(3) Fiscal 2018 includes approximately 6 million restricted stock units, with a weighted-average grant date fair value of $14 per share, which were accelerated to vest on June 1, 2018 as part of the Everett Transaction. Fiscal 2017 includes approximately 14 million restricted stock units, with a weighted-average grant date fair value of $17 per share, which were accelerated as part of the Everett and Seattle Transactions.

(4) Fiscal 2017 includes approximately 0.3 million restricted stock units, with a weighted-average grant date fair value of $18 per share, related to the former ES and Software segments, which were canceled by HPE and assumed by DXC and Micro Focus in connection with the Everett and Seattle Transactions, and in accordance with the respective Employee Matters Agreements.

The total grant date fair value of restricted stock awards vested for Company employees in fiscal 2018 , 2017 and 2016 was $270 million , $472 million and $130 million , respectively, net of taxes. As of October 31, 2018 , there was $259 million of unrecognized pre-tax stock-based compensation expense related to unvested restricted stock units, which the Company expects to recognize over the remaining weighted-average vesting period of 1.4 years .

Stock Options

Stock options granted under the Plan are generally non-qualified stock options, but the Plan permits some options granted to qualify as incentive stock options under the U.S. Internal Revenue Code. The exercise price of a stock option is equal to the closing price of the Company's common stock on the option grant date. The majority of the stock options issued by the Company contain only service vesting conditions. The Company has also issued performance-contingent stock options that vest only on the satisfaction of both service and market conditions. In fiscal 2018, the Company did not issue stock options.

The Company utilizes the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions. The Company 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:

	Fiscal years ended October 31,	
	2017	**2016**
Weighted-average fair value [1]	$ 6	$ 4
Expected volatility [2]	25.7%	31.1%
Risk-free interest rate [3]	2.0%	1.7%
Expected dividend yield [4]	1.0%	1.5%
Expected term in years [5]	6.1	5.4

(1) The weighted-average fair value was based on the fair value of stock options granted under the Plan during the respective periods.

(2) Expected volatility was estimated using the average historical volatility of selected peer companies.

(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 option.

(5) For options granted subject to service-based vesting, the expected term was estimated using the simplified method detailed in SEC Staff Accounting Bulletin No. 110.

The following table summarizes stock option activity:

	Fiscal years ended October 31,											
	2018				2017				2016			
	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	In thousands		In years	In millions	In thousands		In years	In millions	In thousands		In years	In millions
Outstanding at beginning of year	49,274	$ 10			57,498	$ 15			—	$ —		
Converted from former Parent's Plans	—	$ —			—	$ —			42,579	$ 15		
Granted and assumed through acquisition (1)	316	$ 10			6,074	$ 23			25,390	$ 15		
Additional shares granted due to post-spin adjustments (2)	—	$ —			24,523	$ 11			—	$ —		
Exercised	(26,476)	$ 9			(29,492)	$ 12			(7,845)	$ 11		
Forfeited/canceled/expired (3)	(4,851)	$ 13			(9,329)	$ 16			(2,626)	$ 20		
Outstanding at end of year (4)	18,263	$ 10	4.2	$ 92	49,274	$ 10	4.6	$ 207	57,498	$ 15	5.4	$ 437
Vested and expected to vest at end of year (4)	18,038	$ 10	4.2	$ 91	48,566	$ 10	4.6	$ 205	55,716	$ 15	5.3	$ 425
Exercisable at end of year (4)	14,896	$ 10	3.7	$ 85	24,736	$ 9	3.0	$ 123	26,204	$ 13	3.8	$ 241

(1) Fiscal 2016 includes one-time stock option retention grant of approximately 16 million shares.

(2) Additional shares granted as a result of the post-spin exercise price adjustments made related to the Everett and Seattle Transactions, as permitted by the Plan, in order to preserve the intrinsic value of the awards prior to the close of the transaction.

(3) Fiscal 2017 includes approximately 8 million stock options, with a weighted-average exercise price of $16 per share, related to the former ES and Software segments, which were canceled by HPE in connection with the Everett and Seattle Transactions, and in accordance with the respective Employee Matters Agreements.

(4) The weighted average exercise price reflects the impact of the post-spin adjustments to the exercise price related to the Everett and Seattle Transactions.

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 fiscal 2018 , 2017 and 2016 , respectively. The aggregate intrinsic value is the difference between the Company's closing common stock price on the last trading day of the respective fiscal year and the exercise price, multiplied by the number of in-the-money options. The total intrinsic value of options exercised in fiscal 2018 , 2017 and 2016 was $200 million , $218 million and $62 million , respectively.

The following table summarizes significant ranges of outstanding and exercisable stock options:

	As of October 31, 2018				
	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Contractual Term	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Exercise Price
	In thousands	In years		In thousands	
$0-$9.99	10,862	3.8	$ 8	10,368	$ 8
$10-$19.99	7,358	4.8	$ 14	4,485	$ 13
$20-$29.99	43	2.8	$ 25	43	$ 25
	18,263	4.2	$ 10	14,896	$ 10

As of October 31, 2018 , there was $7 million of unrecognized pre-tax stock-based compensation expense related to stock options, which the Company expects to recognize over the remaining weighted-average vesting period of 1.3 years .

Cash received from option exercises and purchases under the Company's ESPP was $279 million , $411 million and $119 million in fiscal 2018 , 2017 and 2016 , respectively. The benefit realized for the tax deduction from option exercises in fiscal 2018 , 2017 and 2016 was $61 million , $69 million and $21 million , respectively.

Note 8: Taxes on Earnings

Provision for Taxes

The domestic and foreign components of earnings from continuing operations before taxes were as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
U.S. [1]	$ (2,805)	$ (1,929)	$ (1,758)
Non-U.S. [1]	3,073	2,201	5,618
	$ 268	$ 272	$ 3,860

(1) F iscal 2017 and 2016 amounts have been reclassified to conform with the current period presentation.

The Benefit (provision) for taxes on earnings from continuing operations were as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
	In millions		
U.S. federal taxes:			
Current	$ (2,177)	$ 560	$ 940
Deferred	150	(1,366)	(959)
Non-U.S. taxes:			
Current	419	64	874
Deferred	(188)	25	(58)
State taxes:			
Current	52	(107)	36
Deferred	—	660	(210)
	$ (1,744)	$ (164)	$ 623

The differences between the U.S. federal statutory income tax rate and the Company's effective tax rate were as follows:

	For the fiscal years ended October 31,		
	2018	2017	2016
U.S. federal statutory income tax rate	23.3 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	4.3 %	3.0 %	1.0 %
Lower rates in other jurisdictions, net	(121.4)%	(426.3)%	(24.5)%
Valuation allowance	(59.8)%	310.0 %	(14.7)%
U.S. permanent differences	39.3 %	27.8 %	(2.3)%
Uncertain tax positions	(694.8)%	(8.4)%	23.1 %
Impacts of the Tax Act [1]	158.0 %	— %	— %
Other, net	0.4 %	(1.4)%	(1.5)%
	(650.7)%	(60.3)%	16.1 %

(1) Impacts of the Tax Act is inclusive of valuation allowances recorded as a result of the U.S. law change.

The jurisdictions with favorable tax rates that had the most significant impact on the Company's effective tax rate in the periods presented include Puerto Rico and Singapore.

In fiscal 2018, the Company recorded $2.0 billion of net income tax benefits related to items unique to the year. These amounts primarily included $2.0 billion of income tax benefits related to the settlement of certain pre-Separation tax liabilities for which the Company shares joint and several liability with HP Inc. and for which the Company is partially indemnified by HP Inc. under the Tax Matters Agreement, $208 million of income tax benefits related to Everett pre-divestiture tax matters and valuation allowances, $125 million of income tax benefits on restructuring charges, separation costs, transformation costs and acquisition and other related charges and $65 million of net excess tax benefits related to stock-based compensation, the effects of which were partially offset by $422 million of income tax charges related to impacts of the Tax Act. In addition, the Company recorded $5.0 billion of certain foreign loss carryforwards and U.S. domestic capital losses carryforwards against which a full valuation allowance was recorded; the effective tax rate above reflects this activity on a net basis.

In fiscal 2017, the Company recorded $554 million of net income tax benefits related to items unique to the year. These amounts primarily included $699 million of income tax benefits in connection with the Everett and Seattle Transactions and $326 million of income tax benefits on restructuring charges, separation costs, transformation costs and acquisition and other

related charges, the effects of which were partially offset by $473 million of income tax charges to record valuation allowances on U.S. state deferred tax assets, and $88 million of income tax charges related to pre-Separation tax matters.

In fiscal 2016, the Company recorded $250 million of net income tax charges related to items unique to the year. These amounts primarily included $714 million of income tax charges related to pre-Separation tax matters, of which $647 million was related to the effect of the potential settlement of certain pre-Separation Hewlett-Packard Company income tax liabilities, and $169 million of income tax charges resulting from a gain on the H3C divestiture, the effects of which were partially offset by $509 million of income tax benefits on restructuring charges, separation costs and acquisition and other related charges, and $124 million of income tax benefits resulting from a gain on the MphasiS divestiture.

As a result of certain employment actions and capital investments the Company has undertaken, income from manufacturing and services in certain countries is subject to reduced tax rates, and in some cases is wholly exempt from taxes, through 2024. The gross income tax benefits attributable to these actions and investments were $792 million ($0.51 diluted net EPS) in fiscal 2018, $378 million ($0.23 diluted net EPS) in fiscal 2017 and $401 million ($0.23 diluted net EPS) in fiscal 2016. Refer to Note 17, "Net Earnings Per Share" for details on shares used to compute diluted net EPS.

Recent Tax Legislation

The Tax Act requires the Company to incur a one-time Transition Tax on deferred foreign income not previously subject to U.S. income tax at a rate of 15.5% for foreign cash and certain other net current assets and 8.0% on the remaining income. The GILTI, BEAT and certain other provisions of the Tax Act will be effective for the Company beginning November 1, 2018.

The Company has an October 31 fiscal year end; therefore, the lower corporate tax rate enacted by the Tax Act will be phased in, resulting in a U.S. statutory federal rate of 23.3% for the fiscal year ending October 31, 2018 and 21.0% for subsequent fiscal years.

The Company has not completed its accounting for the tax effects of the Tax Act. Reasonable estimates of the impacts of the Tax Act are provided in accordance with guidance from the SEC that allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. Adjustments may materially impact the Company’s provision for income taxes and effective tax rate in the period in which the adjustments are made. The Company expects to complete the accounting under the Tax Act in the first quarter of fiscal 2019.

For fiscal 2018 , the Company recorded a provisional estimate of $1.7 billion of tax expense related to the Transition Tax, which was included in Benefit (provision) for taxes in the Consolidated Statements of Earnings. The final calculations of the Transition Tax may differ from estimates, potentially materially, due to, among other things, changes in interpretations of the Tax Act, analysis of proposed regulations and current and additional guidance from the Internal Revenue Service ("IRS"), the Company’s analysis of the Tax Act, or any updates or changes to estimates that the Company utilized to calculate the transition impacts, including impacts from changes to current year earnings estimates and assertions. No cash payment is anticipated due to the availability of sufficient tax credits to offset the Transition Tax.

In addition, for fiscal 2018 the Company recorded $1.7 billion of net tax expense related to the remeasurement of U.S. deferred tax assets and liabilities as a result of the reduction of the U.S. corporate tax rate and a $3.7 billion tax benefit related to the reversal of previous deferred tax recognized on foreign earnings and profits, which was included in Benefit (provision) for taxes in the Consolidated Statement of Earnings. In addition, as part of evaluating the future effects of the Tax Act, the Company has reassessed the realizability of its U.S deferred tax assets, including tax credits and other non-credit deferred tax assets, based on the new method of taxation of non-U.S. earnings applicable beginning in fiscal 2019. The Company recorded a provisional estimate for valuation allowance of $687 million against its U.S. federal deferred tax assets.

Regarding the new GILTI tax rules, the Company is required to make an accounting policy election to either treat taxes due on future GILTI inclusions in U.S. taxable income as a current period expense when incurred or reflect such portion of the future GILTI inclusions in U.S. taxable income that relate to existing basis differences in the Company's current measurement of deferred taxes. The Company's analysis of the new GILTI tax rules and how they may impact the Company is in process. Accordingly, the Company has not made a policy election regarding the treatment of the GILTI tax.

Uncertain Tax Positions

A reconciliation of unrecognized tax benefits is as follows:

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

	As of October 31,		
	2018	2017	2016
	In millions		
Balance at beginning of year	$ 11,262	$ 11,411	$ 4,901
Increases:			
For current year's tax positions	163	28	1,456
For prior years' tax positions	66	311	820
Net transfers from former Parent through equity	—	—	4,455
Decreases:			
For prior years' tax positions	(82)	(202)	(114)
Statute of limitations expiration	(86)	(70)	(47)
Settlements with taxing authorities	(2)	(216)	(60)
Settlements related to joint and several positions of former Parent	(2,495)	—	—
Balance at end of year	$ 8,826	$ 11,262	$ 11,411

Up to $1.1 billion , $3.0 billion and $2.7 billion of Hewlett Packard Enterprise's unrecognized tax benefits at October 31, 2018 , 2017 and 2016 , respectively, would affect the Company's effective tax rate if realized. The $2.4 billion decrease in the amount of unrecognized tax benefits for the year ended October 31, 2018, is primarily related to the settlement of certain pre-Separation tax liabilities for which the Company shares joint and several liability with HP Inc. and for which the Company is partially indemnified by HP Inc. under the Tax Matters Agreement. The $2.0 billion of income tax benefits recognized in the Company's effective tax rate includes interest, penalties, and offsetting benefits not included in the table above.

The $149 million decrease in the amount of unrecognized tax benefits for the year ended October 31, 2017, is primarily related to the settlement of a foreign tax audit concerning an intercompany transaction, partially offset by unrecognized tax benefits related to the timing of intercompany royalty revenue recognition, which does not affect the Company's effective tax rate.

Hewlett Packard Enterprise recognizes interest income from favorable settlements and interest expense and penalties accrued on unrecognized tax benefits in Benefit (provision) for taxes in the Consolidated Statements of Earnings. The Company had accrued $142 million and $304 million for interest and penalties as of October 31, 2018 and 2017 , respectively.

Hewlett Packard Enterprise engages in continuous discussion and negotiation with taxing authorities regarding tax matters in various jurisdictions. Hewlett Packard Enterprise does not expect complete resolution of any U.S. 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 resolution of certain intercompany transactions, joint and several tax liabilities and other matters. Accordingly, Hewlett Packard Enterprise believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to $6.4 billion within the next 12 months.

Hewlett Packard Enterprise is subject to income tax in the U.S. and approximately 110 other countries and is subject to routine corporate income tax audits in many of these jurisdictions.

With respect to major foreign tax jurisdictions, HPE is no longer subject to tax authority examinations for years prior to 2005. With respect to major state tax jurisdictions, HPE is no longer subject to tax authority examinations for years prior to 2003.

Hewlett Packard Enterprise 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. The Company regularly assesses the likely outcomes of these audits in order to determine the appropriateness of the Company's tax provision. The Company 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 the Company 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 earnings or cash flows.

Hewlett Packard Enterprise is joint and severally liable for certain pre-Separation tax liabilities of HP Inc. HP Inc. is subject to numerous ongoing audits by federal, state and foreign tax authorities. The IRS is conducting an audit of HP Inc.'s 2013, 2014 and 2015 income tax returns.

Hewlett Packard Enterprise has not provided for U.S. federal income and foreign withholding taxes on $7.9 billion of undistributed earnings and basis differences from non-U.S. operations as of October 31, 2018 because the Company intends to reinvest such earnings indefinitely outside of the U.S. Such amounts have materially decreased from October 31, 2017 , due to the impacts of the Tax Act that required U.S. taxation on largely all undistributed foreign earnings. Determination of the amount of unrecognized deferred tax liability related to these earnings and basis differences is not practicable. The Company will remit non-indefinitely reinvested earnings of its non-U.S. subsidiaries for which deferred U.S. federal and withholding taxes have been provided where excess cash has accumulated and the Company determines that it is advantageous for business operations, tax or cash management reasons.

Deferred Income Taxes

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

The significant components of deferred tax assets and deferred tax liabilities were as follows:

	As of October 31,	
	2018	2017
	In millions	
Deferred tax assets:		
Loss and credit carry-forwards [(1)]	$ 9,149	$ 4,775
Inventory valuation	77	79
Intercompany transactions—royalty prepayments [(2)]	48	4,267
Intercompany transactions—excluding royalty prepayments	63	129
Warranty	81	156
Employee and retiree benefits	498	661
Restructuring	101	186
Deferred revenue	518	757
Intangible assets	48	—
Other	432	593
Total deferred tax assets	11,015	11,603
Valuation allowance [(3)]	(8,209)	(2,789)
Total deferred tax assets net of valuation allowance	2,806	8,814
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries [(4)]	(161)	(3,824)
Fixed assets	(470)	(385)
Intangible assets	—	(46)
Total deferred tax liabilities	(631)	(4,255)
Net deferred tax assets and liabilities	$ 2,175	$ 4,559

(1) The increase is primarily due to certain foreign loss carryforwards recognized in the current year and increases in U.S. domestic capital loss carryforwards recognized in the current year.

(2) During fiscal 2018, the Company executed an intercompany sale transaction that resulted in the reversal of $2.1 billion of deferred tax assets attributable to deferred revenue. The tax impacts of the transaction are considered prepaid under FASB guidance applicable to fiscal 2018. The additional decrease is primarily a result of deferred tax remeasurement related to the Tax Act.

(3) The increase is primarily due to certain foreign loss carryforwards recognized in the current year and increases in U.S. domestic capital loss carryforwards recognized in the current year against which valuation allowances were required as well as a partial valuation allowance recorded against U.S. foreign tax credits carryforwards as a result of the Tax Act.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(4) The decrease is primarily due to $3.7 billion benefit from the reversal of previous deferred tax recognized on foreign earnings and profits as a result of the Tax Act.

Deferred tax assets and liabilities included in the Consolidated Balance Sheets are as follows:

	As of October 31,	
	2018	2017
	In millions	
Deferred tax assets	$ 2,403	$ 4,663
Deferred tax liabilities	(228)	(104)
Deferred tax assets net of deferred tax liabilities	$ 2,175	$ 4,559

The Company 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. Hewlett Packard Enterprise executed intercompany advanced royalty payment arrangements resulting in advanced payments of $63 million and $439 million during fiscal 2018 and 2017 , respectively. 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. Intercompany royalty revenue and the amortization expense related to the licensing rights are eliminated in consolidation.

In fiscal 2018 , the Company recorded an adjustment of $55 million to reduce a deferred tax asset established in connection with the Separation as a reduction of additional paid-in capital in the Consolidated Statement of Stockholders' Equity.

As of October 31, 2018 , the Company had $769 million , $2.8 billion and $19.9 billion of federal, state and foreign net operating loss carryforwards, respectively. Amounts included in federal, state and foreign net operating loss carryforwards will begin to expire in fiscal 2030, 2019, and 2020, respectively. Hewlett Packard Enterprise has provided a valuation allowance of $160 million and $5.0 billion for deferred tax assets related to state and foreign net operating losses carryforwards, respectively. As of October 31, 2018, the Company also had $6.1 billion , $6.4 billion , and $58 million of federal, state, and foreign capital loss carryforwards, respectively. Amounts included in federal and state capital loss carryforwards will begin to expire in fiscal 2024; foreign capital losses can carry forward indefinitely. Hewlett Packard Enterprise has provided a valuation allowance of $1.2 billion , $238 million , and $13 million for deferred tax assets related to federal, state, and foreign capital loss carryforwards, respectively.

As of October 31, 2018 , Hewlett Packard Enterprise had recorded deferred tax assets for various tax credit carryforwards as follows:

	Carryforward	Valuation Allowance	Initial Year of Expiration
	In millions		
U.S. foreign tax credits	$ 1,832	$ (687)	2021
U.S. research and development and other credits	122	—	2019
Tax credits in state and foreign jurisdictions	158	(124)	2020
Balance at end of year	$ 2,112	$ (811)	

Deferred Tax Asset Valuation Allowance

The deferred tax asset valuation allowance and changes were as follows:

	As of October 31,		
	2018	2017	2016
	In millions		
Balance at beginning of year	$ 2,789	$ 2,095	$ 1,572
Income tax expense	(166)	848	(203)
Income tax expense related to the Tax Act	687	—	—
Valuation allowance offsetting current year losses recorded	5,028	—	—
Other comprehensive income, currency translation and charges to other accounts	(129)	(154)	726
Balance at end of year	$ 8,209	$ 2,789	$ 2,095

Total valuation allowances increased by $5.4 billion in fiscal 2018 , due primarily to the increases in certain foreign loss carryforwards recognized in the current year and increases in U.S. domestic capital loss carryforwards recognized in the current year against which valuation allowances were required, and a partial valuation allowance recorded against U.S. foreign tax credit carryforwards as a result of the Tax Act. These were offset by partial valuation allowance releases against loss carryforwards in certain foreign jurisdictions due to law changes.

Total valuation allowances increased by $694 million in fiscal 2017 due primarily to the valuation allowance recorded against foreign deferred tax assets related to pension assets and liabilities, partially offset by decreases in foreign deferred tax assets for net operating losses.

Tax Matters Agreement and Other Income Tax Matters

In connection with the Separation, the Company entered into a Tax Matters Agreement with HP Inc., formerly Hewlett-Packard Company. In connection with the Everett and Seattle Transactions, the Company entered into a DXC Tax Matters Agreement with DXC and a Micro Focus Tax Matters Agreement with Micro Focus, respectively. See Note 19, "Guarantees, Indemnifications and Warranties", for a description of the Tax Matters Agreement, DXC Tax Matters Agreement and Micro Focus Tax Matters Agreement.

Note 9: Balance Sheet Details

Balance sheet details were as follows:

Accounts Receivable, Net

	As of October 31,	
	2018	2017
	In millions	
Unbilled receivable	$ 185	$ 223
Accounts receivable	3,117	2,892
Allowance for doubtful accounts	(39)	(42)
Total	$ 3,263	$ 3,073

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

	As of October 31,		
	2018	2017	2016
	In millions		
Balance at beginning of year	$ 42	$ 49	$ 72
Provision for doubtful accounts	20	16	22
Deductions, net of recoveries	(23)	(23)	(45)
Balance at end of year	$ 39	$ 42	$ 49

The Company has third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers. The recourse obligations associated with these short-term financing arrangements as of October 31, 2018 and 2017 were not material.

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

	As of October 31,		
	2018	2017	2016
	In millions		
Balance at beginning of period [(1)]	$ 121	$ 145	$ 68
Trade receivables sold	4,844	3,910	3,015
Cash receipts	(4,794)	(3,937)	(2,931)
Foreign currency and other	(5)	3	(7)
Balance at end of period [(1)]	$ 166	$ 121	$ 145

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

Inventory

	As of October 31,	
	2018	2017
	In millions	
Finished goods	$ 1,274	$ 1,236
Purchased parts and fabricated assemblies	1,173	1,079
Total	$ 2,447	$ 2,315

Other Current Assets

	As of October 31,	
	2018	2017
	In millions	
Value-added taxes receivable	$ 811	$ 819
Manufacturer and other receivables	1,141	1,185
Prepaid and other current assets	1,328	1,081
Total	$ 3,280	$ 3,085

Property, Plant and Equipment

	As of October 31,	
	2018	2017
	In millions	
Land	$ 294	$ 312
Buildings and leasehold improvements	2,103	2,371
Machinery and equipment, including equipment held for lease	9,419	9,194
	11,816	11,877
Accumulated depreciation	(5,678)	(5,608)
Total	$ 6,138	$ 6,269

Depreciation expense was $2.3 billion , $2.2 billion and $2.0 billion in fiscal 2018 , 2017 and 2016 , respectively.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

Long-Term Financing Receivables and Other Assets

	As of October 31,	
	2018	2017
	In millions	
Financing receivables, net	$ 4,740	$ 4,380
Deferred tax assets	2,403	4,663
Indemnification receivables - long-term	16	1,430
Prepaid taxes - long-term	2,340	293
Prepaid pension assets	829	830
Other	1,031	1,004
Total	$ 11,359	$ 12,600

For the fiscal year ended October 31, 2018 , the change in Long-term financing receivables and other assets was due primarily to a decrease in Deferred tax assets as a result of the impact of the Tax Act and a decrease in Indemnification receivable - long-term as a result of the settlement of certain pre-Separation tax liabilities for which the Company shares joint and several liability with HP Inc. and for which the Company is partially indemnified by HP Inc., partially offset by an increase in Prepaid taxes - long-term as a result of an intercompany sale transaction.

Other Accrued Liabilities

	As of October 31,	
	2018	2017
	In millions	
Accrued taxes - other	$ 1,010	$ 929
Warranty - short-term	241	269
Sales and marketing programs	910	780
Other	1,679	1,866
Total	$ 3,840	$ 3,844

Other Non-Current Liabilities

	As of October 31,	
	2018	2017
	In millions	
Pension, post-retirement, and post-employment liabilities	$ 1,434	$ 1,413
Deferred revenue - long-term	2,646	2,487
Tax liability - long-term	1,485	3,859
Other long-term liabilities	1,320	1,036
Total	$ 6,885	$ 8,795

For the fiscal year ended October 31, 2018 , the change in Other non-current liabilities was due primarily to a decrease in Tax liability - long term. The decrease was due primarily to the settlement of certain pre-Separation tax liabilities for which the Company shares joint and several liability with HP Inc. and for which the Company is partially indemnified by HP Inc. under the Tax Matters Agreement.

Note 10: Financing Receivables and Operating Leases

Financing receivables represent sales-type and direct-financing leases of the Company 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 October 31,	
	2018	2017
	In millions	
Minimum lease payments receivable	$ 8,691	$ 8,226
Unguaranteed residual value	297	272
Unearned income	(732)	(654)
Financing receivables, gross	8,256	7,844
Allowance for doubtful accounts	(120)	(86)
Financing receivables, net	8,136	7,758
Less: current portion [(1)]	(3,396)	(3,378)
Amounts due after one year, net [(1)]	$ 4,740	$ 4,380

(1) The Company 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 Balance Sheets.

As of October 31, 2018 , scheduled maturities of the Company's minimum lease payments receivable were as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
	In millions						
Scheduled maturities of minimum lease payments receivable	$ 3,746	$ 2,331	$ 1,468	$ 763	$ 303	$ 80	$ 8,691

Sale of Financing Receivables

During the fiscal years ended October 31, 2018 and 2017 , the Company entered into arrangements to transfer the contractual payments due under certain financing receivables to third party financial institutions, which are accounted for as sales in accordance with Accounting Standards Codification ("ASC") 860 - Transfers and Servicing. The Company derecognizes the carrying value of the receivable transferred and recognizes a net gain or loss on the sale. During the fiscal years ended October 31, 2018 and 2017 , the Company sold $174 million and $130 million , respectively, of financing receivables. The gains recognized on the sales of financing receivables were not material for the periods presented.

Credit Quality Indicators

Due to the homogeneous nature of its leasing transactions, the Company 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 the Company's customer base and their dispersion across many different industries and geographic regions. The Company evaluates the credit quality of an obligor at lease inception and monitors that credit quality over the term of a transaction. The Company 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 internal risk ratings, was as follows:

	As of October 31,	
	2018	2017
	In millions	
Risk Rating:		
Low	$ 4,238	$ 4,156
Moderate	3,805	3,556
High	213	132
Total	$ 8,256	$ 7,844

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. The Company 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. The Company 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. The Company excludes accounts evaluated as part of the specific reserve from the general reserve analysis. The Company establishes a specific reserve for financing receivables with identified exposures, such as customer defaults, bankruptcy or other events, that make it unlikely the Company will recover its investment. For individually evaluated receivables, the Company 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, the Company records a specific reserve. The Company generally writes off a receivable or records a specific reserve when a receivable becomes 180 days past due, or sooner if the Company determines that the receivable is not collectible.

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

	As of October 31,		
	2018	2017	2016
	In millions		
Balance at beginning of year	$ 86	$ 89	$ 95
Provision for doubtful accounts	49	23	11
Write-offs	(15)	(26)	(17)
Balance at end of year	$ 120	$ 86	$ 89

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

	As of October 31,	
	2018	2017
	In millions	
Gross financing receivables collectively evaluated for loss	$ 7,917	$ 7,523
Gross financing receivables individually evaluated for loss	339	321
Total	$ 8,256	$ 7,844
Allowance for financing receivables collectively evaluated for loss	$ 78	$ 67
Allowance for financing receivables individually evaluated for loss	42	19
Total	$ 120	$ 86

Non-Accrual and Past-Due Financing Receivables

The Company considers a financing receivable to be past due when the minimum payment is not received by the contractually specified due date. The Company generally places financing receivables on non-accrual status, which is the 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, the Company may recognize revenue on non-accrual financing receivables as payments are received, which is on a cash basis, if the Company 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 the Company 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, the Company may return the related financing receivable to accrual status.

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

	As of October 31,	
	2018	2017
	In millions	
Billed: [1]		
Current 1-30 days	$ 275	$ 257
Past due 31-60 days	42	52
Past due 61-90 days	13	15
Past due >90 days	74	58
Unbilled sales-type and direct-financing lease receivables	7,852	7,462
Total gross financing receivables	$ 8,256	$ 7,844
Gross financing receivables on non-accrual status [2]	$ 226	$ 188
Gross financing receivables 90 days past due and still accruing interest [2]	$ 113	$ 133

(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 Property, plant and equipment in the Consolidated Balance Sheets were as follows:

	As of October 31,	
	2018	2017
	In millions	
Equipment leased to customers	$ 7,290	$ 7,356
Accumulated depreciation	(3,078)	(2,943)
Total	$ 4,212	$ 4,413

As of October 31, 2018 , minimum future rentals on non-cancelable operating leases related to leased equipment were as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
				In millions			
Minimum future rentals on non-cancelable operating leases	$ 1,901	$ 1,156	$ 477	$ 69	$ 9	$ 1	$ 3,613

Note 11: Acquisitions and Divestitures

The purchase price allocations for the acquisitions described below reflect various preliminary fair value estimates and analysis, including preliminary work performed by third-party valuation specialists, certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, certain legal matters, income and income based taxes, and residual goodwill, which are subject to change within the measurement period as valuations are finalized. Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined.

Pro forma results of operations for these acquisitions have not been presented because they are not material to the Company's consolidated results of operations, either individually or in the aggregate. Goodwill, which represents the excess of the purchase price over the net tangible and intangible assets acquired, is not deductible for tax purposes.

Subsequent event

On November 27, 2018, the Company announced that it entered into a definitive agreement to acquire BlueData, a Santa Clara, California-based provider of Artificial Intelligence ("AI")/Machine Learning and Big Data Analytics infrastructure

software, which will expand the Company's footprint in the rapidly growing AI and Big Data Analytics market. BlueData's results of operations will be included within the Hybrid IT segment.

Acquisitions in Fiscal 2018

During fiscal 2018, the Company completed three acquisitions, none of which were material, both individually and in the aggregate, to the Company's Consolidated Financial Statements.

Acquisitions in Fiscal 2017

During fiscal 2017, the Company completed six acquisitions. The following table presents the aggregate purchase price allocation, including those items that were preliminary allocations, for the Company's acquisitions for the fiscal year ended October 31, 2017:

		In millions
Goodwill	$	1,427
Amortizable intangible assets		603
In-process research and development		85
Net assets assumed		340
Total fair value consideration	$	2,455

On September 15, 2017, the Company completed the acquisition of Cloud Technology Partners ("CTP"), a cloud consulting, design and advisory services company. CTP's results of operations are included within the Hybrid IT segment.

On April 17, 2017, the Company completed the acquisition of Nimble Storage, a provider of predictive all-flash and hybrid-flash storage solutions. Nimble Storage's results of operations are included within the Hybrid IT segment. The acquisition date fair value consideration of $1.2 billion primarily consisted of cash paid for outstanding common stock, vested in-the-money stock awards, and the estimated fair value of earned unvested stock awards assumed by the Company. In connection with this acquisition, the Company recorded approximately $755 million of goodwill, $291 million of intangible assets, and $31 million of in-process research and development. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of five years .

On February 17, 2017, the Company completed the acquisition of SimpliVity, a provider of software-defined, hyperconverged infrastructure. SimpliVity's results of operations are included within the Hybrid IT segment. The acquisition date fair value consideration of $651 million primarily consisted of cash paid for outstanding common stock, debt, and the estimated fair value of earned unvested stock awards assumed by the Company. In connection with this acquisition, the Company recorded approximately $442 million of goodwill, $118 million of intangible assets, and $24 million of in-process research and development. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of five years .

On November 1, 2016, the Company completed the acquisition of SGI, a provider of high-performance solutions for computer data analytics and data management. SGI's results of operations are included within the Hybrid IT segment. The acquisition date fair value consideration of $349 million consisted of cash paid for outstanding common stock, debt, and the estimated fair value of earned unvested stock awards assumed by the Company. In connection with this acquisition, the Company recorded approximately $75 million of goodwill, $150 million of intangible assets, and $30 million of in-process research and development. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average useful life of five years .

Divestitures in Fiscal 2016

In fiscal 2016, the Company completed three divestitures, which resulted in $3.0 billion of net proceeds. These divestitures primarily represent the sale of the Company's controlling interest in H3C and MphasiS, which are discussed further below. The gains associated with the sale of the Company's controlling interest in H3C and MphasiS are included in Gain on H3C and MphasiS divestitures in the Consolidated Statement of Earnings for the fiscal year ended October 31, 2016.

In May 2016, the Company executed its joint partnership agreement with Tsinghua Holdings to bring together the Chinese enterprise technology assets of the Company and Tsinghua University to create a Chinese business provider of

technology infrastructure. Under the definitive agreement, Tsinghua Holdings' subsidiary, Unisplendour Corporation, purchased 51% of the new business named H3C for $2.6 billion , which includes purchase consideration adjustments. H3C comprises the Company's former H3C Technologies and China-based server, storage and technology services businesses ("H3C disposal group"), which were previously reported within the EG segment, until the time of the sale. The Company's former EG segment was subsequently realigned into two new reportable segments, Hybrid IT and Intelligent Edge. As a result of the H3C divestiture, the Company recognized a gain of $2.2 billion . The Company's remaining China subsidiary maintains 100% ownership of its existing China-based enterprise services, software and Helion Cloud businesses. The new H3C is the exclusive provider of the Company's server and storage portfolio, as well as the Company's exclusive hardware support services provider in China, customized for that market.

The results of the H3C disposal group, which represented 100% of the Company's H3C Technologies and China-based server, storage and technology services businesses, were reflected in the Company's Consolidated Financial Statements through the date of closing. The pre-tax earnings for the fiscal year ended October 31, 2016 was $182 million . The Company's remaining 49% ownership is accounted for under the equity method of accounting, and its proportionate share of H3C's earnings are included in Earnings (loss) from equity interests in the Consolidated Statements of Earnings. See Note 22, "Equity Method Investments" for additional information.

In April 2016, the Company signed a definitive agreement with The Blackstone Group to sell the Company's equity stake in MphasiS Limited, an IT services provider headquartered in Bangalore, India, for Indian Rupees ("INR") 430 per share. On September 1, 2016, the Company closed the MphasiS divestiture by selling its full equity stake, which was valued at $824 million at the purchase price of INR 430 per share. As a result of the MphasiS divestiture, the Company recognized a gain of $253 million .

Note 12: Goodwill and Intangible Assets

Goodwill

Goodwill and related changes in the carrying amount by reportable segment were as follows:

	Hybrid IT	Intelligent Edge	Financial Services	Total
	In millions			
Balance at October 31, 2016	$ 14,045	$ 1,901	$ 144	$ 16,090
Goodwill acquired during the period	1,410	17	—	1,427
Changes due to foreign currency	1	—	—	1
Goodwill adjustments	(2)	—	—	(2)
Balance at October 31, 2017	15,454	1,918	144	17,516
Goodwill acquired during the period	101	3	—	104
Impairment of goodwill	(88)	—	—	(88)
Changes due to foreign currency	6	—	—	6
Goodwill adjustments	(1)	—	—	(1)
Balance at October 31, 2018	$ 15,472	$ 1,921	$ 144	$ 17,537

Goodwill Impairments

Goodwill is tested for impairment at the reporting unit level. On November 1, 2017, the Company's former EG segment was realigned into two new reportable segments, Hybrid IT and Intelligent Edge. Further, following certain executive leadership changes in fiscal 2018, near the end of the fourth quarter, Hybrid IT segment management changed its evaluation of Hybrid IT to evaluate the previously integrated Communications and Media Services ("CMS") business separately from the remainder of Hybrid IT, resulting in a reassessment of the reporting units. As of October 31, 2018 , the Company's reporting units within Hybrid IT include CMS and Hybrid IT excluding CMS. The Company expects to move CMS to the Corporate Investments segment under new management effective November 1, 2018. The Company's reporting units other than Hybrid IT are consistent with the reportable segments identified in Note 3, "Segment Information".

Based on the results of the Company's annual impairment tests in fiscal 2018, 2017 and 2016, the Company determined that no impairment of goodwill existed.

Based on the results of the Company's interim impairment tests in fiscal 2018 it was concluded that the fair value of CMS was less than its carrying amount. Prior to calculating the goodwill impairment loss, the Company analyzed the recoverability of CMS long-lived assets other than goodwill and concluded that those assets were not impaired. As a result, the Company recorded a goodwill impairment charge of $88 million . There is no remaining goodwill in the CMS reporting unit as of October 31, 2018.

Intangible Assets

Intangible assets comprise:

	As of October 31, 2018			As of October 31, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	In millions					
Customer contracts, customer lists and distribution agreements	$ 272	$ (142)	$ 130	$ 268	$ (71)	$ 197
Developed and core technology and patents	1,121	(525)	596	1,133	(427)	706
Trade name and trade marks	87	(42)	45	87	(23)	64
In-process research and development	18	—	18	75	—	75
Total intangible assets	$ 1,498	$ (709)	$ 789	$ 1,563	$ (521)	$ 1,042

For fiscal 2018 , the decrease in gross intangible assets was due primarily to $106 million of intangible assets which became fully amortized and were eliminated from gross intangible assets and accumulated amortization, partially offset by $41 million of purchases related to acquisitions.

For fiscal 2017 , the increase in gross intangible assets was due primarily to $688 million of purchases related to acquisitions, partially offset by $384 million of intangible assets which became fully amortized and were eliminated from gross intangible assets and accumulated amortization.

The Company reclassified in-process research and development assets acquired of $57 million and $10 million to developed and core technology and patents as the projects were completed, and began amortization during fiscal 2018 and fiscal 2017 , respectively.

As of October 31, 2018 , the weighted-average remaining useful lives of the Company's finite-lived intangible assets were as follows:

Finite-Lived Intangible Assets	Weighted-Average Remaining Useful Lives
	In years
Customer contracts, customer lists and distribution agreements	4
Developed and core technology and patents	4
Trade name and trade marks	4

As of October 31, 2018 , estimated future amortization expense related to finite-lived intangible assets was as follows:

Fiscal year	In millions
2019	$ 248
2020	197
2021	126
2022	92
2023	68
Thereafter	40
Total	$ 771

Note 13: 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

The Company 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 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 the Company's assets and liabilities that are measured at fair value on a recurring basis:

	As of October 31, 2018				As of October 31, 2017			
	Fair Value Measured Using				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	$ —	$ 781	$ —	$ 781	$ —	$ 1,159	$ —	$ 1,159
Money market funds	2,340	—	—	2,340	5,592	—	—	5,592
Foreign bonds	7	124	—	131	9	214	—	223
Other debt securities	—	—	25	25	—	—	26	26
Derivative Instruments:								
Foreign exchange contracts	—	496	—	496	—	259	—	259
Other derivatives	—	—	—	—	—	1	—	1
Total assets	$ 2,347	$ 1,401	$ 25	$ 3,773	$ 5,601	$ 1,633	$ 26	$ 7,260
Liabilities								
Derivative Instruments:								
Interest rate contracts	$ —	$ 353	$ —	$ 353	$ —	$ 142	$ —	$ 142
Foreign exchange contracts	—	117	—	117	—	335	—	335
Other derivatives	—	6	—	6	—	—	—	—
Total liabilities	$ —	$ 476	$ —	$ 476	$ —	$ 477	$ —	$ 477

For the fiscal years ended October 31, 2018 and 2017, there were no transfers between levels within the fair value hierarchy.

Valuation Techniques

Cash Equivalents and Investments: The Company holds time deposits, money market funds, debt securities primarily consisting of corporate and foreign government notes and bonds. The Company values cash equivalents 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: The Company uses forward contracts, interest rate and total return swaps to hedge certain foreign currency and interest rate exposures. The Company 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, the Company and counterparties' credit risk, foreign currency exchange rates, and forward and spot prices for currencies and interest rates. See Note 14, "Financial Instruments", for a further discussion of the Company's use of derivative instruments.

Other Fair Value Disclosures

Short- and Long-Term Debt: The Company 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 the Company's debt that is hedged is reflected in the Consolidated 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. At October 31, 2018, the estimated fair value of the Company's short-term and long-term debt was $12.2 billion and the carrying value was $12.1 billion . As of October 31, 2017, the estimated fair value of the Company's short-term and long-term debt was $14.6 billion and the carrying value was $14.0 billion . If measured at fair value in the Consolidated Balance Sheets, short-term and long-term debt would be classified in Level 2 of the fair value hierarchy.

Other Financial Instruments: For the balance of the Company'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 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: The Company's non-marketable equity investments and non-financial assets, such as intangible assets, goodwill 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 Balance Sheets, these would generally be classified in Level 3 of the fair value hierarchy.

Note 14: Financial Instruments

Cash Equivalents and Available-for-Sale Investments

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

	As of October 31, 2018				As of October 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	In millions							
Cash Equivalents:								
Time deposits	$ 781	$ —	$ —	$ 781	$ 1,159	$ —	$ —	$ 1,159
Money market funds	2,340	—	—	2,340	5,592	—	—	5,592
Total cash equivalents	3,121	—	—	3,121	6,751	—	—	6,751
Available-for-Sale Investments:								
Foreign bonds	113	18	—	131	183	40	—	223
Other debt securities	26	—	(1)	25	37	—	(11)	26
Total available-for-sale investments	139	18	(1)	156	220	40	(11)	249
Total cash equivalents and available-for-sale investments	$ 3,260	$ 18	$ (1)	$ 3,277	$ 6,971	$ 40	$ (11)	$ 7,000

All highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents. As of October 31, 2018 and 2017 , the carrying amount of cash equivalents approximated fair value due to the short period of time to maturity. Interest income related to cash, cash equivalents and debt securities was approximately $104 million in fiscal 2018 and 2017 and $105 million in fiscal 2016 . Time deposits were primarily issued by institutions outside the U.S. as of October 31, 2018 and 2017 . 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 October 31, 2018	
	Amortized Cost	Fair Value
	In millions	
Due in more than five years	$ 139	$ 156

Equity securities in privately held companies that are accounted for as cost basis investments are included in Long-term financing receivables and other assets in the Consolidated Balance Sheets. These investments amounted to $162 million and $149 million at October 31, 2018 and 2017 , respectively.

Investments in equity securities that are accounted for using the equity method are included in Investments in equity interests in the Consolidated Balance Sheets. These amounted to $2.4 billion and $2.5 billion at October 31, 2018 and 2017 , respectively. For additional information, see Note 21, "Equity Method Investments".

Derivative Instruments

The Company 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, the Company uses derivative instruments, primarily forward contracts, interest rate swaps and total return swaps to hedge certain foreign currency, interest rate and, to a lesser extent, equity exposures. The Company'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. The Company does not have any leveraged derivatives and does not use derivative contracts for

speculative purposes. The Company 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, the Company categorizes those economic hedges as other derivatives. Derivative instruments are recognized at fair value in the Consolidated Balance Sheets. The change in fair value of the derivative instruments is recognized in the Consolidated Statements of Earnings or Consolidated Statements of Comprehensive Income depending upon the type of hedge as further discussed below. The Company classifies cash flows from its derivative programs with the activities that correspond to the underlying hedged items in the Consolidated Statements of Cash Flows.

As a result of its use of derivative instruments, the Company is exposed to the risk that its counterparties will fail to meet their contractual obligations. To mitigate counterparty credit risk, the Company has a policy of only entering into derivative contracts with carefully selected major financial institutions based on their credit ratings and other factors, and the Company maintains dollar risk limits that correspond to each financial institution's credit rating and other factors. The Company'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 also mitigate credit exposure to counterparties by permitting the Company to net amounts due from the Company to a counterparty against amounts due to the Company from the same counterparty under certain conditions.

To further mitigate credit exposure to counterparties, the Company has collateral security agreements, which allows the Company to hold collateral from, or require the Company to post collateral to counterparties when aggregate derivative fair values exceed contractually established thresholds which are generally based on the credit ratings of the Company and its counterparties. If the Company's credit rating falls below a specified credit rating, the counterparty has the right to request full collateralization of the derivatives' net liability position. Conversely, if the counterparty's credit rating falls below a specified credit rating, the Company 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 the Company's derivatives with credit contingent features in a net liability position was $290 million and $265 million at October 31, 2018 and 2017 , respectively, all of which were fully collateralized within two business days.

Under the Company's derivative contracts, the counterparty can terminate all outstanding trades following a covered change of control event affecting the Company that results in the surviving entity being rated below a specified credit rating. This credit contingent provision did not affect the Company's financial position or cash flows as of October 31, 2018 and 2017 .

Fair Value Hedges

The Company issues long-term debt in U.S. dollars based on market conditions at the time of financing. The Company 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 LIBOR-based floating interest rate. The swap transactions generally involve principal and interest obligations for U.S. dollar-denominated amounts. Alternatively, the Company 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, the Company 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, the Company 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 Statements of Earnings in the period of change.

Cash Flow Hedges

The Company uses forward 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. The Company's foreign currency cash flow hedges mature generally within twelve months ; however, forward contracts associated with sales-type and direct-financing leases and intercompany loans extend for the duration of the lease or loan term, which can extend up to five years.

For derivative instruments that are designated and qualify as cash flow hedges, the Company initially records changes in fair value for the effective portion of the derivative instrument in Accumulated other comprehensive loss as a separate component of equity in the Consolidated Balance Sheets and subsequently reclassifies these amounts into earnings in the period during which the hedged transaction is recognized in earnings. The Company 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

The Company uses forward contracts designated as net investment hedges to hedge net investments in certain foreign subsidiaries whose functional currency is the local currency. The Company 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 Equity in the Consolidated Balance Sheets.

Other Derivatives

Other derivatives not designated as hedging instruments consist primarily of forward contracts used to hedge foreign currency-denominated balance sheet exposures. The Company 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, the Company 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 Statements of Earnings in the period of change.

Hedge Effectiveness

For interest rate swaps designated as fair value hedges, the Company measures hedge effectiveness by offsetting the change in fair value of the hedged items with the change in fair value of the derivative. For forward contracts designated as cash flow or net investment hedges, the Company 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. The Company recognizes any ineffective portion of the hedge in the Consolidated Statements of Earnings in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Consolidated Statements of Earnings in the period they arise.

Fair Value of Derivative Instruments in the Consolidated Balance Sheets

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

	As of October 31, 2018					As of October 31, 2017				
		Fair Value					Fair Value			
	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	$ 6,850	$ —	$ —	$ —	$ 353	$ 9,500	$ —	$ —	$ 16	$ 126
Cash flow hedges:										
Foreign currency contracts	8,423	270	107	11	15	7,202	105	45	101	70
Net investment hedges:										
Foreign currency contracts	1,737	32	41	13	11	1,944	35	10	36	41
Total derivatives designated as hedging instruments	17,010	302	148	24	379	18,646	140	55	153	237
Derivatives not designated as hedging instruments										
Foreign currency contracts	6,780	41	5	55	12	9,552	61	3	79	8
Other derivatives	104	—	—	6	—	96	1	—	—	—
Total derivatives not designated as hedging instruments	6,884	41	5	61	12	9,648	62	3	79	8
Total derivatives	$ 23,894	$ 343	$ 153	$ 85	$ 391	$ 28,294	$ 202	$ 58	$ 232	$ 245

Offsetting of Derivative Instruments

The Company recognizes all derivative instruments on a gross basis in the Consolidated Balance Sheets. The Company's derivative instruments are subject to master netting arrangements and collateral security arrangements. The Company does not offset the fair value of its derivative instruments against the fair value of cash collateral posted under collateral security agreements. As of October 31, 2018 and 2017 , information related to the potential effect of the Company's use of the master netting agreements and collateral security agreements was as follows:

	As of October 31, 2018						
	In the Consolidated Balance Sheets						
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)		(vi) = (iii)–(iv)–(v)
				Gross Amounts Not Offset			
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Derivatives	Financial Collateral		Net Amount
	In millions						
Derivative assets	$ 496	$ —	$ 496	$ 179	$ 205	(1)	$ 112
Derivative liabilities	$ 476	$ —	$ 476	$ 179	$ 302	(2)	$ (5)

	As of October 31, 2017						
	In the Consolidated Balance Sheets						
	(i)	(ii)	(iii) = (i)–(ii)	(iv)	(v)		(vi) = (iii)–(iv)–(v)
				Gross Amounts Not Offset			
	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Derivatives	Financial Collateral		Net Amount
	In millions						
Derivative assets	$ 260	$ —	$ 260	$ 209	$ 34	(1)	$ 17
Derivative liabilities	$ 477	$ —	$ 477	$ 209	$ 242	(2)	$ 26

(1) Represents the cash collateral posted by counterparties as of the respective reporting date for the Company'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 the Company in cash or through re-use of counterparty cash collateral as of the respective reporting date for the Company's liability position, net of derivative amounts that could be offset, as of, generally, two business days prior to the respective reporting date. As of October 31, 2018, $302 million of collateral posted was entirely cash. As of October 31, 2017, of the $242 million of collateral posted, $220 million was in cash and $22 million was through the re-use of counterparty collateral.

Effect of Derivative Instruments on the Consolidated Statements of Earnings

The pre-tax effect of derivative instruments and related hedged items in a fair value hedging relationship for the fiscal years ended October 31, 2018 , 2017 and 2016 was as follows:

	Gains (Losses) Recognized in Income on Derivative and Related Hedged Item							
Derivative Instrument	Location	2018	2017	2016	Hedged Item	Location	2018	2017	2016
		In millions					In millions		
Interest rate contracts	Interest and other, net	$ (211)	$ (245)	$ 158	Fixed-rate debt	Interest and other, net	$ 211	$ 245	$ (158)

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

The pre-tax effect of derivative instruments in cash flow and net investment hedging relationships for the fiscal years ended October 31, 2018 , 2017 and 2016 was as follows:

	Gains (Losses) Recognized in OCI on Derivatives (Effective Portion)			Gains (Losses) Reclassified from Accumulated OCI Into Earnings (Effective Portion)			
	2018	2017	2016	Location	2018	2017	2016
	In millions				In millions		
Cash flow hedges:							
Foreign currency contracts	$ 163	$ (113)	$ (71)	Net revenue	$ (24)	$ (68)	$ (48)
Foreign currency contracts	—	(1)	1	Cost of products	—	—	—
Foreign currency contracts	—	—	—	Gain on H3C and MphasiS divestitures	—	—	8
Foreign currency contracts	6	159	236	Interest and other, net	16	170	243
Subtotal	169	45	166	Net earnings from continuing operations	(8)	102	203
Foreign currency contracts	—	1	60	Net loss from discontinued operations	—	43	67
Total cash flow hedges	$ 169	$ 46	$ 226	Net earnings	$ (8)	$ 145	$ 270
Net investment hedges:							
Foreign currency contracts	$ 81	$ (71)	$ (58)	Interest and other, net	$ —	$ —	$ —

As of October 31, 2018 , 2017 and 2016 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. Hedge ineffectiveness for fair value, cash flow and net investment hedges was not material for fiscal 2018 , 2017 and 2016 .

As of October 31, 2018 , the Company expects to reclassify an estimated net accumulated other comprehensive gain of approximately $119 million , net of taxes, to earnings in the next twelve months along with the earnings effects of the related forecasted transactions associated with cash flow hedges.

The pre-tax effect of derivative instruments not designated as hedging instruments on the Consolidated Statements of Earnings for the fiscal years ended October 31, 2018 , 2017 and 2016 was as follows:

	Gains (Losses) Recognized in Income on Derivatives			
	Location	2018	2017	2016
			In millions	
Foreign currency contracts	Interest and other, net	$ 301	$ (443)	$ (425)
Other derivatives	Interest and other, net	(6)	3	(4)
Total		$ 295	$ (440)	$ (429)

Note 15: Borrowings

Notes Payable and Short-Term Borrowings

Notes payable and short-term borrowings, including the current portion of long-term debt, were as follows:

	As of October 31,			
	2018		2017	
	Amount Outstanding	Weighted-Average Interest Rate	Amount Outstanding	Weighted-Average Interest Rate
	Dollars in millions			
Current portion of long-term debt	$ 1,196	2.2 %	$ 3,005	3.2 %
FS Commercial paper	392	(0.2)%	401	(0.1)%
Notes payable to banks, lines of credit and other [(1)]	417	2.5 %	444	1.8 %
Total notes payable and short-term borrowings	$ 2,005		$ 3,850	

(1) Notes payable to banks, lines of credit and other includes $361 million and $390 million at October 31, 2018 and 2017 , respectively, of borrowing- and funding-related activity associated with FS and its subsidiaries.

Long-Term Debt

	As of October 31,	
	2018	2017
	In millions	
Hewlett Packard Enterprise Senior Notes		
$2,650 issued at discount to par at a price of 99.872% in October 2015 at 2.85%, due October 5, 2018, interest payable semi-annually on April 5 and October 5 of each year	$ —	$ 2,648
$250 issued at par in October 2015 at three-month USD LIBOR plus 1.93%, due October 5, 2018, interest payable quarterly on January 5, April 5, July 5 and October 5 of each year	—	250
$1,100 issued at discount to par at a price of 99.994% in September 2017 at 2.10%, due October 4, 2019, interest payable semi-annually on April 4 and October 4 of each year	1,100	1,100
$3,000 issued at discount to par at a price of 99.972% in October 2015 at 3.6%, due October 15, 2020, interest payable semi-annually on April 15 and October 15 of each year	3,000	3,000
$500 issued at discount to par at a price of 99.861% in September 2018 at 3.5%, due October 5, 2021, interest payable semi-annually on April 5 and October 5 of each year	499	—
$800 issued at par in September 2018 at three-month USD LIBOR plus 0.72% due October 5, 2021, interest payable semi-annually on April 5 and October 5 of each year	800	—
$1,350 issued at discount to par at a price of 99.802% in October 2015 at 4.4%, due October 15, 2022, interest payable semi-annually on April 15 and October 15 of each year	1,348	1,348
$2,500 issued at discount to par at a price of 99.725% in October 2015 at 4.9%, due October 15, 2025, interest payable semi-annually on April 15 and October 15 of each year	2,495	2,495
$750 issued at discount to par at a price of 99.942% in October 2015 at 6.2%, due October 15, 2035, interest payable semi-annually on April 15 and October 15 of each year	750	750
$1,500 issued at discount to par at a price of 99.932% in October 2015 at 6.35%, due October 15, 2045, interest payable semi-annually on April 15 and October 15 of each year	1,499	1,499
Other, including capital lease obligations, at 0.00%-4.91%, due in calendar years 2018-2030 [(1)]	236	286
Fair value adjustment related to hedged debt	(353)	(142)
Unamortized debt issuance costs	(42)	(47)
Less: current portion	(1,196)	(3,005)
Total long-term debt	$ 10,136	$ 10,182

(1) Other, including capital lease obligations includes $131 million and $160 million as of October 31, 2018 and 2017 , respectively, of borrowing- and funding-related activity associated with FS 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.

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

		Fiscal years ended October 31,		
Expense	**Location**	**2018**	**2017**	**2016**
		In millions		
Financing interest	Financing interest	$ 278	$ 265	$ 249
Interest expense	Interest and other, net	353	334	298
Total interest expense		$ 631	$ 599	$ 547

Hewlett Packard Enterprise Senior Notes

On September 19, 2018, the Company completed its offering of $1.3 billion of Senior Notes due October 5, 2021. The issuance consisted of $800 million floating rate Notes at three month USD LIBOR plus 0.72% , and $500 million fixed rate Notes at 3.50% . The net proceeds from this offering were used to fund the repayment of the $1.05 billion outstanding principal amount of the 2.85% Notes and the $250 million outstanding principal amount of the floating rate Notes that both were due in October 2018, and for general corporate purposes.

On June 29, 2018, the Company redeemed $1.6 billion of its $2.65 billion Senior Notes with an original maturity date of October 5, 2018. These notes were fully hedged with interest rate swaps. As part of the transaction, HPE terminated and settled

a proportional amount of the hedges, as well as allocated a proportional amount of unamortized discount and debt issuance costs to the retired debt. These costs, along with the redemption price of $1.6 billion resulted in an immaterial loss.

On September 20, 2017, Hewlett Packard Enterprise completed its offering of $1.1 billion of new 2.100% registered Notes due October 4, 2019. The Company used the net proceeds to fund the repayment of the remaining $750 million outstanding principal amount of its 2.450% Notes due October 5, 2017 and the repayment of the $350 million outstanding principal amount of its floating rate Notes due October 5, 2017.

On April 28, 2017, the Company used a portion of the $3.0 billion cash dividend received from Everett to redeem $1.5 billion face value of the 2.450% Senior Notes with an original maturity date of October 5, 2017. A proportional amount of unamortized discount and debt issuance costs were allocated to the retired debt. These costs, along with the redemption price of $1.5 billion resulted in an immaterial loss.

On December 30, 2016, Hewlett Packard Enterprise exchanged new registered Notes for all of the outstanding $14.6 billion of unregistered Senior Notes. The terms of the new registered Notes in the exchange offer were substantially identical to the terms of the previously unregistered Senior Notes, except that the new Notes were registered under the Securities Act, and certain transfer restrictions, registration rights and additional interest provisions relating to the outstanding Senior Notes do not apply to the new Notes.

As disclosed in Note 14, "Financial Instruments", the Company 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 LIBOR-based floating interest rate. As of October 31, 2018, the Company had entered into interest rate swaps to reduce the exposure of $6.9 billion of aggregate principal amount of fixed rate Senior Notes to changes in fair value resulting from changes in interest rates by achieving LIBOR-based floating interest rate. Interest rates on long-term debt in the table above have not been adjusted to reflect the impact of any interest rate swaps.

Commercial Paper

Hewlett Packard Enterprise's Board of Directors has authorized the issuance of up to $4.0 billion in aggregate principal amount of commercial paper by Hewlett Packard Enterprise. Hewlett Packard Enterprise's subsidiaries are authorized to issue up to an additional $500 million in aggregate principal amount of commercial paper. Hewlett Packard Enterprise maintains two commercial paper programs, and a wholly-owned subsidiary maintains a third program. Hewlett Packard Enterprise's U.S. program provides for the issuance of U.S. dollar-denominated commercial paper up to a maximum aggregate principal amount of $4.0 billion . Hewlett Packard Enterprise'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 $4.0 billion authorized by Hewlett Packard Enterprise's Board of Directors. The Hewlett Packard Enterprise subsidiary's euro Commercial Paper/Certificate of Deposit Program provides for the issuance of commercial paper in various currencies of up to a maximum aggregate principal amount of $500 million . As of October 31, 2018 and 2017, no borrowings were outstanding under Hewlett Packard Enterprise’s two commercial paper programs, and $392 million and $401 million , respectively, were outstanding under the subsidiary’s program.

Revolving Credit Facility

On November 1, 2015, the Company entered into a revolving credit facility (the "Credit Agreement"), together with the lenders named therein, JPMorgan Chase Bank, N.A. ("JPMorgan"), as co-administrative agent and administrative processing agent, and Citibank, N.A., as co-administrative agent, providing for a senior, unsecured revolving credit facility with aggregate lending commitments of $4.0 billion . Loans under the revolving credit facility may be used for general corporate purposes. Commitments under the Credit Agreement are available for a period of five years , which period may be extended, subject to satisfaction of certain conditions, by up to two , one -year periods. Commitment Fees, interest rates and other terms of borrowing under the credit facility vary based on Hewlett Packard Enterprise's external credit rating. As of October 31, 2018 and 2017, no borrowings were outstanding under the Credit Agreement.

Future Maturities of Long-term Debt

As of October 31, 2018 , aggregate future maturities of the Company's long-term debt at face value (excluding a fair value adjustment related to hedged debt of $353 million and a net discount on debt issuance of $9 million), including capital lease obligations were as follows:

Fiscal year	In millions
2019	$ 1,201
2020	3,021
2021	1,344
2022	1,363
2023	16
Thereafter	4,791
Total	$ 11,736

Note 16: Stockholders' Equity

Taxes related to Other Comprehensive Income (Loss)

	Fiscal years ended October 31,		
	2018	2017	2016
	In millions		
Taxes on change in net unrealized losses on available-for-sale securities:			
Tax (provision) benefit on net unrealized losses arising during the period	$ —	$ (2)	$ 2
Tax provision (benefit) on (gains) losses reclassified into earnings	—	1	(2)
	—	(1)	—
Taxes on change in net unrealized gains (losses) on cash flow hedges:			
Tax (provision) benefit on net unrealized gains arising during the period	(22)	6	(14)
Tax (benefit) provision on net losses (gains) reclassified into earnings	(1)	10	25
	(23)	16	11
Taxes on change in unrealized components of defined benefit plans:			
Tax benefit (provision) on (losses) gains arising during the period	2	(49)	63
Tax provision on amortization of actuarial loss and prior service benefit	(14)	(19)	(20)
Tax provision on curtailments, settlements and other	(10)	(91)	(1)
	(22)	(159)	42
Taxes on change in cumulative translation adjustment:			
Tax on cumulative translation adjustment arising during the period	3	(1)	20
Tax on release of cumulative translation adjustment as a result of divestitures	—	—	(22)
	3	(1)	(2)
Tax (provision) benefit on other comprehensive (loss) income	$ (42)	$ (145)	$ 51

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

	Fiscal years ended October 31,		
	2018	2017	2016
		In millions	
Other comprehensive (loss) income, net of taxes:			
Change in net unrealized losses on available-for-sale securities:			
Net unrealized losses arising during the period	$ (3)	$ (10)	$ (2)
(Gains) losses reclassified into earnings	(9)	(3)	1
	(12)	(13)	(1)
Change in net unrealized gains (losses) on cash flow hedges:			
Net unrealized gains arising during the period	147	52	212
Net losses (gains) reclassified into earnings [1]	7	(135)	(245)
	154	(83)	(33)
Change in unrealized components of defined benefit plans:			
(Losses) gains arising during the period	(421)	895	(1,714)
Amortization of actuarial loss and prior service benefit [2]	177	266	264
Curtailments, settlements and other	12	(76)	(19)
	(232)	1,085	(1,469)
Change in cumulative translation adjustment:			
Cumulative translation adjustment arising during the period	(67)	(15)	(134)
Release of cumulative translation adjustment as a result of divestitures and country exits	20	—	53
	(47)	(15)	(81)
Other comprehensive (loss) income, net of taxes	$ (137)	$ 974	$ (1,584)

(1) For more details on reclassification of pre-tax losses (gains) on cash flow hedges into the Consolidated Statements of Earnings, see Note 14, "Financial Instruments".

(2) These components are included in the computation of net pension and post-retirement benefit (credit) cost in Note 6, "Retirement and Post-Retirement Benefit Plans".

The components of accumulated other comprehensive loss, net of taxes as of October 31, 2018 and changes during fiscal 2018 were as follows:

	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	$ 29	$ (48)	$ (2,690)	$ (186)	$ (2,895)
Activity related to separation and merger transactions	—	—	—	(186)	(186)
Other comprehensive (loss) income before reclassifications	(3)	147	(421)	(67)	(344)
Reclassifications of (gains) losses into earnings	(9)	7	189	20	207
Balance at end of period	$ 17	$ 106	$ (2,922)	$ (419)	$ (3,218)

Dividends

On November 11, 2015 , the Company's Board of Directors authorized a regular quarterly cash dividend for its common stock. The stockholders of HPE common stock are entitled to receive dividends when and as declared by HPE's Board of

Directors. On February 22, 2018, the Company announced an increase to the regular quarterly dividend from $0.075 per share to $0.1125 per share, which was effective in the third quarter of fiscal 2018. Dividends declared were $0.4875 per common share in fiscal 2018 and $0.26 per common share in fiscal 2017.

Share Repurchase Program

On October 13, 2015, the Company's Board of Directors approved a share repurchase program with a $3.0 billion authorization, which was refreshed with additional share repurchase authorizations of $3.0 billion , $5.0 billion and $2.5 billion on May 24, 2016, October 16, 2017 and February 21, 2018, respectively. The Company 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.

For fiscal 2018, the Company repurchased and settled a total of 222 million shares under its share repurchase program through open market repurchases, which included 1.7 million shares that were unsettled open market purchase as of October 31, 2017. Additionally, the Company had unsettled open market repurchases of 2.4 million shares as of October 31, 2018. Shares repurchased during fiscal 2018 were recorded as a $3.6 billion reduction to stockholders' equity. As of October 31, 2018 , the Company had a remaining authorization of $4.7 billion for future share repurchases.

For fiscal 2017, the Company repurchased and settled a total of 136 million shares under its share repurchase program through open market repurchases, and recorded a $2.6 billion reduction to stockholders' equity. As of October 31, 2017, the Company had unsettled open market repurchases of 1.7 million shares, which were recorded as a $24 million reduction to stockholders' equity.

Note 17: Net Earnings Per Share

The Company calculates basic net EPS using net earnings and the weighted-average number of shares outstanding during the reporting period. Diluted net EPS includes the weighted-average dilutive effect of restricted stock units, stock options, and performance-based awards.

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

	Fiscal years ended October 31,		
	2018	2017	2016
	In millions, except per share amounts		
Numerator:			
Net earnings from continuing operations	$ 2,012	$ 436	$ 3,237
Net loss from discontinued operations	(104)	(92)	(76)
Net earnings	$ 1,908	$ 344	$ 3,161
Denominator:			
Weighted-average shares used to compute basic net EPS	1,529	1,646	1,715
Dilutive effect of employee stock plans	24	28	24
Weighted-average shares used to compute diluted net EPS	1,553	1,674	1,739
Basic net earnings (loss) per share:			
Continuing operations	$ 1.32	$ 0.26	$ 1.89
Discontinued operations	(0.07)	(0.05)	(0.05)
Basic net earnings per share	$ 1.25	$ 0.21	$ 1.84
Diluted net earnings (loss) per share:			
Continuing operations	$ 1.30	$ 0.26	$ 1.86
Discontinued operations [1]	(0.07)	(0.05)	(0.04)
Diluted net earnings per share	$ 1.23	$ 0.21	$ 1.82
Anti-dilutive weighted-average stock awards [2]	2	8	32

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(1) U.S. GAAP requires the denominator used in the diluted net EPS calculation for discontinued operations to be the same as that of continuing operations, regardless of net earnings (loss) from continuing operations.

(2) The Company excludes shares potentially issuable under employee stock plans that could dilute basic net EPS in the future from the calculation of diluted net earnings (loss) per share, as their effect, if included, would have been anti-dilutive for the periods presented.

Note 18: Litigation and Contingencies

Hewlett Packard Enterprise is involved in various lawsuits, claims, investigations and proceedings including those consisting of intellectual property, commercial, securities, employment, employee benefits and environmental matters, which arise in the ordinary course of business. In addition, as part of the Separation and Distribution Agreement, Hewlett Packard Enterprise and HP Inc. (formerly known as "Hewlett-Packard Company") agreed to cooperate with each other in managing certain existing litigation related to both parties' businesses. The Separation and Distribution Agreement included provisions that allocate liability and financial responsibility for pending litigation involving the parties, as well as provide for cross-indemnification of the parties against liabilities to one party arising out of liabilities allocated to the other party. The Separation and Distribution Agreement also included provisions that assign to the parties responsibility for managing pending and future litigation related to the general corporate matters of HP Inc. arising prior to the Separation. Hewlett Packard Enterprise records a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Hewlett Packard Enterprise reviews these matters at least quarterly and adjusts these liabilities to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information and events pertaining to a particular matter. Litigation is inherently unpredictable. However, Hewlett Packard Enterprise believes it has valid defenses with respect to legal matters pending against us. 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. Hewlett Packard Enterprise believes it has recorded adequate provisions for any such matters and, as of October 31, 2018 , it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

Litigation, Proceedings and Investigations

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 ("HP India"), a subsidiary of HP Inc., seven HP India employees and one former HP India employee alleging that HP India 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 India 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 India products and spare parts and to not interrupt the transaction of business by HP 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 HP India and the named individuals of approximately $386 million , of which HP India had already deposited $9 million . On December 11, 2012, HP India 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 HP India and certain of the named individuals of approximately $17 million , of which HP India had already deposited $7 million . After the order, HP India deposited an additional $3 million in connection with the parts-related show cause notice so as to avoid certain penalties.

HP India 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 HP India to deposit an additional $24 million against the products order, which HP India deposited in March 2013. The Customs Tribunal did not order any additional deposit to be made under the parts order. In December 2013, HP India 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 India 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 India's request to remand the matter to the Commissioner on procedural grounds. The hearings were scheduled to reconvene on April 6, 2015, and again on November 3, 2015 and April 11, 2016, but were canceled at the request of the Customs Tribunal. The hearing has been rescheduled for January 15, 2019.

ECT Proceedings . In January 2011, the postal service of Brazil, Empresa Brasileira de Correios e Telégrafos ("ECT"), notified a former subsidiary of HP Inc. 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 Brazil expects the decision to be issued in 2018 and any subsequent appeal on the merits to last several years.

Forsyth, et al. v. HP Inc. and Hewlett Packard Enterprise. This purported class and collective action was filed on August 18, 2016 and an amended complaint was filed on December 19, 2016 in the United States District Court for the Northern District of California, against HP Inc. and Hewlett Packard Enterprise alleging defendants violated the Federal Age Discrimination in Employment Act ("ADEA"), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code by terminating older workers and replacing them with younger workers. Plaintiffs seek to certify a nationwide collective action under the ADEA comprised of all individuals aged 40 and older who had their employment terminated by an HP entity pursuant to a work force reduction ("WFR") plan on or after December 9, 2014 for individuals terminated in deferral states and on or after April 8, 2015 in non-deferral states. Plaintiffs also seek to certify a Rule 23 class under California law comprised of all persons 40 years or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012. On September 20, 2017, the court granted the defendants' motion to compel arbitration and administratively closed the case pending resolution of the arbitration proceedings. On November 30, 2017, three named plaintiffs filed a single arbitration demand. Thirteen additional plaintiffs later joined the arbitration. On December 22, 2017, defendants filed a motion to (1) stay the case pending arbitrations and (2) enjoin the demanded arbitration and require each plaintiff to file a separate arbitration demand. On February 6, 2018, the court granted the motion to stay and denied the motion to enjoin. The claims of the arbitration named plaintiffs have now been resolved. The *Forsyth* class action remains stayed.

Jackson, et al. v. HP Inc. and Hewlett Packard Enterprise. This putative nationwide class action was filed on July 24, 2017 in federal district court in San Jose. Plaintiffs purport to bring the lawsuit on behalf of themselves and other similarly situated African-Americans and individuals over the age of forty. Plaintiffs allege that defendants engaged in a pattern and practice of racial and age discrimination in lay-offs and promotions. Plaintiffs filed an amended complaint on September 29, 2017. On January 12, 2018, defendants moved to transfer the matter to the federal district court in the Northern District of Georgia. Defendants also moved to dismiss the claims on various grounds and to strike certain aspects of the proposed class definition. On July 11, 2018, the court granted defendants' motion to dismiss this action for improper venue, and also partially dismissed and struck certain claims without prejudice to re-filing in the appropriate venue. On July 23, 2018, plaintiffs re-filed their lawsuit in the United States District Court for the Northern District of Georgia. On August 9, 2018, Plaintiffs filed a notice of appeal of the dismissal of the Northern District of California action with the Ninth Circuit Court of Appeals. On August 15, 2018, Plaintiffs filed a motion to stay their lawsuit in the Northern District of Georgia, which was granted by the court.

Wall v. Hewlett Packard Enterprise Company and HP Inc. This certified California class action and Private Attorney General Act action was filed against Hewlett-Packard Company on January 17, 2012 and the fifth amended (and operative) complaint was filed against HP Inc. and Hewlett Packard Enterprise on June 28, 2016. The complaint alleges that the defendants paid earned incentive compensation late and failed to timely pay final wages in violation of the California Labor Code. On August 9, 2016, the court ordered the class certified without prejudice to a future motion to amend or modify the class certification order or to decertify. The scheduled January 22, 2018 trial date was vacated following the parties' notification to the court that they had reached a preliminary agreement to resolve the dispute. The parties subsequently finalized and executed a settlement agreement and, on May 9, 2018, plaintiff filed a motion seeking preliminary approval of the settlement. On July 2, 2018, the court issued an order granting preliminary approval of the settlement. On November 9, 2018, the court declined to grant final approval of the settlement, and continued the final approval hearing to December 21, 2018. The court's primary concern related to the amount of attorneys' fees and costs requested by the plaintiffs' counsel as part of the class settlement.

Ross and Rogus v. Hewlett Packard Enterprise Company. On November 8, 2018, a putative class action complaint was filed in Santa Clara County alleging that HPE pays its California-based female employees "systemically lower compensation" than HPE pays male employees performing substantially similar work. The complaint alleges various California state law claims, including California's Equal Pay Act, Fair Employment and Housing Act, and Unfair Competition Law, and seeks certification of a California-only class of female employees employed in certain "Covered Positions."

Hewlett-Packard Company v. Oracle (Itanium). On June 15, 2011, HP Inc. filed suit against Oracle in Santa Clara Superior Court in connection with Oracle's March 2011 announcement that it was discontinuing software support for HP Inc.'s Itanium-based line of mission critical servers. HP Inc. asserted, among other things, that Oracle's actions breached the contract that was signed by the parties as part of the settlement of the litigation relating to Oracle's hiring of Mark Hurd. The matter eventually progressed to trial, which was bifurcated into two phases. HP Inc. prevailed in the first phase of the trial, in which the court ruled that the contract at issue required Oracle to continue to offer its software products on HP Inc.'s Itanium-based servers for as long as HP Inc. decided to sell such servers. Phase 2 of the trial was then postponed by Oracle's appeal of the trial court's denial of Oracle's "anti-SLAPP" motion, in which Oracle argued that HP Inc.'s damages claim infringed on Oracle's First Amendment rights. On August 27, 2015, the Court of Appeal rejected Oracle's appeal. The matter was remanded to the trial court for Phase 2 of the trial, which began on May 23, 2016, and was submitted to the jury on June 29, 2016. On June 30, 2016, the jury returned a verdict in favor of HP Inc., awarding HP Inc. approximately $3 billion in damages: $1.7 billion for past lost profits and $1.3 billion for future lost profits. On October 20, 2016, the court entered judgment for this amount with interest accruing until the judgment is paid. Oracle's motion for a new trial was denied on December 19, 2016, and Oracle filed its notice of appeal from the trial court's judgment on January 17, 2017. On February 2, 2017, HP Inc. filed a notice of cross-appeal challenging the trial court's denial of prejudgment interest. The schedule for appellate briefing and argument has not yet been established. HP Inc. expects that the appeals process could take several years to complete. Pursuant to the terms of the Separation and Distribution Agreement, HP Inc. and Hewlett Packard Enterprise will share equally in any recovery from Oracle once Hewlett Packard Enterprise has been reimbursed for all costs incurred in the prosecution of the action prior to the HP Inc. /Hewlett Packard Enterprise separation on November 1, 2015.

Oracle America, Inc., et al. v. Hewlett Packard Enterprise Company (Terix copyright matter). On March 22, 2016, Oracle filed a complaint against HPE in the Northern District of California, alleging copyright infringement, interference with contract, intentional interference with prospective economic relations, and unfair competition. Oracle's claims arise out of HPE's prior use of a third-party maintenance provider named Terix Computer Company, Inc. ("Terix"). Oracle contends that in connection with HPE's use of Terix as a subcontractor for certain customers of HPE's multivendor support business, Oracle's copyrights were infringed, and HPE is liable for vicarious and contributory infringement and related claims. The lawsuit against HPE follows a prior lawsuit brought by Oracle against Terix in 2013 relating to Terix's alleged unauthorized provision of Solaris patches to customers on Oracle hardware. On June 14, 2018, the court heard oral argument on HPE's and Oracle's cross-motions for summary judgment. The court has not yet ruled on the parties' motions. Trial is scheduled to begin on March 4, 2019. Pursuant to the Separation and Distribution agreement between Hewlett-Packard Enterprise and DXC, this is a shared litigation as it relates to both parties' businesses.

Network-1 Technologies, Inc. v. Alcatel-Lucent USA Inc., et al. This patent infringement action was filed in September 2011 in the United States District Court for the Eastern District of Texas and alleges that various Hewlett Packard Enterprise switches and access points infringe Network-1's patent relating to the 802.3af and 802.3at "Power over Ethernet" standards. The Network-1 patent at issue expires in 2020. A jury trial was conducted beginning on November 6, 2017. On November 13, 2017, the jury returned a verdict in favor of HPE, finding that HPE did not infringe Network-1's patent and that the patent was invalid. On August 29 2018, the court denied Network-1's motion for a new trial on infringement and entered the jury's verdict finding that HPE does not infringe the relevant Network-1 patent. The court also granted Network-1's motion for Judgment as a Matter of Law on validity. Network-1 has appealed the jury verdict of non-infringement to the United States Court of Appeals for the Federal Circuit. HPE has cross-appealed the court's decision to grant Network-1's motion for Judgment as a Matter of Law on validity. HPE expects appellate briefing to be completed by May 2019.

DXC Technology Indemnification Demand. On March 27, 2018, DXC Technology ("DXC") served an arbitration demand on HPE under the Separation and Distribution Agreement by and between HPE and DXC (f/k/a Everett SpinCo, Inc.) dated May 24, 2016, relating to the separation of HPE's Enterprise Services business (the "ES Business"). The arbitration demand asserts that HPE is required to indemnify DXC for any transferred long-term capitalized lease obligations of the ES Business that exceed the threshold amount of $250 million . DXC contends that this $250 million threshold was exceeded by approximately $1.0 billion because the valuation of the assets underlying certain leases did not justify their classification as

operating leases based on the terms of such leases, thereby rendering them long-term capitalized lease obligations. The arbitration demand follows DXC's November 8, 2017 request for indemnification on this same issue. The arbitration is scheduled to begin on February 4, 2019. HPE believes the relevant leases were properly classified as operating leases, DXC's arbitration claim has no merit, and there is no basis for indemnification. HPE intends to vigorously defend its interests in this matter.

Shared Litigation with HP Inc., DXC and Micro Focus

As part of the Separation and Distribution Agreements between Hewlett Packard Enterprise and HP Inc., Hewlett Packard Enterprise and DXC, and Hewlett Packard Enterprise and Seattle SpinCo, the parties to each agreement agreed to cooperate with each other in managing certain existing litigation related to both parties' businesses. The Separation and Distribution Agreements also included provisions that assign to the parties responsibility for managing pending and future litigation related to the general corporate matters of HP Inc. (in the case of the separation of Hewlett Packard Enterprise from HP Inc.) or of Hewlett Packard Enterprise (in the case of the separation of DXC from Hewlett Packard Enterprise and the separation of Seattle SpinCo from Hewlett Packard Enterprise), in each case arising prior to the applicable separation.

Environmental

The Company's operations and products are or may in the future become 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 clean-up of contaminated sites, the substances and materials used in the Company's products, the energy consumption of products, services and operations and the operational or financial responsibility for recycling, treatment and disposal of those products. This includes legislation that makes producers of electrical goods, including servers and networking equipment, financially responsible for specified collection, recycling, treatment and disposal of past and future covered products (sometimes referred to as "product take-back legislation"). The Company 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. The Company's potential exposure includes impacts on revenue, 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.

In particular, the Company may become a party to, or otherwise involved in, proceedings brought by U.S. or state environmental agencies under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), known as "Superfund," or other federal, state or foreign laws and regulations addressing the clean-up of contaminated sites, and may become a party to, or otherwise involved in, proceedings brought by private parties for contribution towards clean-up costs. The Company is also contractually obligated to make financial contributions to address actions related to certain environmental liabilities, both ongoing and arising in the future, pursuant to its Separation and Distribution Agreement with HP Inc.

Note 19: Guarantees, Indemnifications and Warranties

Guarantees

In the ordinary course of business, the Company may issue performance guarantees to certain of its clients, customers and other parties pursuant to which the Company 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, the Company would be obligated to perform over the term of the guarantee in the event a specified triggering event occurs as defined by the guarantee. The Company believes the likelihood of having to perform under a material guarantee is remote.

The Company 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 the Company's non-performance under the contract or failure to comply with the terms of the financing arrangement, the Company could, under certain circumstances, be required to acquire certain assets related to the service contract. The Company believes the likelihood of having to acquire a material amount of assets under these arrangements is remote.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which the Company may agree to indemnify a third party to such arrangement from any losses incurred relating to the services they perform on behalf of the Company 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. The Company also provides indemnifications to certain vendors and customers against claims of IP infringement made by third parties arising from the use by such vendors and customers of the Company's software products and support 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.

General Cross-indemnification

In connection with the Separation, the Company entered into a Separation and Distribution Agreement with HP Inc. effective November 1, 2015 where the Company agreed to indemnify HP Inc., each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to the Company as part of the Separation. HP Inc. similarly agreed to indemnify the Company, each of its subsidiaries and each of their respective directors, officers and employees from and against all claims and liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to HP Inc. as part of the Separation.

In connection with the Everett and Seattle Transactions, the Company entered into a Separation and Distribution Agreement with DXC and Micro Focus, effective March 31, 2017 and September 1, 2017, respectively, where DXC and Micro Focus agreed to indemnify HPE, each of its subsidiaries and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to DXC and Micro Focus as part of the Everett and Seattle Transactions. HPE similarly agreed to indemnify DXC and Micro Focus, each of its subsidiaries and each of their respective directors, officers and employees from and against all claims and liabilities relating to, arising out of or resulting from, among other matters, the liabilities allocated to the Company as part of the Everett and Seattle Transactions.

Tax Matters Agreement with HP Inc., and Other Income Tax Matters

In connection with the Separation, the Company entered into a Tax Matters Agreement (the "Tax Matters Agreement") with HP Inc. effective November 1, 2015 that governs the rights and obligations of the Company and HP Inc. for certain pre-Separation tax liabilities. The Tax Matters Agreement provides that the Company and HP Inc. will share certain pre-Separation income tax liabilities that arise from adjustments made by tax authorities to the Company and HP Inc.'s U.S. and certain non-U.S. income tax returns. In certain jurisdictions, the Company and HP Inc. have joint and several liability for past income tax liabilities and accordingly, the Company could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. In these cases, the Company records the entire liability, which is partially offset by the indemnification receivable from HP Inc., thereby reflecting the Company's net exposure in its Consolidated Balance Sheets.

In addition, if the Distribution of Hewlett Packard Enterprise's common shares to the HP Inc. stockholders are determined to be taxable, the Company and HP Inc. would share the tax liability equally, unless the taxability of the Distribution is the direct result of action taken by either the Company or HP Inc. subsequent to the Distribution in which case the party causing the Distribution to be taxable would be responsible for any taxes imposed on the Distribution.

Tax Matters Agreement with DXC and Other Income Tax Matters

In connection with the Everett Transaction, the Company entered into a Tax Matters Agreement (the "DXC Tax Matters Agreement") with DXC effective on April 1, 2017 that governs the rights and obligations of the Company and DXC for certain pre-divestiture tax liabilities and tax receivables. The DXC Tax Matters Agreement generally provides that the Company will be responsible for pre-divestiture tax liabilities and will be entitled to pre-divestiture tax receivables that arise from adjustments made by tax authorities to the Company and DXC's U.S. and certain non-U.S. tax returns. In certain jurisdictions the Company and DXC have joint and several liability for past tax liabilities and accordingly, the Company could be legally liable under applicable tax law for such liabilities and required to make additional tax payments.

In addition, if the distribution of Everett's common shares to Hewlett Packard Enterprise's stockholders is determined to be taxable, the Company would generally bear the tax liability, unless the taxability of the distribution is the direct result of actions taken by DXC, in which case DXC would be responsible for any taxes imposed on the distribution.

Tax Matters Agreement with Seattle and Other Income Tax Matters

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

In connection with the Seattle Transaction, the Company entered into a Tax Matters Agreement (the "Micro Focus Tax Matters Agreement") with Micro Focus effective on September 1, 2017 that governs the rights and obligations of the Company and Micro Focus for certain pre-divestiture tax liabilities and tax receivables. The Micro Focus Tax Matters Agreement generally provides that the Company will be responsible for pre-divestiture tax liabilities and will be entitled to pre-divestiture tax receivables that arise from adjustments made by tax authorities to the Company and Micro Focus's U.S. and certain non-U.S. tax returns. In certain jurisdictions the Company and Micro Focus have joint and several liability for past tax liabilities and accordingly, the Company could be legally liable under applicable tax law for such liabilities and required to make additional tax payments.

In addition, if the distribution of Seattle's common shares to Hewlett Packard Enterprise's stockholders is determined to be taxable, the Company would generally bear the tax liability, unless the taxability of the distribution is the direct result of actions taken by Micro Focus, in which case Micro Focus would be responsible for any taxes imposed on the distribution.

As of October 31, 2018 and 2017, the Company's receivable and payable balances related to indemnified litigation matters and other contingencies, and income tax-related indemnification covered by these agreements were as follows:

	As of October 31,	
	2018	2017
	In millions	
Litigation matters and other contingencies		
Receivable	$ 104	$ 150
Payable	$ 83	$ 91
Income tax-related indemnification [(1)]		
Indemnification receivable - long-term [(2)]	$ 16	$ 1,430
Indemnification receivable - short-term	$ 17	$ —
Indemnification payable - long-term	$ 9	$ —
Indemnification payable - short-term	$ 26	$ 36

(1) The actual amount that the Company may receive or pay could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.
(2) Indemnification receivable - long-term in fiscal 2017 primarily included $1.3 billion from HP Inc. for certain tax liabilities that the Company is joint and severally liable for, but for which it is indemnified by HP Inc. under the Tax Matter Agreement, and which was partially settled during fiscal 2018.

Warranties

The Company accrues the estimated cost of product warranties at the time it recognizes revenue. The Company 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 the Company's baseline experience, affect the estimated warranty obligation.

The Company's aggregate product warranty liabilities and changes therein were as follows:

	Fiscal years ended October 31,	
	2018	2017
	In millions	
Balance at beginning of year	$ 475	$ 497
Accruals for warranties issued	265	292
Adjustments related to pre-existing warranties	(10)	(8)
Settlements made	(300)	(306)
Balance at end of year	$ 430	$ 475

Note 20: Commitments

Lease Commitments

The Company leases certain real and personal property under non-cancelable operating leases. Certain leases require the Company to pay property taxes, insurance and routine maintenance, and include renewal options and escalation clauses. Rent expense on operating leases was approximately $289 million , $290 million and $307 million for fiscal 2018 , 2017 and 2016 , respectively.

Property under capital leases is comprised primarily of building, equipment and furniture. Capital lease assets included in Property, plant and equipment in the Consolidated Balance Sheets were $61 million and $75 million as of October 31, 2018 and 2017 , respectively. Accumulated depreciation on the property under capital lease was $8 million and $16 million as of October 31, 2018 and 2017 , respectively.

As of October 31, 2018 , future minimum lease commitments on the Company's operating leases were as follows:

Fiscal Year	In millions
2019	$ 226
2020	207
2021	152
2022	131
2023	116
Thereafter	387
Less: Sublease rental income	(216)
Total	$ 1,003

Unconditional Purchase Obligations

At October 31, 2018 , the Company had unconditional purchase obligations of approximately $0.6 billion . These unconditional purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on the Company and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction, as well as settlements that the Company has reached with third parties, requiring it to pay determined amounts over a specified period of time. These unconditional purchase obligations are related principally to software maintenance and support services and other items. Unconditional purchase obligations exclude agreements that are cancelable without penalty.

As of October 31, 2018 , future unconditional purchase obligations were as follows:

Fiscal Year	In millions
2019	$ 257
2020	196
2021	110
2022	16
2023	9
Thereafter	49
Total	$ 637

Note 21: Equity Method Investments

The Company includes investments which are accounted for using the equity method, under Investments in equity interests on the Company's Consolidated Balance Sheets. As of October 31, 2018 and October 31, 2017 , the Company's Investments in equity interests were $2.4 billion and $2.5 billion , respectively, primarily related to a 49% equity interest in H3C.

Investment in H3C

In the periods presented, the Company recorded its interest in the net earnings of H3C along with an adjustment to eliminate unrealized profits on intra-entity sales, and the amortization of basis difference, within Earnings (loss) from equity interests in the Consolidated Statements of Earnings.

During fiscals 2018 and 2017, the Company received a cash dividend of $164 million and $98 million , respectively, from H3C. This amount was accounted for as a return on investment and reflected as a reduction in the carrying balance of the Company's Investments in equity interests in its Consolidated Balance Sheets.

The difference between the sale date carrying value of the Company's investment in H3C and its proportionate share of the net assets of H3C, created a basis difference of $2.5 billion, which was allocated as follows:

	In millions
Equity method goodwill	$ 1,674
Intangible assets	749
In-process research and development	188
Deferred tax liabilities	(152)
Other	75
Basis difference	$ 2,534

The Company amortizes the basis difference over the estimated useful lives of the assets that gave rise to this difference. The weighted-average life of the H3C intangible assets is five years and is being amortized using the straight-line method. As of October 31, 2018 and 2017 , the Company determined that no impairment of its equity method investments existed. The Company recorded earnings from equity interests of $38 million in fiscal 2018 and loss from equity interests of $23 million and $76 million in fiscals 2017 and 2016 , respectively, in the Consolidated Statements of Earnings. For fiscal 2018 , Earnings (loss) from equity interests consists of the Company's share of H3C's net income of $192 million , partially offset by basis difference amortization of $151 million and an adjustment related to elimination of profit on intra-entity sales and withholding taxes of $3 million . For fiscal 2017 , Earnings (loss) from equity interests consists of basis difference amortization of $155 million , partially offset by the Company's share of H3C's net income of $127 million and an adjustment related to elimination of profit on intra-entity sales of $5 million . For fiscal 2016 , Earnings (loss) from equity interests consists of basis difference amortization of $93 million and an adjustment related to elimination of profit on intra-entity sales of $15 million , partially offset by the Company's share of H3C's net income of $32 million . The earnings and losses from equity interests are reflected as an adjustment to the carrying amount of Investments in equity interests in the Consolidated Balance Sheets as of October 31, 2018 and 2017 .

The Company also has commercial arrangements with H3C to buy and sell HPE branded servers, storage and networking products and HPE Pointnext services. During fiscals 2018 , 2017 and 2016 , HPE recorded approximately $1.3 billion , $1.2 billion and $0.5 billion of sales to H3C and $273 million , $331 million and $169 million of purchases from H3C, respectively. Net payables due to H3C as of October 31, 2018 and 2017 were approximately $43 million and $64 million , respectively.

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Quarterly Summary
(Unaudited)
(In millions, except per share amounts)

	For the three-month periods ended in fiscal 2018			
	January 31	**April 30**	**July 31**	**October 31**
Net revenue	$ 7,674	$ 7,468	$ 7,764	$ 7,946
Cost of sales	5,491	5,196	5,384	5,489
Research and development	388	402	434	439
Selling, general and administrative	1,202	1,227	1,203	1,219
Amortization of intangible assets	78	72	72	72
Restructuring charges	3	9	2	5
Transformation costs	245	123	131	(74)
Impairment of goodwill	—	—	—	88
Acquisition and other related charges	30	16	24	12
Separation costs	(24)	26	(2)	12
Total costs and expenses	7,413	7,071	7,248	7,262
Earnings from continuing operations	261	397	516	684
Interest and other, net	(21)	(78)	(64)	(111)
Tax indemnification adjustments	(919)	(425)	2	(12)
Earnings (loss) from equity interests	22	(10)	11	15
(Loss) earnings from continuing operations before taxes	(657)	(116)	465	576
Benefit (provision) for taxes	2,139	966	(13)	(1,348)
Net earnings (loss) from continuing operations	1,482	850	452	(772)
Net (loss) earnings from discontinued operations	(46)	(72)	(1)	15
Net earnings (loss)	$ 1,436	$ 778	$ 451	$ (757)
Net earnings (loss) per share:				
Basic				
Continuing operations	$ 0.93	$ 0.55	$ 0.30	$ (0.53)
Discontinued operations	(0.03)	(0.05)	—	0.01
Total basic net earnings (loss) per share	$ 0.90	$ 0.50	$ 0.30	$ (0.52)
Diluted				
Continuing operations	$ 0.92	$ 0.54	$ 0.29	$ (0.53)
Discontinued operations	(0.03)	(0.05)	—	0.01
Total diluted net earnings (loss) per share	$ 0.89	$ 0.49	$ 0.29	$ (0.52)
Cash dividends declared per share	$ 0.1500	$ 0.1125	$ 0.1125	$ 0.1125
Weighted-average shares used to compute net earnings (loss) per share:				
Basic	1,591	1,552	1,513	1,459
Diluted	1,619	1,582	1,531	1,459

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Quarterly Summary
(Unaudited)
(In millions, except per share amounts)

	For the three-month periods ended in fiscal 2017			
	January 31	April 30	July 31	October 31
Net revenue	$ 6,902	$ 6,808	$ 7,501	$ 7,660
Cost of sales	4,689	4,799	5,306	5,383
Research and development	356	376	390	364
Selling, general and administrative	1,204	1,229	1,285	1,288
Amortization of intangible assets	66	72	97	86
Restructuring charges	83	69	152	113
Transformation costs	—	—	31	328
Disaster charges	—	—	—	93
Acquisition and other related charges	44	50	56	53
Separation costs	11	30	5	202
Defined benefit plan settlement charges and remeasurement (benefit) [(1)]	(4)	(12)	(22)	(26)
Total costs and expenses	6,449	6,613	7,300	7,884
Earnings (loss) from continuing operations	453	195	201	(224)
Interest and other, net	(78)	(86)	(87)	(76)
Tax indemnification adjustments	(18)	7	10	(2)
(Loss) earnings from equity interests	(22)	(3)	1	1
Earnings (loss) from continuing operations before taxes	335	113	125	(301)
(Provision) benefit for taxes	(84)	(591)	160	679
Net earnings (loss) from continuing operations	251	(478)	285	378
Net earnings (loss) from discontinued operations	16	(134)	(120)	146
Net earnings (loss)	$ 267	$ (612)	$ 165	$ 524
Net earnings (loss) per share:				
Basic				
Continuing operations	$ 0.15	$ (0.29)	$ 0.17	$ 0.23
Discontinued operations	0.01	(0.08)	(0.07)	0.09
Total basic net earnings (loss) per share	$ 0.16	$ (0.37)	$ 0.10	$ 0.32
Diluted				
Continuing operations	$ 0.15	$ (0.29)	$ 0.17	$ 0.23
Discontinued operations	0.01	(0.08)	(0.07)	0.09
Total diluted net earnings (loss) per share	$ 0.16	$ (0.37)	$ 0.10	$ 0.32
Cash dividends declared per share	$ 0.130	$ 0.065	$ 0.065	$ —
Weighted-average shares used to compute net earnings (loss) per share:				
Basic	1,669	1,658	1,641	1,618
Diluted	1,700	1,658	1,667	1,647

(1) Represents adjustments to the net periodic pension cost resulting from remeasurements of certain Hewlett Packard Enterprise pension plans due to plan separations in connection with the Everett and Seattle Transactions.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 9A. Controls and Procedures.

Evaluation of Disclosure 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 Hewlett Packard Enterprise, 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 Hewlett Packard Enterprise's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

See Management’s Report of Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

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.

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The names of the executive officers of Hewlett Packard Enterprise and their ages, titles and biographies as of the date hereof are incorporated by reference from Part I, Item 1, above.

The following information is included in Hewlett Packard Enterprise's Proxy Statement related to its 2019 Annual Meeting of Stockholders to be filed within 120 days after Hewlett Packard Enterprise's fiscal year end of October 31, 2018 (the "Proxy Statement") and is incorporated herein by reference:

- Information regarding directors of Hewlett Packard Enterprise including those who are standing for reelection and any persons nominated to become directors of Hewlett Packard Enterprise is set forth under "Corporate Governance—Board Leadership Structure" and/or "Proposals to be Voted On—Proposal No. 1—Election of Directors".
- Information regarding Hewlett Packard Enterprise's Audit Committee and designated "audit committee financial experts" is set forth under "Board Structure and Committee Composition—Audit Committee".
- Information on Hewlett Packard Enterprise's code of business conduct and ethics for directors, officers and employees, also known as the "Standards of Business Conduct," and on Hewlett Packard Enterprise's Corporate Governance Guidelines is set forth under "Corporate Governance Principles and Board Matters".
- Information regarding Section 16(a) beneficial ownership reporting compliance is set forth under "Section 16(a) Beneficial Ownership Reporting Compliance".

ITEM 11. Executive Compensation.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding Hewlett Packard Enterprise's compensation of its named executive officers is set forth under "Executive Compensation".
- Information regarding Hewlett Packard Enterprise's compensation of its directors is set forth under "Director Compensation and Stock Ownership Guidelines".
- The report of Hewlett Packard Enterprise's HR and Compensation Committee is set forth under "HR and Compensation Committee Report on Executive Compensation".

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding security ownership of certain beneficial owners, directors and executive officers is set forth under "Common Stock Ownership of Certain Beneficial Owners and Management".
- Information regarding Hewlett Packard Enterprise's equity compensation plans, including both stockholder approved plans and non-stockholder approved plans, is set forth in the section entitled "Equity Compensation Plan Information".

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The following information is included in the Proxy Statement and is incorporated herein by reference:

- Information regarding transactions with related persons is set forth under "Transactions with Related Persons".
- Information regarding director independence is set forth under "Corporate Governance Principles and Board Matters—Director Independence".

ITEM 14. Principal Accounting Fees and Services.

Information regarding principal accounting fees and services is set forth under "Principal Accounting Fees and Services" in the Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. All Financial Statements:

The following financial statements are filed as part of this report under Item 8—"Financial Statements and Supplementary Data."

Report of Independent Registered Public Accounting Firm	62
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2. Financial Statement Schedules:

All schedules are omitted as the required information is not applicable or the information is presented in the Consolidated Financial Statements and notes thereto in Item 8 above.

3. Exhibits:

A list of exhibits filed or furnished with this Annual Report on Form 10-K (or incorporated by reference to exhibits previously filed or furnished by Hewlett Packard Enterprise) is provided in the accompanying Exhibit Index. Hewlett Packard Enterprise will furnish copies of exhibits for a reasonable fee (covering the expense of furnishing copies) upon request. Stockholders may request exhibits copies by contacting:

Hewlett Packard Enterprise Company
Attn: Investor Relations
3000 Hanover Street
Palo Alto, CA 94304

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
2.1	Separation and Distribution Agreement, dated as of October 31, 2015, by and among Hewlett-Packard Company, Hewlett Packard Enterprise Company and the Other Parties Thereto	8-K	001-37483	2.1	November 5, 2015
2.2	Transition Services Agreement, dated as of November 1, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company	8-K	001-37483	2.2	November 5, 2015
2.3	Tax Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company	8-K	001-37483	2.3	November 5, 2015
2.4	Employee Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company	8-K	001-37483	2.4	November 5, 2015
2.5	Real Estate Matters Agreement, dated as of October 31, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company	8-K	001-37483	2.5	November 5, 2015
2.6	Master Commercial Agreement, dated as of November 1, 2015, by and between Hewlett-Packard Company and Hewlett Packard Enterprise Company	8-K	001-37483	2.6	November 5, 2015
2.7	Information Technology Service Agreement, dated as of November 1, 2015, by and between Hewlett-Packard Company and HP Enterprise Services, LLC	8-K	001-37483	2.7	November 5, 2015
2.8	Agreement and Plan of Merger, dated as of May 24, 2016, among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc. and Everett Merger Sub, Inc.	8-K	001-37483	2.1	May 26, 2016
2.9	Separation and Distribution Agreement, dated as of May 24, 2016, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-37483	2.2	May 26, 2016
2.10	Agreement and Plan of Merger, dated as of September 7, 2016, by and among Hewlett Packard Enterprise Company, Micro Focus International plc, Seattle SpinCo, Inc., Seattle Holdings, Inc. and Seattle MergerSub, Inc.	8-K	001-37483	2.1	September 7, 2016
2.11	Separation and Distribution Agreement, dated as of September 7, 2016, by and between Hewlett Packard Enterprise Company and Seattle SpinCo, Inc.	8-K	001-37483	2.2	September 7, 2016
2.12	Employee Matters Agreement, dated as of September 7, 2016, by and among Hewlett Packard Enterprise Company, Seattle SpinCo, Inc. and Micro Focus International plc	8-K	001-37483	2.3	September 7, 2016
2.13	First Amendment to the Agreement and Plan of Merger, dated as of May 24, 2016, among Hewlett Packard Enterprise Company, Computer Sciences Corporation, Everett SpinCo, Inc. and Everett Merger Sub, Inc.	8-K	001-37483	2.1	November 2, 2016
2.14	First Amendment to the Separation and Distribution Agreement, dated as of May 24, 2016, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-37483	2.2	November 2, 2016
2.15	Agreement and Plan of Merger, dated as of March 6, 2017, by and among Hewlett Packard Enterprise Company, Nimble Storage, Inc. and Nebraska Merger Sub, Inc.	8-K	001-37483	99.1	March 7, 2017

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
2.16	Tender and Support Agreement, dated as of March 6, 2017, by and among Hewlett Packard Enterprise Company, Nebraska Merger Sub, Inc. and each of the persons set forth on Schedule A thereto	8-K	001-37483	99.2	March 7, 2017
2.17	Employee Matters Agreement, dated March 31, 2017, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-38033	2.1	April 6, 2017
2.18	Tax Matters Agreement, dated March 31, 2017, by and among Computer Sciences Corporation, Hewlett Packard Enterprise Company and Everett SpinCo, Inc. (Incorporated by reference to Exhibit 2.2 to DXC Technology Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 6, 2017.)	8-K	001-38033	2.2	April 6, 2017
2.19	Intellectual Property Matters Agreement, dated March 31, 2017, by and among Hewlett Packard Enterprise Company, Hewlett Packard Enterprise Development LP and Everett SpinCo, Inc.	8-K	001-38033	2.3	April 6, 2017
2.20	Transition Services Agreement, dated March 31, 2017, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-38033	2.4	April 6, 2017
2.21	Real Estate Matters Agreement, dated March 31, 2017, between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-38033	2.5	April 6, 2017
2.22	Fourth Amendment to the Separation and Distribution Agreement, dated March 31, 2017, by and between Hewlett Packard Enterprise Company and Everett SpinCo, Inc.	8-K	001-38033	2.6	April 6, 2017
2.23	Tax Matters Agreement, dated September 1, 2017, by and among Hewlett Packard Enterprise Company, Seattle SpinCo, Inc., and Micro Focus International plc	8-K	001-37483	2.1	September 1, 2017
2.24	Intellectual Property Matters Agreement, dated September 1, 2017, by and among Hewlett Packard Enterprise Company, Seattle SpinCo, Inc., and Micro Focus International plc	8-K	001-37483	2.2	September 1, 2017
2.25	Transition Services Agreement, dated September 1, 2017, by and among Hewlett Packard Enterprise Company, Seattle SpinCo, Inc., and Micro Focus International plc	8-K	001-37483	2.3	September 1, 2017
2.26	Real Estate Matters Agreement, dated September 1, 2017, by and among Hewlett Packard Enterprise Company, Seattle SpinCo, Inc., and Micro Focus International plc	8-K	001-37483	2.4	September 1, 2017
3.1	Registrant's Amended and Restated Certificate of Incorporation	8-K	001-37483	3.1	November 5, 2015
3.2	Registrant's Amended and Restated Bylaws effective October 31, 2015	8-K	001-37483	3.2	November 5, 2015
3.3	Certificate of Designation of Series A Junior Participating Redeemable Preferred Stock	8-K	001-37483	3.1	March 20, 2017
3.4	Certificate of Designation of Series B Junior Participating Redeemable Preferred Stock	8-K	001-37483	3.2	March 20, 2017
4.1	Senior Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee	8-K	001-37483	4.1	October 13, 2015

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4.2	First Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 2.450% notes due 2017	8-K	001-37483	4.2	October 13, 2015
4.3	Second Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 2.850% notes due 2018	8-K	001-37483	4.3	October 13, 2015
4.4	Third Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 3.600% notes due 2020	8-K	001-37483	4.4	October 13, 2015
4.5	Fourth Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 4.400% notes due 2022	8-K	001-37483	4.5	October 13, 2015
4.6	Fifth Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 4.900% notes due 2025	8-K	001-37483	4.6	October 13, 2015
4.7	Sixth Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 6.200% notes due 2035	8-K	001-37483	4.7	October 13, 2015
4.8	Seventh Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 6.350% notes due 2045	8-K	001-37483	4.8	October 13, 2015
4.9	Eighth Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's floating rate notes due 2017	8-K	001-37483	4.9	October 13, 2015
4.10	Ninth Supplemental Indenture, dated as of October 9, 2015, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's floating rate notes due 2018	8-K	001-37483	4.10	October 13, 2015
4.11	Guarantee Agreement, dated as of October 9, 2015, between Hewlett-Packard Company, Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, in favor of the holders of the Notes	8-K	001-37483	4.11	October 13, 2015
4.12	Registration Rights Agreement, dated as of October 9, 2015, among Hewlett Packard Enterprise Company, Hewlett-Packard Company, and the representatives of the initial purchasers of the Notes	8-K	001-37483	4.12	October 13, 2015

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
4.13	Eighth Supplemental Indenture, dated as of November 1, 2015, among Hewlett Packard Enterprise Company, HP Enterprise Services, LLC and the Bank of New York Mellon Trust Company, N.A., as Trustee, relating to HP Enterprise Services LLC's 7.45% Senior Notes due October 2029	10-K	001-04423	4.13	December 17, 2015
4.14	Hewlett Packard Enterprise 401(k) Plan	S-8	333-207680	4.3	October 30, 2015
4.15	Term Loan Agreement, dated as of December 16, 2016, by and among Everett SpinCo, Inc., the lenders and arrangers party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent	8-K	001-37483	10.1	December 22, 2016
4.16	Tenth Supplemental Indenture, dated as of September 20, 2017, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 2.100% notes due 2019	8-K	001-37483	4.1	September 20, 2017
4.17	Form of Indenture between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A.	S-3ASR	333-222102	4.5	December 15, 2017
4.18	Eleventh Supplemental Indenture, dated as of September 19, 2018, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's 3.500% notes due 2021.	8-K	001-37483	4.2	September 19, 2018
4.19	Twelfth Supplemental Indenture, dated as of September 19, 2018, between Hewlett Packard Enterprise Company and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to Hewlett Packard Enterprise Company's floating rate notes due 2021.	8-K	001-37483	4.3	September 19, 2018
10.1	Amended and Restated Hewlett Packard Enterprise Company 2015 Stock Incentive Plan*	8-K	001-37483	10.1	January 30, 2017
10.2	Hewlett Packard Enterprise Company Severance and Long-Term Incentive Change in Control Plan for Executive Officers*	10	001-37483	10.4	September 28, 2015
10.3	Hewlett Packard Enterprise Executive Deferred Compensation Plan*	S-8	333-207679	4.3	October 30, 2015
10.4	Hewlett Packard Enterprise Grandfathered Executive Deferred Compensation Plan*	S-8	333-207679	4.4	October 30, 2015
10.5	Form of Non-Qualified Stock Option Grant Agreement*	8-K	001-37483	10.4	November 5, 2015
10.6	Form of Restricted Stock Unit Launch Grant Agreement*	8-K	001-37483	10.7	November 5, 2015
10.7	Form of Performance-Contingent Non-Qualified Stock Option Launch Grant Agreement*	8-K	001-37483	10.8	November 5, 2015
10.8	Form of Non-Employee Director Stock Options Grant Agreement*	8-K	001-37483	10.9	November 5, 2015
10.9	Form of Non-Employee Director Restricted Stock Unit Grant Agreement*	8-K	001-37483	10.10	November 5, 2015
10.10	Credit Agreement, dated as of November 1, 2015, by and among Hewlett Packard Enterprise Company, JPMorgan Chase Bank, N.A., Citibank, N.A., and the other parties thereto	8-K	001-37483	10.1	November 5, 2015
10.11	Form of Restricted Stock Units Grant Agreement, as amended and restated effective January 1, 2016*	10-Q	001-37483	10.14	March 10, 2016

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
10.12	Form of Performance-Adjusted Restricted Stock Unit Agreement, as amended and restated effective January 1, 2016*	10-Q	001-37483	10.15	March 10, 2016
10.13	Description of Amendment to Equity Awards (incorporated by reference to Item 5.02 of the 8-K filed on May 26, 2016)*	8-K	001-37483	10.1	May 26, 2016
10.14	Niara, Inc. 2013 Equity Incentive Plan*	S-8	333-207679	4.3	March 6, 2017
10.15	Nimble Storage, Inc. 2008 Equity Incentive Plan*	S-8	001-37483	4.3	April 18, 2017
10.16	Nimble Storage, Inc. 2013 Equity Incentive Plan	S-8	001-37483	4.4	April 18, 2017
10.17	SimpliVity Corporation 2009 Stock Plan*	S-8	001-37483	4.3	April 24, 2017
10.18	Silicon Graphics International Corp. 2014 Omnibus Incentive Plan, as amended*	10-Q	000-51333	10.1	January 29, 2016
10.19	Silicon Graphics International Corp. 2006 New Recruit Equity Incentive Plan, as amended and restated*	10-K	000-51333	10.48	February 28, 2007
10.20	Silicon Graphics International Corp. 2005 Equity Incentive Plan, as amended*	10-K	000-51333	10.3	September 10, 2012
10.21	Silicon Graphics International Corp. 2005 Non-Employee Directors' Stock Option*	S-1	000-51333	10.10	February 4, 2005
10.22	Cloud Technology Partner, Inc. 2011 Equity Incentive Plan*	S-8	333-221254	4.3	October, 31 2017
10.23	Amendment to the Cloud Technology Partners, Inc. 2011 Equity Incentive Plan*	S-8	333-221254	4.4	October 21, 2017
10.24	Plexxi Inc. 2011 Stock Plan	S-8	333-226181	4.3	July 16, 2018
10.25	Amended and Restated Hewlett Packard Enterprise Company 2015 Employee Stock Purchase Plan	10-Q	001-37483	10.29	September, 4, 2018
10.26	Form of Restricted Stock Units Grant Agreement	10-Q	001-37483	10.30	September, 4, 2018
10.27	Amendment to Hewlett Packard Enterprise Executive Deferred Compensation Plan‡*				
10.28	Philip Davis Retention Incentive Agreement ‡*				
10.29	First Amendment to the Hewlett Packard Enterprise Company Severance and Long-Term Incentive Change in Control Plan for Executive Officers‡*				
12	Statement of Computation of Ratio of Earnings to Fixed Charges‡				
21	Subsidiaries of Hewlett Packard Enterprise Company‡				
23.1	Consent of Independent Registered Public Accounting Firm‡				
24	Power of Attorney (included on the signature page)				
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‡				

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit(s)	Filing Date
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 compensation plan, contract or arrangement

‡ 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 (ii) schedules or exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K of any material plan of acquisition, disposition or reorganization set forth above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date:	December 12, 2018	HEWLETT PACKARD ENTERPRISE COMPANY
		By: /s/ TAREK A. ROBBIATI
		Tarek A. Robbiati *Executive Vice President and* *Chief Financial Officer*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Tarek A. Robbiati, John F. Schultz and Rishi Varma, or any of them, his or her attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

Signature	Title(s)	Date
/s/ ANTONIO F. NERI Antonio F. Neri	President and Chief Executive Officer (Principal Executive Officer)	December 12, 2018
/s/ TAREK A. ROBBIATI Tarek A. Robbiati	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	December 12, 2018
/s/ JEFF T. RICCI Jeff T. Ricci	Senior Vice President and Controller (Principal Accounting Officer)	December 12, 2018
/s/ PATRICIA F. RUSSO Patricia F. Russo	Chairman	December 12, 2018
/s/ DANIEL L. AMMANN Daniel L. Ammann	Director	December 12, 2018
/s/ MICHAEL J. ANGELAKIS Michael J. Angelakis	Director	December 12, 2018
/s/ PAMELA L. CARTER Pamela L. Carter	Director	December 12, 2018
/s/ ANN M. LIVERMORE Ann M. Livermore	Director	December 12, 2018
/s/ RAYMOND J. LANE Raymond J. Lane	Director	December 12, 2018
/s/ RAYMOND E. OZZIE Raymond E. Ozzie	Director	December 12, 2018
/s/ GARY M. REINER Gary M. Reiner	Director	December 12, 2018
/s/ LIP-BU TAN Lip-Bu Tan	Director	December 12, 2018
/s/ MARY AGNES WILDEROTTER Mary Agnes Wilderotter	Director	December 12, 2018
/s/ MARGARET C. WHITMAN Margaret C. Whitman	Director	December 12, 2018

HEWLETT PACKARD ENTERPRISE
EXECUTIVE DEFERRED COMPENSATION PLAN
(Effective November 1, 2015
As Amended and Restated December 1, 2018)

The Hewlett Packard Enterprise Executive Deferred Compensation Plan as established effective November 1, 2015, and amended and restated effective December 1, 2018, permits Eligible Employees and Outside Directors to defer receipt of certain compensation and provides matching contributions for certain employees pursuant to the terms and provisions set forth below.

The Plan is intended: (1) to comply with Code section 409A and official guidance issued thereunder; and (2) with respect to the portion of the Plan covering Eligible Employees, to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. Notwithstanding any other provision of this Plan, this Plan shall be interpreted, operated and administered in a manner consistent with these intentions.

See Appendix A for special rules related to the spin-off of HPE from HP Inc.

ARTICLE I: DEFINITIONS

Wherever used herein the following terms shall have the meanings hereinafter set forth:

" Account " means a bookkeeping account established by HPE for (i) each Participant electing to defer Eligible Income under the Plan, and (ii) each Rollover Participant.

" Actual Pay " means "Eligible Compensation" as defined in the Hewlett Packard Enterprise 401(k) Plan, as amended from time to time, without giving effect to the Code section 401(a)(17) limitation set forth in such definition and the exclusion of pay deferred under this Plan.

" Additional Deferral Form " means a written or electronic form provided by HPE pursuant to which a Participant may elect to make an additional election to change the form of distribution or time of payment (or both) pursuant to Section 5.2(c) of amounts that were originally deferred under the Plan as an Eligible Employee.

" Affiliate " means any corporation or other entity that is treated as a single employer with HPE under Code section 414.

" Annual Rate of Pay " means the annual rate of pay, which is the sum of an employee's base pay and targeted incentive amount, as reflected in the compensation data in HPE's global database for human resources information, and as adjusted for such employee's employment status, including part-time status.

" Annual Retainer " means the cash portion of any annual retainer paid to an Outside Director.

" Beneficiary " means the person or persons or trust designated by a Participant to receive any amounts payable under the Plan in the event of the Participant's death. HPE has established procedures governing the form and manner in which a Participant may designate a Beneficiary. Only a Beneficiary designation submitted in accordance with such procedures and that is received by HPE before the death of the Participant shall be a valid Beneficiary designation. If there is no valid Beneficiary designation in effect upon the death of a Participant, any remaining Account balance shall be paid in the following order: (i) to that person's spouse; (ii) if no spouse is living at the time of such payment, then to that person's living children, in equal shares; (iii) if neither a spouse nor children are living, then to that person's living parents, in equal shares; (iv) if neither spouse, nor children, nor parents are living, then to that person's living brothers and sisters, in equal shares; and (v) if none of the individuals described in (i) through (iv) are living, to that person's estate. A person's domestic partner shall be considered a

person's spouse for purposes of this paragraph. HPE shall determine a person's status as a domestic partner in a uniform and nondiscriminatory manner.

" Bonus Eligible Employee " means an individual who is an Employee on November 1 preceding the Plan Year with respect to which deferrals are to be made (1) who satisfies both of the following conditions: (i) whose job position has a title of Director (or whose job function is, in the sole and absolute discretion of HPE, equivalent to a 'Director' position) and (ii) whose Annual Rate of Pay is equal to or greater than the dollar limit for highly compensated employees as defined in Section 414(q)(1)(B)(i) of the Code plus $30,000, or (2) whose job position has a title of Executive Vice President or above, irrespective of such Employee's Annual Rate of Pay.

" Code " means the Internal Revenue Code of 1986, as amended.

" Code Section 401(a)(17) Limit " means the amount specified under Code section 401(a)(17) in effect on January 1 of the Plan Year.

" Committee " means the HR and Compensation Committee of HPE's Board of Directors.

" Deferral Form " means a written or electronic form provided by HPE pursuant to which an Eligible Employee or Outside Director may elect to defer amounts under the Plan.

" Director " means the title for an employee who has a job grade of DIR1 and above.

" Eligible Employee " means an individual who is (i) a Bonus Eligible Employee, (ii) a Match Eligible Employee, (iii) an Employee whose Annual Rate of Pay, as of the first day of November preceding the Plan Year with respect to which the deferral is to be made, exceeds the Code Section 401(a)(17) Limit for the Plan Year in which the deferral is to be made, or (iv) a combination or all of the foregoing. An individual's status as an Eligible Employee shall be determined by HPE in its sole discretion.

An Eligible Employee shall also include a Newly Hired Employee and a Late Year Newly Hired Employee.

" Eligible Income " means Actual Pay, Annual Retainer and Incentive Awards.

" Employee " means an individual who is a regular employee on the U.S. payroll of HPE or its Affiliates, other than a temporary or intermittent employee. The term "Employee" shall not include a person hired as an independent contractor, leased employee, consultant, or a person otherwise designated by HPE or an Affiliate as not eligible to participate in the Plan, even if such person is determined to be an "employee" of HPE or an Affiliate by any governmental or judicial authority.

" EPfR Plan " means the Hewlett Packard Enterprise Company Executive Pay-for-Results Plan, as amended from time to time.

" ERISA " means the Employee Retirement Income Security Act of 1974, as amended.

" HPE " means Hewlett Packard Enterprise Company or any successor corporation or other entity.

" HPE Matching Contributions " means the matching contributions as defined in Section 4.1.

" Incentive Award " means an amount payable to an Eligible Employee under a cash bonus or incentive compensation plan of HPE or an Affiliate that the Committee has deemed eligible for deferral, including bonuses paid under the EPfR Plan, the PfR Plan, the VPB Plan or the Hewlett Packard Enterprise Company Financial Services Incentive Compensation Plan.

" Investment Options " means the investment options, as determined from time to time by HPE, used to credit earnings, gains and losses on Account balances.

" Key Employee " means an Employee who at Termination of Employment is treated as a "specified employee" under Code section 409A(a)(2)(B)(i), i.e., a key employee (as defined in Code section 416(i) without regard to paragraph (5) thereof) of a corporation the stock of which is publicly traded on an established securities market or otherwise. HPE shall determine which Employees will be deemed a Key Employee for purposes of this Plan during a Plan Year based on the twelve-month period ending on the September 30 prior to the Plan Year.

" Late Year Newly Hired Employee " means an Employee (i) who is hired in November or December and (ii) who would have qualified as an Eligible Employee as of the November 1 preceding his date of hire based on his initial position and Annual Rate of Pay.

" Match Eligible Employee " means an individual (i) who is eligible for a matching contribution under the Hewlett Packard Enterprise 401(k) Plan, and (ii) whose Annual Rate of Pay, as of the first day of November preceding the Plan Year with respect to which the deferral is to be made, exceeds the Code Section 401(a)(17) Limit for such Plan Year.

" Newly Hired Employee " means an Employee (i) who would have qualified as an Eligible Employee as of the November 1 preceding his date of hire based on his initial position and Annual Rate of Pay, and (ii) whose base salary payable in the year of hire is projected to exceed the Code section 401(a)(17) limit for such year; provided, however, that an individual who has previously worked for HPE or an Affiliate will only qualify as a "Newly Hired Employee" if he meets the requirements of Treas. Reg. § 1.409A-2(a)(7) or any successor thereto. Generally, a re-hired individual will meet these requirements if (1) he has been paid any and all amounts due him under the Plan (and any plans required to be aggregated with the Plan under Code section 409A) prior to re-hire, or (2) he has not been eligible to participate, other than the accrual of earnings, in the Plan (or any other plan required to be aggregated with the Plan under Code section 409A) for at least 24 months.

" Outside Director " means an individual who is a member of HPE's Board of Directors and not an Employee of HPE.

" Participant " means an Eligible Employee or Outside Director who elects or has elected to defer amounts under the Plan.

" PfR Plan " means the Hewlett Packard Enterprise Company Pay-for-Results Short-Term Bonus Plan, as amended from time to time.

" Plan " means this Hewlett Packard Enterprise Executive Deferred Compensation Plan, as set forth herein and as amended from time to time.

" Plan Committee " means the committee to which the Committee delegates certain authority to act on various compensation and benefit matters.

" Plan Year " means January 1 through December 31.

" Retirement Date " means the date on which a Participant has completed at least 15 years of service, as measured from such Participant's last hire date, and has attained age 55.

" Rollover Participant " means an individual with an Account in the Plan transferred from a Rollover Plan in accordance with the provisions of Article IX. The term Rollover Participant may also refer to an individual who has previously been a Participant in the Plan, or an existing Participant at the time of transfer.

" Rollover Plan " means either (1) a nonqualified deferred compensation plan of a business entity acquired by HPE or an Affiliate through acquisition of a majority of the voting interest in, or substantially all of the assets of, such entity, or (2) any plan or program of HPE or an Affiliate pursuant to the termination of which an Account is established for a Participant or Rollover Participant.

" Termination Date " means the date on which the Participant experiences a "separation from service" as defined under Code section 409A.

" Termination of Employment " or " Terminates Employment " means a "separation from service" with HPE and its Affiliates as defined under Code section 409A.

" VPB Plan " means the Hewlett Packard Enterprise Company Variable Performance Bonus Plan, as amended from time to time.

ARTICLE II: PARTICIPATION

Participation in the Plan shall be limited to Eligible Employees and Outside Directors. HPE shall notify any Employee of his status as an Eligible Employee at such time and in such manner as HPE shall determine. An Eligible Employee or Outside Director shall become a Participant by making a deferral election under Article III.

ARTICLE III: PARTICIPANT ACCOUNTS

1. Employee Deferral Elections . Deferrals may be made by an Eligible Employee with respect to the following types of Eligible Income, as permitted by HPE:

(a) Annual Rate of Pay .

(i) An Eligible Employee whose Annual Rate of Pay, as of the first day of November preceding the Plan Year with respect to which the deferral is to be made, exceeds the Code Section 401(a)(17) Limit for the Plan Year in which the deferral is to be made, may elect to defer a portion of his Actual Pay. In order to elect to defer Annual Rate of Pay earned during a Plan Year, an Eligible Employee shall submit an irrevocable Deferral Form with HPE before the beginning of such Plan Year.

(ii) The portion of his Annual Rate of Pay that an Eligible Employee elects to defer for a Plan Year shall be stated as a whole dollar amount. The minimum amount of Annual Rate of Pay that an Eligible Employee may elect to defer in a Plan Year is $1,200. The maximum amount is equal to the greater of $1,200 or the Eligible Employee's Annual Rate of Pay that exceeds the Code Section 401(a)(17) Limit. If the Internal Revenue Service does not publish the Code Section 401(a)(17) Limit for the Plan Year prior to enrollment, HPE has the discretion to determine eligibility to elect to defer Annual Rate of Pay; provided, however, if a Participant is determined to be ineligible to elect to defer Annual Rate of Pay under paragraph (i) above for a Plan Year, any Annual Rate of Pay deferrals the Participant elected for the Plan Year shall be void.

(iii) The deferral amount designated by an Eligible Employee will be deducted in equal installments over the pay periods falling within the Plan Year to which the election pertains.

(b) Incentive Awards . A Bonus Eligible Employee may elect to defer any portion of an Incentive Award up to 95%, expressed as whole percentage points. In order to elect to defer an Incentive Award, a Bonus Eligible Employee shall submit an irrevocable Deferral Form with HPE before the beginning of the Plan Year in which the performance period to which Incentive Award pertains begins, in accordance with procedures that HPE determines in its discretion. Notwithstanding the foregoing, if HPE determines that a Bonus Eligible Employee may elect to defer a portion of the Incentive Award at a later time under Code section 409A, a Bonus Eligible Employee may elect to defer a portion of the Incentive Award by filing an irrevocable Deferral Form at such later time as determined by HPE in accordance with Code section 409A.

3.2 New Hires . A Newly Hired Employee may elect within 30 days of becoming an Employee to defer base salary earned subsequent to the deferral election becoming effective and in the year of hire. Such an election shall become irrevocable and effective at the end of this 30-day period.

3.3 Late Year New Hires . A Late Year Newly Hired Employee may elect within the later of 30 days of becoming an Employee or the end of the calendar year in which he is hired to defer base salary earned in the Plan Year following his year of hire. Such an election shall become irrevocable and effective at the end of this election period and shall apply to base salary earned subsequent to the deferral election's becoming effective.

3.4 Outside Director Deferral Elections. In order to elect to defer a portion of his Annual Retainer earned during a Plan Year, an Outside Director shall submit an irrevocable Deferral Form with HPE before the beginning of such Plan Year, but no earlier than the first day of November preceding the Plan Year with respect to which the deferral is to be made. The portion of his Annual Retainer that an Outside Director elects to defer for a Plan Year shall be stated as a whole dollar amount. Any failure to make an election shall be deemed to be an election for the same deferral amount and the same distribution date and form of payment for the following Plan Year as were in effect for such Outside Director for the current Plan Year.

3.5 Crediting of Deferrals . Eligible Income deferred by a Participant under the Plan shall be credited to the Participant's Account as soon as administratively practicable after the amounts would have otherwise been paid to the Participant.

3.6 Vesting on Eligible Income . A Participant shall at all times be 100% vested in any Eligible Income deferred under this Plan and credited to his Account.

3.7 Administrative Charges . The administrative cost associated with this Plan may be debited to a Participant's Account in a manner determined by the Plan Committee or its designee, in its sole discretion.

ARTICLE IV: MATCH ON DEFERRALS

4.1 HPE Matching Contributions. At the end of each Plan Year, HPE shall credit a Match Eligible Employee's Account with HPE Matching Contributions. The HPE Matching Contributions shall be applied only to the extent that the Match Eligible Employee's Actual Pay exceeds the Code Section 401(a)(17) Limit for the Plan Year, and the rate of HPE Matching Contributions shall be equal to the weighted average of the various rates that applied (or would have applied) to such Employee under the Hewlett Packard Enterprise 401(k) Plan for the Plan Year, determined as if such Employee had participated in the 401(k) Plan for the entire Plan Year. Notwithstanding the foregoing, the maximum amount of HPE Matching Contributions for a Plan Year for a Match Eligible Employee shall not exceed the maximum amount of match for which such Employee would be eligible under the Hewlett Packard Enterprise 401(k) Plan for the Plan Year.

4.2 Crediting of HPE Matching Contributions. HPE Matching Contributions for a Plan Year shall be credited to the Accounts of Match Eligible Employees as soon as administratively practicable after the end of the Plan Year. The Account of a Participant shall be credited with HPE Matching Contributions for a Plan Year only if such Participant has not terminated employment with HPE and its Affiliates prior to the end of the Plan Year, unless such termination is due to death, disability (for the avoidance of doubt, disability status is determined by reference to eligibility for benefits under the Company's long-term disability benefits program) or is after Participant's Retirement Date.

4.3 Vesting of HPE Matching Contributions.

(a) Vesting Schedule. A Participant's interest in HPE Matching Contributions shall vest as follows:

(i) For Participants who are HP Participants (as defined in Appendix A, below) and who were fully vested in HP Matching Contributions credited to such Participant's Account under the HP Plan (as defined in Appendix A, below), the Participant will be fully vested in HPE Matching Contributions credited to such Participant's Account.

(ii) For Participants not described in Section 4.3(a)(i) above, the Participant will be vested in HPE Matching Contributions credited to such Participant's Account when such Participant would be vested in HPE Matching Contributions credited to his or her account under the Hewlett Packard Enterprise 401(k) Plan. Notwithstanding the foregoing, a Participant will be fully vested in HPE Matching Contributions credited to his or her Account if the Participant's employment with HPE and its Affiliates is terminated (A) due to death or disability (for the avoidance of doubt, disability status is determined by reference to eligibility for benefits under the Company's long-term disability benefits program), (B) after the Participant has reached his or her Retirement Date, or (C) if the Participant terminates employment from HPE or an Affiliate in connection with a sale or other disposition by HPE or the Affiliate in connection with a sale or other disposition by the Company of the business unit in which the Participant had been employed that results in the Participant being employed with the successor to that business unit immediately following the sale or other disposition.

(b) Forfeiture of HPE Matching Contributions. Except as otherwise provided above, upon termination of employment with HPE and its Affiliates, a Participant shall forfeit the nonvested portion of his or her Account and applicable earnings thereon.

ARTICLE V: INVESTMENT OPTIONS, EARNINGS CREDITED AND DISTRIBUTION OF ACCOUNT BALANCE

5.1 Investment Options and Earnings

(a) Investment Options and Procedures. HPE shall select the Investment Options to be available under the Plan, and shall specify procedures by which a Participant may make an election as to the deemed investment of amounts credited to his Accounts among the Investment Options, as well as the procedures by which a Participant may change his investment selection. Nothing in this Plan, however, will require HPE to invest any amounts in such Investment Options or otherwise.

(b) Earnings . HPE shall periodically credit gains, losses and earnings to a Participant's Account, until the full balance of the Account has been distributed. Amounts shall be credited to a Participant's Account under this Section based on the results that would have been achieved had amounts credited to the Account been invested as soon as practicable after crediting into the Investment Options selected by the Participant.

Any portion of an Incentive Award that qualifies as "performance-based compensation" under Code section 162(m) and is deferred under the Plan by a Participant who qualifies as a "covered employee" under Code section 162(m) shall be credited with earnings and otherwise administered in a manner so that the ultimate payment(s) of the deferred amount remains so qualified.

5.2 Time and Form of Payment Elections

(a) Deferral Elections by Eligible Employees . Each Deferral Form submitted by an Eligible Employee shall specify the year in which payment of the aggregate of the deferred amount and any HPE Matching Contributions for the Plan Year (and earnings thereon) is to be made or commence. Such payment year shall be at least three (3) years after the Plan Year in which the deferrals are being made. Each Deferral Form shall also specify the form of payment of the deferred amount and any HPE Matching Contributions for the Plan Year (and earnings thereon). A Participant may elect payment in the form of a

single lump sum payment or annual installment payments for a period of not less than two (2) but no more than fifteen (15) years. Annual installment payments will be paid once a year beginning in the year specified on the applicable Deferral Form or as otherwise provided herein.

(i) Default Elections for Eligible Employees . If an Eligible Employee Participant fails to specify the year in which payment of the deferred amount and any HPE Matching Contributions for the Plan Year (and earnings thereon) is to be made or commence, then Participant will be deemed to have elected distribution at Participant's Termination Date, subject to Sections 5.3 or 5.4 below. If a Participant fails to make an effective payment form designation on a Deferral Form, the amount deferred and any HPE Matching Contributions for the Plan Year (and earnings thereon) under such Deferral Form will be distributed in a single lump sum in the year elected.

(ii) Payment Timing for Eligible Employees . Payment shall be made or shall commence in January of the year that an Eligible Employee Participant elects to receive a distribution.

(iii) Eligible Employees Terminating After Retirement Date . An Eligible Employee Participant may also elect on a Deferral Form that payments of that Plan Year's deferrals and any HPE Matching Contributions (and earnings thereon) shall be paid in January of the year following the year in which the Participant's Termination Date occurs (in the case of installment payments, the first installment shall be paid in the January following the Participant's Termination Date, and subsequent installments shall be made each January thereafter), if the Participant's Termination Date is after his Retirement Date.

(iv) Eligible Employees Terminating Prior to Retirement Date . If an Eligible Employee Participant's Termination Date precedes his or her Retirement Date, such Participant shall be deemed to have elected on each Deferral Form that such Plan Year's deferrals and any HPE Matching Contributions (and earnings thereon) shall be paid in a single lump sum at the following time, subject to Section 5.3 below: (A) with respect to amounts attributable to Plan Years commencing before January 1, 2008, in the month following the month in which the Participant Terminates Employment, and (B) with respect to amounts attributable to Plan Years commencing on or after January 1, 2008, in January of the year following the year in which the Participant Terminates Employment.

(b) Deferral Elections by Outside Directors . Unless another or additional distribution event or date is specified by the Plan Committee in a Deferral Form or otherwise, any amounts deferred by Outside Director Participants shall be paid upon the Outside Director's Termination Date in accordance with the time and form of payment set forth in this Section 5.2(b).

(i) Form of Payment . Each Deferral Form submitted by an Outside Director shall specify the form of payment of the deferred amount for the Plan Year (and earnings thereon). A Participant may elect payment in the form of a single lump sum payment or annual installment payments for a period of not less than two (2) but no more than fifteen (15) years.

(ii) Payment Timing for Outside Directors . Payment shall be made or shall commence in January of the year following the Outside Director Participant's Termination Date (or such other permitted distribution date or event) and, in the case of installment payments, commence to be paid in the January following the Participant's Termination Date (or such other permitted distribution date or event) with subsequent installments being made each January thereafter.

(c) Change-of-Form Elections and Additional Deferral Elections . Any Participant who has made a deferral election pursuant to Section 5.2(a) may make an additional election to change the form of distribution or time of payment (or both) of such deferred amount by submitting an Additional Deferral Form under rules prescribed by the Plan Committee. Any such change to the form of distribution or time of

payment is permitted to be made only once with respect to each portion of the balance in an Account that shares the same form of distribution and time of payment election. The form of distribution and time of payment may be changed to any acceptable form of distribution and time of payment permitted under Section 5.2(a). No such change to the form of distribution or time of payment shall be effective until twelve months following the date that the Additional Deferral Form was submitted. In the case of a deferral election providing for a form of distribution commencing in a specified year pursuant to Section 5.2(a), the Additional Deferral Form must be submitted not less than twelve months prior to the date the payment is scheduled to be paid (or in the case the form of distribution is installments, not less than twelve months prior to the date the first installment was scheduled to be paid). Any change to the form of distribution or time of payment must defer payment not less than five years after the date that the original deferred compensation was scheduled to be paid (or in the case the form of distribution is installments, not less than five years after the date that the original deferred compensation was scheduled to commence to be paid).

5.3 Automatic Distributions . Notwithstanding any payment elections made on Deferral Forms, Additional Deferral Forms and Section 5.2:

(a) Distributions to Key Employees . Distributions may not commence to a Key Employee upon a Termination of Employment before the date which is six months after the date of the Key Employee's Termination of Employment. If distributions are to be paid in a lump sum, such lump sum payment shall be distributed as follows: (i) with respect to amounts attributable to Plan Years commencing before January 1, 2008, in the seventh month after the Termination of Employment, and (ii) with respect to amounts attributable to Plan Years commencing on or after January 1, 2008, in the later of (A) the seventh month after the Termination of Employment or (B) January of the year following the year of the Termination of Employment. If distributions are to be paid in installments and the first installment is payable during this six-month period, such installment shall be distributed as follows: (x) with respect to amounts attributable to Plan Years commencing before January 1, 2008, in the seventh month after the Termination of Employment, and (y) with respect to amounts attributable to Plan Years commencing on or after January 1, 2008, in the later of (I) the seventh month after the Termination of Employment or (II) January of the year following the year of the Termination of Employment, with subsequent installments to be made each January thereafter.

(b) Distributions Upon Death . If a Participant dies before full distribution of his Account balance, any balance shall be distributed in a lump sum payment to the Participant's Beneficiary in the month following the month in which the Participant's death occurs.

5.4 Withdrawals for Unforeseeable Emergency . Upon approval by the Plan Committee, a Participant may withdraw all or any portion of his vested Account balance for an Unforeseeable Emergency. The amounts distributed with respect to an Unforeseeable Emergency may not exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under this Plan. "Unforeseeable Emergency" means for this purpose a severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For the avoidance of doubt, a circumstance does not constitute an "Unforeseeable Emergency" for purposes of the Plan unless such circumstance constitutes an "unforeseeable emergency" as defined in Treas. Reg. § 1.409A-3(i)(3). The amount withdrawn for an Unforeseeable Emergency is subject to a minimum of $10,000.

Notwithstanding Section 3.1, if the Plan Committee approves a distribution under this Section, the Participant's deferrals under the Plan shall cease. The Participant will be allowed to enroll if eligible at the beginning of the next enrollment period following six (6) months after the date of distribution.

5.5 Effect of Taxation. If the Internal Revenue Service or a court of competent jurisdiction determines that Plan benefits are includible in the gross income of a Participant under Code section 409A prior to actual receipt of the benefits, HPE shall immediately distribute the benefits found to be so includible to the Participant.

ARTICLE VI: ADMINISTRATION

6.1 General Administration. The Plan Committee shall be responsible for the operation and administration of the Plan and for carrying out the provisions hereof. The Plan Committee shall have the full authority and discretion to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with this Plan. Any such action taken by the Plan Committee shall be final and conclusive on any party. The Plan Committee's prior exercise of discretionary authority shall not obligate it to exercise its authority in a like fashion thereafter. The Committee and the Plan Committee shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by HPE with respect to the Plan. The Committee and the Plan Committee may, from time to time, delegate to others, including employees of HPE, such administrative duties as it sees fit.

6.2 Claims for Benefits: The following applies to Participants who are not Outside Directors:

(a) Filing a Claim. A Participant or his authorized representative may file a claim for benefits under the Plan. Any claim must be in writing and submitted to the Plan Committee or its delegate at such address as may be specified from time to time. Claimants will be notified in writing of approved claims, which will be processed as claimed. A claim is considered approved only if its approval is communicated in writing to a claimant.

(b) Denial of Claim. In the case of the denial of a claim respecting benefits paid or payable with respect to a Participant, a written notice will be furnished to the claimant within 90 days of the date on which the claim is received. If circumstances (such as for a meeting) require a longer period, the claimant will be notified in writing, prior to the expiration of the 90-day period, of the reasons for an extension of time; provided, however, that no extensions will be permitted beyond 90 days after the expiration of the initial 90-day period.

(c) Reasons for Denial. A denial or partial denial of a claim will be dated and signed on behalf of the Plan Committee and will clearly set forth:

(i) the specific reason or reasons for the denial;

(ii) specific reference to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(iv) an explanation of the procedure for review of the denied or partially denied claim set forth below, including the claimant's right to bring a civil action under ERISA section 502(a) following an adverse benefit determination on review.

(d) Review of Denial. Upon denial of a claim, in whole or in part, a claimant or his duly authorized representative will have the right to submit a written request to the Plan Committee for a full and fair review of the denied claim by filing a written notice of appeal with the Plan Committee within 60 days of the receipt by the claimant of written notice of the denial of the claim. A claimant or the claimant's authorized representative will have, upon request and free of charge, reasonable access to, and copies of, all

documents, records, and other information relevant to the claimant's claim for benefits and may submit issues and comments in writing, except for privileged or confidential documentation. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If the claimant fails to file a request for review within 60 days of the denial notification, the claim will be deemed abandoned and the claimant precluded from reasserting it. If the claimant does file a request for review, his request must include a description of the issues and evidence he deems relevant. Failure to raise issues or present evidence on review will preclude those issues or evidence from being presented in any subsequent proceeding or judicial review of the claim.

(e) Decision Upon Review . The Plan Committee or its delegate will provide a written decision on review. If the claim is denied on review, the decision shall set forth:

(i) the specific reason or reasons for the adverse determination;

(ii) specific reference to pertinent Plan provisions on which the adverse determination is based;

(iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain the information about such procedures, as well as a statement of the claimant's right to bring a civil action under ERISA section 502(a).

A decision will be rendered no more than 60 days after the receipt of the request for review, except that such period may be extended for an additional 60 days if the Plan Committee determines that circumstances (such as for a meeting) require such extension. If an extension of time is required, written notice of the extension will be furnished to the claimant before the end of the initial 60-day period.

(f) Finality of Determinations; Exhaustion of Remedies . To the extent permitted by law, decisions reached under the claims procedures set forth in this Section shall be final and binding on all parties. No legal action for benefits under the Plan shall be brought unless and until the claimant has exhausted his remedies under this Section. In any such legal action, the claimant may only present evidence and theories which the claimant presented during the claims procedure. Any claims which the claimant does not in good faith pursue through the review stage of the procedure shall be treated as having been irrevocably waived. Judicial review of a claimant's denied claim shall be limited to a determination of whether the denial was an abuse of discretion based on the evidence and theories the claimant presented during the claims procedure. Any suit or legal action initiated by a claimant under the Plan must be brought by the claimant no later than one year following a final decision on the claim for benefits. Notwithstanding the foregoing, in no event may a claimant initiate suit or legal action more than two years after the facts giving rise to the action occurred. The foregoing limitations on suits or legal actions for benefits will apply in any forum where a claimant initiates such suit or legal action.

ARTICLE VII: AMENDMENT AND TERMINATION

7.1 Amendment or Termination . HPE reserves the right to amend or terminate the Plan when, in the sole discretion of HPE, such amendment or termination is advisable, pursuant to a resolution or other action taken by the Committee.

Any amendment or termination of the Plan will not affect the entitlement of any Participant or the Beneficiary of a Participant whose Termination Date occurs before the amendment or termination. All benefits to which any Participant or Beneficiary may be entitled shall be determined under the Plan as in effect at the time of the Participant's Termination Date and shall not be affected by any subsequent change in the provisions of the Plan; provided, that HPE reserves the right to change the Investment Options with respect to any Participant or Beneficiary. Participants and Beneficiaries will be given notice prior to the discontinuance of the Plan, change in Investment Options available or reduction of any benefits provided by the Plan.

7.2 Effect of Amendment or Termination . No amendment or termination of the Plan shall adversely affect the rights of any Participant to amounts credited to his Account as of the effective date of such amendment or termination. Upon termination of the Plan, distribution of balances in Accounts shall be made to Participants and Beneficiaries in the manner and at the time described in Article V, unless HPE determines in its sole discretion that all such amounts shall be distributed upon termination in accordance with the requirements under Code section 409A. Upon termination of the Plan, no further deferrals of Eligible Income shall be permitted; however, earnings, gains and losses shall continue to be credited to Account balances in accordance with Article V until the Account balances are fully distributed.

ARTICLE VIII: GENERAL PROVISIONS

1. Rights Unsecured . The right of a Participant or his Beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of HPE, and neither the Participant nor his Beneficiary shall have any preferred rights in or against any amount credited to any Account or any other assets of HPE. The Plan at all times shall be considered entirely unfunded for tax purposes. Any funds set aside by HPE for the purpose of meetings its obligations under the Plan, including any amounts held by a trustee, shall continue for all purposes to be part of the general assets of HPE and shall be available to its general creditors in the event of HPE's bankruptcy or insolvency. HPE's obligation under this Plan shall be that of an unfunded and unsecured promise to pay money in the future.

2. No Guarantee of Benefits . Nothing contained in the Plan shall constitute a guarantee by HPE or any other person or entity that the assets of HPE will be sufficient to pay any benefits hereunder.

3. No Enlargement of Rights . No Participant or Beneficiary shall have any right to receive a distribution under the Plan except in accordance with the terms of the Plan. Establishment of the Plan shall not be construed to give any Participant the right to continue to be employed by or provide services to HPE.

4. Transferability . No interest of any person in, or right to receive a distribution under, the Plan shall be subject in any manner to sale, transfer, assignment, pledge, attachment, garnishment, or other alienation or encumbrance of any kind; nor may such interest or right to receive a distribution be taken, either voluntarily or involuntarily for the satisfaction of the debts of, or other obligations or claims against, such person.

5. Applicable Law . To the extent not preempted by federal law, the Plan shall be governed by the laws of the State of Delaware.

6. Incapacity of Recipient . If any person entitled to a distribution under the Plan is deemed by HPE to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim for such payment shall have been made by a duly appointed guardian or other legal representative of such person, HPE may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of HPE and the Plan with respect to the payment.

7. Taxes . HPE or other payor may withhold from a benefit payment under the Plan or a Participant's wages any federal, state, or local taxes required by law to be withheld with respect to a payment or accrual under the Plan, and shall report such payments and other Plan-related information to the appropriate governmental agencies as required under applicable laws.

8. Corporate Successors . The Plan and the obligations of HPE under the Plan shall become the responsibility of any successor to HPE by reason of a transfer or sale of substantially all of the assets of HPE or by the merger or consolidation of HPE into or with any other corporation or other entity.

9. Unclaimed Benefits . Each Participant shall keep HPE informed of his current address and the current address of his designated Beneficiary. HPE shall not be obligated to search for the whereabouts of any person if the location of a person is not made known to HPE.

10. Severability. In the event any provision of the Plan shall be held invalid or illegal for any reason, any illegality or invalidity shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced as if the illegal or invalid provision had never been inserted.

11. Words and Headings. Words in the masculine gender shall include the feminine and the singular shall include the plural, and vice versa, unless qualified by the context. Any headings used herein are included for ease of reference only, and are not to be construed so as to alter the terms hereof.

ARTICLE IX: ROLLOVERS FROM OTHER PLANS

1. Discretion to Accept. The Committee shall have complete authority and discretion, but no obligation, to establish an Account for a Rollover Participant and credit the Account with the amount transferred from the Rollover Participant's account in a Rollover Plan. Amounts credited to such Accounts are fully subject to the provisions of this Plan. Reference in the Plan to such a crediting as a "rollover" or "transfer" from a Rollover Plan is nominal in nature, and confers no additional rights upon a Rollover Participant other than those specifically set forth in the Plan.

2. Status of Rollover Participants. A Rollover Participant and his Beneficiary are fully subject to the provisions of this Plan, except as otherwise expressly set forth herein. A Rollover Participant who is not already a Participant in the Plan and is not otherwise eligible to participate in the Plan at the time of rollover, shall not be entitled to make any additional deferrals under the Plan unless and until he has become eligible to do so under the terms of the Plan.

3. Payments to Rollover Participants. Payments from a Rollover Participant's Account shall be made in accordance with the form and timing of payment provisions of the Rollover Plan.

IN WITNESS WHEREOF, HEWLETT PACKARD ENTERPRISE COMPANY has caused this Hewlett Packard Enterprise Executive Deferred Compensation Plan, amended and restated effective December 1, 2018, to be executed on this 20th day of November, 2018.

HEWLETT PACKARD ENTERPRISE COMPANY

/X/
Kristin Major
Senior Vice President, Deputy General Counsel and Assistant Secretary

APPENDIX A - HP INC. SPIN-OFF

A.1 Background

HPE was a subsidiary of HP Inc. (“HP”) prior to November 1, 2015 (the “Effective Date”). On the Effective Date, pursuant to an agreement between HPE and HP, the liabilities for certain participants' benefits under the HP Inc. 2005 Executive Deferred Compensation Plan (the "HP Plan"), were transferred to HPE and to this Plan. The Participants whose benefits were transferred to this Plan on the Effective Date are referred to below as "HP Participants." The rules in this Appendix shall apply notwithstanding any Plan provisions to the contrary.

A.2 Plan Benefits

HP Participants who qualified as eligible employees under the HP Plan on the Effective Date shall be Eligible Employees under this Plan on such date. All service and compensation that was taken into account for purposes of determining the amount of an HP Participant's benefit or his vested right to a benefit under the HP Plan as of the Effective Date shall be taken into account for the same purposes under this Plan.

A.3 Distributions

The terms of this Plan shall govern the distribution of all benefits payable to an HP Participant or any other person with a right to receive such benefits, including amounts accrued under the HP Plan and then transferred to this Plan.

A.4 Termination and Key Employees

For avoidance of doubt, no HP Participant shall be treated as incurring a separation from service, termination of employment, retirement, or similar event for purposes of determining the right to a distribution (for amounts subject to Code section 409A or otherwise), vesting, benefits, or any other purpose under the Plan as a result of HP's distribution of HPE shares to HP shareholders. Also, HPE's Key Employees shall be determined in accordance with the special rules for spin-offs under Treas. Reg. §1.409A-1(i)(6)(iii), or any successor thereto, for the period indicated in such regulation.

A.5 Participant Elections

All elections made by HP Participants under the HP Plan, including any deferral elections, payment elections, and beneficiary designations, shall apply to the same effect under this Plan as if made under the terms of this Plan.

A.6 References to Plan

All references in this Plan to the "Plan" as in effect before the Effective Date shall be read as references to the HP Plan.

A.7 Right to Benefits

With respect to any recordkeeping account established to determine a benefit provided or due under the HP Plan at any time, no benefit will be due under the Plan except with respect to the portion of such recordkeeping account reflecting the liability transferred from the HP Plan to the Plan on the Effective Date. Additionally, on and after the Effective Date, HP and the HP Plan, and any successors thereto shall have no further obligation or liability to any HP Participant with respect to any benefit, amount, or right due under the HP Plan.

Philip Davis
60007769
Global Sales

PRIVATE & CONFIDENTIAL

TO:	Philip Davis
DATE:	October 9th 2017
SUBJECT:	Retention Incentive Agreement ("Agreement")

Dear Phil,

Hewlett Packard Enterprise and/or its successors or assigns ("HPE" or "Company") is pleased to offer you a Retention Incentive in the amount of $2,000,000 USD based on your anticipated contributions to HPE through November 1st 2019 ("Retention Period") and will be paid on the conditions set forth below.

Subject to the terms of this Agreement, you are eligible to receive the Retention Incentive as follows:

Instalment	Instalment Date	Retention Incentive payment
#1	Nov 1 st 2018	$1,000,000
#2	Nov 1 st 2019	$1,000,000

Each Incentive payment will be made within 60 days of the corresponding Instalment Date.

HPE will deduct from the Retention Incentive all required and applicable withholding taxes or other deductions; please understand that you will be liable for any tax obligations or consequences that may arise from this Retention Incentive. The Retention Incentive payment(s) will not be considered compensation for purposes of any HPE compensation or benefits program.

Payment Conditions. To be eligible for the Retention Incentive payment(s), throughout the Retention Period you must: (1) remain an active, full-time employee of HPE supporting the Global Sales organization in your current position, or another qualifying position as confirmed in writing by HPE in its sole discretion; (2) maintain a satisfactory level of performance, as determined solely by HPE; and (3) not have engaged in misconduct, as determined solely by HPE.

If you are placed on workforce reduction ("WFR"), or if you commence a leave of absence of a type for which the Retention Incentive must as a matter of law be prorated, HPE will calculate and pay a pro-rata portion of the Retention Incentive, based on the proportion of the time you work in the qualifying position relative to the Retention Period. For example, if you work in the qualifying position for three quarters of the Retention Period, and the potential Retention Incentive is $4,000, in these circumstances, you will remain eligible to receive a payment of $3,000. HPE will not pay a pro-rata portion of the Retention Incentive under any other circumstances.

Repayment. In addition, in the event you receive any portion of the Retention Incentive prior to the end of the Retention Period and then resign your employment with the Company or are involuntarily terminated for misconduct or performance (as determined by HPE) prior to the end of the Retention Period, you will be ineligible for any additional Retention Incentive payments and will also be responsible for immediate repayment of a prorated amount of the total Retention Incentive previously paid to you. The amount of the repayment due to the Company will decrease proportionately for each full month of the Retention Period you were employed such that the amount of the Retention Incentive payment you retain is a pro-rata portion based on the full months of the Retention Period completed. For example, if the Retention Period is 01/01/2016 through 12/31/2017, but an installment consisting of 50% of the Retention Incentive is paid on 06/30/2016 (prior to the end of the Retention Period) and you subsequently resign or are terminated for misconduct or performance (as determined by HPE) before reaching your seventh month of employment, you will be responsible for a prorated repayment equivalent to one half of the installment).

At-Will Employment Status. Notwithstanding the foregoing, unless contrary to local law or the terms of a written agreement signed by an authorized officer of HPE, you understand and agree your employment with HPE is for an

indefinite term and is terminable, with or without cause, at any time by either you or HPE. Nothing in this Agreement will be construed to oblige HPE to continue your employment for any particular time or under any particular terms or conditions of employment.

No Duplication of Benefits. There shall be no duplication between any payment provided for by this Agreement and any other retention incentive program that provides for payment of a retention bonus for continued employment during any part of the same time period covered by this Agreement. Any payment otherwise due under this Agreement shall be reduced by any amounts due under any other retention incentive program covering the same or overlapping period.

Assignment. This Agreement shall inure to the benefit of HPE's assignees and successors.

To be eligible for the Retention Incentive, please sign in the space below and return the unaltered original no later than 10 days from the date of this letter to your HR Business Partne r who will then submit to the "Enterprise Group Retention Bonus" at (egretention@hpe.com) for processing. Please be sensitive that others (including those on your team) may not be receiving a similar offer. Please let me know if I can answer any questions for you about this or any other matter.

I sincerely appreciate your contributions to this team and to HPE.

Regards,

Antonio Neri
President
Hewlett Packard Enterprise

BY MY SIGNATURE BELOW, I ACCEPT THE TERMS AND CONDITIONS SET FORTH ABOVE.

/s/ Philip Davis _____________________ 10/13/2017__________
Philip Davis Date

FIRST AMENDMENT

to the

HEWLETT PACKARD ENTERPRISE COMPANY SEVERANCE AND LONG-TERM INCENTIVE CHANGE IN CONTROL PLAN FOR EXECUTIVE OFFICERS

Subject to certain inapplicable limitations, Section 11 of the Hewlett Packard Enterprise Company Severance and Long-Term Incentive Change in Control Plan for Executive Officer (the " SPEO ") provides that the Plan may be amended at any time by action of either the Board of Directors of Hewlett Packard Enterprise Company (the " Board ") or the HR and Compensation Committee of the Board (the " Committee "). In accordance with the authority granted by Section 11 of the SPEO and the approval provided by the Committee, the SPEO is hereby amended as follows:

1. Effective as of October 31, 2018, the following is hereby added to the end of the first paragraph of Section 2(a) of the SPEO:

"Solely for purposes of this Section 2(a) and any other provisions of this Plan that relate to Section 2(a), to the extent an Executive Officer is, or during the three complete fiscal years preceding the Executive Officer's termination date, was not eligible for an annual cash bonus because of his or her participation in a sales-based commission or bonus program, then the amounts paid to that Executive Officer pursuant to such sales-based commission or bonus program for any relevant fiscal year shall be considered to have been paid pursuant to the applicable annual bonus plan of Enterprise for such fiscal year."

2. Effective as of October 31, 2018, Section 2(a)(ii) of the SPEO is amended to read as follows:

"For an Executive Officer whose highest title held within 90 days before termination was either (A) Executive Vice President, or (B) Business Unit President, the multiple shall be 1.5; provided that, for the avoidance of doubt, that Executive Officer must also have been a Section 16 Officer or a Participating EC Member; and"

3. Effective as of October 31, 2018, the following is hereby added to the end of Section 2(b) of the SPEO:

"Solely for purposes of this Section 2(b) and any other provisions of this Plan that relate to Section 2(b), to the extent that during the year of his or her termination of employment an Executive Officer is not eligible for an annual cash bonus because of his or her participation in a sales-based commission or bonus program, then the amount due to that Executive Officer pursuant to this Section 2(b), if any, shall be equal to such Executive Officer's target earnings for that fiscal year under the relevant sales-based commission or bonus program prorated based on the number of days worked in the fiscal year in which termination occurs through the date of termination, divided by 365, but such prorated amount shall be reduced by any amount actually paid to such Executive Officer under that sales-based commission or bonus program for the fiscal year in which the applicable termination of employment occurs; provided that

such reduction shall not result in a negative amount being payable to that Executive Officer pursuant to this Section 2(b).”

4. In all other respects, the SPEO remains in full force and effect.

Exhibit 12

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES
Statements of Computation of Ratio of Earnings to Fixed Charges [(1)]

	For the fiscal years ended October 31,				
	2018	2017	2016	2015	2014
	In millions, except ratios				
Earnings:					
Earnings from continuing operations before taxes	$ 268	$ 272	$ 3,860	$ 1,935	$ 2,833
Adjustments:					
Non-controlling interests in the income of subsidiaries with fixed charges	6	9	46	46	42
Undistributed (earnings) loss of equity method investees	(38)	23	76	2	2
Distributed earnings of equity method investees	164	98	—	—	—
Fixed charges	751	692	644	395	416
	$ 1,151	$ 1,094	$ 4,626	$ 2,378	$ 3,293
Fixed charges:					
Total interest expense, including interest expense on borrowings, amortization of debt discount and premium on all indebtedness and other	$ 632	$ 610	$ 558	$ 255	$ 292
Interest included in rent	119	82	86	140	124
Total fixed charges	$ 751	$ 692	$ 644	$ 395	$ 416
Ratio of earnings to fixed charges (excess of fixed charges over earnings)	1.5x	1.6x	7.2x	6.0x	7.9x

(1) The Company computed the ratio of earnings to fixed charges by dividing earnings (earnings from continuing operations before taxes, adjusted for fixed charges, non-controlling interests in the income of subsidiaries with fixed charges, undistributed (earnings) loss of equity method investees and distributed earnings of equity method investees) by fixed charges for the periods indicated. Fixed charges include (i) interest expense on borrowings and amortization of debt discount or premium on all indebtedness and other, and (ii) a reasonable approximation of the interest factor deemed to be included in rent expense.

Exhibit 21

Principal Subsidiaries of Hewlett Packard Enterprise Company

The registrant's principal subsidiaries and affiliates as of October 31, 2018 are included in the list below.

ARGENTINA

-Hewlett-Packard Argentina S.R.L.

AUSTRALIA

-Hewlett-Packard Australia Pty Ltd

-HP Enterprise Services Australia Pty Ltd

-HP Financial Services (Australia) Pty Limited

AUSTRIA

-Hewlett-Packard Gesellschaft mbH

BELGIUM

-Hewlett-Packard Belgium SPRL/BVBA

BRAZIL

-HP Financial Services Arrendamento Mercantil S.A.

-Hewlett-Packard Brasil Ltda.

BULGARIA

-Hewlett-Packard Bulgaria EOOD

CANADA

-Hewlett-Packard Financial Services Canada Company

CAYMAN ISLANDS

-Hewlett-Packard Marigalante Ltd.

-Sapphire Holding Co

- H3C Holdings Limited

- Hewlett-Packard G1 SPV (Cayman) Company

-Aruba Networks International Cayman

CHILE

-Hewlett-Packard Chile Comercial Limitada

-HP Financial Services (Chile) Limitada

CHINA

-Hangzhou H3C Technologies Co., Ltd (underwent name change - New H3C…)

- Hewlett Packard Enterprise (China) Co., Ltd.

-Shanghai Hewlett-Packard Co. Ltd.

- Unis Huashan Technologies Co., Limited

-Hewlett-Packard Leasing Limited

COLOMBIA

-Hewlett Packard Colombia Ltda.

COSTA RICA

-Hewlett Packard Enterprise Costa Rica, Limitada

CROATIA

-Hewlett-Packard d.o.o.

CZECH REPUBLIC

-Hewlett-Packard s.r.o.

DENMARK

-Hewlett-Packard ApS

ECUADOR

-Hewlett-Packard Ecuador Cia. Ltda.

EGYPT

-Hewlett-Packard Egypt Ltd.

ENGLAND & WALES

-Nimble Storage UK Limited

-Hewlett-Packard Limited

-Hewlett-Packard Holdings Ltd.

FINLAND

-Hewlett-Packard OY

FRANCE

-Hewlett-Packard France SAS

GERMANY

-Hewlett-Packard GmbH

GHANA

-Hewlett-Packard Ghana Limited

GREECE

-Hewlett-Packard Hellas EPE

HONG KONG

-Hewlett-Packard HK SAR Ltd.

INDIA

- Hewlett Packard Enterprise India Private Limited

-Hewlett-Packard Financial Services (India) Private Limited

-Hewlett Packard Enterprise GlobalSoft Private Limited

IRELAND

-Hewlett-Packard International Bank Public Limited Company

- Aruba Networks International Limited

-Hewlett Packard Enterprise Ireland Limited

ISRAEL

-Hewlett-Packard (Israel) Ltd.

-Nimble Storage Israel Ltd

ITALY

-Hewlett-Packard Italiana S.r.l.

-HPFS Rental S.R.L.

JAPAN

-Hewlett-Packard Japan, Ltd.

-HP Financial Services (Japan) K.K.

-Nimble Storage Japan GK

KOREA, REPUBLIC OF

-Hewlett-Packard Korea Ltd.

-HP Financial Services Company (Korea)

LATVIA

-Hewlett-Packard SIA

LITHUANIA

-UAB ES Hague Lietuva

MACAU

-Hewlett-Packard Macau Limited

MALAYSIA

-Hewlett-Packard (M) Sdn. Bhd.

MEXICO

-Hewlett-Packard Mexico S. de R.L. de C.V.

-Hewlett-Packard Operations Mexico, S. de R.L. de C.V.

MOROCCO

-Hewlett-Packard SARL

MOZAMBIQUE

-Hewlett-Packard Moçambique, Limitada - Sociedada em Liquidação

MAURITIUS

-Compaq Computer (Mauritius)

NETHERLANDS

-Compaq Trademark B.V.

-Hewlett Packard Enterprise B.V.

-Hewlett-Packard Nederland B.V.

-Hewlett-Packard Caribe B.V.

NEW ZEALAND

-Hewlett-Packard New Zealand

NIGERIA

-Hewlett-Packard (Nigeria) Limited

NORWAY

-Hewlett-Packard Norge AS

PERU

-Hewlett-Packard Peru S.R.L.

PHILIPPINES

-Hewlett-Packard Philippines Corporation

POLAND

-Hewlett Packard Enterprise Polska sp. z o.o.

PORTUGAL

-Hewlett-Packard Portugal Lda.

PUERTO RICO

-Hewlett-Packard Technology Center, Inc.

-Hewlett Packard Caribe BV LLC

-Hewlett-Packard Caribe Y Andina B.V. LLC

RUSSIAN FEDERTION

-Limited Liability Company Hewlett Packard Enterprise

SCOTLAND

-Hewlett-Packard Manufacturing Ltd

SINGAPORE

-Hewlett-Packard Asia Pacific Pte. Ltd.

-Hewlett-Packard Singapore (Sales) Pte. Ltd.

SOUTH AFRICA

-Hewlett-Packard South Africa (Proprietary) Limited

SPAIN

-Hewlett-Packard Servicios España S.L.

SWEDEN

-Hewlett-Packard Sverige AB

SWITZERLAND

-Hewlett Packard Enterprise B.V., Amstelveen, Meyrin Branch

-Hewlett-Packard International Sàrl

-Hewlett-Packard (Schweiz) GmbH

TAIWAN

-Hewlett Packard Taiwan Ltd.

TANZANIA

-Hewlett-Packard (Tanzania) Limited

THAILAND

-Hewlett-Packard (Thailand) Limited

TURKEY

-Hewlett-Packard Teknoloji Çözümleri Limited Şirketi

UNITED ARAB EMIRATES

-Hewlett-Packard Middle East FZ-LLC

UNITED STATES

DELAWARE

-3Com International, Inc.

-3PAR Inc.

- Aruba Networks, Inc.

-Cloud Technology Partners, Inc.

-EDS World Corporation (Far East) LLC

-Hewlett-Packard Bermuda Enterprises, LLC

-Hewlett-Packard Financial Services Company

-Hewlett-Packard Luxembourg Enterprises, LLC

-HP Financial Services International Holdings Company

-HPE Government, LLC

-HPFS Global Holdings I, LLC

-HPFS Global Holdings II, LLC

-Nimble Storage, Inc.

VENEZUELA

-Hewlett-Packard Venezuela, S.R.L.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-207671) pertaining to the Hewlett Packard Enterprise Company 2015 Stock Incentive Plan and the Hewlett Packard Enterprise Company 2015 Employee Stock Purchase Plan,

(2) Registration Statement (Form S-8 No. 333-207679) pertaining to the Hewlett Packard Enterprise Executive Deferred Compensation Plan and the Hewlett Packard Enterprise Grandfathered Executive Deferred Compensation Plan,

(3) Registration Statement (Form S-8 No. 333-207680) pertaining to the Hewlett Packard Enterprise 401(k) Plan,

(4) Registration Statement (Form S-8 No. 333-214845) pertaining to the Silicon Graphics International Corp. 2005 Equity Incentive Plan, 2005 Non-Employee Directors' Stock Options Plan, 2006 New Recruit Equity Incentive Plan, and the 2014 Omnibus Incentive Plan,

(5) Registration Statement (Form S-4 No. 333-214570) of Hewlett Packard Enterprise Company,

(6) Registration Statement (Form S-8 No. 333-216481) pertaining to the Niara, Inc. 2013 Equity Incentive Plan,

(7) Registration Statement (Form S-8 No. 333-217152) pertaining to the Hewlett Packard Enterprise Company 2015 Stock Incentive Plan, Silicon Graphics International Corp. 2014 Omnibus Incentive Plan, as amended, Silicon Graphics International Corp. 2006 New Recruit Equity Incentive Plan, as amended and restated, Silicon Graphics International Corp. 2005 Equity Incentive Plan, as amended, Silicon Graphics International Corp. 2005 Non-Employee Directors' Stock Option Plan, and Niara, Inc. 2013 Equity Incentive Plan,

(8) Registration Statement (Form S-8 No. 333-217349) pertaining to the Nimble Storage, Inc. 2008 Equity Incentive Plan, as amended, and Nimble Storage, Inc. 2013 Equity Incentive Plan, as amended and restated,

(9) Registration Statement (Form S-8 No. 333-217438) pertaining to the Simplivity Corporation 2009 Stock Plan,

(10) Registration Statement (Form S-8 No. 333-221254) pertaining to the Cloud Technology Partners, Inc. 2011 Equity Incentive Plan, as amended,

(11) Registration Statement (Form S-8 No. 333-226181) pertaining to the Plexxi, Inc. 2011 Stock Plan, and

(12) Registration Statement (Form S-8 ASR No. 333-222102) of Hewlett Packard Enterprise Company,

of our reports dated December 12, 2018, with respect to the consolidated financial statements of Hewlett Packard Enterprise Company and the effectiveness of internal control over financial reporting of Hewlett Packard Enterprise Company, included in this Annual Report (Form 10-K) for the year ended October 31, 2018.

/s/ Ernst & Young LLP

San Jose, California

December 12, 2018

Exhibit 31.1

CERTIFICATION

I, Antonio F. Neri, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hewlett Packard Enterprise Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2018

/s/ ANTONIO F. NERI

Antonio F. Neri
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Tarek A. Robbiati, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hewlett Packard Enterprise Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 12, 2018

/s/ TAREK A. ROBBIATI

Tarek A. Robbiati
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 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

I, Antonio F. Neri, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Hewlett Packard Enterprise Company for the fiscal year ended October 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hewlett Packard Enterprise Company.

December 12, 2018

/s/ ANTONIO F. NERI

By: Antonio F. Neri
President and Chief Executive Officer

I, Tarek A. Robbiati, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Hewlett Packard Enterprise Company for the fiscal year ended October 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hewlett Packard Enterprise Company.

December 12, 2018

/s/ TAREK A. ROBBIATI

By: Tarek A. Robbiati
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Hewlett Packard Enterprise Company and will be retained by Hewlett Packard Enterprise Company and furnished to the Securities and Exchange Commission or its staff upon request.