# 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, 2017**
**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 $30,672,608,482 based on the last sale price of common stock on April 30, 2017.

The number of shares of Hewlett Packard Enterprise Company common stock outstanding as of November 30, 2017 was 1,593,885,581 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

| DOCUMENT DESCRIPTION | 10-K PART |
|---|---|
| Portions of the Registrant's proxy statement related to its 2018 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A within 120 days after Registrant's fiscal year end of October 31, 2017 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, 2017**

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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, 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 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 an industry leading technology company that enables customers to go further, faster. With a deep and comprehensive portfolio, spanning the cloud to the data center to the intelligent edge, our technology and services help customers around the world deliver business outcomes. 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 ("HP 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 common stock owned by HP Inc. to its shareholders on November 1, 2015. Holders of HP Inc. common stock received one share of Hewlett Packard Enterprise stock for every share of HP Inc. stock held as of the record date. As a result of the spin-off, we now operate as an independent, publicly traded company.

*Enterprise Services Separation Transaction*

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 our Enterprise Services business to Everett and distributed all of the shares of Everett to HPE stockholders. 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. Following the distribution, 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”).

*Software Segment Separation Transaction*

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 our Software business segment to Seattle and distributed all of the shares of Seattle to HPE stockholders. 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. Following the share distribution, 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 and Combined 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 will architect a purpose-built company designed to compete and win in the markets where we participate. Through this initiative, we will simplify our operating model and the way we work. We will streamline 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.

We expect to achieve gross cost savings of $1.5 billion exiting fiscal 2020. After investing approximately $700 million of the gross savings back into the business, we expect to achieve annual run-rate net cost savings of approximately $800 million exiting fiscal 2020.

**Our Strategy**

HPE’s strategy is based on three key pillars:

First, we make Hybrid IT simple through secure, software-defined offerings that enable customers to move data seamlessly across their on-premises data centers, private cloud, managed cloud and public cloud environments. HPE has a deep portfolio of technology solutions to enable the right mix of Hybrid IT to drive the business outcomes our customers are looking for. Our portfolio includes industry standard servers, hyperconverged offerings, high performance compute, composable infrastructure, all-flash storage, networking, private cloud and multi-cloud management software. Equally important to enabling the right mix of Hybrid IT are our partnerships with other leading technology companies.

Second, we power the intelligent edge that runs campus, branch and Internet of Things ("IoT") applications. We provide the technology that enables deeply connected digital workplaces, intelligently monitored operations and transformative customer experiences for our enterprise customers. Our market-leading portfolio includes software-defined, secure, wireless and wired networking technology and innovative converged systems that combine compute, control, data acquisition, and iLO systems management, specifically designed for industrial IoT environments.

Third, we provide world-class expertise and flexible consumption models to help customers transform their IT environments. HPE’s Pointnext technology services organization provides the expertise and financial services support customers need. Pointnext draws on the expertise of more than 25,000 specialists worldwide to support customers across Advisory and Transformation Services, Professional Services and Operational 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 IoT.

**Our Business Segments, Products and Services**

We organize our business into the following three segments:

- *Enterprise Group.* Our Enterprise Group ("EG") provides secure, software-defined technology and services that enable customers to move data seamlessly across their hybrid IT environments and power the intelligent edge that runs campus, branch and IoT applications.
- *Financial Services.* Financial Services ("FS") enables flexible IT consumption models, financial architectures and customized investment solutions for our customers.
- *Corporate Investments.* 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 and Combined 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."

***Enterprise Group***

EG provides a broad portfolio of enterprise technology solutions and services including secure, software-defined servers, storage and networking, as well as technology services.

*Servers.* 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. 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.* Our storage offerings include platforms for enterprise and small- and medium-size business ("SMB") environments. Our key products include Nimble Storage and the 3PAR StoreServ Storage Platform, which are designed for virtualization, cloud and IT-as-a-service. Traditional Storage solutions include tape, storage networking and legacy external disk products, such as EVA and XP. Converged Storage solutions include 3PAR StoreServ, StoreOnce and StoreVirtual products.

These offerings enable our customers to optimize their existing storage systems, build new virtualization solutions and facilitate their transition to cloud computing.

*Networking.* Our networking offerings include HPE and Aruba branded software-defined switches, routers, wireless local area network ("WLAN"), network virtualization, security, location-based services, and network management products that deliver open, scalable, secure, agile, and consistent solutions that span the data center, campus and branch environments.

*Technology Services.* Technology Services creates preferred IT experiences that power a digital business. The Technology Services 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. Technology Services is also a provider of on-premises flexible consumption models that enable IT agility, simplify operations and align costs to business value. Technology Services offerings comprise HPE Pointnext, which includes Data Center Care, Proactive Care and Technology Consulting, as well as Aruba Services, and Communications and Media Solutions.

***Financial Services***

FS provides flexible investment solutions for our customers—such as leasing, financing, IT consumption and utility programs—and asset management services that facilitate unique technology deployment models and the acquisition of complete IT solutions, including hardware, software and services from us and others. In order to provide flexible services and capabilities that support the entire IT life cycle, FS partners with our 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 for SMBs and educational and governmental entities.

***Corporate Investments***

Corporate Investments includes Hewlett Packard Labs and certain cloud-related 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.

*Multiyear 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 cyber security 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 Chief Executive Officer, Margaret C. Whitman and our President, Antonio Neri, who have proven experience in developing transformative business models, building global brands and driving sustained growth and expansion in the technology industry. Ms. Whitman's experience includes her leadership of HP Co. for four years prior to the Separation and her prior ten years as Chief Executive Officer of eBay Inc. Mr. Neri's experience includes over 20 years combined at HPE and HP Co., in various leadership positions. Our senior management team has over 100 collective 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 will reduce 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 to serve our customers, we will reduce the number of active configurations through our HPE Next initiative. 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 or 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 and Combined Financial Statements in Item 8 of Part II. Approximately 66% of our overall net revenue in fiscal 2017 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 and Combined 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 $ 1.5 billion in fiscal 2017, $ 1.7 billion in fiscal 2016 and $ 1.7 billion in fiscal 2015. 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 11,000 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, periodically 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:

*Enterprise Group.* EG operates in the highly competitive enterprise technology 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.

*Financial Services.* In our financing business, our competitors are captive financing companies, mainly 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 the chemical and materials composition of our products, 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 66,000 employees as of October 31, 2017.

**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:

**Margaret C. Whitman; age 61; Chief Executive Officer**

Ms. Whitman has served as Chief Executive Officer of Hewlett Packard Enterprise since June 2017. Prior to that, Ms. Whitman served as President and Chief Executive Officer from November 2015 to June 2017. Prior to that, Ms. Whitman served as President, Chief Executive Officer, and Chairman of HP Co. from July 2014 to November 2015 and President and Chief Executive Officer of HP Co. from September 2011 to November 2015. From March 2011 to September 2011, Ms. Whitman served as a part-time strategic advisor to Kleiner Perkins Caufield & Byers, a private equity firm. Previously, Ms. Whitman served as President and Chief Executive Officer of eBay Inc., an online marketplace, from 1998 to 2008. Ms. Whitman also serves as a director of The Procter & Gamble Company, a consumer goods company, and of DXC Technology Company, an IT services company, and is a former director of both Zipcar, Inc., a car sharing service, and HP Inc.

**Antonio Neri; age 50; President**

Mr. Neri has served as President at Hewlett Packard Enterprise since June 2017. 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. On November 21, 2017, HPE announced that Mr. Neri was appointed to serve as President and Chief Executive Officer of HPE effective February 1, 2018.

**Henry Gomez; age 54; Executive Vice President, Chief Marketing and Communications Officer**

Mr. Gomez has served as Executive Vice President and Chief Marketing and Communications Officer of Hewlett Packard Enterprise since November 2015. Prior to that, Mr. Gomez performed a similar role at HP Co. from August 2013 to November 2015. Previously, he served as Chief Communications Officer and Executive Vice President of HP Co. from January 2012 to July 2013. Prior to that, he ran HSG Communications, a consulting business that he founded in September 2008. He also served on the leadership team of Ms. Whitman's gubernatorial campaign from February 2009 to November 2010. From September 2011 to September 2013 he served as a director of BJ's Restaurants, Inc., a food service company.

**Kirt P. Karros; age 48; 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 59; 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.

**Jeff T. Ricci; age 56; 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.

**John F. Schultz; age 53; 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.

**Timothy C. Stonesifer; age 50; Executive Vice President and Chief Financial Officer**

Mr. Stonesifer has served as Executive Vice President and Chief Financial Officer at Hewlett Packard Enterprise since November 2015. Prior to that, Mr. Stonesifer acted as Senior Vice President and Chief Financial Officer, Enterprise Group at HP Co. from February 2014 to November 2015. Before joining HP Co., he served as Chief Financial Officer of General Motors International Operations, an automotive company, from May 2011 to January 2014. Previously, he served as Chief Financial Officer of Alegco Scotsman, a storage company, from June 2010 to May 2011. Prior to that, Mr. Stonesifer served as Chief Financial Officer of Sabic Innovative Plastics (formerly GE Plastics) from August 2007 to June 2010 after having served in various other positions at General Electric since joining the company in 1989.

**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 and Combined 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, 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 66% of our net revenue in fiscal 2017. 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 generated or held abroad in a tax-efficient manner, and changes in tax laws; and
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

The factors described above also could disrupt our product and component manufacturing and key suppliers located outside of the United States. For example, we rely on 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 (such as dynamic random-access memory (“DRAM”) which increased in price significantly during fiscal 2017) 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 earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics or pandemics and other natural or manmade disasters or catastrophic events, for which we are predominantly self-insured. The occurrence of any of these business disruptions could result in significant losses, seriously harm our revenue, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters and a portion of our research and development activities are located in California, and other critical business operations and some of our suppliers are located in California and Asia, near major earthquake faults known for seismic activity. In addition, our principal worldwide IT data centers are located in the southern United States, making our operations more vulnerable to natural disasters or other business disruptions occurring in that geographical area, 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 locations more vulnerable to the occurrence of the aforementioned business disruptions, such as near major earthquake faults, and being consolidated in certain geographical areas is unknown and remains uncertain.

***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 cancelled. 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.

***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 May 2015, we acquired Aruba Networks, Inc., which provides next-generation network access solutions for mobile enterprise. 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 2012 Plan and the 2015 Plan (each as defined below), and the HPE Next initiative, 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 and Combined 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, either of which could result in costly product redesign efforts, discontinuance of certain product offerings or other harm to our competitive position. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions we may be unable to protect our proprietary technology adequately against unauthorized third-party copying or use; this, too, could adversely affect our 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 also 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, 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.

***The allocation of intellectual property rights that was made between Hewlett Packard Enterprise and HP Inc. as part of the separation of the two entities, 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.

***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 and Combined 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 and Combined 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 19, "Litigation and Contingencies", to our Consolidated and Combined 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. In particular, if circumstances change such that we are unable to indefinitely reinvest our foreign earnings outside the United States, future income tax expense and payments may differ significantly from historical amounts and could materially adversely affect our results of operations. As of October 31, 2017, we had $12.0 billion of undistributed earnings from non-U.S. operations indefinitely reinvested outside of the United States. See Note 8, "Taxes on Earnings", to our Consolidated and Combined Financial Statements. The carrying value of our deferred tax assets, which are predominantly in the United States, is dependent on our ability to generate future taxable income in the United States. In addition, there are proposals for tax legislation that have been introduced or that are being considered that could have a significant effect on our tax rate, the carrying value of deferred tax assets, or our deferred tax liabilities. Any of these changes could affect our financial performance.

Potential U.S. tax reform could have a material effect on the taxation of our business. Recently, U.S. tax reform bills containing a wide variety of potential changes have been passed by each of the U.S. House of Representatives and the U.S. Senate. Certain changes to U.S. tax laws, specifically U.S. taxation on earnings from international business operations, the deductibility of certain costs, and the continuance of certain tax credits, if enacted, may materially impact our effective tax rate and the amount of taxes we pay.

***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 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 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 discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, the content of our products and the recycling, 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 materials composition of our products, their safe use, the energy consumption associated with those products, climate change laws and regulations and product take-back legislation. If we were to violate or become liable under environmental laws or if our products become non-compliant with environmental laws, we could incur substantial costs or face other sanctions, which may include restrictions on our products entering certain jurisdictions. Our potential exposure includes fines and civil or criminal sanctions, third-party property damage, personal injury claims and clean-up costs. Further, liability under some environmental laws relating to contaminated sites can be imposed retroactively, on a joint and several basis, and without any finding of noncompliance or fault. The amount and timing of costs to comply with environmental laws are difficult to predict.

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 is generally expected to qualify for tax-free treatment for us, Seattle SpinCo and Micro Focus, the acquisition of Seattle SpinCo by Micro Focus is expected to result 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 a private letter ruling from the IRS regarding certain matters impacting the U.S. federal income tax treatment of the completed separation of our former Enterprise Services business and certain related transactions as transactions that are generally tax-free for U.S. federal income tax purposes. The conclusions of the IRS private letter ruling 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, reliance on the IRS private letter ruling may be affected. Notwithstanding the foregoing, we incurred certain tax costs in connection with the completed separation of our former Enterprise Services business, including non-U.S. tax expenses resulting from the completed separation of our former Enterprise Services business 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 certain internal transactions undertaken in anticipation of the completed separation of our former Enterprise Services business 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 could incur significant U.S. federal income tax liabilities.

We have applied for a private letter ruling from the IRS regarding certain U.S. federal income tax matters relating to the Software Separation and certain related transactions as transactions that are generally tax-free for U.S. federal income tax purposes. The conclusions of the IRS private letter ruling will be 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 ruling may be affected. If the completed separation of our former Software Segment or certain internal transactions undertaken in anticipation of the completed separation of our former Software Segment are determined to be taxable for U.S. federal income tax purposes, or if we do not receive the private letter ruling concluding that the transactions are generally tax-free, we, our stockholders that are subject to U.S. federal income tax and/or Micro Focus could be subject to significant U.S. federal income tax liabilities. Notwithstanding the foregoing, we incurred certain tax costs in connection with the completed separation of our former Software Segment business, including non-U.S. tax expenses resulting from the completed separation of our former Software Segment business in multiple non-U.S. jurisdictions that do not legally provide for tax-free separations, which may be material.

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.

***Our historical financial information for periods prior to the Separation is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.***

The historical information about Hewlett Packard Enterprise relating to fiscal years prior to 2016 in this Form 10-K refers to our business as formerly operated by and integrated with our former Parent, and does not necessarily reflect the financial condition, results of operations or cash flows that we would have achieved as a separate, publicly traded company during the period presented or those that we will achieve in the future primarily as a result of the following factors, among others:

- Prior to the Separation, our business was operated by our former Parent as part of its broader corporate organization, rather than as an independent company. Our former Parent or one of its affiliates performed various corporate functions for us such as legal, treasury, accounting, internal auditing, human resources and corporate affairs, and also provided our IT and other corporate infrastructure. Our historical financial results reflect allocations of corporate expenses from our former Parent for such functions and are likely to be less than the expenses we would have incurred had we operated as a separate publicly traded company.
- Historically, when we were integrated with the other businesses of our former Parent, we shared economies of scope and scale in costs, employees, vendor relationships and customer relationships. Although we have entered into certain agreements (including a transition services agreement) with HP Inc. in connection with the Separation, these arrangements may not fully capture the benefits that we enjoyed as a result of being integrated with our former Parent and may result in us paying higher charges than in the past for these services. This could have an adverse effect on our results of operations and financial condition in future periods.
- Generally, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, had been satisfied as part of the corporate-wide cash management policies of our former Parent prior to the Separation. In connection with the Separation, we have entered into certain financing arrangements described under the section entitled "Description of Material Indebtedness" as part of our transition to becoming a

standalone company. We may in the future need to obtain additional financing from banks, through public offerings or private placements of debt or equity securities, strategic relationships or other arrangements.

- The cost of capital for our business may be higher than our former Parent's cost of capital prior to the Separation.

Other significant changes have occurred and may occur in our cost structure, management, financing and business operations as a result of operating as a separate company. For additional information about the past financial performance of our business and the basis of presentation of the historical consolidated and combined financial statements of our business, see "Consolidated and Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical Consolidated and Combined Financial Statements and accompanying notes included elsewhere in this Form 10-K.

***The Separation and Distribution Agreement that we entered into with our former Parent may limit our ability to compete in certain markets and may impose limitations on our recruiting efforts for a period of time following the Separation.***

The Separation and Distribution Agreement includes non-compete provisions pursuant to which we generally agree to not compete with HP Inc. in certain product and service categories that comprise the HP Inc. business, including personal computers and printers, worldwide for three years from the distribution date. Such restrictions are subject to certain exceptions set forth in the Separation and Distribution Agreement. These restrictions may limit our ability to compete in certain markets, and could materially and adversely affect our business, financial condition and results of operations.

***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.

**ITEM 1B. Unresolved Staff Comments.**

None.

**ITEM 2. Properties.**

As of October 31, 2017 , we owned or leased approximately 19 million square feet of space worldwide, a summary of the space actively in use by the Company is provided below.

| | As of October 31, 2017 | | |
|---|---|---|---|
| | Owned | Leased | Total |
| | (Square feet in millions) | | |
| Administration and support | 6 | 7 | 13 |
| (Percentage) | 46% | 54% | 100% |
| Core data centers, manufacturing plants, research and development facilities, and warehouse operations | 1 | 1 | 2 |
| (Percentage) | 50% | 50% | 100% |
| Total [1] | 7 | 8 | 15 |
| (Percentage) | 47% | 53% | 100% |

(1) Excludes 4 million square feet of vacated space, of which 3 million square feet is leased to third parties.

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 EG segment.

In connection with the HPE Next initiative, we anticipate changes in our real estate portfolio over the next several years. These changes may include reductions in overall space, an increase in leased space as a percentage of total space, and the relocation of the Company's principal executive offices.

**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.

**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, Bellevue, Boise, Carrollton, Chippewa Falls, Colorado Springs, Durham, Fort Collins, Fremont, Houston, Milpitas, Palo Alto, Roseville, San Jose, Santa Clara, Sunnyvale

***Asia Pacific***

*China* —Shanghai
*India* —Bangalore, Chennai
*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 19, "Litigation and Contingencies", to the Consolidated and Combined 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 63,228 stockholders of record of Hewlett Packard Enterprise common stock as of November 30, 2017 . The high and low common stock sales prices per share for fiscal 2017 and 2016 were as follows:

| | Market Price Per Share | | | | Adjusted Market Price Per Share [3] | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| Fiscal Quarter | High | Low | High | Low | High | Low | High | Low |
| First quarter | $ 24.79 | $ 21.52 | $ 15.88 | $ 11.63 | $ 14.41 | $ 12.51 | $ 9.23 | $ 6.76 |
| Second quarter [1] | $ 24.88 | $ 17.31 | $ 18.55 | $ 12.02 | $ 14.57 | $ 12.78 | $ 10.78 | $ 6.98 |
| Third quarter | $ 19.16 | $ 16.37 | $ 21.90 | $ 15.38 | $ 14.86 | $ 12.70 | $ 12.73 | $ 8.94 |
| Fourth quarter [2] | $ 18.14 | $ 12.97 | $ 23.53 | $ 20.63 | $ 15.12 | $ 12.97 | $ 13.67 | $ 11.99 |

(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 and 2016 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 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 |

Dividends declared and paid per share by fiscal quarter in 2016 were as follows:

| | 2016 | | | |
|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 |
| Dividends declared | $ 0.110 | $ 0.055 | $ 0.055 | $ — |
| Dividends paid | $ 0.055 | $ 0.055 | $ 0.055 | $ 0.055 |

On October 16, 2017, our Board of Directors increased the regular quarterly cash dividend by 15% from $0.065 to $0.075 per share. 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

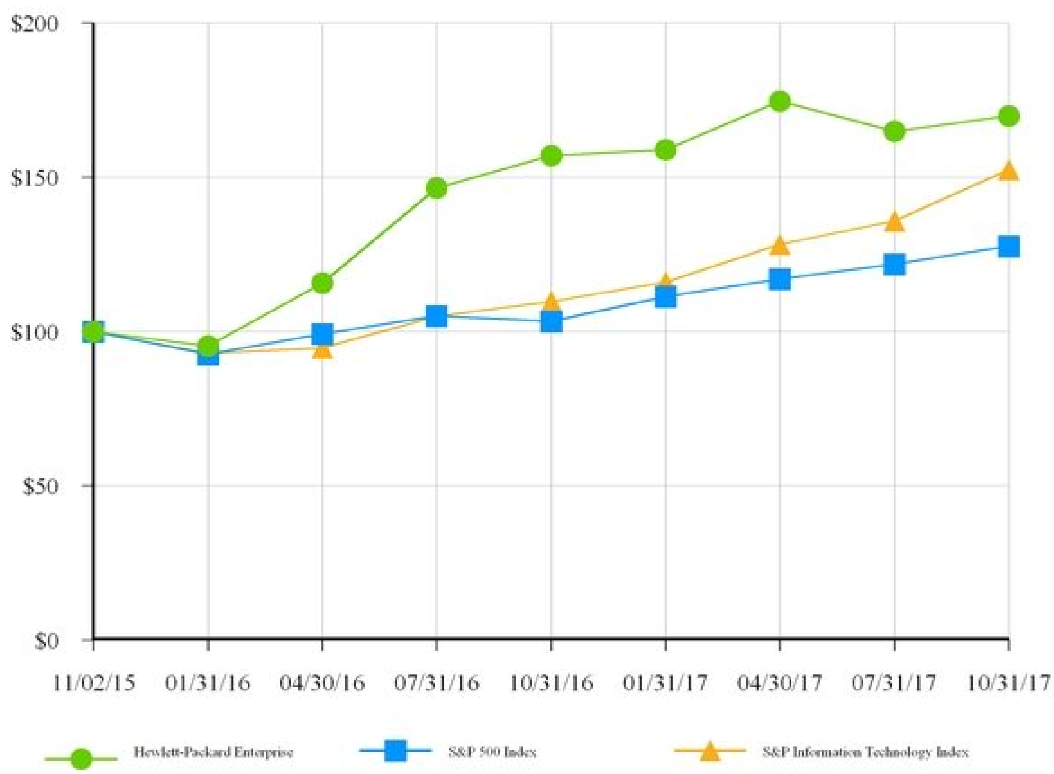
| Fourth Quarter of Fiscal 2017 | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs |
|---|---|---|---|---|
| | In thousands, except per share amounts | | | |
| Month #1 (August 2017) | 7,779 | $ 17.52 | 7,779 | $ 1,264,298 |
| Month #2 (September 2017) | 15,788 | $ 13.78 | 15,788 | $ 1,046,745 |
| Month #3 (October 2017) | 18,200 | $ 14.61 | 18,200 | $ 5,780,744 |
| **Total** | 41,767 | $ 14.84 | 41,767 | |

During the fiscal year ended October 31, 2017 , the Company repurchased and settled 136 million shares of the Company's common stock, which were retired and recorded as a $2.6 billion reduction to stockholders' equity.

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 and $5.0 billion on May 24, 2016 and October 16, 2017, respectively. As of October 31, 2017, the Company had a remaining authorization of $5.8 billion for future share repurchases. 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 2017 were open market repurchases. 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.

**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, 2017. 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 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 11/2015 | 1/2016 | 4/2016 | 7/2016 | 10/2016 | 1/2017 | 4/2017 | 7/2017 | 10/2017 |
| Hewlett Packard Enterprise | $ 100.00 | $ 95.30 | $ 115.78 | $ 146.51 | $ 157.00 | $ 158.90 | $ 174.73 | $ 164.86 | $ 169.80 |
| S&P 500 Index | $ 100.00 | $ 92.71 | $ 99.25 | $ 105.02 | $ 103.27 | $ 111.28 | $ 117.02 | $ 121.86 | $ 127.67 |
| S&P Information Technology Index | $ 100.00 | $ 92.88 | $ 94.74 | $ 104.96 | $ 109.74 | $ 116.00 | $ 128.24 | $ 135.90 | $ 152.49 |

**ITEM 6. Selected Financial Data.**

The following table presents selected consolidated and combined financial data, which should be read in conjunction with our Consolidated and Combined 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, 2017 , 2016 and 2015 , and the Balance Sheet data as of October 31, 2017 and 2016 set forth below are derived from our audited Consolidated and Combined Financial Statements included elsewhere in this Form 10-K. The Statement of Earnings data for fiscal year ended October 31, 2014 and the Balance Sheet data as of October 31, 2015 , are derived from our audited Consolidated and Combined Financial Statements that are not included in this Form 10-K. The Statement of Earnings data for fiscal year ended October 31, 2013 and the Balance Sheet data as of October 31, 2014 and 2013 are derived from our audited 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 and Combined Statements of Earnings, and to assets and liabilities of discontinued operations in its Consolidated and Combined Balance Sheets.

Prior to October 31, 2015, the Combined and Consolidated Statements of Earnings for the Company reflect allocations of general corporate expenses from former Parent 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 former Parent 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 and Combined 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, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| | In millions, except per share amounts | | | | |
| Statements of Earnings: | | | | | |
| Net revenue | $ 28,871 | $ 30,280 | $ 31,077 | $ 31,518 | $ 31,856 |
| Earnings from continuing operations [(1)] | $ 625 | $ 3,903 | $ 1,946 | $ 2,859 | $ 3,317 |
| Net earnings from continuing operations [(1)] | $ 436 | $ 3,237 | $ 2,640 | $ 2,249 | $ 3,063 |
| Net loss from discontinued operations | (92) | (76) | (179) | (601) | (1,012) |
| Net earnings | $ 344 | $ 3,161 | $ 2,461 | $ 1,648 | $ 2,051 |
| Net earnings (loss) per share | | | | | |
| Basic | | | | | |
| Continuing operations | $ 0.26 | $ 1.89 | $ 1.46 | $ 1.25 | $ 1.70 |
| Discontinued operations | (0.05) | (0.05) | (0.10) | (0.34) | (0.56) |
| Total basic net earnings per share | $ 0.21 | $ 1.84 | $ 1.36 | $ 0.91 | $ 1.14 |
| Diluted | | | | | |
| Continuing operations | $ 0.26 | $ 1.86 | $ 1.44 | $ 1.23 | $ 1.67 |
| Discontinued operations | (0.05) | (0.04) | (0.10) | (0.33) | (0.55) |
| Total diluted net earnings per share | $ 0.21 | $ 1.82 | $ 1.34 | $ 0.90 | $ 1.12 |
| Cash dividends declared per share | $ 0.26 | $ 0.22 | $ — | $ — | $ — |
| Basic shares outstanding [(2)] | 1,646 | 1,715 | 1,804 | 1,804 | 1,804 |
| Diluted shares outstanding [(2)] | 1,674 | 1,739 | 1,834 | 1,834 | 1,834 |
| Balance Sheets: | | | | | |
| At year-end: | | | | | |
| Total assets [(3)] | $ 61,406 | $ 79,629 | $ 79,862 | $ 64,626 | $ 67,157 |
| Long-term debt [(4)] | $ 10,182 | $ 12,168 | $ 14,679 | $ 104 | $ 213 |
| Total debt [(4)] | $ 14,032 | $ 15,693 | $ 15,353 | $ 968 | $ 1,039 |

(1) Earnings from continuing operations and net earnings from continuing operations include the following items:

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | In millions | | | | |
| Amortization of intangible assets | $ 321 | $ 272 | $ 229 | $ 260 | $ 343 |
| Restructuring charges | 417 | 417 | 197 | 375 | 302 |
| Transformation costs (5) | 359 | — | — | — | — |
| Disaster charges (6) | 93 | — | — | — | — |
| Acquisition and other related charges | 203 | 145 | 84 | 1 | 9 |
| Separation costs | 248 | 362 | 797 | — | — |
| Defined benefit plan settlement charges and remeasurement (benefit) | (64) | — | (7) | — | — |
| Gain on H3C and MphasiS divestitures | — | (2,420) | — | — | — |
| Tax indemnification adjustments (7) | 3 | (317) | — | — | — |
| Loss from equity interests (8) | 155 | 93 | — | — | — |
| Total charges before taxes | $ 1,735 | $ (1,448) | $ 1,300 | $ 636 | $ 654 |
| Adjustments for taxes | (348) | (537) | (386) | (52) | (136) |
| Valuation allowances, net, and separation taxes (9) | (215) | — | (1,296) | — | — |
| Tax settlements (7) | — | 647 | — | — | — |
| Total charges, net of taxes | $ 1,172 | $ (1,338) | $ (382) | $ 584 | $ 518 |

(2) For comparative purposes, the number of shares used to compute basic and diluted net earnings (loss) per share as of October 31, 2015 is also used for the calculation of net earnings (loss) per share for prior periods presented.

(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 2017, Transformation costs represent amounts incurred in connection with the HPE Next initiative and include costs related to labor and non-labor restructuring, program management costs and IT costs, partially offset by a gain on the sale of real estate.

(6) In fiscal 2017, Disaster charges represent amounts incurred in connection with damages sustained by the Company as a result of Hurricane Harvey.

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

(8) In fiscal 2017 and 2016, 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.

(9) In fiscal 2017, represents taxes related to the Everett and Seattle Transactions. This amount primarily includes 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 2017 to fiscal 2016.
- *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 2017 and fiscal 2016 to the prior-year periods. A discussion of the results of operations at the consolidated and combined 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 and Combined 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 and Combined Financial Statements. This discussion should be read in conjunction with our Consolidated and Combined Financial Statements and the related notes that appear elsewhere in this document.

*Former Parent Separation Transaction*

On November 1, 2015, HP Inc. spun-off Hewlett Packard Enterprise Company ("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.

*Enterprise Services Separation Transaction*

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. 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. Following the distribution, 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.

*Software Segment Separation Transaction*

On September 1, 2017, we completed the separation and merger of our Software business segment with Micro Focus (collectively, the “Seattle Transaction”). The Seattle Transaction was accomplished by a series of transactions among Micro Focus, HPE, Seattle SpinCo, Inc. (a wholly-owned subsidiary of HPE) ("Seattle"), and Seattle Merger Sub, Inc., an indirect wholly-owned subsidiary of Micro Focus ("Merger Sub"). We transferred the Software business segment to Seattle and distributed all of the shares of Seattle to HPE stockholders. 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. Following the share distribution, 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 and Combined Statements of Earnings, and to assets and liabilities of discontinued operations in our Consolidated Balance Sheets.

The following Overview, Results of Operations and Liquidity discussions and analysis compare fiscal 2017 to fiscal 2016 and fiscal 2016 to fiscal 2015, unless otherwise noted. The Capital Resources and Contractual and Other Obligations discussions present information as of October 31, 2017, 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 an industry leading technology company that enables customers to go further, faster. With a deep and comprehensive portfolio, spanning the cloud to the data center to the intelligent edge, our technology and services help customers around the world deliver business outcomes. 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 three segments for financial reporting purposes: the Enterprise Group ("EG"), Financial Services ("FS") and Corporate Investments. The following provides an overview of our key financial metrics by segment for fiscal 2017, as compared to fiscal 2016:

| | HPE Consolidated | Enterprise Group | Financial Services | Corporate Investments [3] |
|---|---|---|---|---|
| | Dollars in millions, except for per share amounts | | | |
| Net revenue [1] | $ 28,871 | $ 26,211 | $ 3,602 | $ 3 |
| Year-over-year change % | (4.7)% | (5.6) % | 12.9 % | (99.5)% |
| Earnings from continuing operations [2] | $ 625 | $ 2,707 | $ 304 | $ (142) |
| Earnings from continuing operations as a % of net revenue | 2.2 % | 10.3 % | 8.4% | NM |
| Year-over-year change percentage points | (10.7)pts | (2.5)pts | (2.1)pts | NM |
| Net earnings from continuing operations | $ 436 | | | |
| Net earnings per share | | | | |
| Basic net EPS from continuing operations | $ 0.26 | | | |
| Diluted net EPS from continuing operations | $ 0.26 | | | |

(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, separation costs, restructuring charges, transformation costs, acquisition and other related charges, amortization of intangible assets, defined benefit plan settlement charges and remeasurement (benefit), disaster charges, and gains from the divestitures of H3C and MphasiS.
(3) "NM" represents not meaningful.

Net revenue decreased by $1.4 billion, or 4.7% (decreased 4.1% on a constant currency basis), in fiscal 2017 as compared to fiscal 2016. The leading contributor to the net revenue decrease was a net revenue decline in EG due primarily to a decline in Servers revenue as a result of lower revenue from Tier-1 server sales and a decline in Networking revenue as a result of the divestiture of our controlling interest in the H3C Technologies and China-based Server, Storage and Technology Services businesses ("H3C divestiture") in May 2016. Gross margin was 30.1% ($8.7 billion) and 32.3% ($9.8 billion) for fiscal 2017 and 2016, respectively. The 2.2 percentage point decrease in gross margin was due primarily to lower gross margins in EG as a result of higher commodity costs, particularly dynamic random-access memory ("DRAM"), and competitive pressures affecting Servers and Storage, the impact of the H3C divestiture, particularly in Networking, and unfavorable currency fluctuatio ns. We continue to experience gross margin pressures resulting from increased commodity costs, particularly DRAM, and a competitive pricing environment across our hardware portfolio. Operating margin decreased by 10.7 percentage points in fiscal 2017 due primarily to gains associated with the H3C and MphasiS divestitures recorded in the prior-year period.

As of October 31, 2017, cash and cash equivalents were approximately $9.6 billion, representing a decrease of approximately $3.4 billion from the October 31, 2016 balance of approximately $13.0 billion. The decrease in cash and cash equivalents was due primarily to the following: debt payments of $3.8 billion, share repurchases and cash dividend payments of $3.0 billion, investments in property, plant and equipment, net of sales proceeds of $2.5 billion, and payments made in connection with business acquisitions of $2.2 billion, partially offset by cash dividends received from Everett and Seattle totaling $5.5 billion and proceeds from debt issuances of $2.3 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 EG face challenges as customers migrate to cloud-based offerings and reduce their purchases of hardware products. Demand for core server products and traditional storage has weakened and lower traditional compute and storage unit volume is impacting support attach opportunities in Technology Services ("TS") within the EG 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 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 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 will architect a purpose-built company designed to compete and win in the markets where we participate. Through this initiative, we will simplify our operating model and the way we work. We will streamline 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. For additional details on the HPE Next initiative, see Note 5, "HPE Next", to the Consolidated and Combined 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 and Combined 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 and Combined 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 and Combined 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 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 1.9% 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 fair 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 and Combined 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 and Combined 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 2017 :

| | Change in basis points | Change in Net Periodic Benefit Cost |
|---|---|---|
| | | In millions |
| Assumptions: | | |
| Discount rate | (25) | $ 28 |
| Expected increase in compensation levels | 25 | $ 6 |
| Expected long-term return on plan assets | (25) | $ 28 |

*Taxes on Earnings*

For fiscal 2015 and prior, current income tax liabilities related to entities which filed jointly with former Parent are assumed to be immediately settled with former Parent and are relieved through the former Parent company investment account and the Net transfers to former Parent in the Consolidated and Combined Statements of Cash Flows. Income tax expense and other income tax related information contained in our Consolidated and Combined Financial Statements are presented on a separate return basis as if we filed our own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if we were a separate taxpayer and a standalone enterprise for fiscal 2015. The calculation of our income taxes on a separate return basis required a considerable amount of judgment and use of both estimates and allocations. As of November 1, 2015, Hewlett Packard Enterprise Company was formally separated from former Parent; as such, any current income tax liabilities generated by Hewlett Packard Enterprise will be settled by Hewlett Packard Enterprise and no longer included with tax filings of former Parent.

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 for which we have not provided for U.S. federal taxes because we plan to reinvest such earnings indefinitely outside the U.S. We plan distributions of foreign earnings based on projected cash flow needs as well as the working capital and long-term investment requirements of our foreign subsidiaries and our domestic operations. Based on these assumptions, we estimate the amount we expect to indefinitely invest outside the U.S. and the amounts we expect to distribute to the U.S. and provide for the U.S. federal taxes due on amounts expected to be distributed to the U.S. Further, as a result of certain employment actions and capital investments we have undertaken, income from manufacturing activities in certain jurisdictions is subject to reduced tax rates and, in some cases, is wholly exempt from taxes for fiscal years through 2024. Material changes in our estimates of cash, working capital and long-term investment requirements in the various jurisdictions in which we do business could impact how future earnings are repatriated to the U.S., and our related future effective tax rate.

We are subject to income taxes in the U.S. and approximately 120 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 and Combined Financial Statements.

*Inventory*

We state our inventory at the lower of cost or market 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 and Combined 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. As of October 31, 2017, our reporting units were consistent with the reportable segments identified in Note 3, "Segment Information", to the Consolidated and Combined 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 2017 , did not result in any impairment charges. The excess of fair value over carrying amount for our reporting units ranged from approximately 32% for EG to approximately 37% for FS 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 value.

*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, 2017 , the gross notional amount of our derivative portfolio was $28.3 billion . Assets and liabilities related to derivative instruments are measured at fair value, and were $260 million and $477 million , respectively, as of October 31, 2017 .

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 and Combined 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 19, "Litigation and Contingencies", to the Consolidated and Combined 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, 2017 , 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 and Combined Financial Statements, see Note 1, "Overview and Summary of Significant Accounting Policies", to the Consolidated and Combined 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| | Dollars | % of Revenue | Dollars | % of Revenue | Dollars | % of Revenue |
| | Dollars in millions | | | | | |
| Net revenue | $ 28,871 | 100.0 % | $ 30,280 | 100.0 % | $ 31,077 | 100.0 % |
| Cost of sales | 20,177 | 69.9 % | 20,507 | 67.7 % | 21,013 | 67.6 % |
| Gross profit | 8,694 | 30.1 % | 9,773 | 32.3 % | 10,064 | 32.4 % |
| Research and development | 1,486 | 5.1 % | 1,714 | 5.7 % | 1,676 | 5.4 % |
| Selling, general and administrative | 5,006 | 17.3 % | 5,380 | 17.8 % | 5,142 | 16.5 % |
| Amortization of intangible assets | 321 | 1.1 % | 272 | 0.9 % | 229 | 0.7 % |
| Restructuring charges | 417 | 1.5 % | 417 | 1.3 % | 197 | 0.6 % |
| Transformation costs | 359 | 1.2 % | — | — | — | — |
| Disaster charges | 93 | 0.3 % | — | — | — | — |
| Acquisition and other related charges | 203 | 0.7 % | 145 | 0.5 % | 84 | 0.3 % |
| Separation costs | 248 | 0.9 % | 362 | 1.2 % | 797 | 2.6 % |
| Defined benefit plan settlement charges and remeasurement (benefit) | (64) | (0.2)% | — | — | (7) | — |
| Gain on H3C and MphasiS divestitures | — | — | (2,420) | (8.0)% | — | — |
| Earnings from continuing operations | 625 | 2.2 % | 3,903 | 12.9 % | 1,946 | 6.3 % |
| Interest and other, net | (327) | (1.1)% | (284) | (0.9)% | (9) | (0.1)% |
| Tax indemnification adjustments | (3) | — | 317 | 1.0 % | — | — |
| Loss from equity interests | (23) | (0.1)% | (76) | (0.3)% | (2) | — |
| Earnings from continuing operations before taxes | 272 | 1.0 % | 3,860 | 12.7 % | 1,935 | 6.2 % |
| Benefit (provision) for taxes | 164 | 0.5 % | (623) | (2.0)% | 705 | 2.3 % |
| Net earnings from continuing operations | 436 | 1.5 % | 3,237 | 10.7 % | 2,640 | 8.5 % |
| Net loss from discontinued operations | (92) | (0.3)% | (76) | (0.3)% | (179) | (0.6)% |
| Net earnings | $ 344 | 1.2 % | $ 3,161 | 10.4 % | $ 2,461 | 7.9 % |

*Net Revenue*

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

| | For the fiscal years ended October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | Percentage Points | |
| Enterprise Group | (5.2) | (2.4) |
| Financial Services | 1.4 | (0.1) |
| Corporate Investments/Other [1] | (0.9) | (0.1) |
| Total HPE | (4.7) | (2.6) |

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

*Fiscal 2017 compared with Fiscal 2016*

In fiscal 2017 , our total net revenue decreased 4.7% (decreased 4.1% on a constant currency basis). U.S. net revenue decreased 4.1% to $9.9 billion , while net revenue from outside of the U.S. decreased 5.0% to $19.0 billion .

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

- EG net revenue decreased due primarily to a decline in Servers revenue from Tier-1 server sales and a decline in Networking revenue as a result of the H3C divestiture in May 2016; 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.

*Fiscal 2016 compared with Fiscal 2015*

In fiscal 2016 , our total net revenue decreased 2.6% (flat on a constant currency basis) as compared to fiscal 2015 . U.S. net revenue increased 7.8% to $10.3 billion , while net revenue from outside of the U.S. decreased 7.2% to $19.9 billion .

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

- EG net revenue decreased due primarily to unfavorable currency fluctuations and the impact of the H3C divestiture in May 2016, which primarily impacted Networking and TS; and
- FS net revenue decreased due primarily to unfavorable currency fluctuations and lower asset management activity primarily as a result of lower fixed term renewals.

*Gross Margin*

*Fiscal 2017 compared with Fiscal 2016*

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

- EG gross margin decreased due primarily to higher commodity costs, particularly DRAM, competitive pricing pressures, the impact of the H3C divestiture, and unfavorable currency fluctuations; and
- FS gross margin decreased 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.

*Fiscal 2016 compared with Fiscal 2015*

Our gross margin decreased by 0.1 percentage points for fiscal 2016 compared with fiscal 2015 . From a segment perspective, the primary factors impacting gross margin performance are summarized as follows:

- EG gross margin decreased due primarily to unfavorable currency fluctuations and competitive pricing pressures; and
- FS gross margin increased due to lower bad debt expense, higher margins on remarketing sales and higher portfolio margins due to an increase in average portfolio assets.

*Operating Expenses*

Research and Development

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 within EG due to recent business acquisitions.

R&D expense increased by $ 38 million , or 2% , in fiscal 2016 as compared to fiscal 2015 , due primarily to an increase in R&D expense in Servers, partially offset by a decrease in R&D expense in Networking due to the H3C divestiture.

Selling, General and Administrative

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 recent business acquisitions.

SG&A expense increased by $ 238 million , or 5% , for fiscal 2016 as compared to fiscal 2015 , due primarily to increased expenses resulting from the Aruba acquisition in May 2015, partially offset by a decrease in expenses resulting from the H3C divestiture in May 2016.

Amortization of Intangible Assets

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, partially offset by certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods.

Amortization expense increased by $ 43 million , or 19% , in fiscal 2016 as compared to fiscal 2015 , due to the addition of intangible assets resulting from the Aruba acquisition, partially offset by certain intangible assets associated with prior acquisitions reaching the end of their respective amortization periods.

Restructuring Charges

Restructuring charges remained flat in fiscal 2017 as compared to fiscal 2016 , due primarily to continuing charges from the restructuring plan we announced in September 2015 (the "2015 Plan") in connection with the Separation, partially offset by lower charges from the multi-year restructuring plan initially announced in May 2012 (the "2012 Plan"). As of October 31, 2017, both the 2015 Plan and the 2012 Plan are substantially complete.

Restructuring charges increased by $ 220 million in fiscal 2016 as compared to fiscal 2015 , due primarily to higher charges from the 2015 Plan, partially offset by lower charges from the 2012 Plan.

Transformation Costs

During the third quarter of fiscal 2017, we launched the HPE Next initiative, through which we will simplify the organizational structure and redesign business processes. The HPE Next initiative is expected to be implemented through fiscal 2020, during which time we expect to incur expenses for workforce reductions ("HPE Next Plan"), to upgrade and simplify our IT infrastructure, and for other non-labor actions, partially offset by proceeds received from real estate sales. For fiscal 2017 , transformation costs of $ 359 million include restructuring charges related to the HPE Next Plan, program management costs and IT costs, partially offset by a gain from the sale of real estate.

Disaster Charges

During the fourth quarter of fiscal 2017, our facilities in Houston, Texas sustained significant damage as a result of Hurricane Harvey. We continue to evaluate the impact of Hurricane Harvey on the business and have filed a claim under our insurance program for property damage and other covered expenses . For fiscal 2017, we recorded $ 93 million in Disaster charges, which primarily represented our 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 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.

Acquisition and other related charges increased by $ 61 million in fiscal 2016 as compared to fiscal 2015 , due primarily to charges resulting from the divestiture of H3C, partially offset by lower charges from the acquisition of Aruba in fiscal 2015.

Separation Costs

Separation costs include costs resulting from the Separation in fiscal 2015 and costs resulting from the Everett and Seattle Transactions.

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.

Separation costs decreased by $435 million in fiscal 2016 as compared to fiscal 2015 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.

Defined benefit plan settlement charges and remeasurement (benefit) in fiscal 2015 was related to U.S. defined benefit plan settlement expense and net periodic benefit cost resulting from former Parent's voluntary lump sum program announced January 2015.

Gain on H3C and MphasiS Divestitures

The gain on these divestitures in fiscal 2016 resulted from the sale of 51% of our H3C Technologies and China-based server, storage and technology services businesses and the sale of our equity stake in MphasiS Limited.

*Interest and Other, Net*

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

Interest and other, net expense increased by $275 million in fiscal 2016 as compared to fiscal 2015 , due primarily to higher interest expense from higher average borrowings, partially offset by higher interest income.

*Tax Indemnification Adjustments*

Tax indemnification adjustments, representing a $ 3 million benefit in fiscal 2017 and a $ 317 million charge in fiscal 2016 , resulted from the potential 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.

*Loss from Equity Interests*

Loss from equity interests primarily represents our 49% interest in 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 is 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 (60.3)%, 16.1% and (36.4)% in fiscal 2017, 2016 and 2015, respectively. Our effective tax rate generally differs from the U.S. federal statutory rate of 35% due to favorable tax rates associated with certain earnings from our operations in lower tax jurisdictions throughout the world. The jurisdictions with favorable tax rates that had the most significant impact on our effective tax rate in the periods presented include Puerto Rico, China and Singapore. The Company plans to reinvest earnings of these jurisdictions indefinitely outside the U.S., and therefore have not provided for U.S. taxes on those indefinitely reinvested earnings.

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.

In fiscal 2015, we recorded $1.7 billion of net income tax benefits related to items unique to the year. These amounts primarily included $1.8 billion of income tax benefits due to the release of valuation allowances pertaining to certain U.S. deferred tax assets, $139 million of income tax benefits related to restructuring charges and separation costs, and $67 million of income tax benefits related to uncertain tax positions, the effects of which were partially offset by $486 million of income tax charges to record valuation allowances on certain foreign deferred tax assets and $229 million of income tax charges related to state tax impacts of the separation of deferred taxes under the Separate Return Method.

For a reconciliation of our effective tax rate to the U.S. federal statutory rate of 35% and further explanation of our provision for taxes, see Note 8, "Taxes on Earnings", to the Consolidated and Combined 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 and Combined 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.

***Enterprise Group***

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | Dollars in millions | | |
| Net revenue | $ 26,211 | $ 27,779 | $ 28,511 |
| Earnings from operations | $ 2,707 | $ 3,569 | $ 3,999 |
| Earnings from operations as a % of net revenue | 10.3% | 12.8% | 14.0% |

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 | |
| | 2017 | 2016 | 2015 | 2017 | 2016 |
| | Dollars in millions | | | | |
| Servers | $ 12,674 | $ 13,813 | $ 14,202 | (4.1) | (1.4) |
| Networking | 2,511 | 2,820 | 2,863 | (1.1) | (0.2) |
| Storage | 3,144 | 3,235 | 3,180 | (0.3) | 0.2 |
| Technology Services | 7,882 | 7,911 | 8,266 | (0.1) | (1.2) |
| Total Enterprise Group | $ 26,211 | $ 27,779 | $ 28,511 | (5.6) | (2.6) |

*Fiscal 2017 compared with Fiscal 2016*

EG net revenue decreased by $1,568 million, or 5.6% (decreased 4.9% on a constant currency basis), in fiscal 2017. The decrease was due primarily to a decline in Servers revenue as a result of a revenue decline of $1,314 million from Tier-1 server sales and a decline in Networking as a result of the H3C divestiture in May 2016, which contributed $809 million in EG 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. EG continues to experience revenue growth challenges due to market trends, including the shift of workloads to cloud deployment models, emergence of software-defined architectures, growth in IT consumption models, and a highly competitive pricing environment.

Servers net revenue decreased by $1,139 million, or 8%, due primarily to a decline in revenue from industry standard servers and Mission-Critical Servers ("MCS"). The decline in industry standard servers 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. Industry standard servers unit volumes decreased by 13%, while average unit prices ("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.

Networking net revenue decreased by $309 million, or 11%, due primarily to the H3C divestiture, which contributed $620 million of revenue in the prior-year period, partially offset by growth in the Aruba wireless local area network ("WLAN") and campus switching products.

Storage net revenue decreased by $91 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.

TS net revenue decreased by $29 million, or remained flat, due primarily to the impact of the H3C divestiture, which represented $170 million of revenue in the prior-year period, which was largely offset by revenue from SGI and growth in the HPE Data Center Care and HPE Proactive Care support solutions.

EG earnings from operations as a percentage of net revenue decreased by 2.5 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 Servers and Storage, the impact of the H3C divestiture, particularly in Networking, and unfavorable currency fluctuations, which was partially offset by improved gross margin from a lower mix of Tier-1 server sales revenue, lower variable compensation expense and a higher mix of revenue from Aruba products. 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 $279 million of expense in the prior year, and lower variable compensation expense, which was partially offset by increased expenses as a result of our recently acquired businesses.

*Fiscal 2016 compared with Fiscal 2015*

EG net revenue decreased by $732 million, or 2.6% (flat on a constant currency basis), in fiscal 2016. The decrease in EG net revenue was due primarily to unfavorable currency fluctuations, led by the euro, and the impact of the H3C divestiture, which impacted each of the EG business units, primarily Networking and TS.

Servers net revenue decreased by $389 million, or 3%, due to unfavorable currency fluctuations and a decrease in unit volumes, partially offset by higher AUPs. The decrease in unit volumes was primarily in the tower and rack product categories within industry standard servers, due to market softness in the enterprise and small and medium business market sectors. The increase in AUPs was experienced across each of the industry standard servers product portfolio, resulting from increased option attach activity.

Networking net revenue decreased by $43 million, or 2%, due to lower revenues resulting from the H3C divestiture, partially offset by revenue growth in our Aruba WLAN products.

Storage net revenue increased by $55 million, or 2%, or as a result of growth in Converged Storage solutions led by higher revenue from our 3PAR All-Flash Array products, partially offset by unfavorable currency fluctuations and a decline in traditional storage products.

TS net revenue decreased by $355 million, or 4%, due primarily to unfavorable currency fluctuations, the impact of the H3C divestiture and the discontinuation of support service attach revenue from hardware products sold by former Parent. Partially offsetting the TS revenue decline was growth in HPE Data Center Care and HPE Proactive Care support solutions.

EG earnings from operations as a percentage of net revenue decreased by 1.2 percentage points in fiscal 2016 as a result of a decrease in gross margin and an increase in operating expenses as percentage of net revenue. The gross margin decrease was due primarily to unfavorable currency fluctuations and competitive pricing pressures, partially offset by improved gross margins in Networking from Aruba and higher option attach rates in Servers. The increase in operating expenses as a percentage of net revenue was due primarily to higher administrative expenses and R&D investments, partially offset by favorable currency fluctuations and the impact of the H3C divestiture.

***Financial Services***

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | Dollars in millions | | |
| Net revenue | $ 3,602 | $ 3,190 | $ 3,216 |
| Earnings from operations | $ 304 | $ 336 | $ 349 |
| Earnings from operations as a % of net revenue | 8.4% | 10.5% | 10.9% |

As a result of the Everett Transaction, during the second quarter of fiscal 2017, the Company converted certain capital lease arrangements with the former ES segment to operating leases, which resulted in higher net equipment under operating leases. Additionally, leasing transactions with the former ES segment were treated as intercompany leases and eliminated in consolidation until the close of the transaction on April 1, 2017, when they became third party leases held with DXC.

*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 2.1 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.

*Fiscal 2016 compared with Fiscal 2015*

FS net revenue decreased by $26 million, or 0.8% (increased 2.3% on a constant currency basis), in fiscal 2016 due primarily to unfavorable currency fluctuations and lower asset management activity, primarily as a result of lower fixed-term renewals, partially offset by higher portfolio revenue due to an increase in average portfolio assets.

FS earnings from operations as a percentage of net revenue decreased by 0.4 percentage points in fiscal 2016 due primarily to an increase in operating expenses as a percentage of net revenue, partially offset by an increase in gross margin. The increase in gross margin was the result of lower bad debt expense, higher margins on remarketing sales and higher portfolio margins due to an increase in average portfolio assets, partially offset by lower margins on lease extensions and unfavorable currency fluctuations. Operating expenses as a percentage of net revenue increased primarily as a result of higher IT expenses.

*Financing Volume*

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Total financing volume | $ 6,085 | $ 6,478 | $ 6,504 |

Financing volume, which represents the amount of financing provided to customers for equipment and related software and services, including intercompany activity, decreased 6.1% in fiscal 2017 and decreased 0.4% in fiscal 2016. The decrease in fiscal 2017 was primarily driven by lower financing volume associated with third-party and HPE product sales and related service offerings, along with unfavorable currency fluctuations. The decrease in fiscal 2016 was driven by unfavorable currency fluctuations, partially offset by higher financing volume associated with third-party product sales and related services offerings.

*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 and Combined Financial Statements.

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

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | Dollars in millions | |
| Financing receivables, gross | $ 7,844 | $ 8,033 |
| Net equipment under operating leases | 4,413 | 3,333 |
| Capitalized profit on intercompany equipment sales [(1)] | 656 | 612 |
| Intercompany leases [(1)] | 115 | 975 |
| Gross portfolio assets | 13,028 | 12,953 |
| Allowance for doubtful accounts [(2)] | 86 | 89 |
| Operating lease equipment reserve | 49 | 45 |
| Total reserves | 135 | 134 |
| Net portfolio assets | $ 12,893 | $ 12,819 |
| Reserve coverage | 1.0% | 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 $11.2 billion and $11.4 billion at October 31, 2017 and October 31, 2016, 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, 2017 and October 31, 2016 was $1.6 billion.

The decrease in financing receivables, gross and the corresponding increase in net equipment under operating leases during the fiscal year ended October 31, 2017 is due primarily to the conversion of capital leases to operating leases related to the Everett Transaction. Intercompany leases decreased during the fiscal year ended October 31, 2017 as a result of the Everett Transaction, as leasing transactions with the former ES segment were treated as intercompany leases and eliminated in consolidation until the close of the transaction. As of April 1, 2017, these leases became third party leases held with DXC.

At October 31, 2017 and 2016, FS net cash and cash equivalents and short-term investments were $873 million and $607 million, respectively.

Net portfolio assets at October 31, 2017 increased 0.6% from October 31, 2016. The increase generally resulted from favorable currency fluctuations led by strength in the euro, partially offset by portfolio runoff in excess of new financing volume.

FS bad debt expense includes charges to reserves for sales-type, direct-financing and operating leases. FS recorded net bad debt expense of $45 million, $23 million and $46 million in fiscal 2017, 2016 and 2015, respectively.

*Corporate Investments*

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | Dollars in millions | | |
| Net revenue | $ 3 | $ 591 | $ 684 |
| Loss from operations | $ (142) | $ (240) | $ (271) |
| 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 the current and prior periods includes IP-related royalty revenue. Net revenue in the prior-year periods primarily represents revenue from the MphasiS product group, which was divested in the fourth quarter of fiscal 2016, as well as residual activity from certain cloud-related incubation projects. Corporate Investments net revenue decreased by 99% in fiscal 2017, as compared to the prior-year period, due to the absence of revenue from MphasiS, and by 14% in fiscal 2016, as compared to the prior-year period, due to a decline in revenue from MphasiS.

Corporate Investments loss from operations decreased by 41% in fiscal 2017 and 11% in fiscal 2016, as compared to the prior-year periods, respectively. The decline in loss from operations for fiscal 2017 was due to lower expenses in HP labs and certain cloud-related incubation activities, as well as the absence of operating expenses related to MphasiS. The decline in loss from operations for fiscal 2016 was due primarily to lower expenses associated with cloud-related incubation activities and HP Labs.

## 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, acquisitions, restructuring activities, transformation costs, remaining separation costs, 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. Most of the amounts held outside of the U.S. could be repatriated to the U.S. but, under current law, some would be subject to U.S. federal income taxes, less applicable foreign tax credits. Repatriation of some foreign earnings is restricted by local law. Except for foreign earnings that are considered indefinitely reinvested outside of the U.S., we have provided for the U.S. federal tax liability on these earnings for financial statement purposes. Repatriation could result in additional income tax payments in future years, including potentially with respect to U.S. tax reform. 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 and $5.0 billion on May 24, 2016 and October 16, 2017, respectively. As of October 31, 2017, we had a remaining authorization of $5.8 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 2017, we repurchased an aggregate of $2.6 billion of our stock as a result of our share repurchase program. For more information on our share repurchase program, refer to Note 17, "Stockholders' Equity", to the Consolidated and Combined Financial Statements in Item 8, which is incorporated herein by reference.

On April 1, 2017, we completed the Everett Transaction. In connection with this transaction, we received a $3.0 billion cash dividend payment from Everett. Everett funded the cash dividend payment from the issuance of approximately $3.5 billion of aggregate debt. The debt was retained by Everett at the close of the transaction.

On September 1, 2017, we completed the Seattle Transaction. In connection with this transaction, we received a $2.5 billion cash dividend payment from Seattle. Seattle funded the cash dividend payment from the issuance of $2.6 billion of debt. The debt was retained by Seattle at the close of the transaction.

During fiscal 2017, in connection with the Everett and Seattle Transactions, we transferred net cash of $711 million and $227 million to DXC and Micro Focus, respectively.

***Liquidity***

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

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | | In millions | |
| Cash and cash equivalents | $ 9,579 | $ 12,987 | $ 9,842 |
| Total debt | $ 14,032 | $ 15,693 | $ 15,353 |
| Available borrowing resources | $ 5,891 | $ 6,058 | $ 6,166 |

Our key cash flow metrics were as follows:

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | | In millions | |
| Net cash provided by operating activities | $ 889 | $ 4,958 | $ 3,661 |
| Net cash (used in) provided by investing activities | (4,907) | 419 | (5,413) |
| Net cash provided by (used in) financing activities | 610 | (2,232) | 9,275 |
| Net (decrease) increase in cash and cash equivalents | $ (3,408) | $ 3,145 | $ 7,523 |

*Operating Activities*

Net cash provided by operating activities decreased by $4.1 billion for fiscal 2017 as compared to fiscal 2016. The decrease was due primarily to a payment of $1.9 billion for pension funding in connection with the Everett Transaction and lower net earnings, partially offset by improvements in working capital management. Net cash provided by operating activities increased by $1.3 billion for fiscal 2016 as compared to fiscal 2015 due primarily to the impact of improvements in the cash conversion cycle and lower separation payments in fiscal 2016.

Our key working capital metrics were as follows:

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Days of sales outstanding in accounts receivable | 36 | 39 | 49 |
| Days of supply in inventory | 39 | 31 | 35 |
| Days of purchases outstanding in accounts payable | (102) | (89) | (79) |
| Cash conversion cycle | (27) | (19) | 5 |

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 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. For fiscal 2016, as compared to the prior-year period, the decrease in DSO was due to favorable early payment linearity and strong credit and collections management.

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 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. For fiscal 2016, as compared to the prior-year period, the decrease in DOS was due to lower inventory to support expected service levels, including key commodity buffer management.

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 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. For fiscal 2016, as compared to the prior-year period, the increase in DPO was due primarily to an extension of payment terms with our product suppliers and favorable purchasing linearity.

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 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. Net cash provided by investing activities increased by $5.8 billion in fiscal 2016 as compared to the prior-year period, due primarily to net proceeds of $3.2 billion from business divestitures and a decrease of $2.6 billion in cash payments made in connection with business acquisitions.

*Financing Activities*

Net cash provided by financing activities was $0.6 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 $2.2 billion in fiscal 2016 due primarily to cash utilization for repurchases of common stock and dividend payments. Cash flow from financing activities for fiscal 2015 primarily represents net transfers from former Parent and net payments on debt. As cash and the financing of our operations during that period has historically been managed by former Parent, the components of net transfers from former Parent include cash transfers to us from former Parent and payments by former Parent to settle our obligations. These transactions are considered to be effectively settled for cash at the time the transaction is recorded.

***Capital Resources***

*Debt Levels*

| | As of October 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| | Dollars in millions | | | | | |
| Short-term debt | $ | 3,850 | $ | 3,525 | $ | 674 |
| Long-term debt | $ | 10,182 | $ | 12,168 | $ | 14,679 |
| Weighted-average interest rate | | 3.8% | | 3.4% | | 3.0% |

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 April 28, 2017, we 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 have been allocated to the retired debt. These costs, along with the redemption price of $1.5 billion, resulted in an immaterial loss from a partial retirement of Senior Notes.

On September 20, 2017, we completed our debt offering of $1.1 billion aggregate principal amount of 2.100% notes due in 2019. The proceeds from this issuance were used to fund the repayment of the remaining $750 million outstanding principal amount of our 2.450% Senior Notes with an original maturity of October 5, 2017, and the repayment of the $350 million outstanding principal amount of our floating rate Senior Notes with an original maturity of October 5, 2017.

Outstanding borrowings decreased to $14.0 billion as of October 31, 2017, as compared to $15.7 billion at October 31, 2016, due primarily to the net redemption of $1.5 billion face value of the Senior Notes. During fiscal 2017, we issued $11.3 billion and repaid $11.2 billion of commercial paper.

There are two tranches of Senior Notes scheduled to mature in October 2018 with an aggregate face value of $2.9 billion. We expect to refinance these notes. For more information on our borrowings, see Note 15, "Borrowings", to the Consolidated and Combined Financial Statements in Item 8, which is incorporated herein by reference.

In connection with our separation capitalization plan, on October 9, 2015 we completed our offering of $14.6 billion of aggregate principal amount of Senior Notes. As intended, net proceeds of $14.5 billion from the Senior Notes offering were distributed to HP Inc. On December 30, 2016, we 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 are substantially identical to the terms of the previously unregistered Senior Notes, except that the new Notes are 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.

Our weighted-average interest rate reflects the effective interest rate on our borrowings prevailing during the period and reflects the effect of interest rate swaps. For more information on our interest rate swaps, see Note 14, "Financial Instruments", to the Consolidated and Combined Financial Statements in Item 8, which is incorporated herein by reference.

*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, 2017 and 2016, no borrowings were outstanding under the Credit Agreement.

*Available Borrowing Resources*

As of October 31, 2017, we had the following resources available to obtain short- or long-term financing if we need additional liquidity:

| | As of October 31, 2017 |
|---|---|
| | In millions |
| Commercial paper programs | $ 4,099 |
| Uncommitted lines of credit | $ 1,792 |

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

## CONTRACTUAL AND OTHER OBLIGATIONS

Our contractual and other obligations as of October 31, 2017, 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] | $ 13,318 | $ 3,020 | $ 4,146 | $ 1,394 | $ 4,758 |
| Interest payments on long-term debt [2] | 5,042 | 529 | 844 | 605 | 3,064 |
| Operating lease obligations (net of sublease rental income) | 944 | 186 | 266 | 176 | 316 |
| Purchase obligations and other [3] | 792 | 273 | 423 | 96 | — |
| Capital lease obligations (includes interest) | 90 | 5 | 17 | 13 | 55 |
| Total [4][5][6][7][8] | $ 20,186 | $ 4,013 | $ 5,696 | $ 2,284 | $ 8,193 |

(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, 2017 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 2018, we anticipate making contributions of $180 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 and Combined Financial Statements in Item 8, which is incorporated herein by reference.
(5) As of October 31, 2017 we expect future cash payments of approximately $1.2 billion in connection with our approved restructuring plans, which includes $0.7 billion expected to be paid in fiscal 2018 and $0.5 billion expected to be paid through fiscal 2021. 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 and Combined Financial Statements in Item 8, which is incorporated herein by reference.

(6) As of October 31, 2017, we had approximately $4.4 billion of recorded liabilities and related interest and penalties pertaining to uncertain tax positions. These liabilities and related interest and penalties include $125 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 and Combined 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. For more information on our general cross-indemnification, Tax Matters Agreement and other income tax matters with HP Inc., see Note 20, "Guarantees, Indemnifications and Warranties", to the Consolidated and Combined 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 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.

## 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 and Combined 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 2017 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, 2017 and 2016, 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, 2017 and 2016. 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 $39 million and $47 million at October 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016. 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 $43 million and $39 million at October 31, 2017 and 2016, 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**

We have audited the accompanying consolidated balance sheets of Hewlett Packard Enterprise Company and subsidiaries (the "Company") as of October 31, 2017 and 2016, and the related consolidated and combined statements of earnings, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended October 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hewlett Packard Enterprise Company and subsidiaries at October 31, 2017 and 2016, and the consolidated and combined results of their operations and their cash flows for each of the three years in the period ended October 31, 2017, 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), Hewlett Packard Enterprise Company and subsidiaries' internal control over financial reporting as of October 31, 2017, 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 15, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
San Jose, California
December 15, 2017

## Report of Independent Registered Public Accounting Firm

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

We have audited Hewlett Packard Enterprise Company and subsidiaries’ internal control over financial reporting as of October 31, 2017, 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). Hewlett Packard Enterprise Company and subsidiary’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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, Hewlett Packard Enterprise Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hewlett Packard Enterprise Company and subsidiaries as of October 31, 2017 and 2016, and the related consolidated and combined statements of earnings, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended October 31, 2017 of Hewlett Packard Enterprise Company and subsidiaries and our report dated December 15, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
San Jose, California
December 15, 2017

**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, 2017, 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, 2017. The effectiveness of Hewlett Packard Enterprise's internal control over financial reporting as of October 31, 2017 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 62 of this Annual Report on Form 10-K.

| /s/ MARGARET C. WHITMAN | /s/ TIMOTHY C. STONESIFER |
| --- | --- |
| Margaret C. Whitman<br>*Chief Executive Officer* | Timothy C. Stonesifer<br>*Executive Vice President and Chief Financial Officer* |
| December 15, 2017 | December 15, 2017 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Consolidated and Combined Statements of Earnings**

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions, except per share amounts | | |
| Net revenue: | | | |
| Products | $ 17,597 | $ 18,843 | $ 19,135 |
| Services | 10,878 | 11,073 | 11,581 |
| Financing income | 396 | 364 | 361 |
| Total net revenue | 28,871 | 30,280 | 31,077 |
| Costs and expenses: | | | |
| Cost of products | 12,715 | 13,040 | 13,294 |
| Cost of services | 7,197 | 7,218 | 7,479 |
| Financing interest | 265 | 249 | 240 |
| Research and development | 1,486 | 1,714 | 1,676 |
| Selling, general and administrative | 5,006 | 5,380 | 5,142 |
| Amortization of intangible assets | 321 | 272 | 229 |
| Restructuring charges | 417 | 417 | 197 |
| Transformation costs (1) | 359 | — | — |
| Disaster charges (2) | 93 | — | — |
| Acquisition and other related charges | 203 | 145 | 84 |
| Separation costs | 248 | 362 | 797 |
| Defined benefit plan settlement charges and remeasurement (benefit) (3) | (64) | — | (7) |
| Gain on H3C and MphasiS divestitures | — | (2,420) | — |
| Total costs and expenses | 28,246 | 26,377 | 29,131 |
| Earnings from continuing operations | 625 | 3,903 | 1,946 |
| Interest and other, net | (327) | (284) | (9) |
| Tax indemnification adjustments | (3) | 317 | — |
| Loss from equity interests (4) | (23) | (76) | (2) |
| Earnings from continuing operations before taxes | 272 | 3,860 | 1,935 |
| Benefit (provision) for taxes | 164 | (623) | 705 |
| Net earnings from continuing operations | 436 | 3,237 | 2,640 |
| Net loss from discontinued operations | (92) | (76) | (179) |
| Net earnings | $ 344 | $ 3,161 | $ 2,461 |
| Net earnings (loss) per share: (5) | | | |
| Basic | | | |
| Continuing operations | $ 0.26 | $ 1.89 | $ 1.46 |
| Discontinued operations | (0.05) | (0.05) | (0.10) |
| Total basic net earnings (loss) per share | $ 0.21 | $ 1.84 | $ 1.36 |
| Diluted | | | |
| Continuing operations | $ 0.26 | $ 1.86 | $ 1.44 |
| Discontinued operations | (0.05) | (0.04) | (0.10) |
| Total diluted net earnings (loss) per share | $ 0.21 | $ 1.82 | $ 1.34 |
| Cash dividends declared per share | $ 0.26 | $ 0.22 | $ — |
| Weighted-average shares used to compute net earnings (loss) per share: (5) | | | |
| Basic | 1,646 | 1,715 | 1,804 |
| Diluted | 1,674 | 1,739 | 1,834 |

(1) Represents amounts incurred in connection with the HPE Next initiative and includes costs related to labor and non-labor restructuring, program management costs and IT costs, partially offset by a gain on the sale of real estate.
(2) Represents amounts incurred in connection with damages sustained by the Company as a result of Hurricane Harvey.
(3) In fiscal 2017, represents adjustments to the net periodic pension cost resulting from remeasurements of Hewlett Packard Enterprise pension plans due to plan separations in connection with the separation and merger of Seattle SpinCo, Inc. with Micro Focus and Everett SpinCo, Inc. with Computer Sciences Corporation. In fiscal 2015, Defined benefit plan settlement charges and remeasurement (benefit), was related to U.S. defined benefit plan settlement expense and net periodic benefit cost resulting from former

Parent's voluntary lump sum program announced in January 2015.

(4) Primarily represents the Company’s ownership interest in the net earnings of H3C, which the Company records as an equity method investment.

(5) On November 1, 2015, HP Inc. (formerly Hewlett-Packard Company) distributed a total of 1.8 billion shares of Hewlett Packard Enterprise common stock to HP Inc. stockholders as of the record date, which is used in the computation of net earnings per share ("EPS") for the fiscal year ended October 31, 2015.

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

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Consolidated and Combined Statements of Comprehensive Income**

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| | In millions | | |
| Net earnings | $ 344 | $ 3,161 | $ 2,461 |
| Other comprehensive income (loss) before taxes: | | | |
| Change in net unrealized losses on available-for-sale securities: | | | |
| Net unrealized losses arising during the period | (8) | (4) | (10) |
| (Gains) losses reclassified into earnings | (4) | 3 | — |
| | (12) | (1) | (10) |
| Change in net unrealized (losses) gains on cash flow hedges: | | | |
| Net unrealized gains arising during the period | 46 | 226 | 481 |
| Net gains reclassified into earnings | (145) | (270) | (480) |
| | (99) | (44) | 1 |
| Change in unrealized components of defined benefit plans: | | | |
| Gains (losses) arising during the period | 944 | (1,777) | (382) |
| Amortization of actuarial loss and prior service benefit | 285 | 284 | 214 |
| Curtailments, settlements and other | 15 | (18) | 4 |
| Plans transferred from former Parent during the period | — | — | (2,607) |
| | 1,244 | (1,511) | (2,771) |
| Change in cumulative translation adjustment: | | | |
| Cumulative translation adjustment arising during the period | (14) | (154) | (198) |
| Release of cumulative translation adjustment as a result of H3C and MphasiS divestitures | — | 75 | — |
| | (14) | (79) | (198) |
| Other comprehensive income (loss) before taxes | 1,119 | (1,635) | (2,978) |
| (Provision) benefit for taxes | (145) | 51 | 211 |
| Other comprehensive income (loss), net of taxes | 974 | (1,584) | (2,767) |
| Comprehensive income (loss) | $ 1,318 | $ 1,577 | $ (306) |

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

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**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Consolidated Balance Sheets**

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions, except par value | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 9,579 | $ 12,987 |
| Accounts receivable | 3,073 | 3,151 |
| Financing receivables | 3,378 | 3,360 |
| Inventory | 2,315 | 1,720 |
| Assets held for sale (1) | 14 | — |
| Other current assets | 3,085 | 2,694 |
| Current assets of discontinued operations | — | 5,005 |
| Total current assets | 21,444 | 28,917 |
| Property, plant and equipment | 6,269 | 6,375 |
| Long-term financing receivables and other assets (2) | 12,600 | 10,476 |
| Investments in equity interests | 2,535 | 2,648 |
| Goodwill | 17,516 | 16,090 |
| Intangible assets | 1,042 | 675 |
| Non-current assets of discontinued operations | — | 14,448 |
| Total assets | $ 61,406 | $ 79,629 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Notes payable and short-term borrowings (2) | $ 3,850 | $ 3,525 |
| Accounts payable | 6,072 | 4,945 |
| Employee compensation and benefits | 1,156 | 1,253 |
| Taxes on earnings | 429 | 161 |
| Deferred revenue | 3,128 | 2,996 |
| Accrued restructuring | 445 | 256 |
| Other accrued liabilities | 3,844 | 3,717 |
| Current liabilities of discontinued operations | — | 5,676 |
| Total current liabilities | 18,924 | 22,529 |
| Long-term debt (2) | 10,182 | 12,168 |
| Other non-current liabilities | 8,795 | 8,874 |
| Non-current liabilities of discontinued operations | — | 4,540 |
| 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; 1,595 and 1,666 shares issued and outstanding at October 31, 2017 and October 31, 2016, respectively) | 16 | 17 |
| Additional paid-in capital | 33,583 | 35,248 |
| (Accumulated deficit) retained earnings | (7,238) | 2,782 |
| Accumulated other comprehensive loss | (2,895) | (6,599) |
| Total HPE stockholders' equity | 23,466 | 31,448 |
| Non-controlling interests of continuing operations | 39 | 40 |
| Non-controlling interests of discontinued operations | — | 30 |
| Total stockholders' equity | 23,505 | 31,518 |
| Total liabilities and stockholders' equity | $ 61,406 | $ 79,629 |

(1) During the fourth quarter of fiscal 2017, in connection with the HPE Next initiative, the Company determined that certain assets met the criteria to be classified as Assets held for sale. The Company expects these assets to be sold within the next twelve months.

(2) During the first quarter of fiscal 2017, the Company adopted ASU 2015-03, which simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability rather than an asset that is amortized. The Company adopted the standard retrospectively for the prior period presented.

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

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**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Consolidated and Combined Statements of Cash Flows**

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Cash flows from operating activities: | | | |
| Net earnings | $ 344 | $ 3,161 | $ 2,461 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 3,051 | 3,775 | 3,947 |
| Stock-based compensation expense | 428 | 558 | 565 |
| Provision for doubtful accounts | 34 | 61 | 52 |
| Provision for inventory | 95 | 171 | 155 |
| Restructuring charges [1] | 964 | 1,236 | 954 |
| Deferred taxes on earnings | (1,122) | (1,345) | (2,522) |
| Excess tax benefit from stock-based compensation | (143) | (20) | (100) |
| Gain on H3C and MphasiS divestitures | — | (2,420) | — |
| Loss from equity interests | 23 | 76 | 2 |
| Dividends received from equity investee [2] | 98 | — | — |
| Other, net | 543 | 195 | 374 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | 457 | 991 | 9 |
| Financing receivables | (462) | (301) | (393) |
| Inventory | (542) | 34 | (424) |
| Accounts payable | 992 | 66 | 868 |
| Taxes on earnings | (265) | 1,615 | 956 |
| Restructuring | (800) | (1,044) | (1,021) |
| Other assets and liabilities [3] | (2,806) | (1,851) | (2,222) |
| Net cash provided by operating activities | 889 | 4,958 | 3,661 |
| Cash flows from investing activities: | | | |
| Investment in property, plant and equipment | (3,137) | (3,280) | (3,344) |
| Proceeds from sale of property, plant and equipment | 679 | 450 | 380 |
| Purchases of available-for-sale securities and other investments | (45) | (656) | (243) |
| Maturities and sales of available-for-sale securities and other investments | 38 | 585 | 298 |
| Financial collateral posted | (686) | — | — |
| Financial collateral returned | 466 | — | — |
| Payments made in connection with business acquisitions, net of cash acquired | (2,202) | (22) | (2,644) |
| Proceeds from business divestitures, net [4] | (20) | 3,342 | 140 |
| Net cash (used in) provided by investing activities | (4,907) | 419 | (5,413) |
| Cash flows from financing activities: | | | |
| Short-term borrowings with original maturities less than 90 days, net | 18 | (71) | (39) |
| Proceeds from debt, net of issuance costs | 2,259 | 1,074 | 866 |
| Payment of debt | (3,783) | (833) | (1,077) |
| Settlement of cash flow hedge | 5 | 3 | — |
| Issuance of common stock under employee stock plans | 411 | 119 | — |
| Repurchase of common stock | (2,556) | (2,662) | — |
| Net transfers from former Parent | — | 491 | 9,440 |
| Net transfer of cash and cash equivalents to Everett | (711) | — | — |
| Net transfer of cash and cash equivalents to Seattle | (227) | — | — |
| Cash dividend from Everett [5] | 3,008 | — | — |
| Cash dividend from Seattle [6] | 2,500 | — | — |
| Restricted cash transfer [7] | (29) | — | — |
| Issuance of Senior Notes relating to Separation | — | — | 14,546 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Distribution of net proceeds of Senior Notes relating to Separation, to former Parent | | — | | — | | (14,529) |
| Cash dividends paid | | (428) | | (373) | | (32) |
| Excess tax benefit from stock-based compensation | | 143 | | 20 | | 100 |
| Net cash provided by (used in) financing activities | | 610 | | (2,232) | | 9,275 |
| (Decrease) increase in cash and cash equivalents | | (3,408) | | 3,145 | | 7,523 |
| Cash and cash equivalents at beginning of period | | 12,987 | | 9,842 | | 2,319 |
| Cash and cash equivalents at end of period | $ | 9,579 | $ | 12,987 | $ | 9,842 |
| **Supplemental cash flow disclosures:** | | | | | | |
| Income taxes paid, net of refunds | $ | 836 | $ | 656 | $ | 192 |
| Interest expense paid | $ | 415 | $ | 585 | $ | 291 |
| **Supplemental schedule of non-cash investing and financing activities:** | | | | | | |
| Net transfers of property, plant and equipment from former Parent | $ | — | $ | — | $ | 1,788 |
| Net assets transferred to Everett and Seattle | $ | 5,946 | $ | — | $ | — |

(1) For fiscal 2017, the amount includes $296 million of restructuring charges related to the HPE Next initiative, which is reported within Transformation costs in the Consolidated Statement of Earnings .

(2) Represents a cash dividend received from H3C as a return on investment.

(3) 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.

(4) For fiscal 2017, the amount represents a working capital adjustment payment made in connection with the divestiture of the Company's controlling interest in the H3C Technologies and China-based Server, Storage and Technology Services businesses ("H3C divestiture") in May 2016.

(5) 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.

(6) 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.

(7) 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 and Combined Financial Statements.

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

## Consolidated and Combined 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, 2014 | — | $ — | $ — | $ 39,024 | $ — | $ (2,248) | $ 36,776 | $ 396 | $ 37,172 |
| Net earnings | | | | 2,461 | | | 2,461 | | 2,461 |
| Other comprehensive loss | | | | | | (2,767) | (2,767) | | (2,767) |
| Comprehensive loss | | | | | | | (306) | | (306) |
| Net transfers from former Parent | | | | 11,594 | | | 11,594 | | 11,594 |
| Distribution of net proceeds of Senior Notes to former Parent | | | | (14,529) | | | (14,529) | | (14,529) |
| Changes in non-controlling interests | | | | | | | | (13) | (13) |
| 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 |

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

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

Notes to Consolidated and Combined Financial Statements

## Note 1: Overview and Summary of Significant Accounting Policies

*Background*

Hewlett Packard Enterprise Company ("we", "us", "our", "Hewlett Packard Enterprise", "HPE", or "the Company") is an industry leading technology company that enables customers to go further, faster. With a deep and comprehensive portfolio, spanning the cloud to the data center to the intelligent edge, its technology and services help customers around the world make better business outcomes. Hewlett Packard Enterprise's customers range from small- and medium-sized businesses ("SMBs") to large global enterprises.

*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 (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. Approximately 1.8 billion shares of Hewlett Packard Enterprise common stock were distributed on November 1, 2015 to HP Inc. stockholders. In connection with the Separation, Hewlett Packard Enterprise's common stock began trading "regular-way" under the ticker symbol "HPE" on the New York Stock Exchange on November 2, 2015.

In connection with the Separation, the Company entered into a Tax Matters Agreement with former Parent, which resulted in the indemnification of certain pre-Separation tax liabilities. During the fiscal year ended October 31, 2016, Separation-related adjustments totaling $1.2 billion were recorded in stockholders' equity. Separation-related adjustments to equity primarily reflected the impact of the income tax indemnification and the transfer of certain deferred tax assets and liabilities between former Parent and the Company. See Note 20, "Guarantees, Indemnifications and Warranties", for a full description of the Tax Matters Agreement.

*Enterprise Services Separation Transaction*

On April 1, 2017, HPE completed the separation and merger of its 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”). HPE transferred its Enterprise Services business to Everett and distributed all of the shares of Everett to HPE stockholders. 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. Following the distribution, the Merger Sub merged with and into CSC. At the time of the merger, Everett changed its name to DXC Technology Company (“DXC”).

In connection with the Everett Transaction, Everett borrowed an aggregate principal amount of approximately $3.5 billion which consisted of a term loan facility in the principal amount of $2.0 billion and Senior Notes in the principal amount of $1.5 billion . The proceeds from these arrangements were used to fund a $3.0 billion cash dividend payment from Everett to HPE and the remaining approximately $0.5 billion was retained by Everett. This debt was retained by Everett.

In connection with the Everett Transaction, HPE and Everett and, in some cases, CSC, entered into several agreements that will govern the relationship between the parties going forward, including an Employee Matters Agreement, a Tax Matters Agreement, an Intellectual Property Matters Agreement, a Transition Services Agreement, and a Real Estate Matters Agreement. For more information on the impact of these agreements, see Note 2, "Discontinued Operations", Note 6, "Retirement and Post-Retirement Benefit Plans", Note 8, "Taxes on Earnings", Note 19, "Litigation and Contingencies", and Note 20, "Guarantees, Indemnifications and Warranties".

*Software Segment Separation Transaction*

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”). 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”). HPE transferred its Software business segment to Seattle and distributed all of the shares of Seattle to HPE stockholders. 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. Following the share distribution, the Merger Sub merged with and into Seattle.

In connection with the Seattle Transaction, during the third quarter of fiscal 2017, Seattle SpinCo, Inc. entered into a term loan facility in the principal amount of $2.6 billion . Just prior to the September 1, 2017 spin-off of Seattle, the proceeds from the term loan were used to fund a $2.5 billion dividend payment from Seattle to HPE per the terms of the merger agreement, and to pay expenses associated with the borrowing. This debt was retained by Seattle.

In connection with the Seattle Transaction, HPE and Seattle and, in some cases, Micro Focus, entered into several agreements that will govern the relationship between the parties going forward, including an Employee Matters Agreement, a Tax Matters Agreement, an Intellectual Property Matters Agreement, a Transition Services Agreement, and a Real Estate Matters Agreement. For more information on the impact of these agreements, see Note 2, "Discontinued Operations", Note 6, "Retirement and Post-Retirement Benefit Plans", Note 8, "Taxes on Earnings", Note 19, "Litigation and Contingencies", and Note 20, "Guarantees, Indemnifications and Warranties".

*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 will be partially offset by gains from real estate sales, all of which will be recorded within Transformation costs in the Consolidated Statement of Earnings. For more details on the HPE Next initiative and Transformation costs, see Note 5, "HPE Next".

*Basis of Presentation*

Prior to October 31, 2015, the Combined Financial Statements were derived from the Consolidated Financial Statements and accounting records of former Parent, as if the Company was operating on a standalone basis during the periods presented. From and after October 31, 2015, substantially all of the assets and liabilities and operations of the Company were transferred from former Parent to the Company, and the Consolidated and Combined Financial Statements included the accounts of the Company and its wholly-owned subsidiaries in accordance with the separation agreement for the transfer from former Parent to the Company. These Consolidated and Combined Financial Statements of the Company were prepared in accordance with United States ("U.S.") Generally Accepted Accounting Principles ("GAAP").

Prior to October 31, 2015, the Combined and Consolidated Statements of Earnings and Comprehensive Income of the Company reflect allocations of general corporate expenses from former Parent 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 former Parent 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.

Former Parent maintained various benefit and stock-based compensation plans at a corporate level and other benefit plans at a subsidiary level. The Company's employees participated in those programs and a portion of the cost of those plans was included in the Company's Consolidated and Combined Financial Statements. See Note 6, "Retirement and Post-Retirement Benefit Plans", and Note 7, "Stock-based Compensation", for a further description.

The historical results of operations and financial position of both Everett and Seattle are reported as discontinued operations in the Consolidated and Combined Statements of Earnings and the Consolidated Balance Sheets, respectively. The historical information in the accompanying Notes to the Consolidated and Combined 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 and Combined 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 and combined businesses of the Company have been eliminated.

Prior to the Separation, intercompany transactions between the Company and former Parent 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 and Combined 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 Loss from equity interests in the Consolidated and Combined 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 and Combined Statements of Earnings and are not presented separately, as they were not material for any period presented.

*Segment Realignment*

The Company has implemented certain segment and business unit realignments in order to align its segment financial reporting more closely with its current business structure. Reclassifications of certain prior year segment and business unit financial information have been made to conform to the current-year presentation. None of the changes 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. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's Consolidated and Combined 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 and Combined 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 and Combined 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. See Note 16, "Related Party Transactions and former Parent Company Investment", for further information about transactions between the Company and former Parent.

*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.

Prior to November 1, 2015, the Company's employees participated in former Parent's stock-based compensation plans. Stock-based compensation expense has been allocated to the Company based on the awards and terms previously granted to the Company's employees as well as an allocation of former Parent's corporate and shared functional employee expenses.

*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 $255 million in fiscal 2017, $215 million in fiscal 2016 and $147 million in fiscal 2015.

*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*

For fiscal 2015 and prior, current income tax liabilities related to entities which filed jointly with former Parent are assumed to be immediately settled with former Parent and are relieved through the former Parent company investment account and the Net transfers to former Parent in the Consolidated and Combined Statements of Cash Flows. Income tax expense and other income tax-related information contained in these Consolidated and Combined Financial Statements are presented on a separate return basis, as if the Company filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Company were a separate taxpayer and a standalone enterprise for fiscal 2015. As of November 1, 2015, Hewlett Packard Enterprise Company was formally separated from former Parent; as such, any current income tax liabilities generated by the Company will be settled by the Company and are no longer included with tax filings of former Parent.

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 potential 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 participated in former Parent's third-party revolving short-term financing arrangements intended to facilitate the working capital requirements of certain customers through July 31, 2015. From and after August 1, 2015, all of the Company's transactions are under its own third-party revolving short-term financing arrangements. 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, 2017, no single customer accounted for more than 10% of the Company's gross accounts receivable balance. As of October 31, 2016, one customer accounted for approximately 11% 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 87% and 83% of the Company's manufacturer receivables of $594 million and $382 million at October 31, 2017 and 2016, 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 market. 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 and Combined 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 and combined 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 and Combined 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 is permitted to conduct a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. 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.

Goodwill is tested for impairment at the reporting unit level. As of October 31, 2017, the Company's reporting units are consistent with the reportable segments identified in Note 3, "Segment Information". To test for impairment, the Company compares the fair value of each reporting unit to its carrying amount. 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 is 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 and Combined 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. 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 and Combined 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 and Combined 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 19, "Litigation and Contingencies", for a full description of the Company's loss contingencies and related accounting policies.

*Recently Adopted Accounting Pronouncements*

In January 2017, the Financial Accounting Standards Board ("FASB") amended the existing accounting standards for intangible assets. The amendments simplify how an entity is required to test goodwill for impairment by eliminating the second step of the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The Company adopted the amendments in the third quarter of fiscal 2017 and applied them prospectively, as permitted by the standard. The adoption of these amendments did not have a material impact on the Company's Consolidated and Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for intangible assets. The amendments provide explicit guidance to customers in determining the accounting for fees paid in a cloud computing arrangement, wherein the arrangements that do not convey a software license to the customer are accounted for as service contracts. The amendments also eliminate the practice of accounting for software licenses as executory contracts which may result in more software assets being capitalized. The Company adopted the amendments in the first quarter of fiscal 2017 and applied them retrospectively to all periods presented, as permitted by the standard. The adoption of these amendments did not have a material impact on the Company's Consolidated and Combined Financial Statements.

In April 2015, the FASB amended the existing accounting standards for imputation of interest. The amendments require that debt issuance costs related to a recognized debt liability be presented on the classified balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by these amendments. The Company adopted the amendments in the first quarter of fiscal 2017 and applied them retrospectively to all periods presented. For fiscal 2016, the adoption resulted in the reclassification of $50 million of debt issuance costs from Long-term financing receivables and other assets to Notes payable and short-term borrowings and Long-term debt on the Condensed Consolidated Balance Sheets. With the exception of the above reclassification, the adoption of these amendments did not have a material impact on the Company's Consolidated and Combined Financial Statements.

*Recently Enacted Accounting Pronouncements*

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 and Combined 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 is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated and Combined 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 flow. The amendments require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Company is required to adopt the guidance in the first quarter of fiscal 2019. The amendments should be applied retrospectively to all periods presented. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated and Combined 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 amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated and Combined Financial Statements.

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 is required to adopt the guidance in the first quarter of fiscal 2019. 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. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated and Combined 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 and Combined Financial Statements.

In March 2016, the FASB amended the existing accounting standards for employee share-based payment arrangements. The amendments require all excess tax benefits and tax deficiencies associated with share-based payments to be recognized as income tax benefit or income tax expense, respectively, rather than as additional paid-in capital. The amendments also increase the amount an employer can withhold in order to cover income taxes on awards, allows companies to recognize forfeitures of awards as they occur, and requires companies to present excess tax benefits from stock-based compensation as an operating activity in the statement of cash flows rather than as a financing activity. As a result of these changes, subsequent to adoption, the Company's provision for income taxes, net earnings and cash flows from operating activities will be impacted by fluctuations in stock price between the grant dates and vesting dates of equity awards. The Company is required to adopt the guidance in the first quarter of fiscal 2018.

In February 2016, the FASB amended the existing 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 is required to adopt the guidance in the first quarter of fiscal 2020 using a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the timing and the impact of these amendments on its Consolidated and Combined Financial Statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In doing so, the Company will need to use additional judgment and estimates than under the existing guidance. This ASU also requires more extensive disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company is required to adopt the standard in the first quarter of fiscal 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. 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 in the process of implementing a new IT solution as part of the adoption of the new standard. The Company expects revenue recognition for its broad portfolio of hardware, software and services offerings to remain largely unchanged. However, the guidance is expected to change the timing of revenue recognition in certain areas, including accounting for certain software licenses. The Company is still assessing the impact of these changes. 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 quantifying the impact on its Consolidated and Combined Financial Statements. The Company will continue to assess the impact of the new revenue standard as it works through the adoption in fiscal 2018, and there still remain areas to be fully concluded upon. Further, there remain ongoing interpretive reviews, which may alter the Company's conclusions and the impact on its Consolidated and Combined Financial Statements.

**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 and Combined Statements of Earnings and in assets and liabilities of discontinued operations in the Consolidated Balance Sheets.

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

| | Fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net revenue | $ 8,511 | $ 19,843 | $ 21,030 |
| Cost of revenue (1) | 5,890 | 15,000 | 16,155 |
| Expenses (2) | 3,063 | 4,596 | 5,298 |
| Interest and other, net | 39 | 28 | 42 |
| (Loss) earnings from discontinued operations before taxes | (481) | 219 | (465) |
| Benefit (provision) for taxes | 389 | (295) | 286 |
| Net loss from discontinued operations | $ (92) | $ (76) | $ (179) |

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

(2) For the period following the Everett and Seattle Transactions, expenses in fiscal 2017 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, 2016 and 2015 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, impairment of data center assets, and defined benefit plan settlement charges and remeasurement (benefit).

Significant non-cash items and capital expenditures of discontinued operations for the fiscal years ended October 31, 2017 , 2016 and 2015 are presented below:

| | Fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | | In millions | |
| Depreciation and amortization | $ 526 | $ 1,524 | $ 1,471 |
| Purchases of property, plant and equipment | $ 158 | $ 331 | $ 252 |

The following table presents assets and liabilities that are presented as discontinued operations in the Consolidated Balance Sheet as of October 31, 2016:

| | As of October 31, 2016 |
|---|---|
| Accounts receivable | $ 3,758 |
| Inventory | 54 |
| Other current assets | 1,193 |
| Total current assets of discontinued operations | $ 5,005 |
| Property, plant and equipment | $ 3,261 |
| Long-term financing receivables and other non-current assets | 2,690 |
| Goodwill | 8,088 |
| Intangible assets | 409 |
| Total non-current assets of discontinued operations | $ 14,448 |
| Notes payable and short-term borrowings | $ 5 |
| Accounts payable | 998 |
| Employee compensation and benefits | 1,111 |
| Taxes on earnings | 259 |
| Deferred revenue | 1,614 |
| Accrued restructuring | 415 |
| Other accrued liabilities | 1,274 |
| Total current liabilities of discontinued operations | $ 5,676 |
| Long-term debt | $ 392 |
| Other non-current liabilities | 4,148 |
| Total non-current liabilities of discontinued operations | $ 4,540 |

During fiscal 2017, in connection with the Everett Transaction, HPE made a net cash transfer of $711 million to DXC. In the fourth quarter of fiscal 2017, in connection with the Seattle Transaction, the Company made a net cash transfer of $227 million to Micro Focus.

**Note 3: Segment Information**

Hewlett Packard Enterprise's operations are organized into three segments for financial reporting purposes: the Enterprise Group ("EG"), 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 the Company's CODM to evaluate segment results.

A summary description of each segment follows.

The *Enterprise Group* provides secure, software-defined technology and services that enable customers to move data seamlessly across their hybrid IT environments and power the intelligent edge that runs campus, branch and IoT applications. Described below are Hewlett Packard Enterprise's business units and capabilities within EG.

- *Servers* offers both Industry Standard Servers ("ISS") as well as Mission-Critical Servers ("MCS") to address the full array of the Company's customers' computing needs. ISS provides a range of products, from entry level servers through premium 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. For the most mission-critical workloads, HPE delivers 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* offers Converged Storage solutions and traditional storage offerings for enterprise and SMB environments. HPE's key products include Nimble Storage and the 3PAR StoreServ Storage Platform, which are designed for virtualization, cloud and IT-as-a-service. Converged Storage solutions include 3PAR StoreServe, StoreOnce and StoreVirtual products. Traditional storage includes tape, storage networking and legacy external disk products such as EVA and XP.
- *Networking* offers HPE and Aruba branded software-defined switches, routers, wireless local area network, network virtualization, security, location-based services and network management products that deliver open, scalable, secure, agile and consistent solutions that span data centers, campus and branch environments.
- *Technology Services* creates preferred IT experiences that power a digital business. The Technology Services 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. Technology Services is also a provider of on-premises flexible consumption models that enable IT agility, simplify operations and align costs to business value. Technology Services offerings comprise HPE Pointnext, which includes Data Center Care, Proactive Care and Technology Consulting, as well as Aruba Services, and Communications and Media Solutions ("CMS").

*Financial Services* provides flexible investment solutions, such as leasing, financing, IT consumption, and utility programs and asset management services, for customers to enable the creation of unique technology deployment models and acquire complete IT solutions, including hardware, software and services from Hewlett Packard Enterprise and others. Providing 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 cloud-related 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 $439 million and $3.7 billion during fiscal 2017 and 2016, 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, approximately 15 years and 5 years , respectively. The impact of these intercompany arrangements is eliminated from both Hewlett Packard Enterprise's consolidated and segment net revenues.

Financing interest in the Consolidated and Combined 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 governance costs, stock-based compensation expense, restructuring charges, transformation costs, amortization of intangible assets, acquisition and other related charges, separation costs, disaster charges, defined benefit plan settlement charges and remeasurement benefit and the gain on H3C and MphasiS divestitures.

*Segment Organizational Changes*

As of April 1, 2017 and September 1, 2017, with the completion of the Everett and Seattle Transactions, respectively, the Company reclassified the historical net (loss) earnings from the former ES and Software segments, to Net loss from discontinued operations in its Consolidated and Combined Statements of Earnings.

Effective at the beginning of the first quarter of fiscal 2017, the Company implemented organizational changes to align its segment financial reporting more closely with its current business structure. These organizational changes resulted in: (i) within the Enterprise Group segment, primarily, the transfer of the big data storage product group previously reported within the Servers business unit to the Storage business unit; the transfer of the Aruba services capabilities previously reported within the Networking business unit to the Technology Services ("TS") business unit; and (ii) the transfer of the CMS product group previously reported within the former ES segment to the TS business unit within the Enterprise Group segment.

The Company reflected these changes to its segment information retrospectively to the earliest period presented, which resulted in: (i) within the Enterprise Group segment, primarily, the transfer of net revenue from the big data storage product group previously reported within the Servers business unit to the Storage business unit; the transfer of net revenue from the Aruba services capabilities previously reported within the Networking business unit to the TS business unit; and (ii) the transfer of net revenue, related eliminations of intersegment revenues and operating profit from the CMS product group previously reported within the former ES segment to the Technology Services business unit within the Enterprise Group segment.

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

The changes within the Enterprise Group segment had no impact on Hewlett Packard Enterprise's previously reported Enterprise Group segment net revenue and earnings from operations. The change between the former ES segment and the Enterprise Group segment had no impact on Hewlett Packard Enterprise's previously reported consolidated net revenue, earnings from continuing operations, net earnings from continuing operations or net earnings per share from continuing operations.

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

*Segment Operating Results*

| | Enterprise Group | Financial Services | Corporate Investments | Total |
|---|---|---|---|---|
| | In millions | | | |
| **2017** | | | | |
| Net revenue | $ 25,294 | $ 3,574 | $ 3 | $ 28,871 |
| Intersegment net revenue and other [(1)] | 917 | 28 | — | 945 |
| Total segment net revenue | $ 26,211 | $ 3,602 | $ 3 | $ 29,816 |
| Segment earnings (loss) from operations | $ 2,707 | $ 304 | $ (142) | $ 2,869 |
| **2016** | | | | |
| Net revenue | $ 26,592 | $ 3,097 | $ 591 | $ 30,280 |
| Intersegment net revenue and other [(1)] | 1,187 | 93 | — | 1,280 |
| Total segment net revenue | $ 27,779 | $ 3,190 | $ 591 | $ 31,560 |
| Segment earnings (loss) from operations | $ 3,569 | $ 336 | $ (240) | $ 3,665 |
| **2015** | | | | |
| Net revenue | $ 27,193 | $ 3,200 | $ 684 | $ 31,077 |
| Intersegment net revenue and other [(1)] | 1,318 | 16 | — | 1,334 |
| Total segment net revenue | $ 28,511 | $ 3,216 | $ 684 | $ 32,411 |
| Segment earnings (loss) from operations | $ 3,999 | $ 349 | $ (271) | $ 4,077 |

(1) For the periods 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 and Combined Statements of Earnings.

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

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

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| **Net Revenue:** | | | |
| Total segments | $ 29,816 | $ 31,560 | $ 32,411 |
| Elimination of intersegment net revenue and other | (945) | (1,280) | (1,334) |
| Total Hewlett Packard Enterprise consolidated and combined net revenue | $ 28,871 | $ 30,280 | $ 31,077 |
| **Earnings before taxes:** | | | |
| Total segment earnings from operations | $ 2,869 | $ 3,665 | $ 4,077 |
| Unallocated corporate costs and eliminations | (310) | (619) | (469) |
| Stock-based compensation expense | (357) | (367) | (362) |
| Amortization of intangible assets | (321) | (272) | (229) |
| Restructuring charges | (417) | (417) | (197) |
| Transformation costs | (359) | — | — |
| Disaster charges | (93) | — | — |
| Acquisition and other related charges | (203) | (145) | (84) |
| Separation costs | (248) | (362) | (797) |
| Defined benefit plan settlement charges and remeasurement (benefit) | 64 | — | 7 |
| Gain on H3C and MphasiS divestitures | — | 2,420 | — |
| Interest and other, net | (327) | (284) | (9) |
| Tax indemnification adjustments | (3) | 317 | — |
| Loss from equity interests | (23) | (76) | (2) |
| Total Hewlett Packard Enterprise consolidated and combined earnings from continuing operations before taxes | $ 272 | $ 3,860 | $ 1,935 |

*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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Enterprise Group | $ 28,950 | $ 26,430 |
| Financial Services | 13,489 | 13,594 |
| Corporate Investments | 172 | 161 |
| Corporate and unallocated assets | 18,795 | 19,991 |
| Current and non-current assets of discontinued operations | — | 19,453 |
| Total Hewlett Packard Enterprise consolidated assets (1) | $ 61,406 | $ 79,629 |

(1) During the first quarter of fiscal 2017, the Company adopted ASU 2015-03, which simplifies the presentation of debt issuance costs by requiring debt issuance to be presented as a deduction from the corresponding debt liability rather than an asset that is amortized. The Company adopted the standard retrospectively for the prior period presented.

- Assets allocated to the EG segment in fiscal 2017 increased as compared to fiscal 2016 due primarily to business acquisitions during fiscal 2017.

- Corporate and unallocated assets in fiscal 2017 decreased as compared to fiscal 2016 due primarily to a decrease in cash and cash equivalents, partially offset by an increase in deferred tax assets.

*Major Customers*

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

*Geographic Information*

Net revenue by country is based upon the sales location that predominately represents the customer location. For each of the fiscal years of 2017 , 2016 and 2015 , 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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| U.S. | $ 9,913 | $ 10,333 | $ 9,589 |
| Other countries | 18,958 | 19,947 | 21,488 |
| Total net revenue | $ 28,871 | $ 30,280 | $ 31,077 |

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

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| U.S. | $ 2,673 | $ 2,981 |
| Other countries | 3,596 | 3,394 |
| Total net property, plant and equipment | $ 6,269 | $ 6,375 |

Net revenue by segment and business unit was as follows:

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Servers | $ 12,674 | $ 13,813 | $ 14,202 |
| Technology Services | 7,882 | 7,911 | 8,266 |
| Storage | 3,144 | 3,235 | 3,180 |
| Networking | 2,511 | 2,820 | 2,863 |
| Enterprise Group | 26,211 | 27,779 | 28,511 |
| Financial Services | 3,602 | 3,190 | 3,216 |
| Corporate Investments | 3 | 591 | 684 |
| Total segment net revenue | 29,816 | 31,560 | 32,411 |
| Eliminations of intersegment net revenue and other | (945) | (1,280) | (1,334) |
| Total net revenue | $ 28,871 | $ 30,280 | $ 31,077 |

## Note 4: Restructuring

*Summary of Restructuring Plans*

Restructuring charges of $417 million , $417 million and $197 million were recorded by the Company during fiscal 2017 , 2016 and 2015 , respectively, based on restructuring activities impacting the Company's employees and infrastructure. The restructuring charges for fiscal 2016 and 2015 include reversals of $2 million and $4 million , respectively, related to earlier plans not included in the table below. Additionally, restructuring charges of $251 million , $819 million and $757 million for fiscal 2017 , 2016 and 2015 , respectively, are included in Net loss from discontinued operations in the Consolidated and Combined 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, 2014 | $ — | $ — | $ 133 | $ 72 | $ 205 |
| Charges | 67 | 1 | 133 | — | 201 |
| Cash payments | — | (1) | (230) | (33) | (264) |
| Non-cash items | — | — | 11 | (2) | 9 |
| 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 |
| Total costs incurred to date as of October 31, 2017 | $ 742 | $ 80 | $ 1,255 | $ 146 | $ 2,223 |
| Total expected costs to be incurred as of October 31, 2017 | $ 742 | $ 80 | $ 1,255 | $ 146 | $ 2,223 |

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, 2017 and 2016 , was $158 million and $256 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, 2017 and 2016 , was $96 million and $42 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, 2017 , the Company had eliminated 8,300 positions as part of the 2015 Plan. As of October 31, 2017 , the plan is substantially 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 2017, of which approximately $0.7 billion related to workforce reductions and approximately $0.1 billion 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 2021.

*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, 2017 , 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, 2017 , the plan is substantially 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 2021.

**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 2017, the Company incurred $359 million in net charges associated with the HPE Next initiative, which were recorded within Transformation costs in the Consolidated Statement of Earnings and include the following:

| | Fiscal year ended October 31, 2017 |
|---|---|
| | In millions |
| Program management [(1)] | $ 57 |
| IT costs | 34 |
| Restructuring charges | 296 |
| Gain on real estate sales | (28) |
| Total | $ 359 |

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

*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"), which will be implemented through fiscal 2020. The changes to the workforce will vary by country, based on local legal requirements and consultations with employee work councils and other employee representatives, as appropriate, and are expected to be completed during fiscal 2019. As of October 31, 2017, the Company estimates that it will incur aggregate pre-tax charges of approximately $0.9 billion through fiscal 2020 in connection with the HPE Next Plan, of which approximately $0.7 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 | $ — |
| Total costs incurred to date as of October 31, 2017 | $ 296 | $ — |
| Total expected costs to be incurred as of October 31, 2017 | $ 750 | $ 180 |

As of October 31, 2017 , the current restructuring liability related to the HPE Next Plan, reported in Accrued restructuring in the Consolidated Balance Sheet, was $287 million . The non-current restructuring liability related to the HPE Next Plan, reported in Other liabilities in the Consolidated Balance Sheet as of October 31, 2017 was $9 million .

*Assets Held for Sale*

In connection with the HPE Next initiative, during the fourth quarter of fiscal 2017, the Company determined that certain assets met the criteria to be classified as assets held for sale. The Company expects these assets to be sold within the next 12 months. The carrying value of $14 million has been recorded within Assets held for sale in the Consolidated Balance Sheet as of October 31, 2017 . For more information on the Company's policy on assets held for sale, refer to Note 1, "Overview and Summary of Significant Accounting Policies".

**Note 6: Retirement and Post-Retirement Benefit Plans**

*Defined Benefit Plans*

The Company sponsors defined benefit pension plans worldwide, the most significant of which is in the United Kingdom ("UK"). 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 require contributions from members.

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 .

Prior to October 31, 2015, and with the exception of certain defined benefit pension plans of which the Company was the sole sponsor, certain Hewlett Packard Enterprise eligible employees, retirees and other former employees participated in certain U.S. and international defined benefit pension plans offered by former Parent. These Shared plans, which included participants of both Company employees and employees of former Parent, were accounted for as multiemployer benefit plans and the related net benefit plan obligations were not included in the Company's Combined and Consolidated Balance Sheets through July 31, 2015. The related benefit plan expense was allocated to the Company based on the Company's labor costs and allocations of corporate and other shared functional personnel.

Certain benefit plans in the Company's operations only included active, retired and other former Company employees ("Direct" plans) and were accounted for as single employer benefit plans prior to October 31, 2015. Accordingly, the net benefit plan obligations and the related benefit plan expense of those plans have been recorded in the Company's Consolidated and Combined Financial Statements for all periods presented.

In connection with the Separation, during the three months ended October 31, 2015, former Parent transferred plan assets and liabilities primarily associated with Hewlett Packard Enterprise eligible employees, retirees and other former employees to the Company. As a result, in the fourth quarter of fiscal 2015, plan assets of $11.7 billion , a benefit obligation of $11.9 billion and an accumulated other comprehensive loss of $2.6 billion , primarily related to non-U.S. defined benefit pension plans, were assumed and recorded by the Company.

*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.

Prior to July 31, 2015, former Parent sponsored retiree health and welfare benefit plans, the most significant of which were in the U.S. All of these plans were accounted for as multiemployer benefit plans. The Company recognized post-retirement benefit credits of $27 million in fiscal 2015 in the Combined Statement of Earnings.

In connection with the Separation, during the three months ended October 31, 2015, former Parent transferred a benefit obligation of $150 million , plan assets of $40 million and accumulated other comprehensive income of $10 million , primarily associated with Hewlett Packard Enterprise eligible employees, retirees and other former employees to the Company.

*Defined Contribution Plans*

The Company offers various defined contribution plans for U.S. and non-U.S. employees. Prior to the Separation, former Parent offered various defined contribution plans for U.S. and non-U.S. employees. The Company's defined contribution expense was approximately $157 million in fiscal 2017 , $213 million in fiscal 2016 and $194 million in fiscal 2015 . Prior to the Separation, U.S. employees were automatically enrolled in the Hewlett-Packard Company 401(k) Plan ("HP 401(k) Plan") when they met eligibility requirements, unless they declined participation. Effective November 1, 2015, the Company's active employees were eligible to participate in the newly created Hewlett Packard Enterprise Company 401(k) Plan ("HPE 401(k) Plan"), under which the quarterly employer matching contributions were 100% of an employee’s contributions, up to a maximum of 4% of eligible compensation. Effective January 1, 2017, the annual employer matching contributions in the updated HPE 401(k) Plan became 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 and Combined Statements of Earnings for fiscal 2017 , 2016 and 2015 are presented in the table below. In addition, the table includes costs related to the plans transferred from former Parent in the fourth quarter of fiscal 2015.

| | As of October 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| | Defined Benefit Plans | | | Post-Retirement Benefit Plans | | |
| | In millions | | | | | |
| Service cost | $ 139 | $ 199 | $ 48 | $ 3 | $ 3 | $ — |
| Interest cost | 213 | 317 | 85 | 6 | 6 | 1 |
| Expected return on plan assets | (548) | (667) | (180) | (2) | (2) | — |
| Amortization and deferrals: | | | | | | |
| Actuarial loss (gain) | 264 | 220 | 83 | (2) | (3) | — |
| Prior service benefit | (17) | (19) | (4) | — | — | (1) |
| Net periodic benefit cost | 51 | 50 | 32 | 5 | 4 | — |
| Curtailment gain | (1) | — | — | — | — | — |
| Settlement loss | 15 | 4 | 3 | — | — | — |
| Special termination benefits | 5 | 5 | 1 | — | — | — |
| Plan credit allocation (1) | (14) | (15) | (91) | (1) | (1) | (1) |
| Net benefit cost (credit) from continuing operations (2) | 56 | 44 | (55) | 4 | 3 | (1) |
| **Summary of net benefit cost (credit):** | | | | | | |
| Continuing operations | 56 | 44 | (55) | 4 | 3 | (1) |
| Discontinued operations | 81 | 92 | 195 | 1 | 1 | 1 |
| Total net benefit cost | $ 137 | $ 136 | $ 140 | $ 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 was not material for fiscal 2017, 2016 and 2015.

The weighted-average assumptions used to calculate the net benefit cost (credit) from continuing operations in the above table for fiscal 2017 , 2016 and 2015 were as follows:

| | As of October 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2017 | 2016 | 2015 |
| | Defined Benefit Plans | | | Post-Retirement Benefit Plans | | |
| Discount rate used to determine benefit obligation | 2.0% | 2.7% | 2.6% | 4.2% | 4.6% | 4.7% |
| Discount rate used to determine service cost | 2.0% | 2.7% | 2.6% | 3.7% | 4.6% | 4.7% |
| Discount rate used to determine interest cost | 1.8% | 2.7% | 2.6% | 3.8% | 4.6% | 4.7% |
| Expected increase in compensation levels | 2.4% | 2.3% | 2.3% | — | — | — |
| Expected long-term return on plan assets | 4.4% | 5.8% | 6.6% | 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 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, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Defined Benefit Plans | | Post-Retirement Benefit Plans | |
| | In millions | | | |
| Change in fair value of plan assets: | | | | |
| Fair value—beginning of year | $ 11,989 | $ 11,684 | $ 47 | $ 40 |
| Transfers to Everett/Seattle plans (1) | (799) | — | — | — |
| Addition/deletion of plans (2) | 5 | 141 | — | — |
| Actual return on plan assets | 941 | 1,212 | 1 | 1 |
| Employer contributions | 266 | 242 | 4 | 3 |
| Participant contributions | 17 | 40 | 4 | 6 |
| Benefits paid | (408) | (344) | (6) | (3) |
| Settlement | (60) | (16) | — | — |
| Currency impact | 659 | (970) | — | — |
| Fair value—end of year (3) | $ 12,610 | $ 11,989 | $ 50 | $ 47 |
| Change in benefit obligation: | | | | |
| Projected benefit obligation—beginning of year | $ 13,555 | $ 12,483 | $ 158 | $ 139 |
| Transfers to Everett/Seattle plans (1) | (668) | — | — | — |
| Addition/deletion of plans (2) | 19 | 25 | — | — |
| Service cost | 139 | 199 | 3 | 3 |
| Interest cost | 213 | 317 | 6 | 6 |
| Participant contributions | 17 | 40 | 4 | 6 |
| Actuarial (gain) loss | (445) | 1,832 | 4 | 6 |
| Benefits paid | (408) | (344) | (6) | (3) |
| Plan amendments | (1) | 1 | — | — |
| Curtailment | (1) | — | — | — |
| Settlement | (60) | (16) | — | — |
| Special termination benefits | 5 | 5 | — | — |
| Currency impact | 704 | (987) | 1 | 1 |
| Projected benefit obligation—end of year (3) | $ 13,069 | $ 13,555 | $ 170 | $ 158 |
| Funded status at end of year | $ (459) | $ (1,566) | $ (120) | $ (111) |
| Accumulated benefit obligation | $ 12,832 | $ 13,241 | $ — | $ — |

(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. Amounts are primarily attributable to a business divestiture of outsourcing services in Germany and a Netherlands plan data review that transferred HPI retirees to HPE.

(3) As of October 31, 2017 and 2016, the Company's U.S. defined benefit plans had zero plan assets and a projected benefit obligation of $5 million and $7 million , respectively.

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

| | As of October 31, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Defined Benefit Plans | | Post-Retirement Benefit Plans | |
| Discount rate | 2.0% | 1.7% | 4.5% | 4.2% |
| Expected increase in compensation levels | 2.3% | 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, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | Defined Benefit Plans | | Post-Retirement Benefit Plans | |
| | In millions | | | |
| Non-current assets | $ 830 | $ 366 | $ — | $ — |
| Current liabilities | (39) | (20) | (4) | (3) |
| Non-current liabilities | (1,250) | (1,912) | (116) | (108) |
| Funded status at end of year | $ (459) | $ (1,566) | $ (120) | $ (111) |

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, 2017 | |
|---|---|---|
| | Defined Benefit Plans | Post-Retirement Benefit Plans |
| | In millions | |
| Net actuarial loss (gain) | $ 2,777 | $ (2) |
| Prior service benefit | (103) | — |
| Total recognized in accumulated other comprehensive loss | $ 2,674 | $ (2) |

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, 2017 | |
|---|---|---|
| | Defined Benefit Plans | Post-Retirement Benefit Plans |
| | In millions | |
| Net actuarial loss (gain) | $ 206 | $ (3) |
| Prior service benefit | (17) | — |
| Total expected to be recognized in net periodic benefit cost (credit) | $ 189 | $ (3) |

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

| | As of October 31, 2017 | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Aggregate fair value of plan assets | $ 2,596 | $ 6,193 |
| Aggregate projected benefit obligation | $ 3,884 | $ 8,125 |

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

| | As of October 31, 2017 | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Aggregate fair value of plan assets | $ 1,272 | $ 5,856 |
| Aggregate accumulated benefit obligation | $ 2,476 | $ 7,518 |

*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, 2017 and 2016 .

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

| | As of October 31, 2017 | | | | As of October 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | In millions | | | | | | | |
| Asset Category: | | | | | | | | |
| Equity securities | | | | | | | | |
| U.S. | $ 270 | $ 13 | $ — | $ 283 | $ 576 | $ 34 | — | $ 610 |
| Non-U.S. | 365 | 140 | — | 505 | 838 | 106 | — | 944 |
| Non-U.S. at NAV (1) | | | | 480 | | | | 456 |
| Debt securities | | | | | | | | |
| Corporate | — | 1,966 | — | 1,966 | — | 1,349 | — | 1,349 |
| Government | — | 702 | — | 702 | — | 791 | — | 791 |
| Government at NAV (2) | | | | 687 | | | | 779 |
| Alternative investments | | | | | | | | |
| Private Equity | — | 7 | 33 | 40 | — | 4 | 32 | 36 |
| Hybrids (3) | — | 492 | — | 492 | — | 182 | — | 182 |
| Hybrids at NAV (4) | | | | 2,339 | | | | 1,034 |
| Hedge Funds | — | 63 | — | 63 | — | 192 | — | 192 |
| Hedge Funds at NAV | | | | 21 | | | | 30 |
| Common Contractual Funds at NAV (5) | | | | | | | | |
| Equities at NAV | | | | 2,547 | | | | 2,505 |
| Fixed Income at NAV | | | | 701 | | | | 942 |
| Emerging Markets at NAV | | | | 368 | | | | 529 |
| Alternative investments at NAV | | | | 363 | | | | 363 |
| Real Estate Funds | 38 | 158 | 57 | 253 | 215 | 269 | 26 | 510 |
| Insurance Group Annuity Contracts | — | 35 | 52 | 87 | — | 37 | 63 | 100 |
| Cash and Cash Equivalents | 184 | 363 | — | 547 | 329 | 46 | — | 375 |
| Other (6) | 43 | 122 | 1 | 166 | 71 | 183 | 8 | 262 |
| Total | $ 900 | $ 4,061 | $ 143 | $ 12,610 | $ 2,029 | $ 3,193 | $ 129 | $ 11,989 |

(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 United Kingdom, 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 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 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.

(5) HP Invest Common Contractual Funds (CCFs) is an investment arrangement 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.

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

Post-retirement benefit plan assets of $50 million and $47 million as of October 31, 2017 and 2016 , 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, 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 |

| | Fiscal year ended October 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Alternative Investments | | | | | |
| | Private Equity | Hedge Funds | Real Estate Funds | Insurance Group Annuities | Other | Total |
| | In millions | | | | | |
| Balance at beginning of year | $ 27 | $ 236 | $ 229 | $ 69 | $ 35 | $ 596 |
| Actual return on plan assets: | | | | | | |
| Relating to assets held at the reporting date | (1) | (35) | (33) | (2) | (1) | (72) |
| Relating to assets sold during the period | 4 | — | — | (3) | — | 1 |
| Purchases, sales, and settlements | 2 | (11) | — | (3) | 82 | 70 |
| Transfers in and/or out of Level 3 | — | (190) | (170) | 2 | (108) | (466) |
| Balance at end of year | $ 32 | $ — | $ 26 | $ 63 | $ 8 | $ 129 |

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 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 | 2017 Target Allocation | 2017 | 2016 |
| Public equity securities | | 33.8% | 43.9% |
| Private/hybrid equity securities | | 25.7% | 13.5% |
| Real estate and other | | 3.3% | 6.5% |
| Equity-related investments | 58.1% | 62.8% | 63.9% |
| Debt securities | 39.9% | 32.9% | 33.0% |
| Cash and cash equivalents | 2.0% | 4.3% | 3.1% |
| 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 2017 , the Company contributed approximately $2.2 billion to its non-U.S. pension plans, which includes a funding payment of approximately $1.9 billion associated with the Everett Transaction, and paid $2 million to cover benefit claims under the Company's post-retirement benefit plans.

During fiscal 2018, the Company expects to contribute approximately $180 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 $4 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, 2017 , estimated future benefits payments for the Company's retirement plans were as follows:

| Fiscal year | Defined Benefit Plans | Post-Retirement Benefit Plans |
|---|---|---|
| | In millions | |
| 2018 | $ 439 | $ 6 |
| 2019 | 410 | 7 |
| 2020 | 435 | 8 |
| 2021 | 419 | 9 |
| 2022 | 471 | 10 |
| Next five fiscal years to October 31, 2027 | 2,627 | 60 |

**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 stock-based compensation plans included incentive compensation plans ("former Parent's Plans") and an employee stock purchase plan ("former Parent's ESPP"). All awards granted under the plans were based on former Parent's common shares and, as such, the award activity is not reflected in the Company's Consolidated and Combined Financial Statements. For the fiscal year ended October 31, 2015, stock-based compensation expense includes expense attributable to the Company based on the awards and terms previously granted under the incentive compensation plan to the Company's employees and an allocation of former Parent's corporate and shared functional employee expenses. Accordingly, the amounts presented for fiscal 2015 are not necessarily indicative of future awards and do not necessarily reflect the results that the Company would have experienced as an independent, publicly-traded company. The share and per share data for fiscal 2015 presented in this note has not been adjusted to reflect the impact of the Separation.

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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Stock-based compensation expense from continuing operations | $ 454 | $ 408 | $ 362 |
| Income tax benefit | (159) | (131) | (106) |
| Stock-based compensation expense from continuing operations, net of tax | $ 295 | $ 277 | $ 256 |
| Stock-based compensation expense from discontinued operations | $ 166 | $ 189 | $ 203 |

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 modification for fiscal 2017 has been recorded within Separation costs in the Consolidated Statement of Earnings.

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, 2017 , stock-based compensation expense from continuing operations in the table above includes pre-tax expense of $41 million , which has been recorded within Separation costs, $33 million related to workforce reductions, which has been recorded within Restructuring charges, and $23 million related to the acquisitions of Silicon Graphics International Corp. ("SGI") and Nimble Storage, Inc. ("Nimble Storage"), which has been 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 has been recorded within Separation costs, and $8 million , related to workforce reductions, which has been recorded within Restructuring charges, in the Consolidated Statement of Earnings.

In connection with the Separation, former Parent's Board of Directors approved amendments to certain outstanding long-term incentive awards on July 29, 2015. The amendments provided for the accelerated vesting on September 17, 2015 of certain stock-based awards that were otherwise scheduled to vest between September 18, 2015 and December 31, 2015. The incremental pre-tax stock-based compensation expense due to the acceleration was approximately $61 million in fiscal 2015.

Stock-based compensation expense in the table above includes an allocation of former Parent's corporate and shared functional employee expenses of $151 million in fiscal 2015.

*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.

For fiscal 2017 and 2016 , the activity summarized in the table below is related to restricted stock units held by Company employees under the Plan. For fiscal 2015 , the activity summarized in the table below is related to restricted stock units held by Company employees under former Parent's Plans.

| | Fiscal years ended October 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| | 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 | 57,321 | $ 15 | — | $ — | 24,496 | $ 24 |
| Converted from former Parent's Plans | — | $ — | 42,012 | $ 15 | — | $ — |
| Granted and assumed through acquisition [(1)] | 23,980 | $ 21 | 32,752 | $ 15 | 19,601 | $ 35 |
| Additional shares granted due to post-spin adjustments [(2)] | 25,543 | $ 9 | — | $ — | — | $ — |
| Vested [(3)] | (51,976) | $ 16 | (12,747) | $ 15 | (21,860) | $ 26 |
| Forfeited/canceled [(4)] | (6,351) | $ 16 | (4,696) | $ 15 | (1,819) | $ 30 |
| Employee transition [(5)] | — | $ — | — | $ — | 3,982 | $ 33,000,000 |
| Outstanding at end of year | 48,517 | $ 14 | 57,321 | $ 15 | 24,400 | $ 32 |

(1) For 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. For fiscal 2016 , includes a one-time restricted stock unit retention grant of approximately 5 million shares in fiscal 2016. For fiscal 2015 , includes approximately 8 million shares of restricted stock units assumed through acquisition with a weighted-average grant date fair value of $33 per share.

(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) For 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) For 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.

(5) Employee transition amounts consist of restricted stock unit activity for employees transitioning between the Company and former Parent.

The total grant date fair value of restricted stock awards vested for Company employees in fiscal 2017 , 2016 and 2015 was $472 million , $130 million and $451 million , respectively, net of taxes. As of October 31, 2017 , there was $301 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 1.2 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 also issued performance-contingent stock options that vest only on the satisfaction of both service and market conditions.

The Company and former Parent utilize the Black-Scholes-Merton option pricing formula to estimate the fair value of stock options subject to service-based vesting conditions. The Company and former Parent estimate 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 | 2015 |
| Weighted-average fair value (1) | $ 6 | $ 4 | $ 8 |
| Expected volatility (2) | 25.7% | 31.1% | 26.8% |
| Risk-free interest rate (3) | 2.0% | 1.7% | 1.7% |
| Expected dividend yield (4) | 1.0% | 1.5% | 1.8% |
| Expected term in years (5) | 6.1 | 5.4 | 5.9 |

(1) For fiscal 2017 and 2016 , the weighted-average fair value was based on the fair value of stock options granted under the Plan during the respective periods. For fiscal 2015 , the weighted-average fair value was based on the fair value of stock options granted under former Parent's Plans during the period.

(2) For options granted in fiscal 2017 and 2016 , expected volatility was estimated using the average historical volatility of selected peer companies. For options granted in fiscal 2015 , expected volatility was estimated using the implied volatility derived from options traded on former Parent's common stock.

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

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

(5) For options granted in fiscal 2017 and 2016 subject to service-based vesting, the expected term was estimated using the simplified method detailed in SEC Staff Accounting Bulletin No. 110. For options granted in fiscal 2015 subject to service-based vesting, the expected term was estimated using historical exercise and post-vesting termination patterns. For performance-contingent options, the expected term represents an output from the lattice model.

For fiscal 2017 and 2016 , the activity summarized in the table below is related to stock options held by Company employees under the Plan. For fiscal 2015 , the activity summarized in the table below is related to stock options held by Company employees under former Parent's Plans.

| | Fiscal years ended October 31, | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | 2016 | | | | 2015 | | | |
| | 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 | 57,498 | $ 15 | | | — | $ — | | | 24,472 | $ 27 | | |
| Converted from former Parent's Plans | — | $ — | | | 42,579 | $ 15 | | | — | $ — | | |
| Granted and assumed through acquisition (1) | 6,074 | $ 23 | | | 25,390 | $ 15 | | | 3,147 | $ 37 | | |
| Additional shares granted due to post-spin adjustments (2) | 24,523 | $ 11 | | | — | $ — | | | — | $ — | | |
| Exercised | (29,492) | $ 12 | | | (7,845) | $ 11 | | | (5,716) | $ 18 | | |
| Forfeited/canceled/expired (3) | (9,329) | $ 16 | | | (2,626) | $ 20 | | | (7,116) | $ 40 | | |
| Employee transition (4) | — | $ — | | | — | $ — | | | 11,391 | $ 26 | | |
| Outstanding at end of year (5) | 49,274 | $ 10 | 4.6 | $ 207 | 57,498 | $ 15 | 5.4 | $ 437 | 26,178 | $ 26 | 5.2 | $ 115 |
| Vested and expected to vest at end of year (5) | 48,566 | $ 10 | 4.6 | $ 205 | 55,716 | $ 15 | 5.3 | $ 425 | 25,309 | $ 26 | 5.2 | $ 115 |
| Exercisable at end of year (5) | 24,736 | $ 9 | 3.0 | $ 123 | 26,204 | $ 13 | 3.8 | $ 241 | 18,767 | $ 23 | 4.7 | $ 109 |

(1) For 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) For 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) Employee transition amounts consist of option activity for employees transitioning between the Company and former Parent.

(5) 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 2017 , 2016 and 2015 . For fiscal 2017 and 2016 , 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. For fiscal 2015 , the aggregate intrinsic value is the difference between former Parent's closing stock price on the last trading day of the fiscal year and the exercise price, multiplied by the number of in-the-money options. The total intrinsic value of options exercised in fiscal 2017 , 2016 and 2015 was $218 million , $62 million and $94 million , respectively. The total grant date fair value of options granted which vested in fiscal 2017 , 2016 and 2015 was $94 million , $18 million and $38 million , respectively, net of taxes.

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

| | As of October 31, 2017 | | | | |
|---|---|---|---|---|---|
| | 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 | 33,168 | 4.4 | $ 8 | 19,198 | $ 8 |
| $10-$19.99 | 16,024 | 5.1 | $ 13 | 5,456 | $ 13 |
| $20-$29.99 | 82 | 2.2 | $ 25 | 82 | $ 25 |
| | 49,274 | 4.6 | $ 10 | 24,736 | $ 9 |

As of October 31, 2017 , there was $25 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 1.2 years .

*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.

Prior to the Separation, under former Parent's ESPP, employees could contribute up to 10% of their eligible compensation, subject to certain income limits, to purchase shares of former Parent's common stock. Pursuant to the terms of former Parent's ESPP, employees purchased stock under the ESPP at a price equal to 95% of former Parent's closing stock price on the purchase date. No stock-based compensation expense was recorded in connection with those purchases because the criteria of a non-compensatory plan were met.

Cash received from option exercises and purchases under the Company's ESPP was $411 million and $119 million in fiscal 2017 and 2016 , respectively. The benefit realized for the tax deduction from option exercises in fiscal 2017 and 2016 was $69 million and $21 million , respectively. Cash received from option exercises and purchases by Company employees under former Parent's ESPP was $165 million in fiscal 2015 . The benefit realized for the tax deduction from option exercises in fiscal 2015 was $45 million .

## Note 8: Taxes on Earnings

Prior to the Separation, Hewlett Packard Enterprise's operating results were included in former Parent's various consolidated U.S. federal and state income tax returns, as well as non-U.S. tax filings. For the purposes of the Company's Consolidated and Combined Financial Statements for periods prior to the Separation, income tax expense and deferred tax balances have been recorded as if the Company filed tax returns on a standalone basis separate from former Parent. The Separate Return Method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone enterprise for fiscal 2015 and prior.

*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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| U.S. | $ (1,098) | $ (1,144) | $ 288 |
| Non-U.S. | 1,370 | 5,004 | 1,647 |
| | $ 272 | $ 3,860 | $ 1,935 |

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

| | For the fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| U.S. federal taxes: | | | |
| Current | $ 560 | $ 940 | $ 1,640 |
| Deferred | (1,366) | (959) | (2,610) |
| Non-U.S. taxes: | | | |
| Current | 64 | 874 | 313 |
| Deferred | 25 | (58) | 60 |
| State taxes: | | | |
| Current | (107) | 36 | 45 |
| Deferred | 660 | (210) | (153) |
| | $ (164) | $ 623 | $ (705) |

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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| U.S. federal statutory income tax rate | 35.0 % | 35.0 % | 35.0 % |
| State income taxes, net of federal tax benefit | 3.0 % | 1.0 % | 12.4 % |
| Lower rates in other jurisdictions, net | (426.3)% | (24.5)% | (10.5)% |
| Valuation allowance | 310.0 % | (14.7)% | (85.9)% |
| U.S. permanent differences | 27.8 % | (2.3)% | 1.9 % |
| Uncertain tax positions | (8.4)% | 23.1 % | 5.8 % |
| Other, net | (1.4)% | (1.5)% | 4.9 % |
| | (60.3)% | 16.1 % | (36.4)% |

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, China and Singapore. The Company plans to reinvest earnings of these jurisdictions indefinitely outside the U.S., and therefore has not provided for U.S. taxes on those indefinitely reinvested earnings.

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.

In fiscal 2015, the Company recorded $1.7 billion of net income tax benefits related to items unique to the year. These amounts primarily included $1.8 billion of income tax benefits due to a release of valuation allowances pertaining to certain U.S. state deferred tax assets, $139 million of income tax benefits related to restructuring charges and separation costs, and $67 million of income tax benefits related to uncertain tax positions, the effects of which were partially offset by $486 million of income tax charges to record valuation allowances on certain foreign deferred tax assets and $229 million of income tax charges related to state tax impacts of the separation of deferred taxes under the Separate Return Method.

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 estimated to be $378 million ( $0.23 diluted net EPS) in fiscal 2017, $401 million ( $0.23 diluted net EPS) in fiscal 2016 and $260 million ( $0.14 diluted net EPS) in fiscal 2015. Refer Note 18, "Net Earnings Per Share" for details on shares used to compute diluted net EPS.

*Uncertain Tax Positions*

A reconciliation of unrecognized tax benefits is as follows:

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Balance at beginning of year | $ 11,411 | $ 4,901 | $ 1,024 |
| Increases: | | | |
| For current year's tax positions | 28 | 1,456 | 1,428 |
| For prior years' tax positions | 311 | 820 | 3,538 |
| Net transfers from former Parent through equity | — | 4,455 | — |
| Decreases: | | | |
| For prior years' tax positions | (202) | (114) | (70) |
| Statute of limitations expiration | (70) | (47) | (2) |
| Settlements with taxing authorities | (216) | (60) | (7) |
| Net transfers to former Parent through equity | — | — | (1,010) |
| Balance at end of year | $ 11,262 | $ 11,411 | $ 4,901 |

Up to $3.0 billion , $2.7 billion and $0.2 billion of Hewlett Packard Enterprise's unrecognized tax benefits at October 31, 2017, 2016 and 2015, respectively, would affect the Company's effective tax rate if realized. 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.

For fiscal 2015, the unrecognized tax benefits reflected in the Company's Consolidated and Combined Financial Statements have been determined using the Separate Return Method. The $6.5 billion increase in the amount of unrecognized tax benefits for the year ended October 31, 2016, is primarily related to certain pre-Separation income tax liabilities for which the Company is joint and severally liable under the Tax Matters Agreement entered in to with HP Inc. effective November 1, 2015, as well as the 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 and Combined Statements of Earnings. The Company had accrued $304 million and $197 million for interest and penalties as of October 31, 2017 and 2016, 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. Internal Revenue

Service ("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 $2.7 billion within the next 12 months.

Hewlett Packard Enterprise is subject to income tax in the U.S. and approximately 120 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. HPE was subject to a foreign tax audit concerning an intercompany transaction for fiscal 2009 which the Company settled with the relevant taxing authority for $456 million during the third quarter of fiscal 2017. The settlement amount is due to be paid in semi-annual installments over the next three fiscal years. 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 former Parent’s 2009 - 2015 income tax returns. HP Inc. has received from the IRS Notices of Deficiency for its fiscal 1999 - 2000 and 2003 - 2005 tax years, and RARs for its fiscal 2001 - 2002 and 2006 - 2008 tax years.

Hewlett Packard Enterprise has not provided for U.S. federal income and foreign withholding taxes on $12 billion of undistributed earnings from non-U.S. operations as of October 31, 2017 because the Company intends to reinvest such earnings indefinitely outside of the U.S. The undistributed earnings from non-U.S. operations has decreased from October 31, 2016 due to the Everett and Seattle Transactions and utilization of such earnings to fund losses of non-U.S. subsidiaries. If the Company were to distribute these earnings, foreign tax credits may become available under current law to reduce the resulting U.S. income tax liability. Determination of the amount of unrecognized deferred tax liability related to these earnings 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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Deferred tax assets: | | |
| Loss and credit carry-forwards | $ 4,775 | $ 1,596 |
| Inventory valuation | 79 | 84 |
| Intercompany transactions—royalty prepayments | 4,267 | 4,445 |
| Intercompany transactions—excluding royalty prepayments | 129 | 160 |
| Warranty | 156 | 164 |
| Employee and retiree benefits | 661 | 1,042 |
| Accounts receivable allowance | 19 | 30 |
| Restructuring | 186 | 98 |
| Deferred revenue | 757 | 670 |
| Other | 574 | 463 |
| Total deferred tax assets | 11,603 | 8,752 |
| Valuation allowance | (2,789) | (2,095) |
| Total deferred tax assets net of valuation allowance | 8,814 | 6,657 |
| Deferred tax liabilities: | | |
| Unremitted earnings from foreign subsidiaries | (3,824) | (3,665) |
| Fixed assets | (385) | (118) |
| Intangible assets | (46) | (164) |
| Total deferred tax liabilities | (4,255) | (3,947) |
| Net deferred tax assets and liabilities | $ 4,559 | $ 2,710 |

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

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Deferred tax assets | $ 4,663 | $ 2,806 |
| Deferred tax liabilities | (104) | (96) |
| Deferred tax assets net of deferred tax liabilities | $ 4,559 | $ 2,710 |

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 $439 million and $3.7 billion during fiscal 2017 and 2016, 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, approximately 15 years and 5 years , respectively. Intercompany royalty revenue and the amortization expense related to the licensing rights are eliminated in consolidation.

As of October 31, 2017, the Company had $1.0 billion , $1.5 billion and $7.7 billion of federal, state and foreign net operating loss carry-forwards, respectively. Amounts included in state, foreign and federal net operating loss carry-forwards will begin to expire in 2018, 2019, and 2030, respectively. Hewlett Packard Enterprise has provided a valuation allowance of $108 million and $1.4 billion for deferred tax assets related to state and foreign net operating losses carry-forwards, respectively.

As of October 31, 2017, Hewlett Packard Enterprise had recorded deferred tax assets for various tax credit carry-forwards as follows:

| | Carryforward | Valuation Allowance | Initial Year of Expiration |
|---|---|---|---|
| | | In millions | |
| U.S. foreign tax credits | $ 2,623 | $ — | 2021 |
| U.S. research and development and other credits | 110 | — | 2019 |
| Tax credits in state and foreign jurisdictions | 166 | (162) | 2019 |
| Balance at end of year | $ 2,899 | $ (162) | |

*Deferred Tax Asset Valuation Allowance*

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

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | | In millions | |
| Balance at beginning of year | $ 2,095 | $ 1,572 | $ 1,527 |
| Income tax expense | 848 | (203) | (1,449) |
| Other comprehensive income, currency translation and charges to other accounts | (154) | 726 | 1,494 |
| Balance at end of year | $ 2,789 | $ 2,095 | $ 1,572 |

Total valuation allowances increased by $694 million in fiscal 2017, due primarily to the valuation allowance recorded against foreign deferred tax assets related to loss carry-forwards and increases in U.S. domestic valuation allowances on deferred taxes related to state operations. Total valuation allowances increased by $523 million in fiscal 2016 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 20, "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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Unbilled receivable | $ 223 | $ 150 |
| Accounts receivable | 2,892 | 3,050 |
| Allowance for doubtful accounts | (42) | (49) |
| Total | $ 3,073 | $ 3,151 |

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

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Balance at beginning of year | $ 49 | $ 72 | $ 70 |
| Provision for doubtful accounts | 16 | 22 | 6 |
| Deductions, net of recoveries | (23) | (45) | (4) |
| Balance at end of year | $ 42 | $ 49 | $ 72 |

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, 2017 and 2016 were not material.

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

| | As of October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Balance at beginning of period (1) | $ 145 | $ 68 | $ 188 |
| Trade receivables sold | 3,910 | 3,015 | 4,221 |
| Cash receipts | (3,937) | (2,931) | (4,327) |
| Foreign currency and other | 3 | (7) | (14) |
| Balance at end of period (1) | $ 121 | $ 145 | $ 68 |

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

*Inventory*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Finished goods | $ 1,236 | $ 1,170 |
| Purchased parts and fabricated assemblies | 1,079 | 550 |
| Total | $ 2,315 | $ 1,720 |

For the fiscal year ended October 31, 2017 , the increase in Inventory was due primarily to higher memory component inventory due to price increases and inventory added as a result of acquisitions, primarily SGI and Nimble Storage.

*Other Current Assets*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Value-added taxes receivable | $ 819 | $ 741 |
| Manufacturer and other receivables | 1,185 | 1,007 |
| Prepaid and other current assets | 1,081 | 946 |
| Total | $ 3,085 | $ 2,694 |

*Property, Plant and Equipment*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Land | $ 312 | $ 353 |
| Buildings and leasehold improvements | 2,371 | 3,483 |
| Machinery and equipment, including equipment held for lease | 9,194 | 9,061 |
| | 11,877 | 12,897 |
| Accumulated depreciation | (5,608) | (6,522) |
| Total | $ 6,269 | $ 6,375 |

Depreciation expense was $2.2 billion , $2.0 billion and $2.2 billion in fiscal 2017 , 2016 and 2015 , respectively. The change in gross property, plant and equipment during fiscal 2017 was due primarily to sales and retirements of $3.1 billion and transfers of assets and lease conversion activities in connection with the Everett and Seattle Transactions of $1.2 billion partially offset by purchases and additions as a result of acquisitions of $3.1 billion and favorable currency fluctuations of $0.2 billion . Accumulated depreciation associated with the assets sold and retired was $2.4 billion .

*Long-Term Financing Receivables and Other Assets*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Financing receivables, net | $ 4,380 | $ 4,584 |
| Deferred tax assets | 4,663 | 2,806 |
| Prepaid pension assets | 830 | 366 |
| Other | 2,727 | 2,720 |
| Total | $ 12,600 | $ 10,476 |

For the fiscal year ended October 31, 2017 , the change in Long-term financing receivables and other assets was due primarily to an increase in Deferred tax assets. The increase was due primarily to an increase in foreign tax credits as a result of the Seattle Transaction and related internal planning activities.

*Other Accrued Liabilities*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Accrued taxes - other | $ 929 | $ 801 |
| Warranty - short-term | 269 | 258 |
| Sales and marketing programs | 780 | 837 |
| Other | 1,866 | 1,821 |
| Total | $ 3,844 | $ 3,717 |

*Other Liabilities*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Pension, post-retirement, and post-employment liabilities | $ 1,413 | $ 2,101 |
| Deferred revenue - long-term | 2,487 | 2,330 |
| Tax liability - long-term | 3,859 | 3,641 |
| Other long-term liabilities | 1,036 | 802 |
| Total | $ 8,795 | $ 8,874 |

For the fiscal year ended October 31, 2017 , the change in Other liabilities was due primarily to a decrease in Pension, post-retirement, and post-employment liabilities. See Note 6, "Retirement and Post-Retirement Benefit Plans", for the change in the funded status of these plans.

**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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Minimum lease payments receivable | $ 8,226 | $ 8,480 |
| Unguaranteed residual value | 272 | 231 |
| Unearned income | (654) | (678) |
| Financing receivables, gross | 7,844 | 8,033 |
| Allowance for doubtful accounts | (86) | (89) |
| Financing receivables, net | 7,758 | 7,944 |
| Less: current portion [(1)] | (3,378) | (3,360) |
| Amounts due after one year, net [(1)] | $ 4,380 | $ 4,584 |

(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.

During the second quarter of fiscal 2017, in connection with the Everett Transaction, the Company converted certain capital lease arrangements with the former ES segment to operating lease assets held by FS. The decrease in financing receivables during the fiscal year ended October 31, 2017 in the table above is due primarily to this conversion of capital leases to operating leases.

As of October 31, 2017 , scheduled maturities of the Company's minimum lease payments receivable were as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| | In millions | | | | | | |
| Scheduled maturities of minimum lease payments receivable | $ 3,686 | $ 2,121 | $ 1,350 | $ 690 | $ 302 | $ 77 | $ 8,226 |

*Sale of Financing Receivables*

During the fiscal years ended October 31, 2017 and 2016 , 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, 2017 and 2016 , the Company sold $130 million and $124 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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Risk Rating: | | |
| Low | $ 4,156 | $ 4,027 |
| Moderate | 3,556 | 3,909 |
| High | 132 | 97 |
| Total | $ 7,844 | $ 8,033 |

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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions | | |
| Balance at beginning of year | $ 89 | $ 95 | $ 111 |
| Provision for doubtful accounts | 23 | 11 | 25 |
| Write-offs | (26) | (17) | (41) |
| Balance at end of year | $ 86 | $ 89 | $ 95 |

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

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Gross financing receivables collectively evaluated for loss | $ 7,523 | $ 7,750 |
| Gross financing receivables individually evaluated for loss | 321 | 283 |
| Total | $ 7,844 | $ 8,033 |
| Allowance for financing receivables collectively evaluated for loss | $ 67 | $ 73 |
| Allowance for financing receivables individually evaluated for loss | 19 | 16 |
| Total | $ 86 | $ 89 |

*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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Billed: [1] | | |
| Current 1-30 days | $ 257 | $ 389 |
| Past due 31-60 days | 52 | 54 |
| Past due 61-90 days | 15 | 14 |
| Past due >90 days | 58 | 68 |
| Unbilled sales-type and direct-financing lease receivables | 7,462 | 7,508 |
| Total gross financing receivables | $ 7,844 | $ 8,033 |
| Gross financing receivables on non-accrual status [2] | $ 188 | $ 163 |
| Gross financing receivables 90 days past due and still accruing interest [2] | $ 133 | $ 120 |

(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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Equipment leased to customers | $ 7,356 | $ 5,467 |
| Accumulated depreciation | (2,943) | (2,134) |
| Total | $ 4,413 | $ 3,333 |

The increase in operating lease assets during the fiscal year ended October 31, 2017 was primarily a result of the Everett Transaction, as operating leases held with the former ES segment were treated as intercompany leases until the close of the transaction. As of April 1, 2017, these leases became third party leases held with DXC.

As of October 31, 2017 , minimum future rentals on non-cancelable operating leases related to leased equipment were as follows:

| | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| | In millions | | | | | | |
| Minimum future rentals on non-cancelable operating leases | $ 2,026 | $ 1,284 | $ 509 | $ 73 | $ 17 | $ 1 | $ 3,910 |

**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.

*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 are still 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 Enterprise Group 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 Enterprise Group 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 Enterprise Group 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 Enterprise Group 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 is comprised of 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. 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 and Combined Financial Statements through the date of closing. The pre-tax earnings for the fiscal years ended October 31, 2016 and 2015 were $182 million and $286 million , respectively. 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 Loss from equity interests in the Consolidated and Combined 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 .

*Acquisitions in Fiscal 2015*

In fiscal 2015 , the Company completed four 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, 2015:

| | **In millions** |
|---|---|
| Goodwill | $ 1,891 |
| Amortizable intangible assets | 656 |
| In-process research and development | 159 |
| Net assets assumed | 205 |
| Total fair value of consideration | $ 2,911 |

The Company's largest acquisition in fiscal 2015 was Aruba, which was completed in May 2015. The Company reports the financial results of Aruba's business in the Networking business unit within the EG segment. The acquisition date fair value of consideration of $2.8 billion 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 $1.8 billion of goodwill, $643 million of intangible assets and $153 million of in-process research and development. The Company is amortizing the intangible assets on a straight-line basis over an estimated weighted-average life of six years .

## Note 12: Goodwill and Intangible Assets

*Goodwill*

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

| | Enterprise Group | Financial Services | Corporate Investments [1] | Total |
|---|---|---|---|---|
| | | In millions | | |
| Balance at October 31, 2015 | $ 18,712 | $ 144 | $ 92 | $ 18,948 |
| Goodwill acquired during the period | 2 | — | — | 2 |
| Goodwill divested during the period [2] | (3,000) | — | (90) | (3,090) |
| Changes due to foreign currency | (28) | — | (2) | (30) |
| Goodwill adjustments [3] | 260 | — | — | 260 |
| Balance at October 31, 2016 | 15,946 | 144 | — | 16,090 |
| Goodwill acquired during the period | 1,427 | — | — | 1,427 |
| Changes due to foreign currency | 1 | — | — | 1 |
| Goodwill adjustments | (2) | — | — | (2) |
| Balance at October 31, 2017 | $ 17,372 | $ 144 | $ — | $ 17,516 |

(1) Goodwill related to MphasiS, which was divested in the fourth quarter of fiscal 2016.

(2) Goodwill divested as part of the H3C divestiture and sale of MphasiS, which were previously reported within the EG segment and Corporate Investments segment, respectively.

(3) Primarily measurement period adjustments to provisional tax items recorded in conjunction with the Aruba acquisition.

*Goodwill Impairments*

Goodwill is tested for impairment at the reporting unit level. As of October 31, 2017, the Company's reporting units were consistent with the reportable segments identified in Note 3, "Segment Information". Based on the results of the Company's annual impairment tests for fiscal 2017, 2016, and 2015, the Company determined that no impairment of goodwill existed.

*Intangible Assets*

Intangible assets are comprised of:

| | As of October 31, 2017 | | | As of October 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| | | | In millions | | | |
| Customer contracts, customer lists and distribution agreements | $ 268 | $ (71) | $ 197 | $ 173 | $ (78) | $ 95 |
| Developed and core technology and patents | 1,133 | (427) | 706 | 1,037 | (498) | 539 |
| Trade name and trade marks | 87 | (23) | 64 | 49 | (8) | 41 |
| In-process research and development | 75 | — | 75 | — | — | — |
| Total intangible assets | $ 1,563 | $ (521) | $ 1,042 | $ 1,259 | $ (584) | $ 675 |

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. Intangible asset amortization expense for the fiscal year ended October 31, 2017 was $321 million .

For fiscal 2016, the decrease in gross intangible assets was due primarily to $189 million of intangible assets which became fully amortized and were eliminated from gross intangible assets and accumulated amortization, and $355 million of intangible assets that were divested, of which $293 million was accumulated amortization. The decrease was partially offset by

$7 million of purchases related to an acquisition. Intangible asset amortization expense for the fiscal year ended October 31, 2016 was $272 million .

In-process research and development consists of efforts that are in process on the date the Company acquires a business. Under the accounting guidance for intangible assets, in-process research and development acquired in a business combination is considered an indefinite-lived intangible asset until completion or abandonment of the associated research and development efforts. The Company begins amortizing its in-process research and development intangible assets upon completion of the projects. If an in-process research and development project is abandoned, the Company records an expense for the value of the related intangible asset to its Consolidated and Combined Statement of Earnings in the period of abandonment. The Company reclassified in-process research and development assets acquired of $10 million and $159 million to developed and core technology and patents as the projects were completed, and began amortization during fiscal 2017 and fiscal 2016 , respectively.

As of October 31, 2017 , 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 | 5 |
| Trade name and trade marks | 5 |

As of October 31, 2017 , estimated future amortization expense related to finite-lived intangible assets was as follows:

| **Fiscal year** | **In millions** |
|---|---|
| 2018 | $ 281 |
| 2019 | 227 |
| 2020 | 176 |
| 2021 | 108 |
| 2022 | 81 |
| Thereafter | 94 |
| Total | $ 967 |

## 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, 2017 | | | | As of October 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | $ — | $ 1,159 | $ — | $ 1,159 | $ — | $ 4,074 | $ — | $ 4,074 |
| Money market funds | 5,592 | — | — | 5,592 | 6,549 | — | — | 6,549 |
| Equity securities in public companies | — | — | — | — | 16 | — | — | 16 |
| Foreign bonds | 9 | 214 | — | 223 | — | 153 | — | 153 |
| Other debt securities | — | — | 26 | 26 | — | — | 28 | 28 |
| Derivative Instruments: | | | | | | | | |
| Interest rate contracts | — | — | — | — | — | 109 | — | 109 |
| Foreign exchange contracts | — | 259 | — | 259 | — | 608 | — | 608 |
| Other derivatives | — | 1 | — | 1 | — | — | — | — |
| Total assets | $ 5,601 | $ 1,633 | $ 26 | $ 7,260 | $ 6,565 | $ 4,944 | $ 28 | $ 11,537 |
| **Liabilities** | | | | | | | | |
| Derivative Instruments: | | | | | | | | |
| Interest rate contracts | $ — | $ 142 | $ — | $ 142 | $ — | $ 6 | $ — | $ 6 |
| Foreign exchange contracts | — | 335 | — | 335 | — | 211 | — | 211 |
| Other derivatives | — | — | — | — | — | 2 | — | 2 |
| Total liabilities | $ — | $ 477 | $ — | $ 477 | $ — | $ 219 | $ — | $ 219 |

For the fiscal year ended October 31, 2017, there were no transfers between levels within the fair value hierarchy. For the fiscal year ended October 31, 2016, there were no material 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, and equity securities. The Company values cash equivalents and equity investments using quoted market prices, alternative pricing sources, including net asset value, or models utilizing market observable inputs. The fair value of debt investments was based on quoted market prices or model-driven valuations using inputs primarily derived from or corroborated by observable market data, and, in certain instances, valuation models that utilize assumptions which cannot be corroborated with observable market data.

Derivative Instruments: 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, 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 . As of October 31, 2016, the estimated fair value of the Company's short-term and long-term debt was $16.3 billion and the carrying value was $15.7 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, 2017 | | | | As of October 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | In millions | | | | | | | |
| **Cash Equivalents:** | | | | | | | | |
| Time deposits | $ 1,159 | $ — | $ — | $ 1,159 | $ 4,074 | $ — | $ — | $ 4,074 |
| Money market funds | 5,592 | — | — | 5,592 | 6,549 | — | — | 6,549 |
| Total cash equivalents | 6,751 | — | — | 6,751 | 10,623 | — | — | 10,623 |
| **Available-for-Sale Investments:** | | | | | | | | |
| Debt securities: | | | | | | | | |
| Foreign bonds | 183 | 40 | — | 223 | 111 | 42 | — | 153 |
| Other debt securities | 37 | — | (11) | 26 | 40 | — | (12) | 28 |
| Total debt securities | 220 | 40 | (11) | 249 | 151 | 42 | (12) | 181 |
| Equity securities: | | | | | | | | |
| Equity securities in public companies | — | — | — | — | 20 | — | (4) | 16 |
| Total equity securities | — | — | — | — | 20 | — | (4) | 16 |
| Total available-for-sale investments | 220 | 40 | (11) | 249 | 171 | 42 | (16) | 197 |
| Total cash equivalents and available-for-sale investments | $ 6,971 | $ 40 | $ (11) | $ 7,000 | $ 10,794 | $ 42 | $ (16) | $ 10,820 |

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, 2017 and 2016 , 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 2017 , $105 million in fiscal 2016 and $54 million in fiscal 2015 . Time deposits were primarily issued by institutions outside the U.S. as of October 31, 2017 and 2016 . The estimated fair value of the available-for-sale investments may not be representative of values that will be realized in the future.

The gross unrealized loss as of October 31, 2017 and 2016 was due primarily to a decline in the fair value of a debt security of $11 million and $12 million , respectively, that has been in a continuous loss position for more than twelve months.

The Company does not intend to sell this debt security, and it is not likely that the Company will be required to sell this debt security prior to the recovery of the amortized cost.

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

| | As of October 31, 2017 | |
|---|---|---|
| | Amortized Cost | Fair Value |
| | In millions | |
| Due in more than five years | $ 220 | $ 249 |

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 $149 million and $128 million at October 31, 2017 and 2016 , respectively.

Investments in equity securities that are accounted for using the equity method are included in Investments in equity interests in the Consolidated Balance Sheet. These amounted to $2.5 billion and $2.6 billion at October 31, 2017 and 2016 , respectively. For additional information, see Note 22, "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 directly attributable to the Company are recognized at fair value in the Consolidated Balance Sheets. The change in fair value of the derivative instruments is recognized in the Consolidated and Combined Statements of Earnings or Consolidated and Combined 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 and Combined 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 $265 million and $9 million at October 31, 2017 and 2016 , 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, 2017 and 2016 .

*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 and Combined 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 typically range from two 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 and Combined 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 and Combined Statements of Earnings in the same period in which ineffectiveness occurs. Amounts excluded from the assessment of effectiveness are recognized in the Consolidated and Combined 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, 2017 | | | | | As of October 31, 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | $ 9,500 | $ — | $ — | $ 16 | $ 126 | $ 9,500 | $ — | $ 109 | $ — | $ 6 |
| Cash flow hedges: | | | | | | | | | | |
| Foreign currency contracts | 7,202 | 105 | 45 | 101 | 70 | 6,295 | 244 | 172 | 31 | 15 |
| Net investment hedges: | | | | | | | | | | |
| Foreign currency contracts | 1,944 | 35 | 10 | 36 | 41 | 1,891 | 53 | 28 | 23 | 28 |
| Total derivatives designated as hedging instruments | 18,646 | 140 | 55 | 153 | 237 | 17,686 | 297 | 309 | 54 | 49 |
| Derivatives not designated as hedging instruments | | | | | | | | | | |
| Foreign currency contracts | 9,552 | 61 | 3 | 79 | 8 | 16,496 | 100 | 11 | 103 | 11 |
| Other derivatives | 96 | 1 | — | — | — | 124 | — | — | 2 | — |
| Total derivatives not designated as hedging instruments | 9,648 | 62 | 3 | 79 | 8 | 16,620 | 100 | 11 | 105 | 11 |
| Total derivatives | $ 28,294 | $ 202 | $ 58 | $ 232 | $ 245 | $ 34,306 | $ 397 | $ 320 | $ 159 | $ 60 |

*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, 2017 and 2016 , 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, 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 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

| | As of October 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | $ 717 | $ — | $ 717 | $ 207 | $ 465 | (1) | $ 45 |
| Derivative liabilities | $ 219 | $ — | $ 219 | $ 207 | $ 10 | (3) | $ 2 |

(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. Of the $242 million of collateral posted, $220 million was in cash and $22 million was through re-use of counterparty collateral.

(3) Represents the collateral posted by the Company 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.

*Effect of Derivative Instruments on the Consolidated and Combined 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, 2017 , 2016 and 2015 was as follows:

| | Gains (Losses) Recognized in Income on Derivative and Related Hedged Item | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Derivative Instrument | Location | 2017 | 2016 | 2015 | Hedged Item | Location | 2017 | 2016 | 2015 |
| | | In millions | | | | | In millions | | |
| Interest rate contracts | Interest and other, net | $ (245) | $ 158 | $ (55) | Fixed-rate debt | Interest and other, net | $ 245 | $ (158) | $ 55 |

The pre-tax effect of derivative instruments in cash flow and net investment hedging relationships for the fiscal years ended October 31, 2017 , 2016 and 2015 was as follows:

| | Gains (Losses) Recognized in OCI on Derivatives (Effective Portion) | | | Gains (Losses) Reclassified from Accumulated OCI Into Earnings (Effective Portion) | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | Location | 2017 | 2016 | 2015 |
| | In millions | | | | In millions | | |
| Cash flow hedges: | | | | | | | |
| Foreign currency contracts | $ (113) | $ (71) | $ 159 | Net revenue | $ (68) | $ (48) | $ 156 |
| Foreign currency contracts | (1) | 1 | — | Cost of products | — | — | — |
| Foreign currency contracts | — | — | (1) | Other operating expenses | — | — | — |
| Foreign currency contracts | — | — | — | Gain on H3C and MphasiS divestitures | — | 8 | — |
| Foreign currency contracts | 159 | 236 | 207 | Interest and other, net | 170 | 243 | 202 |
| Subtotal | 45 | 166 | 365 | Net earnings from continuing operations | 102 | 203 | 358 |
| Foreign currency contracts | 1 | 60 | 116 | Net loss from discontinued operations | 43 | 67 | 122 |
| Total cash flow hedges | $ 46 | $ 226 | $ 481 | Net earnings | $ 145 | $ 270 | $ 480 |
| Net investment hedges: | | | | | | | |
| Foreign currency contracts | $ (71) | $ (58) | $ 228 | Interest and other, net | $ — | $ — | $ — |

As of October 31, 2017 , 2016 and 2015 no portion of the hedging instruments' gain or loss was excluded from the assessment of effectiveness for fair value, cash flow or net investment hedges. Hedge ineffectiveness for fair value, cash flow and net investment hedges was not material for fiscal 2017 , 2016 and 2015 .

As of October 31, 2017 , the Company expects to reclassify an estimated net accumulated other comprehensive loss of approximately $41 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 and Combined Statements of Earnings for the fiscal years ended October 31, 2017 , 2016 and 2015 was as follows:

| | Gains (Losses) Recognized in Income on Derivatives | | | |
|---|---|---|---|---|
| | Location | 2017 | 2016 | 2015 |
| | | In millions | | |
| Foreign currency contracts | Interest and other, net | $ (443) | $ (425) | $ 11 |
| Other derivatives | Interest and other, net | 3 | (4) | 1 |
| Total | | $ (440) | $ (429) | $ 12 |

## 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, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount Outstanding | Weighted-Average Interest Rate | Amount Outstanding | Weighted-Average Interest Rate |
| | Dollars in millions | | | |
| Current portion of long-term debt | $ 3,005 | 3.2 % | $ 2,772 | 1.7% |
| FS Commercial paper | 401 | (0.1)% | 326 | 0.1% |
| Notes payable to banks, lines of credit and other [1] | 444 | 1.8 % | 427 | 2.0% |
| Total notes payable and short-term borrowings | $ 3,850 | | $ 3,525 | |

(1) Notes payable to banks, lines of credit and other includes $390 million and $381 million at October 31, 2017 and 2016 , respectively, of borrowing- and funding-related activity associated with FS and its subsidiaries.

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

*Long-Term Debt*

| | As of October 31, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| **Hewlett Packard Enterprise Senior Notes [(1)]** | | |
| $2,250 issued at discount to par at a price of 99.944% in October 2015 at 2.45%, due October 5, 2017, interest payable semi-annually on April 5 and October 5 of each year | $ — | $ 2,249 |
| $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 | 2,648 |
| $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 | — |
| $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 | 2,999 |
| $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 | 2,494 |
| $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 |
| $350 issued at par in October 2015 at three-month USD LIBOR plus 1.74%, due October 5, 2017, interest payable quarterly on January 5, April 5, July 5 and October 5 of each year | — | 350 |
| $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 | 250 |
| **Other, including capital lease obligations, at 0.00%-6.05%, due in calendar years 2017-2030 [(2)]** | 286 | 300 |
| Fair value adjustment related to hedged debt | (142) | 103 |
| Unamortized debt issuance costs [(3)] | (47) | (50) |
| Less: current portion | (3,005) | (2,772) |
| Total long-term debt | $ 10,182 | $ 12,168 |

(1) The Company may redeem some or all of the fixed-rate Hewlett Packard Enterprise Senior Notes at any time in accordance with the terms thereof.

(2) Other, including capital lease obligations includes $160 million and $181 million as of October 31, 2017 and 2016 , 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.

(3) In April 2015, the FASB issued ASU 2015-03, which simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability rather than an asset that is amortized. During the first quarter of fiscal 2017, the Company adopted the standard retrospectively for the prior period presented.

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

| | | Fiscal years ended October 31, | | |
|---|---|---|---|---|
| <u>Expense</u> | Location | 2017 | 2016 | 2015 |
| | | In millions | | |
| Financing interest | Financing interest | $ 265 | $ 249 | $ 240 |
| Interest expense | Interest and other, net | 334 | 298 | 9 |
| Total interest expense | | $ 599 | $ 547 | $ 249 |

*Hewlett Packard Enterprise Senior Notes*

On October 9, 2015, Hewlett Packard Enterprise completed its offering of $14.0 billion of fixed rate notes and $0.6 billion of floating rate notes, with the interest rate and maturity date described in the table above. The Notes are Hewlett Packard Enterprise's senior unsecured obligations and rank equally in right of payment with all of Hewlett Packard Enterprise's existing and future senior unsecured indebtedness. Hewlett Packard Enterprise distributed approximately $14.5 billion of net proceeds from the Notes offering to HP Co.

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 are substantially identical to the terms of the previously unregistered Senior Notes, except that the new Notes are 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.

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 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.

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, 2017, the Company entered into interest rate swaps to reduce the exposure of $9.5 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, 2017 and 2016, no borrowings were outstanding under Hewlett Packard Enterprise’s two commercial paper programs, and $401 million and $326 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, 2017 and 2016, no borrowings were outstanding under the Credit Agreement.

*Future Maturities of Long-term Debt*

As of October 31, 2017 , aggregate future maturities of the Company's long-term debt at face value (excluding a fair value adjustment related to hedged debt of $142 million and a net discount on debt issuance of $10 million ), including capital lease obligations were as follows:

| Fiscal year | In millions |
|---|---|
| 2018 | $ 3,023 |
| 2019 | 1,129 |
| 2020 | 3,028 |
| 2021 | 47 |
| 2022 | 1,354 |
| Thereafter | 4,805 |
| Total | $ 13,386 |

**Note 16: Related Party Transactions and Former Parent Company Investment**

Prior to November 1, 2015, the Company consisted of the enterprise technology infrastructure, software, services, and financing businesses of former Parent and thus, transactions with former Parent were considered related party transactions. Following the Separation, the Company became an independent publicly-traded company. As a result, transactions with HP Inc. are no longer considered related party transactions.

On October 31, 2015 and November 1, 2015, in connection with the Separation, the Company entered into several agreements with former Parent that govern the relationship between the Company and former Parent following the Distribution, including the following:

- 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.

*Final Cash Allocation from former Parent*

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.

*Purchases from former Parent*

During fiscal 2015, the Company purchased equipment from other businesses of former Parent in the amount of $1.3 billion .

*Net Transfers from former Parent*

Former Parent historically used a centralized approach to cash management and the financing of 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 and Combined Statements of Cash Flows.

*Transactions with DXC and Micro Focus*

Prior to April 1, 2017, the Company's operations were organized into five segments for financial reporting purposes, which included the former Enterprise Services segment, and therefore, transactions with the segment were considered related party transactions. On April 1, 2017, HPE completed the Everett Transaction. As a result, transactions with DXC are no longer considered related party transactions. Following April 1, 2017, but prior to September 1, 2017, the Company's operations were organized into four segments for financial reporting purposes, which included the former Software segment, and therefore, transactions with that segment were considered related party transactions. On September 1, 2017, HPE completed the Seattle Transaction. As a result, transactions with Micro Focus are no longer considered related party transactions. For further information, see Note 2, "Discontinued Operations".

HPE has 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

These agreements provide 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 separation. Obligations under the service and commercial contracts generally extend through five years.

**Note 17: Stockholders' Equity**

*Taxes related to Other Comprehensive Income (Loss)*

| | Fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | 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 | $ 2 |
| Tax provision (benefit) on (gains) losses reclassified into earnings | 1 | (2) | — |
| | (1) | — | 2 |
| Taxes on change in net unrealized (losses) gains on cash flow hedges: | | | |
| Tax benefit (provision) on net unrealized gains arising during the period | 6 | (14) | (69) |
| Tax provision on net gains reclassified into earnings | 10 | 25 | 76 |
| | 16 | 11 | 7 |
| Taxes on change in unrealized components of defined benefit plans: | | | |
| Tax (provision) benefit on gains (losses) arising during the period | (49) | 63 | 30 |
| Tax provision on amortization of actuarial loss and prior service benefit | (19) | (20) | (10) |
| Tax provision on curtailments, settlements and other | (91) | (1) | — |
| Tax benefit on plans transferred from former Parent during the period | — | — | 255 |
| | (159) | 42 | 275 |
| Taxes on change in cumulative translation adjustment: | | | |
| Tax on cumulative translation adjustment arising during the period | (1) | 20 | (73) |
| Tax on release of cumulative translation adjustment as a result of H3C and MphasiS divestitures | — | (22) | — |
| | (1) | (2) | (73) |
| Tax (provision) benefit on other comprehensive loss | $ (145) | $ 51 | $ 211 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Notes to Consolidated and Combined Financial Statements (Continued)**

*Changes and reclassifications related to Other Comprehensive Income (Loss), net of taxes*

| | Fiscal years ended October 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | | In millions | |
| Other comprehensive income (loss), net of taxes: | | | |
| Change in net unrealized losses on available-for-sale securities: | | | |
| Net unrealized losses arising during the period | $ (10) | $ (2) | $ (8) |
| (Gains) losses reclassified into earnings | (3) | 1 | — |
| | (13) | (1) | (8) |
| Change in net unrealized (losses) gains on cash flow hedges: | | | |
| Net unrealized gains arising during the period | 52 | 212 | 412 |
| Net gains reclassified into earnings (1) | (135) | (245) | (404) |
| | (83) | (33) | 8 |
| Change in unrealized components of defined benefit plans: | | | |
| Gains (losses) arising during the period | 895 | (1,714) | (352) |
| Amortization of actuarial loss and prior service benefit (2) | 266 | 264 | 204 |
| Curtailments, settlements and other | (76) | (19) | 4 |
| Plans transferred from former Parent during the period | — | — | (2,352) |
| | 1,085 | (1,469) | (2,496) |
| Change in cumulative translation adjustment: | | | |
| Cumulative translation adjustment arising during the period | (15) | (134) | (271) |
| Release of cumulative translation adjustment as a result of H3C and MphasiS divestitures | — | 53 | — |
| | (15) | (81) | (271) |
| Other comprehensive income (loss), net of taxes | $ 974 | $ (1,584) | $ (2,767) |

(1) For more details on reclassification of pre-tax (gains) losses on cash flow hedges into the Consolidated and Combined 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, 2017 and changes during fiscal 2017 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 | $ 54 | $ 35 | $ (5,642) | $ (1,046) | $ (6,599) |
| Transfer related to the Everett Transaction | (9) | — | 1,820 | 768 | 2,579 |
| Transfer related to the Seattle Transaction | (3) | — | 47 | 107 | 151 |
| Other comprehensive (loss) income before reclassifications | (10) | 52 | 895 | (15) | 922 |
| Reclassifications of (gains) losses into earnings | (3) | (135) | 190 | — | 52 |
| Balance at end of period | $ 29 | $ (48) | $ (2,690) | $ (186) | $ (2,895) |

*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. Dividends declared were $0.26 per common share in fiscal 2017 and $0.22 per common share in fiscal 2016.

*Share Repurchase Program*

On October 13, 2015, the Company's Board of Directors approved a share repurchase program with an authorization of $3.0 billion , which was refreshed with additional share repurchase authorizations of $3.0 billion and $5.0 billion on May 24, 2016 and October 16, 2017, respectively. The Company's share repurchase program authorizes both open market and private repurchase transactions and does not have a specific expiration date. The Company may choose to repurchase shares when sufficient liquidity exists and the shares are trading at a discount relative to estimated intrinsic value.

The Company entered into two separate accelerated share repurchase agreements ("ASR Agreements") with financial institutions in November 2015 and May 2016. Under the ASR agreements, the Company paid upfront amounts of $1,075 million and $1,450 million , respectively. For fiscal 2016, the Company retired a total of 158 million shares as a result of its share repurchase program, which included purchases of 148 million shares under the ASR Agreements with the remainder under open market repurchases. The 158 million shares were retired and recorded as a $2.7 billion reduction to stockholder's equity. For fiscal 2017, the Company repurchased and retired 136 million shares as a result of its share repurchase program and recorded a $2.6 billion reduction to stockholders' equity. Share repurchases settled in fiscal 2017 were open market purchases. 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. As of October 31, 2017, the Company had a remaining authorization of $5.8 billion for future share repurchases.

## Note 18: 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, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| | In millions, except per share amounts | | |
| Numerator: | | | |
| Earnings from continuing operations | $ 436 | $ 3,237 | $ 2,640 |
| Loss from discontinued operations | (92) | (76) | (179) |
| Net earnings | $ 344 | $ 3,161 | $ 2,461 |
| Denominator: | | | |
| Weighted-average shares used to compute basic net EPS | 1,646 | 1,715 | 1,804 |
| Dilutive effect of employee stock plans (1) | 28 | 24 | 30 |
| Weighted-average shares used to compute diluted net EPS | 1,674 | 1,739 | 1,834 |
| Basic net earnings (loss) per share: | | | |
| Continuing operations | $ 0.26 | $ 1.89 | $ 1.46 |
| Discontinued operations | (0.05) | (0.05) | (0.10) |
| Basic net earnings per share | $ 0.21 | $ 1.84 | $ 1.36 |
| Diluted net earnings (loss) per share: | | | |
| Continuing operations | $ 0.26 | $ 1.86 | $ 1.44 |
| Discontinued operations (2) | (0.05) | (0.04) | (0.10) |
| Diluted net earnings per share | $ 0.21 | $ 1.82 | $ 1.34 |
| Anti-dilutive weighted-average stock awards (3) | 8 | 32 | 28 |

(1) For fiscal 2015, the Company calculated the weighted-average dilutive effect of employee stock plans after conversion by multiplying the dilutive Hewlett-Packard Company stock-based awards attributable to Hewlett Packard Enterprise employees for the fiscal year ended October 31, 2015 by the price conversion ratio used to convert those awards to equivalent units of Hewlett Packard Enterprise awards on the Separation date. The price conversion ratio was calculated using the closing price of Hewlett-Packard Company common shares on October 31, 2015 divided by the opening price of Hewlett Packard Enterprise common shares on November 2, 2015.

(2) 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.

(3) 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. For the fiscal year ended October 31, 2015, the Company's anti-dilutive shares were calculated by multiplying the anti-dilutive Hewlett-Packard Company stock-based awards attributable to Hewlett Packard Enterprise employees for the fiscal year ended October 31, 2015 by the price conversion ratio used to convert those awards to equivalent units of Hewlett Packard Enterprise awards on the Separation date. The price conversion ratio was calculated using the closing price of Hewlett-Packard Company common shares on October 31, 2015 divided by the opening price of Hewlett Packard Enterprise common shares on November 2, 2015.

## Note 19: Litigation and Contingencies

Hewlett Packard Enterprise is 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. 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, 2017 , 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. No new hearing date has been set.

*Department of Justice, Securities and Exchange Commission Proceedings* . In April 2014, HP Inc. and HP Inc. subsidiaries in Russia, Poland, and Mexico collectively entered into agreements with the U.S. Department of Justice ("DOJ") and the Securities and Exchange Commission ("SEC") to resolve claims of Foreign Corrupt Practices Act ("FCPA") violations. Pursuant to the terms of the resolutions with the DOJ and SEC, HP Inc. was required to undertake certain compliance, reporting and cooperation obligations for a three year period. In October of 2015, Hewlett Packard Enterprise contractually undertook the same compliance, reporting and cooperation obligations that were held by HP Inc. under the DOJ resolutions for the balance of the three year period. Hewlett Packard Enterprise has reached a similar agreement with the Staff of the SEC, which is set forth in an amended SEC administrative order dated July 15, 2016. Hewlett Packard Enterprise's obligations to the SEC expired in April 2017. Hewlett Packard Enterprise's obligations to the DOJ ran for three years following a court proceeding held in connection with the resolution, and were satisfied in September 2017.

*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. vs. 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. The court held that an arbitrator must first decide whether the release provisions contained in the relevant arbitration agreements are enforceable. On October 18, 2017, plaintiffs moved for reconsideration of the court's order.

*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.

*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. Trial is set to begin on January 22, 2018.

*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.

*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. The Company expects Network-1 to appeal following post-trial motion practice and the entry of judgment.

*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.

*Other Contingencies*

During the fourth quarter of fiscal 2017, the Company's facilities in Houston, Texas sustained significant damage as a result of Hurricane Harvey. For fiscal 2017, the Company recorded $52 million in Disaster charges in its Consolidated Statement of Earnings, which primarily represents the deductible under the Company's insurance plans. The Company continues to evaluate the impact of Hurricane Harvey on the business and has filed a claim under its insurance program for property damage and incremental expenses. However, as of October 31, 2017, the final claim amount was not quantified, and as such, no insurance receivable was recorded.

As a result of the damage caused by Hurricane Harvey, the Company further recognized an asset impairment charge of $41 million for the buildings it owns in Houston, Texas. The impairment charge represented the difference between the carrying value of the buildings and estimated market value.

**Note 20: 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. With the completion of the Everett Transaction, these service contracts now primarily relate to TS contracts. 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. As a result, as of October 31, 2017 and October 31, 2016 the Company has recorded both a receivable from HP Inc. of $48 million and $56 million , respectively, and a payable to HP Inc. of $41 million and $41 million , respectively, related to litigation matters and other contingencies.

In connection with the Everett Transaction, the Company entered into a Separation and Distribution Agreement with DXC, effective April 1, 2017, where DXC 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 as part of the Everett Transaction. HPE similarly agreed to indemnify DXC, 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 Transaction. As a result, as of October 31, 2017, the Company has recorded both a receivable from DXC of $87 million and a payable to DXC of $27 million related to litigation matters and other contingencies.

In connection with the Seattle Transaction, the Company entered into a Separation and Distribution Agreement with Micro Focus, effective September 1, 2017, where 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 Micro Focus as part of the Seattle Transaction. HPE similarly agreed to indemnify 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 Seattle Transaction. As a result, as of October 31, 2017, the Company has recorded both a receivable from Micro Focus of $14 million and a payable to Micro Focus of $24 million related to litigation matters and other contingencies.

*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.

*Tax Matters Agreement with HPI 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.

As of October 31, 2017, the Company recorded a net long-term receivable of $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 Matters Agreement. The actual amount that the Company may receive could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

*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.

As of October 31, 2017, the Company recorded a net tax indemnification receivable of $109 million from DXC for certain tax liabilities and tax receivables. The actual amount that DXC may be obligated to pay the Company could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

*Tax Matters Agreement with Seattle and Other Income Tax Matters*

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, 2017, the Company recorded a net tax indemnification payable of $31 million to Micro Focus for certain tax liabilities and tax receivables. The actual amount that the Company may be obligated to pay Micro Focus could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

*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, | |
|---|---|---|
| | 2017 | 2016 |
| | In millions | |
| Balance at beginning of year | $ 497 | $ 523 |
| Accruals for warranties issued | 292 | 305 |
| Adjustments related to pre-existing warranties (including changes in estimates) | (8) | 1 |
| Divested as part of the H3C transaction | — | (19) |
| Settlements made (in cash or in kind) | (306) | (313) |
| Balance at end of year | $ 475 | $ 497 |

## Note 21: 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 $0.3 billion , $0.3 billion and $0.4 billion for fiscal 2017 , 2016 and 2015 , 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 $75 million and $65 million as of October 31, 2017 and 2016 , respectively. Accumulated depreciation on the property under capital lease was $16 million and $63 million as of October 31, 2017 and 2016 , respectively.

As of October 31, 2017 , future minimum lease commitments on the Company's operating leases were as follows:

| Fiscal Year | In millions |
|---|---|
| 2018 | $ 255 |
| 2019 | 201 |
| 2020 | 171 |
| 2021 | 129 |
| 2022 | 103 |
| Thereafter | 379 |
| Less: Sublease rental income | (294) |
| Total | $ 944 |

*Unconditional Purchase Obligations*

At October 31, 2017 , the Company had unconditional purchase obligations of approximately $0.8 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, 2017 , future unconditional purchase obligations were as follows:

| Fiscal Year | | In millions |
|---|---|---|
| 2018 | $ | 273 |
| 2019 | | 255 |
| 2020 | | 168 |
| 2021 | | 74 |
| 2022 | | 22 |
| Thereafter | | — |
| Total | $ | 792 |

**Note 22: 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, 2017 and October 31, 2016 , the Company's Investments in equity interests were $2.5 billion and $2.6 billion , respectively, primarily related to a 49% equity interest in H3C.

*Investment in H3C*

In May 2016, Tsinghua Holdings' subsidiary, Unisplendour Corporation, purchased 51% of a new business named H3C, which is comprised of Hewlett Packard Enterprise's former H3C Technologies and China-based servers, storage and technology services businesses which were previously reported within the EG segment. The Company retained a 49% interest in the new company, which it records as an equity method investment.

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 Loss from equity interests in the Consolidated and Combined Statements of Earnings.

During the fourth quarter of fiscal 2017, the Company received a cash dividend of $98 million 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 Sheet.

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 will be amortized using a straight-line method. 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 the full basis difference charge for the value of the related intangible asset to its Consolidated and Combined Statements of Earnings in the period of abandonment. Equity method goodwill is not amortized or tested for impairment; instead the equity method investment is tested for impairment whenever factors indicate that the carrying value of the investment may not be recoverable. As of October 31, 2017 and 2016 , the Company determined that no impairment of its equity method investments existed.

The Company recorded a Loss from equity interests of $23 million and $76 million during fiscal 2017 and 2016 respectively, in the Consolidated and Combined Statement of Earnings. For fiscal 2017 , 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 and withholding taxes of $5 million . For fiscal 2016 , Loss from equity interests consists of basis difference amortization of $93 million and 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 . This loss was reflected as a reduction in the carrying amount of Investments in equity interests in the Consolidated Balance Sheets as of October 31, 2017 and 2016 .

The Company also has commercial arrangements with H3C to buy and sell HPE branded servers, storage, networking and technology services. During fiscal 2017 and 2016 , HPE recorded approximately $1.2 billion and $0.5 billion in sales to H3C and $331 million and $169 million in purchases from H3C, respectively. Net payables due to H3C as of October 31, 2017 and 2016 were approximately $64 million and $71 million , respectively.

Table of Contents

**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 (1) | — | — | 31 | 328 |
| Disaster charges (2) | — | — | — | 93 |
| Acquisition and other related charges | 44 | 50 | 56 | 53 |
| Separation costs | 11 | 30 | 5 | 202 |
| Defined benefit plan settlement charges and remeasurement (benefit) (3) | (4) | (12) | (22) | (26) |
| Total costs and expenses | 6,449 | 6,613 | 7,300 | 7,884 |
| Earnings 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 (4) | (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 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

**Quarterly Summary**
**(Unaudited)**
**(In millions, except per share amounts)**

| | For the three-month periods ended in fiscal 2016 | | | |
|---|---|---|---|---|
| | **January 31** | **April 30** | **July 31** | **October 31** |
| Net revenue | $ 7,811 | $ 7,807 | $ 7,338 | $ 7,324 |
| Cost of sales | 5,243 | 5,316 | 4,952 | 4,996 |
| Research and development | 437 | 462 | 414 | 401 |
| Selling, general and administrative | 1,388 | 1,435 | 1,304 | 1,253 |
| Amortization of intangible assets | 80 | 62 | 73 | 57 |
| Restructuring charges | 129 | 71 | 89 | 128 |
| Acquisition and other related charges | 36 | 43 | 20 | 46 |
| Separation costs | 79 | 90 | 75 | 118 |
| Gain on H3C and MphasiS divestitures | — | — | (2,169) | (251) |
| Total costs and expenses | 7,392 | 7,479 | 4,758 | 6,748 |
| Earnings from continuing operations | 419 | 328 | 2,580 | 576 |
| Interest and other, net | (75) | (50) | (68) | (91) |
| Tax indemnification adjustments | 15 | (69) | 60 | 311 |
| Loss from equity interests [4] | — | — | (72) | (4) |
| Earnings from continuing operations before taxes | 359 | 209 | 2,500 | 792 |
| Provision for taxes | (49) | (16) | (92) | (466) |
| Net earnings from continuing operations | 310 | 193 | 2,408 | 326 |
| Net (loss) earnings from discontinued operations | (43) | 127 | (136) | (24) |
| Net earnings | $ 267 | $ 320 | $ 2,272 | $ 302 |
| | | | | |
| Net earnings (loss) per share: | | | | |
| Basic | | | | |
| Continuing operations | $ 0.18 | $ 0.11 | $ 1.43 | $ 0.19 |
| Discontinued operations | (0.03) | 0.08 | (0.08) | (0.01) |
| Total basic net earnings per share | $ 0.15 | $ 0.19 | $ 1.35 | $ 0.18 |
| Diluted | | | | |
| Continuing operations | $ 0.17 | $ 0.11 | $ 1.40 | $ 0.19 |
| Discontinued operations | (0.02) | 0.07 | (0.08) | (0.01) |
| Total diluted net earnings per share | $ 0.15 | $ 0.18 | $ 1.32 | $ 0.18 |
| Cash dividends declared per share | $ 0.110 | $ 0.055 | $ 0.055 | $ — |
| Weighted-average shares used to compute net earnings (loss) per share: | | | | |
| Basic | 1,761 | 1,725 | 1,681 | 1,672 |
| Diluted | 1,778 | 1,751 | 1,715 | 1,709 |

(1) Represents amounts incurred in connection with the HPE Next initiative and includes costs related to labor and non-labor restructuring, program management costs and IT costs, partially offset by a gain on the sale of real estate.
(2) Represents amounts incurred in connection with damages sustained by the Company as a result of Hurricane Harvey.
(3) 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.
(4) Primarily represents the Company's ownership interest in the net earnings of H3C.

**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 2018 Annual Meeting of Stockholders to be filed within 120 days after Hewlett Packard Enterprise's fiscal year end of October 31, 2017 (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."



2. Financial Statement Schedules:

All schedules are omitted as the required information is not applicable or the information is presented in the Consolidated and Combined 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 |
| 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 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit(s) | Filing Date |
| 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 |
| 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 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit(s) | Filing Date |
| 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 |
| 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 |

HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit(s) | Filing Date |
| 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 |
| 4.2 | 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 |
| 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 2015 Employee Stock Purchase Plan | 10 | 001-37483 | 10.2 | September 28, 2015 |
| 10.3 | Hewlett Packard Enterprise Company Severance and Long-Term Incentive Change in Control Plan for Executive Officers* | 10 | 001-37483 | 10.4 | September 28, 2015 |
| 10.4 | Hewlett Packard Enterprise Executive Deferred Compensation Plan* | S-8 | 333-207679 | 4.3 | October 30, 2015 |
| 10.5 | Hewlett Packard Enterprise Grandfathered Executive Deferred Compensation Plan* | S-8 | 333-207679 | 4.4 | October 30, 2015 |
| 10.6 | Form of Non-Qualified Stock Option Grant Agreement* | 8-K | 001-37483 | 10.4 | November 5, 2015 |
| 10.7 | Form of Restricted Stock Unit Grant Agreement* | 8-K | 001-37483 | 10.5 | November 5, 2015 |
| 10.8 | Form of Performance-Adjusted Restricted Stock Unit Grant Agreement* | 8-K | 001-37483 | 10.6 | November 5, 2015 |
| 10.9 | Form of Restricted Stock Unit Launch Grant Agreement* | 8-K | 001-37483 | 10.7 | November 5, 2015 |
| 10.10 | Form of Performance-Contingent Non-Qualified Stock Option Launch Grant Agreement* | 8-K | 001-37483 | 10.8 | November 5, 2015 |
| 10.11 | Form of Non-Employee Director Stock Options Grant Agreement* | 8-K | 001-37483 | 10.9 | November 5, 2015 |
| 10.12 | Form of Non-Employee Director Restricted Stock Unit Grant Agreement* | 8-K | 001-37483 | 10.10 | November 5, 2015 |
| 10.13 | 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 |
| 10.14 | Form of Restricted Stock Units Grant Agreement, as amended and restated effective January 1, 2016* | 10-Q | 001-37483 | 10.14 | March 10, 2016 |
| 10.15 | 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 |
| 10.16 | 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 |
| 10.17 | Niara, Inc. 2013 Equity Incentive Plan* | S-8 | 333-207679 | 4.3 | March 6, 2017 |
| 10.18 | Nimble Storage, Inc. 2008 Equity Incentive Plan* | S-8 | 001-37483 | 4.3 | April 18, 2017 |
| 10.19 | Nimble Storage, Inc. 2013 Equity Incentive Plan | S-8 | 001-37483 | 4.4 | April 18, 2017 |
| 10.20 | SimpliVity Corporation 2009 Stock Plan* | S-8 | 001-37483 | 4.3 | April 24, 2017 |
| 10.21 | Silicon Graphics International Corp. 2014 Omnibus Incentive Plan, as amended* | 10-Q | 000-51333 | 10.1 | January 29, 2016 |
| 10.22 | Silicon Graphics International Corp. 2006 New Recruit Equity Incentive Plan, as amended and restated* | 10-K | 000-51333 | 10.48 | February 28, 2007 |

**HEWLETT PACKARD ENTERPRISE COMPANY AND SUBSIDIARIES**

| Exhibit Number | Exhibit Description | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| | | Form | File No. | Exhibit(s) | Filing Date |
| 10.23 | Silicon Graphics International Corp. 2005 Equity Incentive Plan, as amended* | 10-K | 000-51333 | 10.3 | September 10, 2012 |
| 10.24 | Silicon Graphics International Corp. 2005 Non-Employee Directors' Stock Option* | S-1 | 000-51333 | 10.10 | February 4, 2005 |
| 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‡ | | | | |
| 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 15, 2017 | HEWLETT PACKARD ENTERPRISE COMPANY | |
| | | By: | /s/ TIMOTHY C. STONESIFER |
| | | | Timothy C. Stonesifer<br>*Executive Vice President and*<br>*Chief Financial Officer* |

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy C. Stonesifer, 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/ MARGARET C. WHITMAN<br>Margaret C. Whitman | Chief Executive Officer<br>(Principal Executive Officer) | December 15, 2017 |
| /s/ TIMOTHY C. STONESIFER<br>Timothy C. Stonesifer | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | December 15, 2017 |
| /s/ JEFF T. RICCI<br>Jeff T. Ricci | Senior Vice President and Controller<br>(Principal Accounting Officer) | December 15, 2017 |
| /s/ PATRICIA F. RUSSO<br>Patricia F. Russo | Chairman | December 15, 2017 |
| /s/ DANIEL L. AMMANN<br>Daniel L. Ammann | Director | December 15, 2017 |
| /s/ MARC L. ANDREESSEN<br>Marc L. Andreessen | Director | December 15, 2017 |
| /s/ MICHAEL J. ANGELAKIS<br>Michael J. Angelakis | Director | December 15, 2017 |
| /s/ LESLIE A. BRUN<br>Leslie A. Brun | Director | December 15, 2017 |
| /s/ PAMELA L. CARTER<br>Pamela L. Carter | Director | December 15, 2017 |
| /s/ RAYMOND J. LANE<br>Raymond J. Lane | Director | December 15, 2017 |
| /s/ ANN M. LIVERMORE<br>Ann M. Livermore | Director | December 15, 2017 |
| /s/ RAYMOND E. OZZIE<br>Raymond E. Ozzie | Director | December 15, 2017 |
| /s/ GARY M. REINER<br>Gary M. Reiner | Director | December 15, 2017 |
| /s/ LIP-BU TAN<br>Lip-Bu Tan | Director | December 15, 2017 |
| /s/ MARY AGNES WILDEROTTER<br>Mary Agnes Wilderotter | Director | December 15, 2017 |

**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, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| | In millions, except ratios | | | | |
| Earnings: | | | | | |
| Earnings from continuing operations before taxes | $ 272 | $ 3,860 | $ 1,935 | $ 2,833 | $ 3,266 |
| Adjustments: | | | | | |
| Non-controlling interests in the income of subsidiaries with fixed charges | 9 | 46 | 46 | 42 | 61 |
| Undistributed loss of equity method investees | 23 | 76 | 2 | 2 | — |
| Distributed earnings of equity method investees | 98 | — | — | — | — |
| Fixed charges | 692 | 644 | 395 | 416 | 433 |
| | $ 1,094 | $ 4,626 | $ 2,378 | $ 3,293 | $ 3,760 |
| Fixed charges: | | | | | |
| Total interest expense, including interest expense on borrowings, amortization of debt discount and premium on all indebtedness and other | $ 610 | $ 558 | $ 255 | $ 292 | $ 328 |
| Interest included in rent | 82 | 86 | 140 | 124 | 105 |
| Total fixed charges | $ 692 | $ 644 | $ 395 | $ 416 | $ 433 |
| Ratio of earnings to fixed charges (excess of fixed charges over earnings) | 1.6x | 7.2x | 6.0x | 7.9x | 8.7x |

(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 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, 2017 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

-Hewlett Packard Enterprise Canada Co. Hewlett Packard Enterprise Canada Cie

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

- 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.

CROATIA

-Hewlett-Packard d.o.o.

CYPRUS

-Hewlett-Packard Cyprus Ltd

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

FINLAND

-Hewlett-Packard OY

FRANCE

-Hewlett-Packard France SAS

GERMANY

-Hewlett-Packard GmbH

GHANA

-Hewlett-Packard Ghana Limited

GREECE

-Hewlett-Packard Hellas EPE

GUATEMALA

-Hewlett-Packard Guatemala, Limitada

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.

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 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 ªirketi

UNITED ARAB EMIRATES

-Hewlett-Packard Middle East FZ-LLC

UNITED STATES

CALIFORNIA

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

-HPFS Global Holdings I, LLC

-HPFS Global Holdings II, LLC

-Nimble Storage, Inc.

NEW YORK

-EYP Mission Critical Facilities, 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, and

(10) Registration Statement (Form S-8 No. 333-221254) pertaining to the Cloud Technology Partners, Inc. 2011 Equity Incentive Plan, as amended,

of our reports dated December 15, 2017, with respect to the consolidated and combined 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, 2017.

/s/ Ernst & Young LLP

San Jose, California

December 15, 2017

**Exhibit 31.1**

# CERTIFICATION

I, Margaret C. Whitman, 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 15, 2017

/s/ MARGARET C. WHITMAN

Margaret C. Whitman
*Chief Executive Officer*
*(Principal Executive Officer)*

**Exhibit 31.2**

# CERTIFICATION

I, Timothy C. Stonesifer, 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 15, 2017

/s/ TIMOTHY C. STONESIFER

Timothy C. Stonesifer
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, Margaret C. Whitman, 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, 2017 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 15, 2017

| | |
|---|---|
| | /s/ MARGARET C. WHITMAN |
| By: | Margaret C. Whitman |
| | *Chief Executive Officer* |

I, Timothy C. Stonesifer, 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, 2017 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 15, 2017

| | |
|---|---|
| | /s/ TIMOTHY C. STONESIFER |
| By: | Timothy C. Stonesifer |
| | *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.