




# Q1 FY07 Earnings Announcement

**February 20, 2007**



<http://investor.hp.com>



© 2007 Hewlett-Packard Development Company, L.P.  
The information contained herein is subject to change without notice

14 WALL ST.

# Forward-looking statements

These materials contain forward-looking statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, the results of HP may differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including but not limited to any projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, share repurchases or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including the execution of cost reduction programs and restructuring plans; any statements concerning the expected development, performance or market share relating to products or services; 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 macroeconomic and geopolitical trends and events; execution and performance of contracts by suppliers, customers and partners; the challenge of managing asset levels, including inventory; the difficulty of aligning expense levels with revenue changes; assumptions related to pension and other post-retirement costs; expectations and assumptions relating to the execution and timing of cost reduction programs and restructuring plans; the resolution of pending investigations, claims and disputes; and other risks that are described from time to time in HP's Securities and Exchange Commission reports, including but not limited to the risks described in HP's Annual Report on Form 10-K for the fiscal year ended October 31, 2006. As in prior years, the financial information set forth in this release, including tax-related items, are estimates based on information available at this time. While HP believes these estimates to be meaningful, these amounts could differ materially from actual reported amounts in HP's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2007. In particular, determining HP's actual tax balances and provisions as of January 31, 2007 requires extensive internal and external review of tax data (including consolidating and reviewing the tax provisions of numerous domestic and foreign entities), which is being completed in the ordinary course of preparing HP's Form 10-Q. HP assumes no obligation and does not intend to update these forward-looking statements.

# Use of non-GAAP financial information

HP has included non-GAAP financial measures in this presentation to supplement HP's consolidated condensed financial statements presented on a GAAP basis. Definitions of these non-GAAP financial measures and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this presentation.

HP's management uses non-GAAP operating expense, non-GAAP OI&E, non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share, and HP's non-GAAP tax rate to evaluate and forecast HP's performance before gains, losses or other charges that are considered by HP's management to be outside of HP's core business segment operating results. Gross cash, net cash and free cash flow are liquidity measures that provide useful information to management about the amount of cash available for investment in HP's businesses, funding strategic acquisitions, repurchasing stock and other purposes.

These non-GAAP financial measures may have limitations as analytical tools, and these measures should not be considered in isolation or as a substitute for analysis of HP's results as reported under GAAP. For example, items such as restructuring charges that are excluded from non-GAAP operating expense, non-GAAP operating profit, non-GAAP net earnings, non-GAAP diluted earnings per share and HP's non-GAAP tax rate and items such as gains or losses on investments that are excluded from non-GAAP net earnings and non-GAAP diluted earnings per share can have a material impact on cash flows. HP may not be able to liquidate the long-term investments included in gross cash immediately, which may limit the usefulness of gross cash as a liquidity measure. In addition, free cash flow does not represent the total increase or decrease in the cash balance for the period. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies.

We compensate for the limitations on our use of these non-GAAP financial measures by relying primarily on our GAAP financial statements and using non-GAAP financial measures only supplementally. We also provide robust and detailed reconciliations of each non-GAAP financial measure to the most directly comparable GAAP measure, and we encourage investors to review carefully those reconciliations.

We believe that providing these non-GAAP financial measures in addition to the related GAAP measures provides investors with greater transparency to the information used by HP's management in its financial and operational decision-making and allows investors to see HP's results "through the eyes" of management. We further believe that providing this information better enables investors to understand HP's operating performance and to evaluate the efficacy of the methodology and information used by management to evaluate and measure such performance.

# Q1 FY07 results overview

## Financial Summary

- Net revenue of \$25.1B, growth of \$2.4B, up 11% Y/Y; or 7% in constant currency
- Non-GAAP<sup>(1)</sup> diluted EPS of \$0.65; up from \$0.48 in Q1 FY06
- GAAP diluted EPS of \$0.55; up from \$0.42 in Q1 FY06
- Cash flow from operations of (\$22M)
- \$2.7B<sup>(2)</sup> in share repurchases, and \$218M in dividends
- Retirement Plan Modifications, Early Retirement Offer

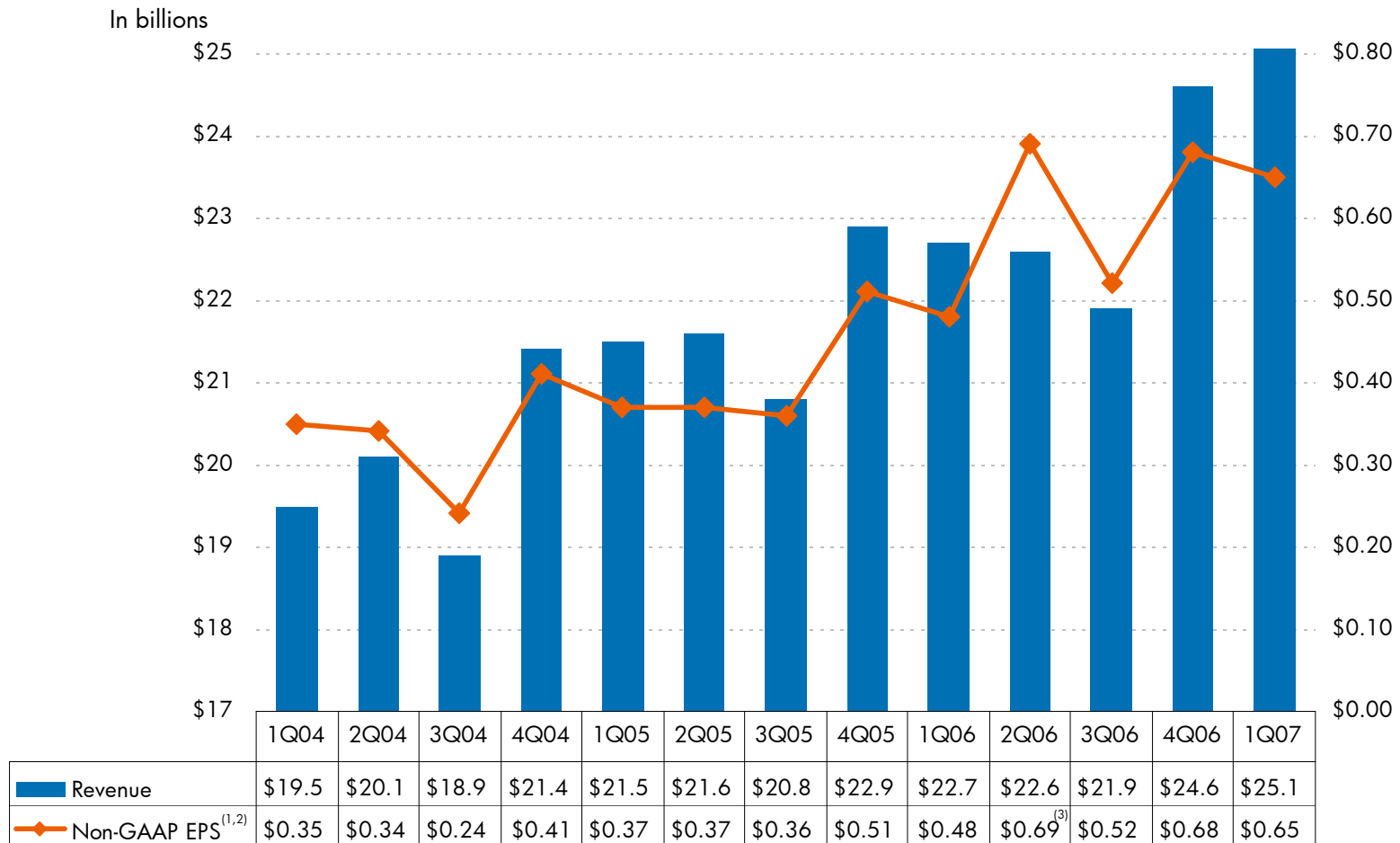
\$ in millions	Q1 Revenue	Growth Y/Y%	OP \$	OP % of rev	OP \$ Y/Y	OP % Y/Y
Imaging and Printing Group	\$6,999	7%	\$1,073	15.3%	\$100	0.4 pts
Personal Systems Group	\$8,719	17%	\$414	4.7%	\$121	0.8 pts
Enterprise Storage and Servers	\$4,453	5%	\$416	9.3%	\$90	1.6 pts
HP Software	\$550	81%	\$47	8.5%	\$38	5.5 pts
Services	\$3,948	5%	\$414	10.5%	\$121	2.7 pts
HP Financial Services	\$547	10%	\$32	5.9%	(\$6)	(1.8 pts)
<b>Total HP</b>	<b>\$25,082</b>	<b>11%</b>	<b>\$2,161<sup>(1)</sup></b>	<b>8.6%</b>	<b>\$457<sup>(1)</sup></b>	<b>1.1 pts</b>

1. All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for this quarter and prior periods is included on slide 17 and in the GAAP to non-GAAP slides that appear as part of the supplemental slides of this presentation. A description of HP's use of non-GAAP information is provided on slide 3 under "Use of non-GAAP Financial Information."

2. Q1 FY07 open market repurchases totaled \$2.3 billion. An additional 13 million shares were repurchased under the Q1 FY06 Prepaid Variable Share Purchase Program for an approximate value of \$430 million.



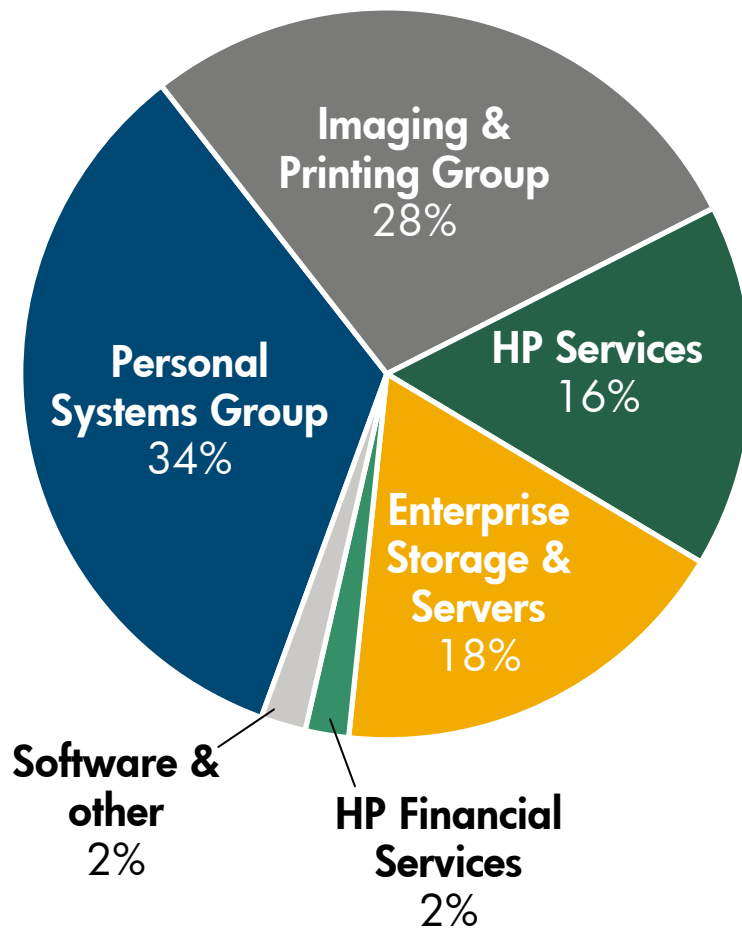
# Revenue & EPS performance



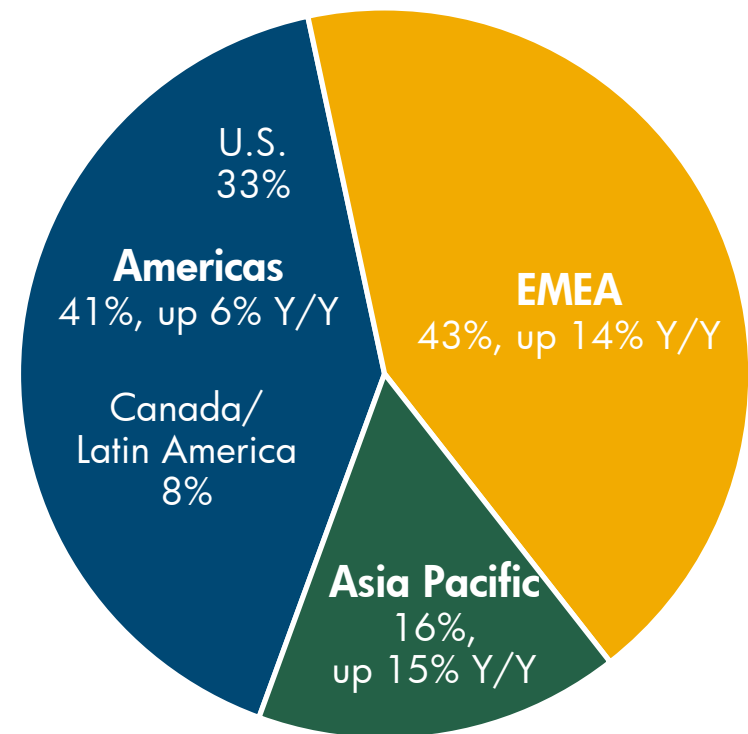
1. All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for this quarter and prior periods is included on slide 17 and in the GAAP to non-GAAP slides that appear as part of the supplemental slides of this presentation. A description of HP's use of non-GAAP information is provided on slide 3 under "Use of non-GAAP Financial Information."
2. FY04 and FY05 results do not include the effects of stock-based compensation, which are included in FY06 and beyond.
3. On June 6, 2006, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal income tax matters for HP's 1996 through 1998 tax years. Non-GAAP EPS for Q2 FY06 was previously reported as \$0.54. Notification from the IRS on June 1 prior to the filing of HP's Q2 FY06 Form 10-Q required this revision to HP's reported Q2 FY06 results.

# Q1 FY07 revenue

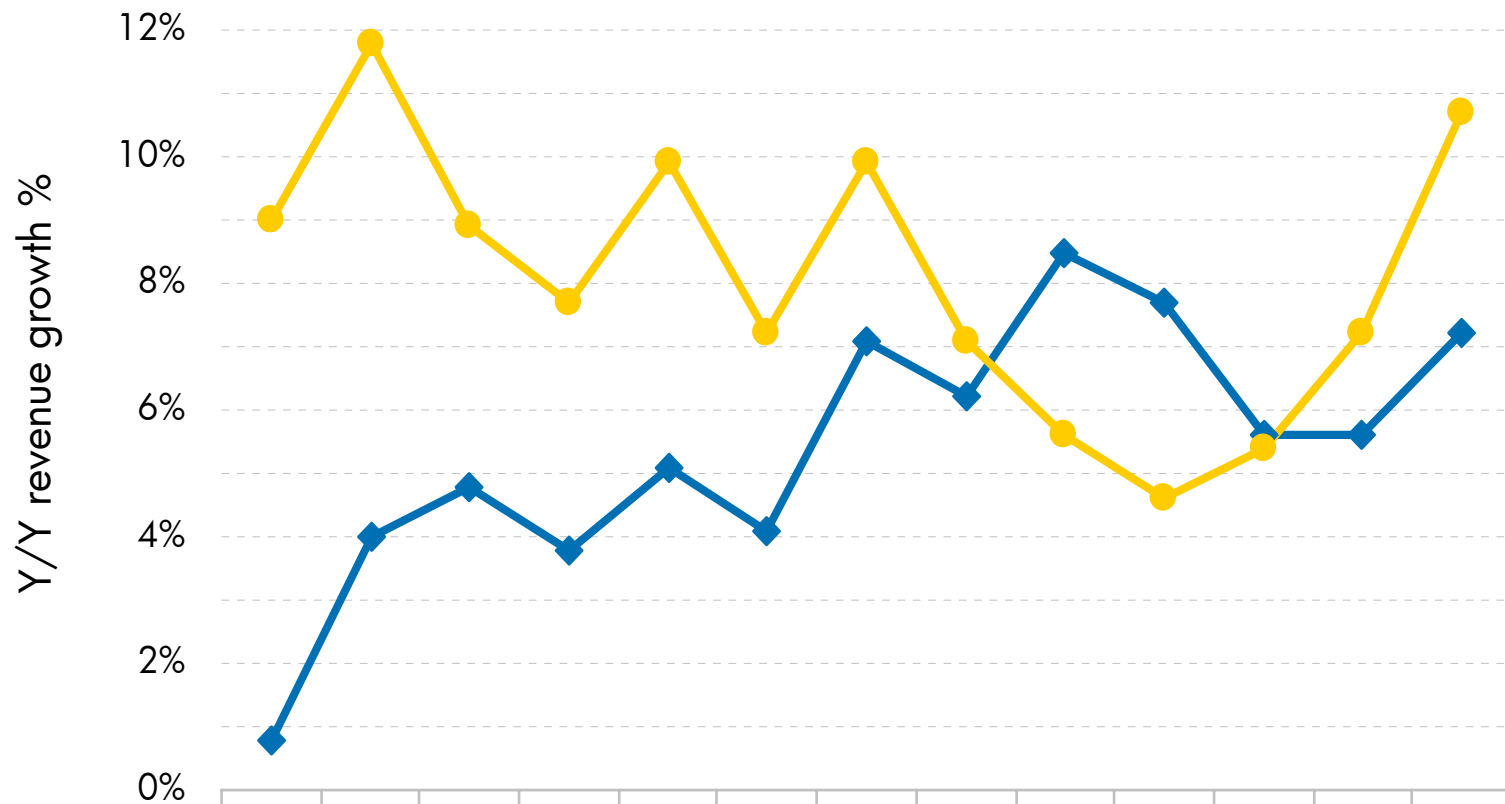
By segment



By region



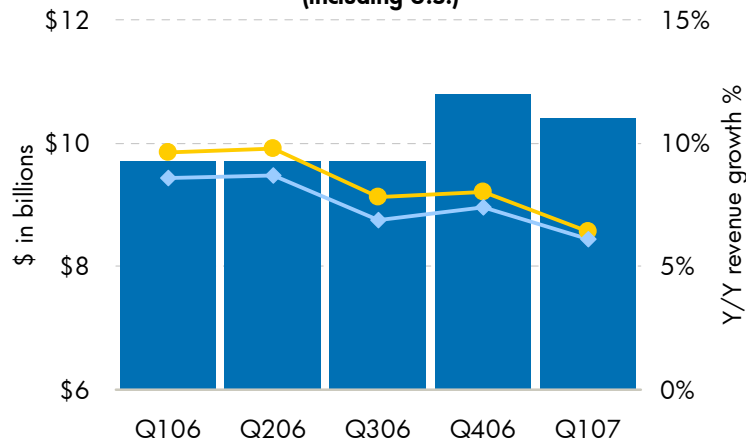
# Revenue growth



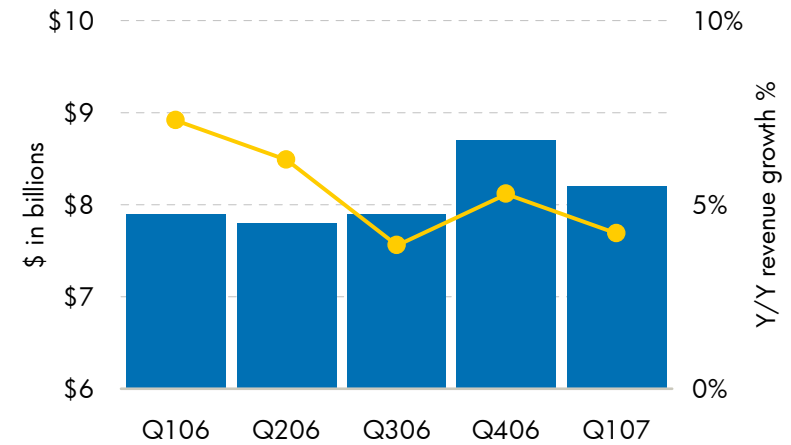
	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06	1Q07
◆ Constant currency	0.8%	4.0%	4.8%	3.8%	5.1%	4.1%	7.1%	6.2%	8.5%	7.7%	5.6%	5.6%	7.2%
● As reported	9.0%	11.8%	8.9%	7.7%	9.9%	7.2%	9.9%	7.1%	5.6%	4.6%	5.4%	7.2%	10.7%

# Regional revenue trends

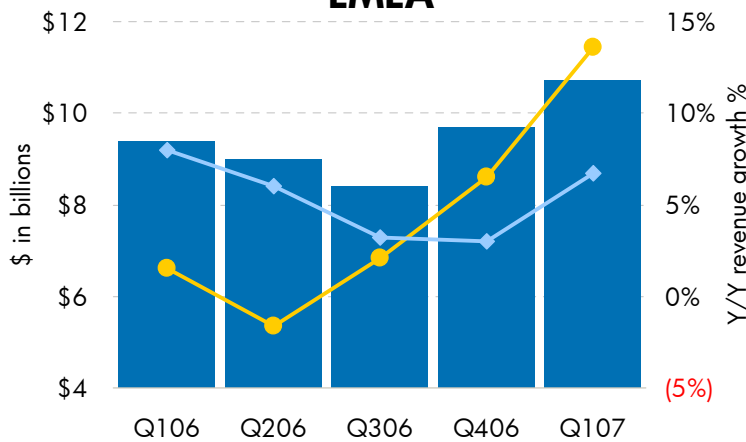
**Americas**  
(including U.S.)



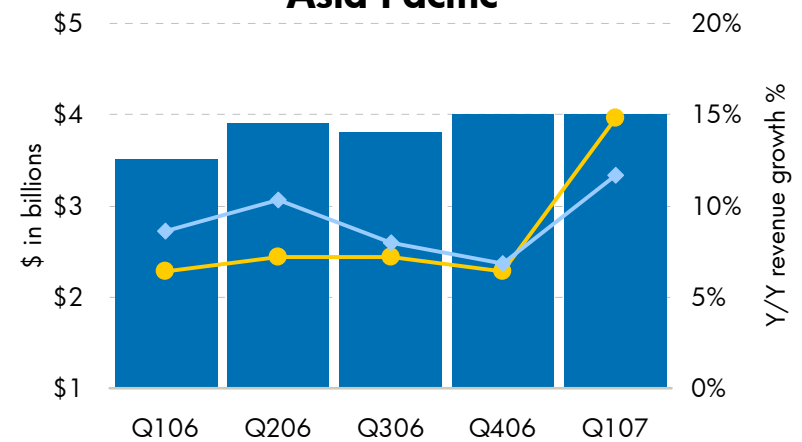
**United States**



**EMEA**



**Asia Pacific**

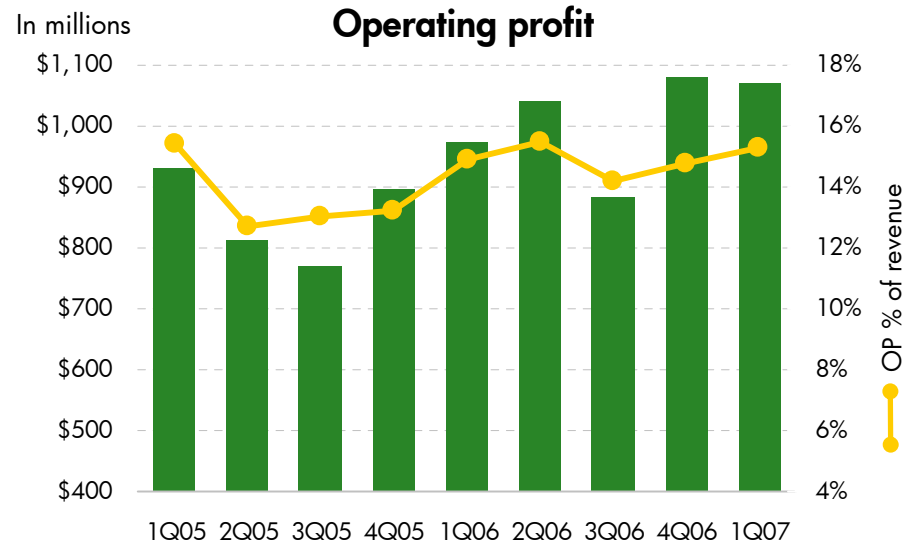
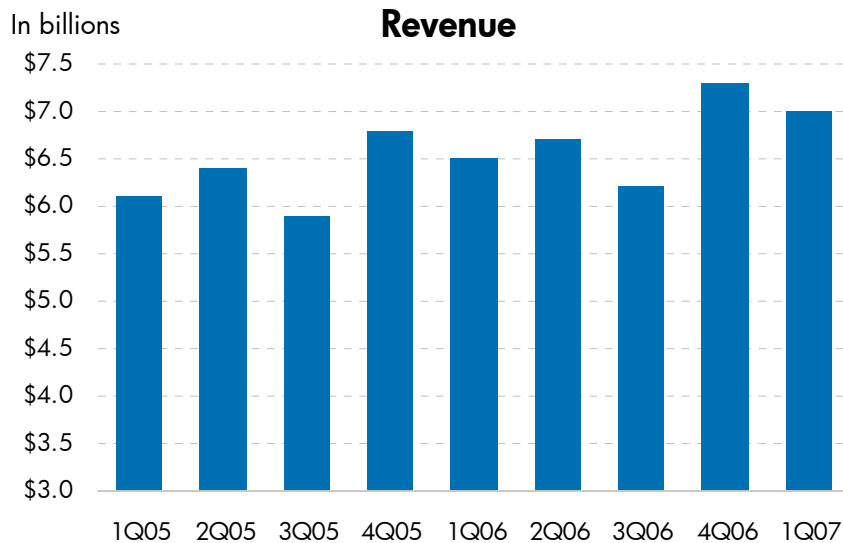


● Y/Y revenue growth %  
◆ Y/Y constant currency revenue growth %

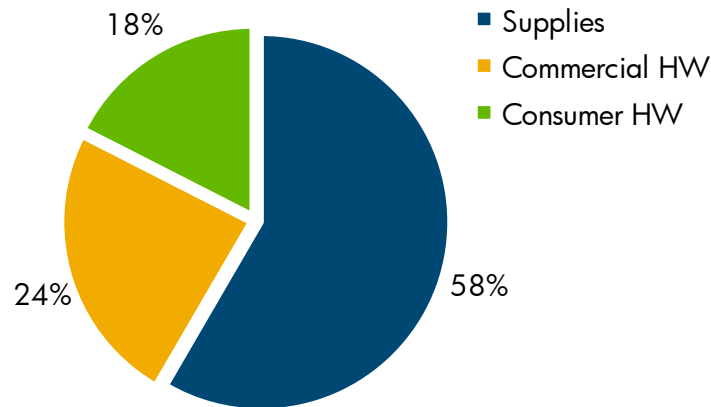




# Imaging and Printing Group (IPG)

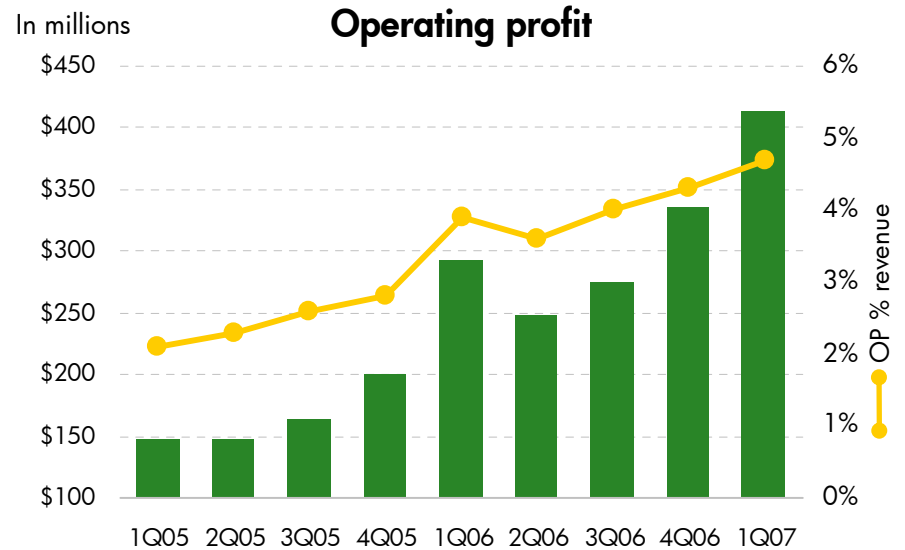
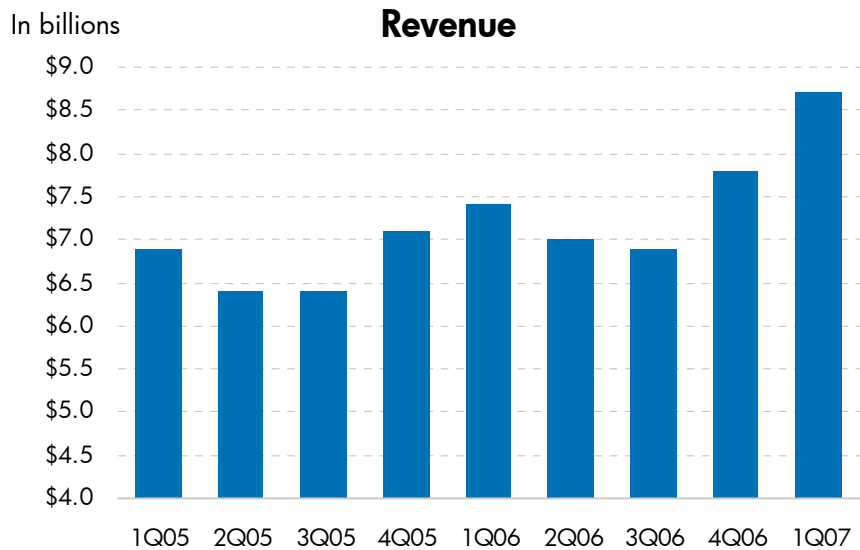


**Q1 FY07 revenue by business**

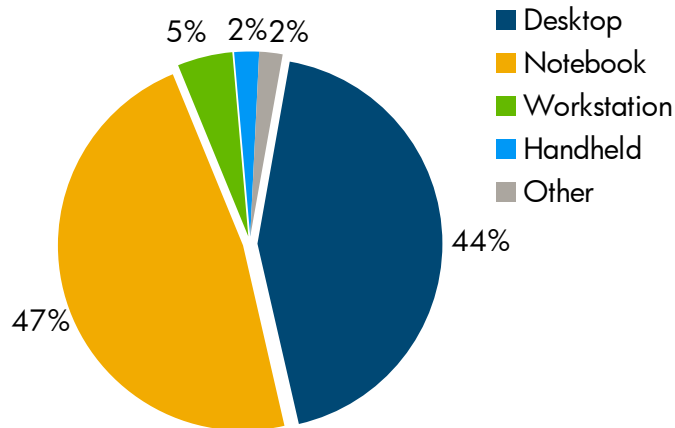


- IPG revenue of \$7.0B; up 7% Y/Y
- Operating profit of \$1.1B; 15.3% of revenue
- Total printer hardware units up 18% Y/Y; Consumer printer hardware units up 16%; Commercial printer hardware units up 21%
- Color LaserJet units up 35% Y/Y
- Printer-based MFPs units up 80% Y/Y
- Indigo digital press page volume up 40% Y/Y
- Supplies revenue up 11% Y/Y

# Personal Systems Group (PSG)

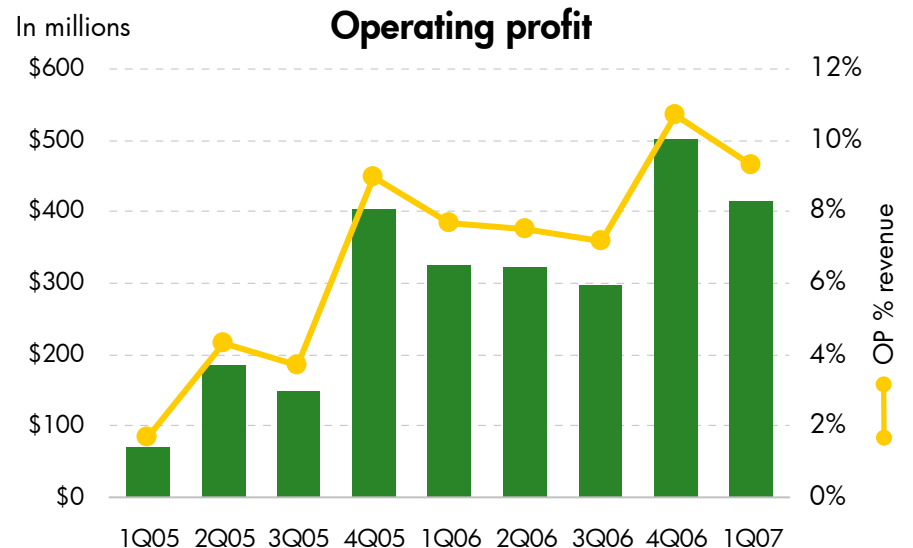
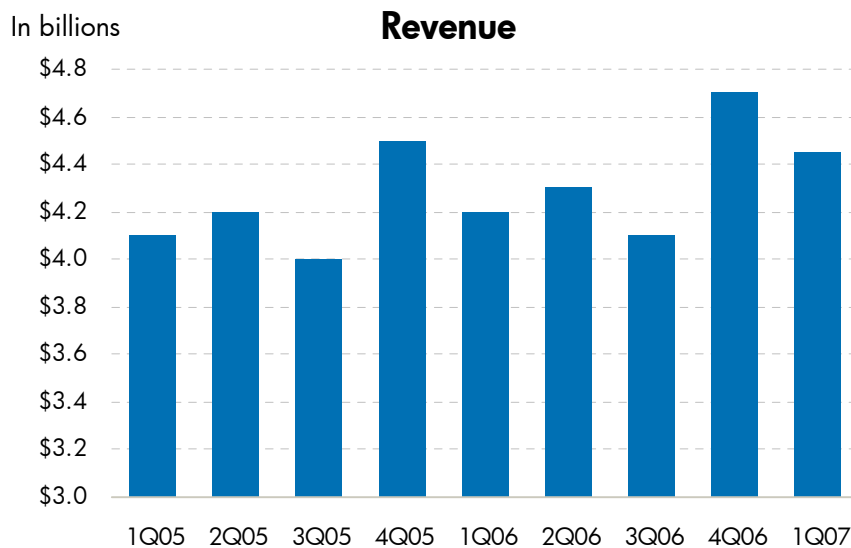


**Q1 FY07 revenue by business**

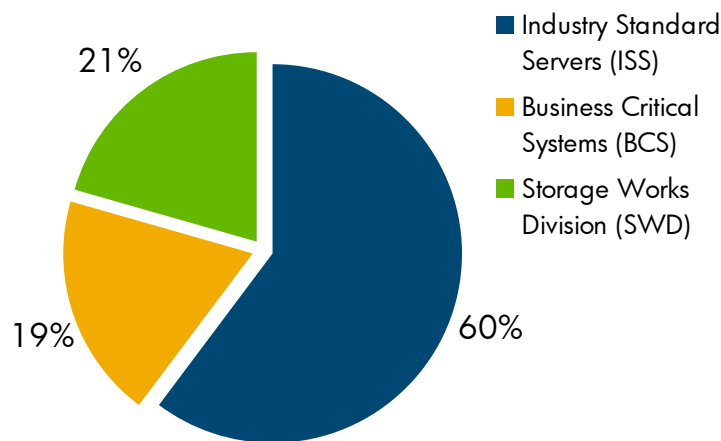


- PSG revenue of \$8.7B; up 17% Y/Y
- Operating profit of \$414M; 4.7% of revenue
- Total units up 19% Y/Y
- Notebook revenue up 40% Y/Y; units up 57%; Desktop revenue down 1% Y/Y; units up 3%
- Consumer client revenue up 28% Y/Y; Commercial client revenue up 8% Y/Y

# Enterprise Storage and Servers (ESS)

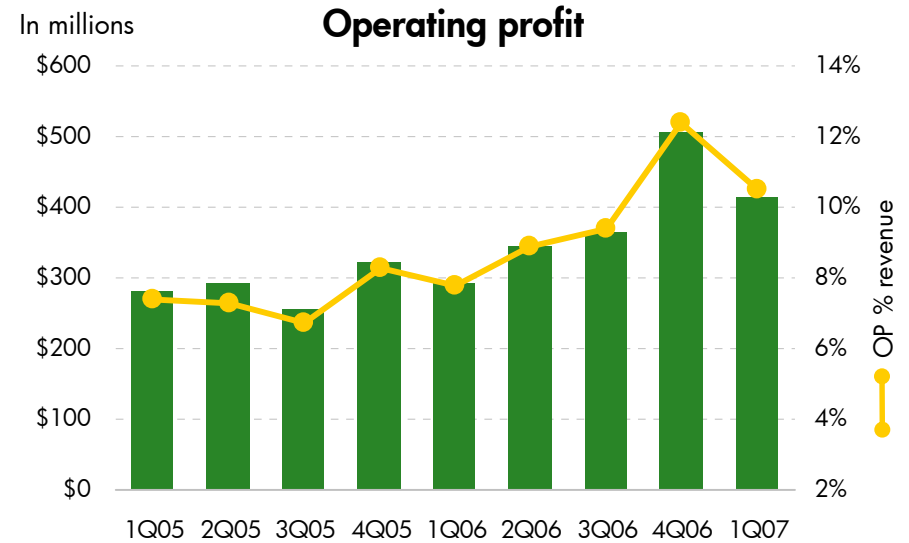
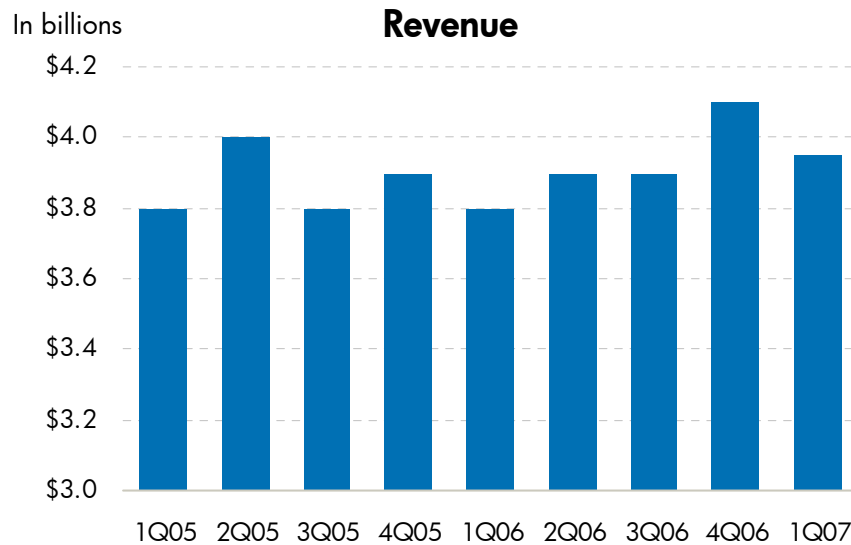


**Q1 FY07 revenue by business**

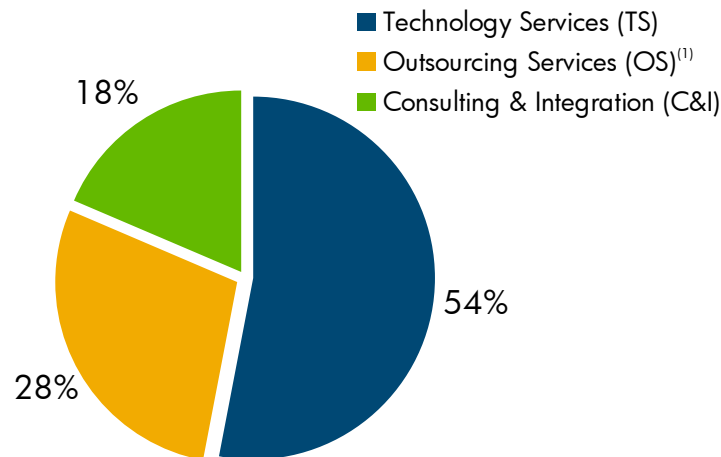


- ESS revenue of \$4.5B, up 5% Y/Y
- Operating profit of \$416M; 9.3% of revenue
- ISS revenue up 10% Y/Y; blade revenue up 45%
- BCS revenue down 6% Y/Y; Integrity revenue up 75% Y/Y; 55% of BCS revenue
- Storage revenue up 3% Y/Y; mid-range storage arrays (EVA) up 18% offset by declines in high-end storage (XP) and tape

# HP Services (HPS)

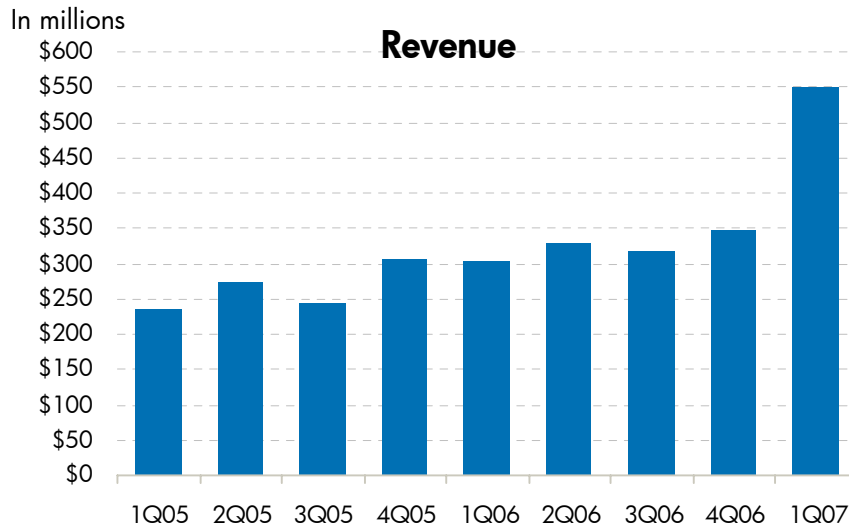


**Q1 FY07 revenue by business**

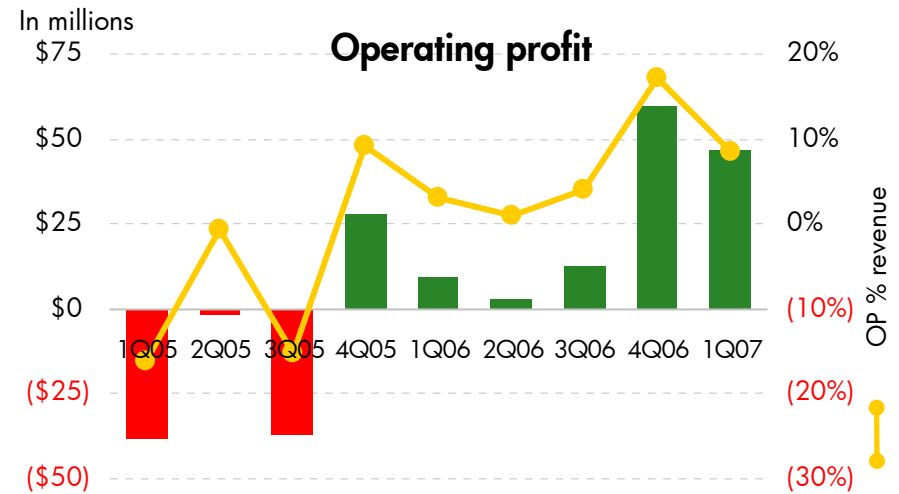
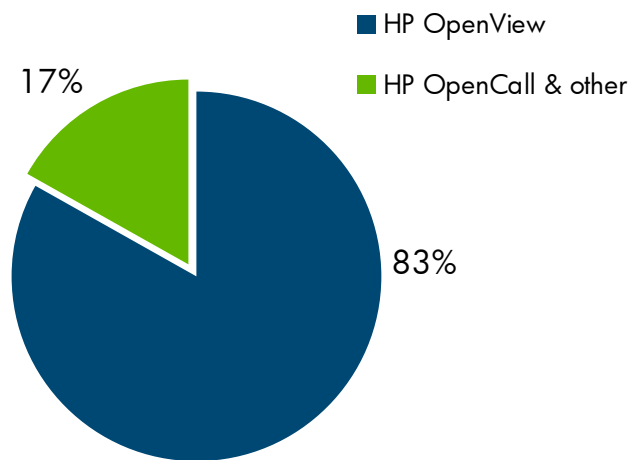


- HPS revenue of \$3.9B, up 5% Y/Y
- Operating profit of \$414M; 10.5% of revenue
- Outsourcing revenue up 11% Y/Y
- Consulting & Integration revenue up 10% Y/Y
- Technology Services revenue up 1% Y/Y

# HP Software

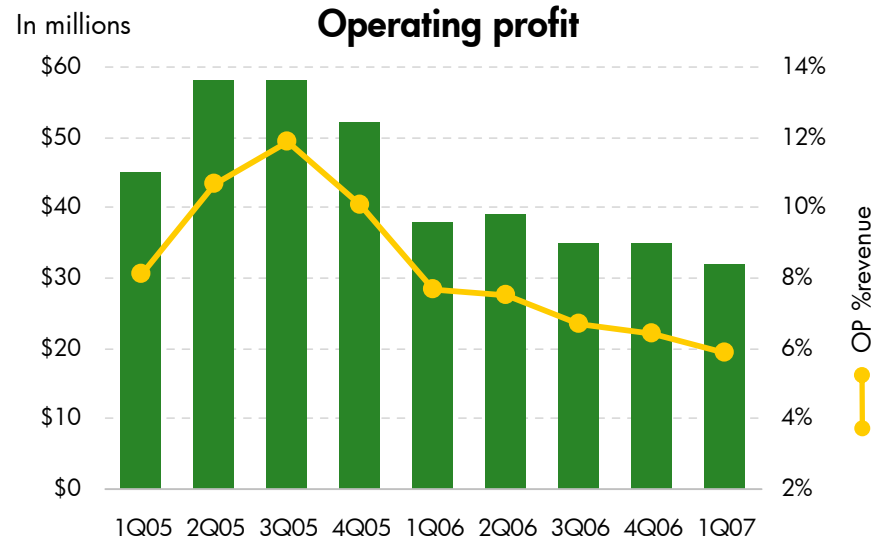
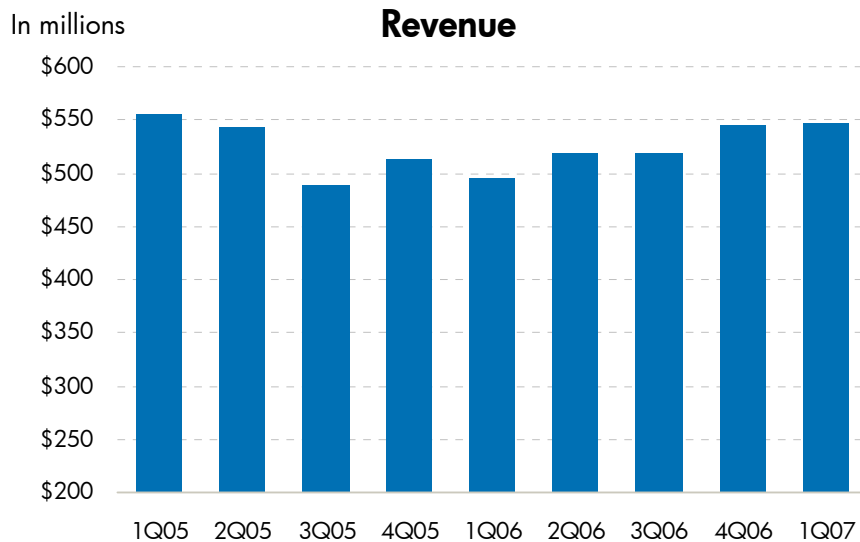


Q1 FY07 revenue by business

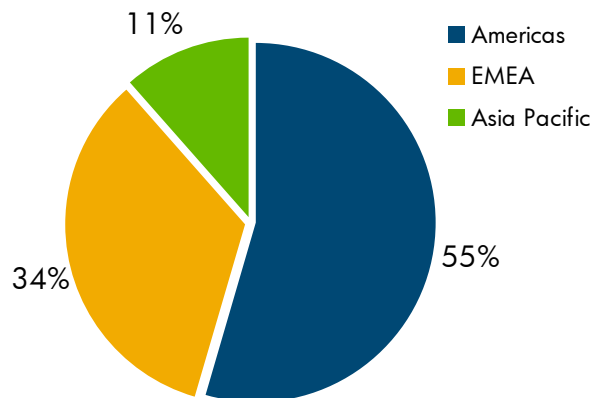


- Software revenue of \$550M, up 81% Y/Y
  - 7% Y/Y excluding Mercury
- Operating profit of \$47M; 8.5% of revenue
- HP OpenView revenue up 123%
  - 14% Y/Y excluding Mercury
- HP OpenCall revenue declined 6% Y/Y
- Q1 FY07 operating margin was impacted by the write-down of deferred revenue and other integration costs associated with Mercury, which closed Nov. 6, 2006

# HP Financial Services (HPFS)



Q1 FY07 revenue by region



- HPFS revenue of \$547M, up 10% Y/Y
- Operating profit of \$32M; 5.9% of revenue
- Financing volume up 4% Y/Y
- Net portfolio assets \$7.3B, up 4% Y/Y



# HPFS supplemental data

In millions	Q1 FY07	Q1 FY06	Q4 FY06
<b>Depreciation<sup>(1)</sup></b>	\$229	\$186	\$215
<b>Net capital expenditures<sup>(1)</sup></b>	\$236	\$257	\$282
<b>Increase (decrease) in net financing receivables</b>	\$120	\$77	-

1. Depreciation and net capital expenditures are shown net of inter-company eliminations

# Non-GAAP<sup>(1)</sup> financial information

In millions except  
per share amounts

	Q1 FY07		Q1 FY06		Q4 FY06	
Revenue	\$25,082		\$22,659		\$24,555	
Cost of sales	19,136	76.3%	17,392	76.8%	18,593	75.7%
Total OpEx	3,785	15.1%	3,563	15.7%	3,756	15.3%
Operating profit	2,161	8.6%	1,704	7.5%	2,206	9.0%
Interest & other, net	111		38		190	
Gains on investments <sup>(2)</sup>	10		—		—	
Pre-tax earnings	2,282	9.1%	1,742	7.7%	2,396	9.8%
Income tax	456		349		491	
EPS	\$0.65		\$0.48		\$0.68	

1. All non-GAAP numbers have been adjusted to exclude certain items. A reconciliation of specific adjustments to GAAP results for this quarter and prior periods is included on slide 17 and in the GAAP to non-GAAP slides that appear as part of the supplemental slides of this presentation. A description of HP's use of non-GAAP information is provided on slide 3 under "Use of non-GAAP Financial Information."
2. Beginning in fiscal 2007, HP no longer excludes gains or losses on investments when calculating financial measures presented on a non-GAAP basis.

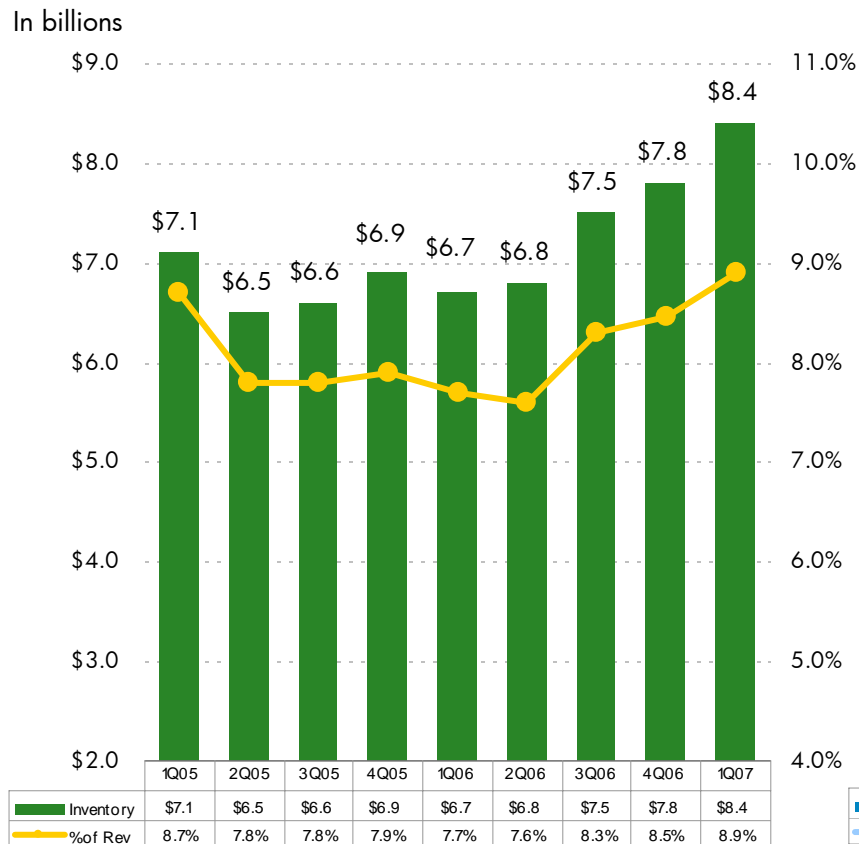
# Q1 FY07 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring	In-process R&D	Pension curtail- ment	<b>Non-GAAP</b>
Revenue	<b>25,082</b>					<b>25,082</b>
Cost of sales	<b>19,136</b>					<b>19,136</b>
Total OpEx	<b>4,103</b>	(201)	41	(167)	9	<b>3,785</b>
Operating profit	<b>1,843</b>	201	(41)	167	(9)	<b>2,161</b>
Interest & other, net	<b>111</b>					<b>111</b>
Gains on investments <sup>(1)</sup>	<b>10</b>					<b>10</b>
Pre-tax earnings	<b>1,964</b>	201	(41)	167	(9)	<b>2,282</b>
Income tax	<b>417</b>	50	(8)	–	(3)	<b>456</b>
Tax rate	<b>21.2%</b>					<b>20%</b>
Net earnings	<b>1,547</b>					<b>1,826</b>
EPS	<b>\$0.55</b>					<b>\$0.65</b>

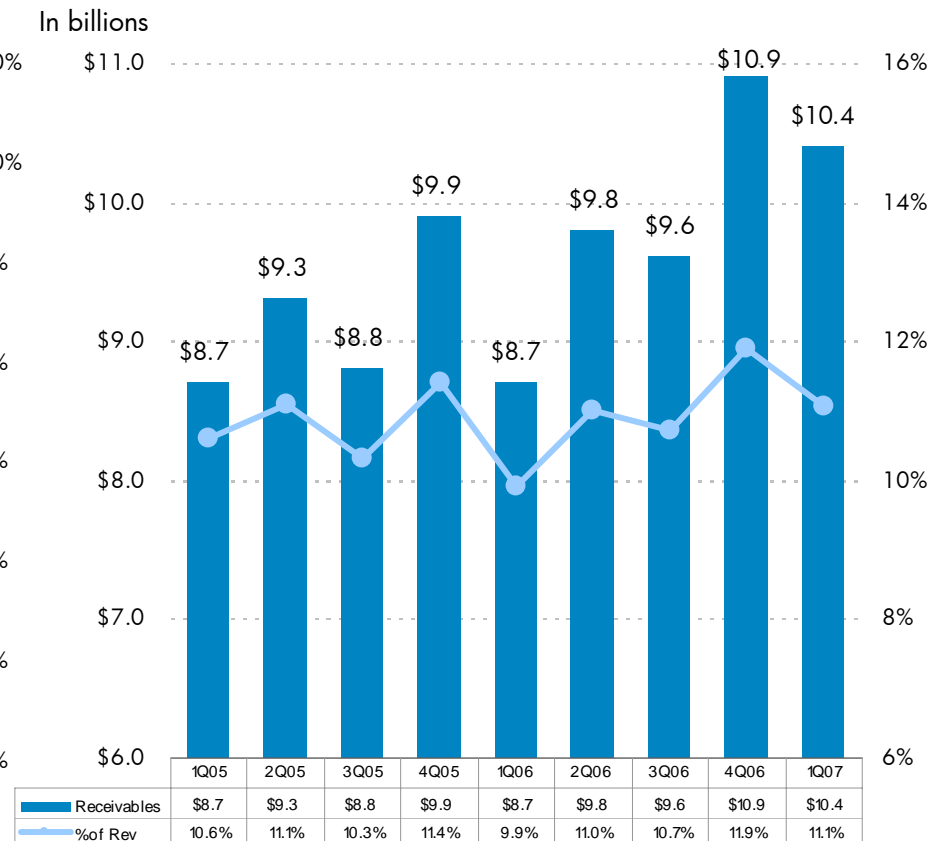
1. Beginning in fiscal 2007, HP no longer excludes gains or losses on investments when calculating financial measures presented on a non-GAAP basis.

# Inventory and accounts receivable

## Inventory

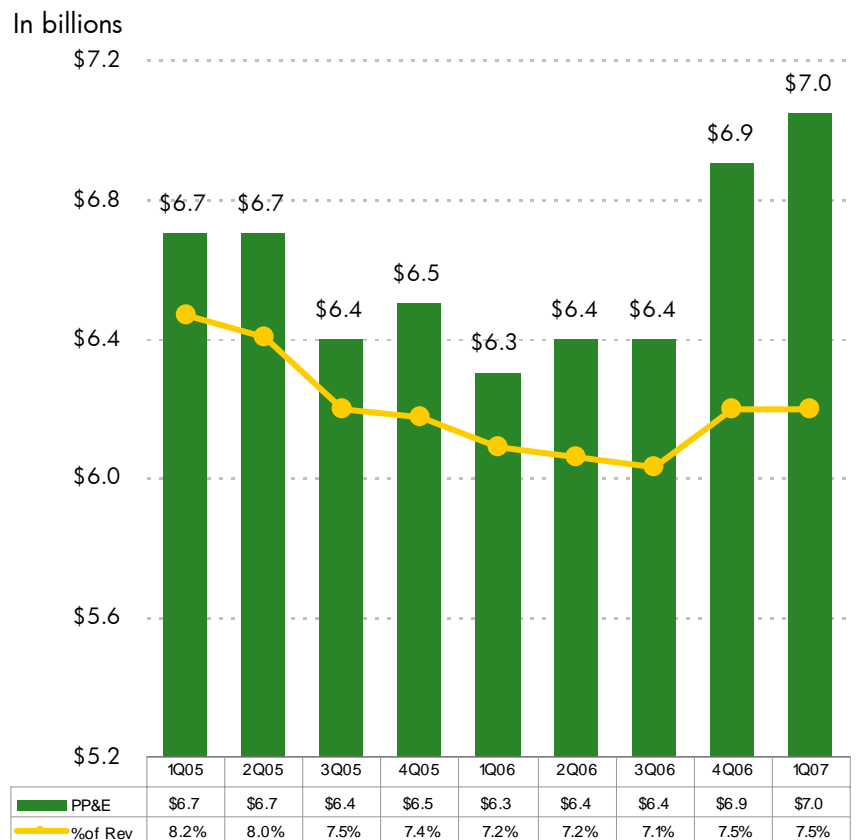


## Accounts receivable

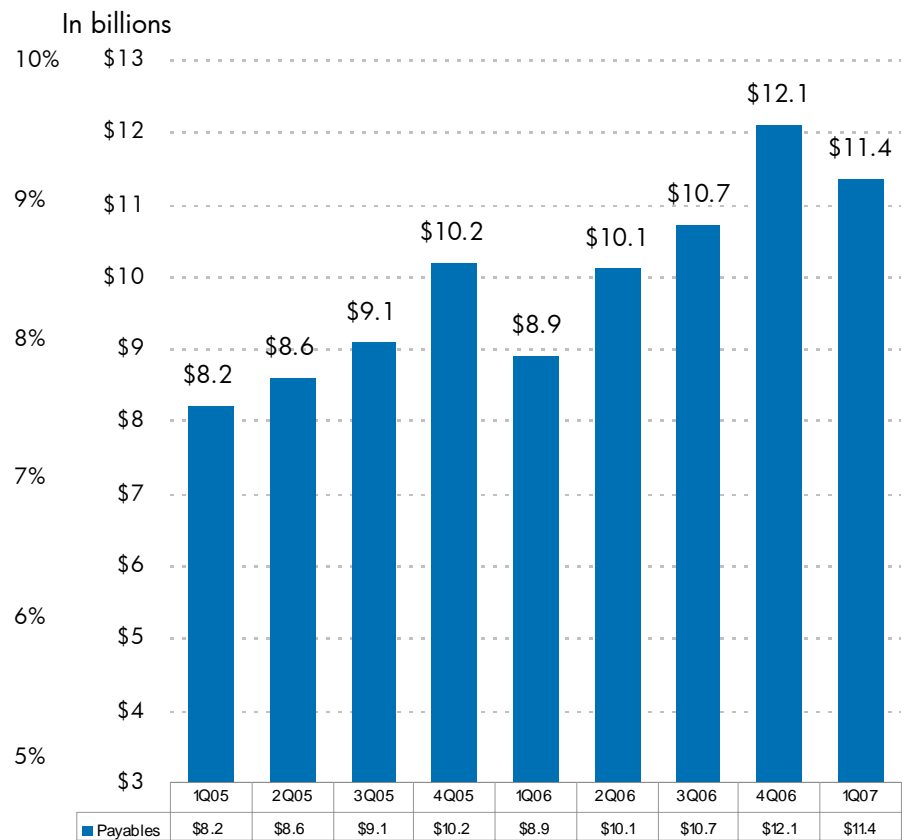


# PP&E and accounts payable

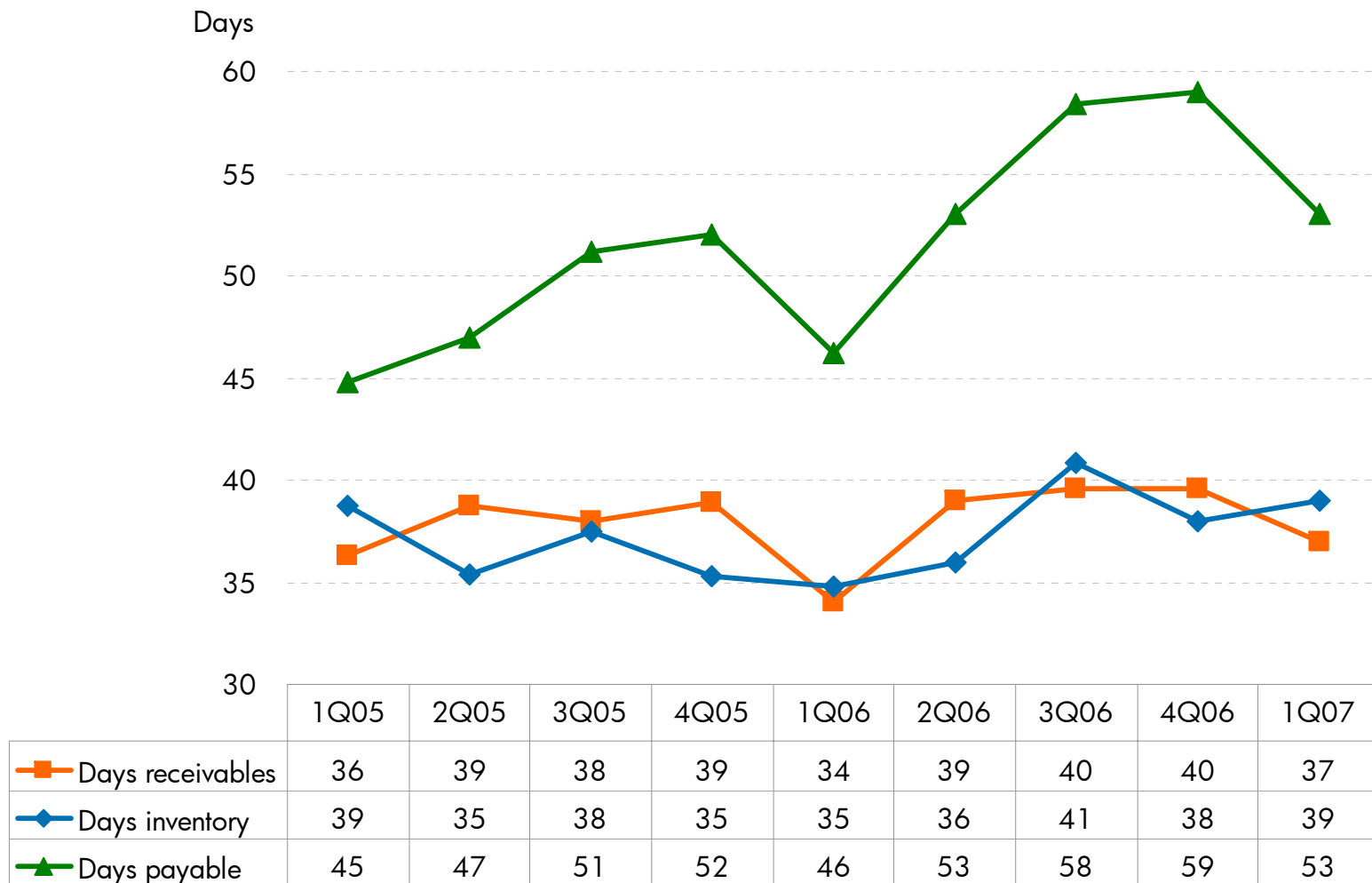
## Net PP&E



## Accounts payable



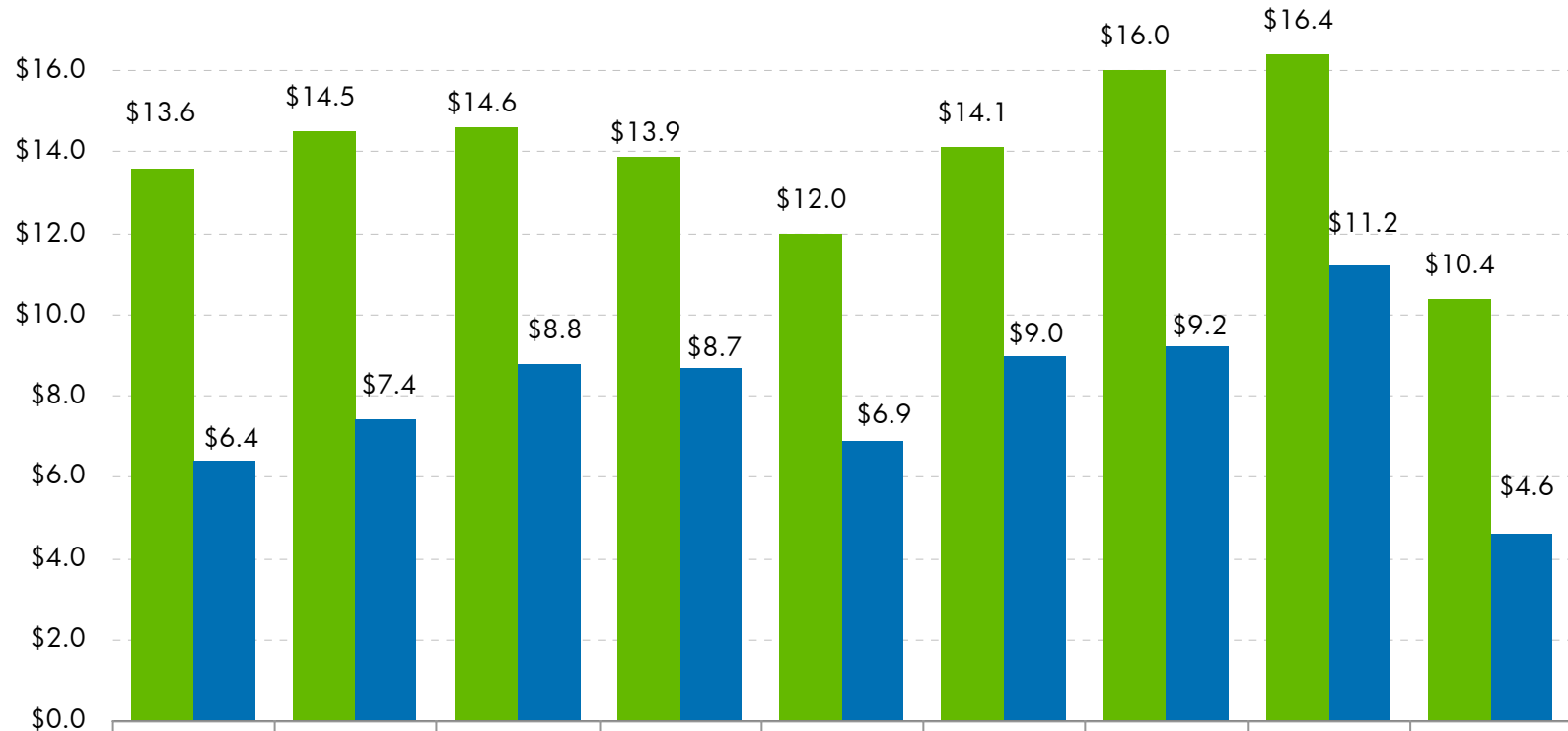
# Working capital metrics





# Gross cash and net cash

In billions  
\$18.0

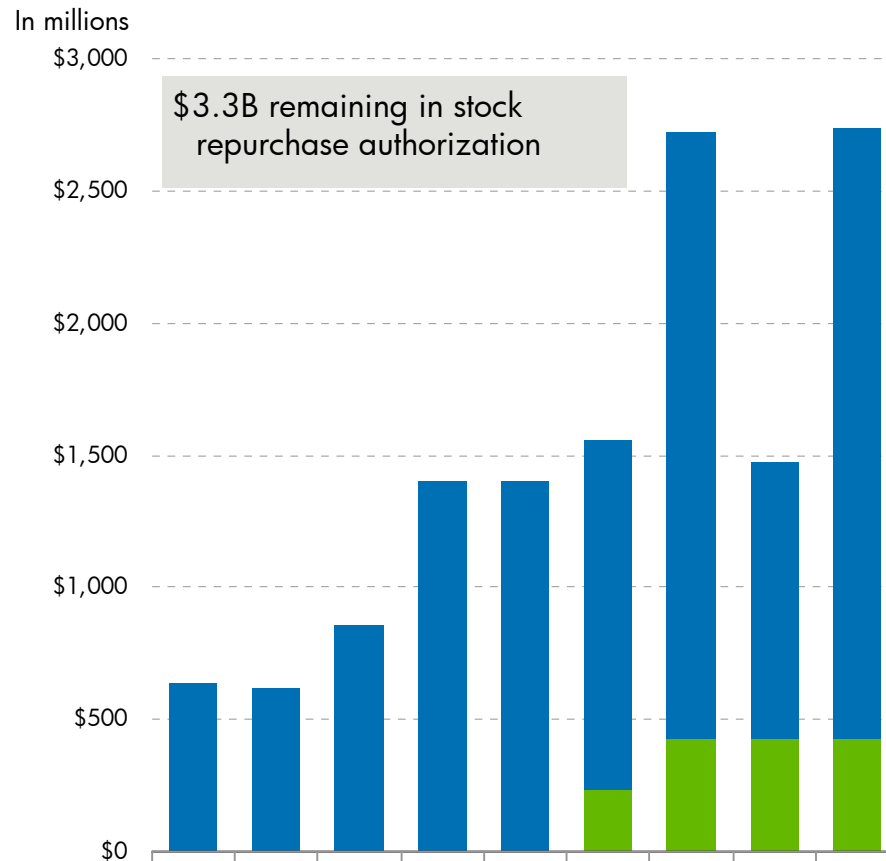


■ Gross cash <sup>(1)</sup>	\$13.6	\$14.5	\$14.6	\$13.9	\$12.0	\$14.1	\$16.0	\$16.4	\$10.4
■ Net cash <sup>(2)</sup>	\$6.4	\$7.4	\$8.8	\$8.7	\$6.9	\$9.0	\$9.2	\$11.2	\$4.6

1. Includes cash and cash equivalents, short-term investments, and certain liquid long-term investments  
2. Net cash is defined as gross cash less total debt

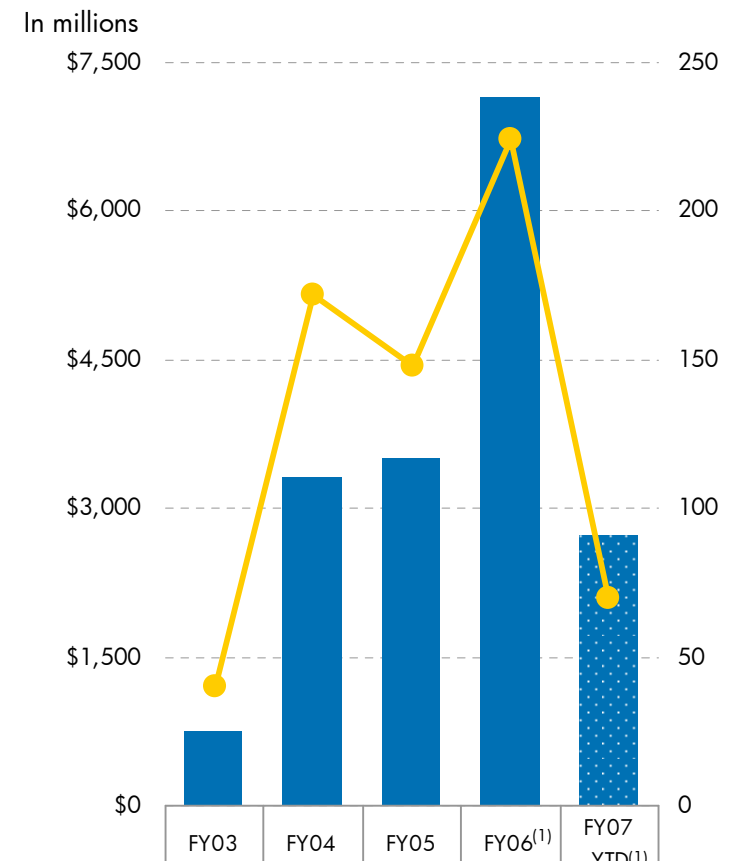
# Stock repurchase

## Quarterly trends



■ Stock repurchase	\$637	\$618	\$860	\$1,399	\$1,401	\$1,320	\$2,294	\$1,042	\$2,312
■ Prepaid plan <sup>(1)</sup>						\$232	\$430	\$431	\$430

## FY03 – FY07YTD



■ Stock repurchase	\$751	\$3,309	\$3,514	\$7,150	\$2,742
● Shares received	40	172	148	224	70

1. In Q1 FY06, HP entered into a prepaid variable share purchase program. \$1.7 billion in cash was used in Q1 FY06 to fully fund this plan. See our Form 10-Q for the period ended January 31, 2006 for more information. In FY06, 33.6 million shares were received under the prepaid variable share purchase program for a value of \$1.09 billion; in Q1 FY07 13 million shares were received under the program for a value of \$430 million.

# FY07 Reclassification

FY06			FY05		
Revised Amount	As Previously Reported	Variance	Revised Amount	As Previously Reported	Variance

Net revenue (in millions):

Industry Standard Servers (ISS)	\$ 9,982	\$ 10,133	\$ (151)	\$ 9,389	\$ 9,530	\$ (141)
Business Critical Systems	3,656	3,656	-	3,812	3,812	-
Storage	3,670	3,519	151	3,516	3,375	141
<b>Enterprise Storage and Servers (ESS)</b>	<b>\$ 17,308</b>	<b>\$ 17,308</b>	<b>\$ -</b>	<b>\$16,717</b>	<b>\$16,717</b>	<b>\$ -</b>
Technology Services (TS)	8,348	9,506	(1,158)	8,599	9,665	(1,066)
Outsourcing Services (OS) <sup>(1)</sup>	4,382	3,224	1,158	4,097	3,031	1,066
Consulting & Integration	2,887	2,887	-	2,840	2,840	-
<b>HP Services</b>	<b>\$ 15,617</b>	<b>\$ 15,617</b>	<b>\$ -</b>	<b>\$15,536</b>	<b>\$15,536</b>	<b>\$ -</b>

- In ESS, revenue for Modular Storage Array (MSA) enclosures has been reclassified from the Industry Standard Server business unit to the Storage business unit
- In HP Services, revenue for Technology Managed Solutions which includes end-user workplace services has been reclassified from Technology Services to Outsourcing Services

1. Reflects name change from Managed Services to Outsourcing Services effective fiscal 2007  
23 February 20, 2007 <http://investor.hp.com>

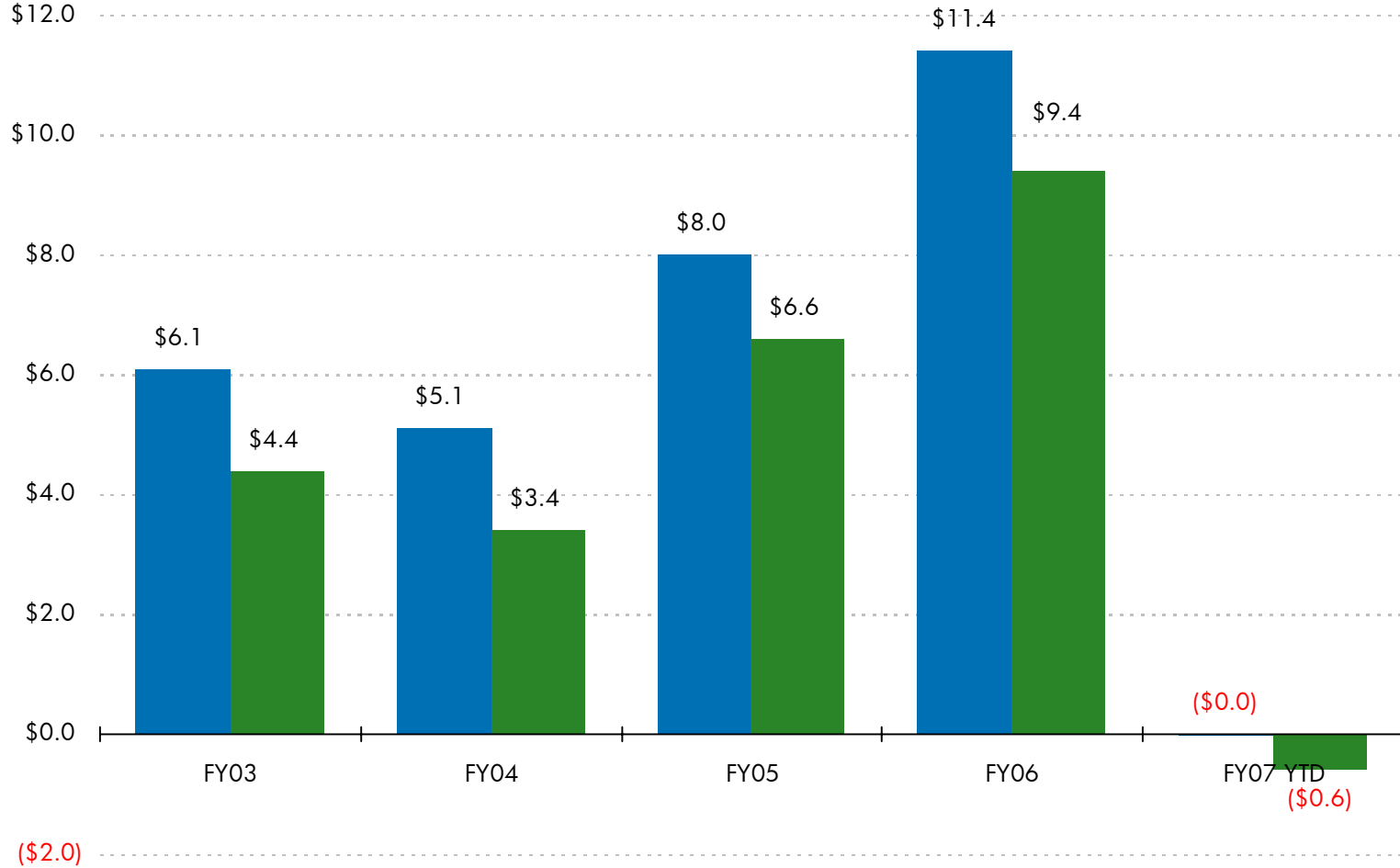


# Retirement Plan Modifications, Early Retirement Offer

- U.S. defined benefit pension plan frozen
  - Effective January 1, 2008
  - Expect curtailment gain of approximately \$500 million in Q2FY07
  - To be replaced by 2% increase in 401(k) match from 4% to 6%
  - Pension benefits currently received by retirees and already earned by existing employees are unaffected
- Voluntary Enhanced Early Retirement Program
  - Expect approximately 3000 people to participate
  - Employees expected to leave by May 31, 2007
  - Expect to replace a majority of those who take advantage of the program
- Expect the curtailment gain to offset the early retirement program charge and that both will be reflected in Q2FY07 GAAP results

# Cash flow

In billions  
\$12.0



■ Cash flow from Operations ■ Free cash flow<sup>(1)</sup>

1. Free cash flow = cash flow from operations - net capital expenditures

# Outlook

## Q2 FY07 guidance

Revenue	Approximately \$24.5 billion
GAAP EPS <sup>(1,3)</sup>	\$0.57 – \$0.58
Non-GAAP EPS <sup>(1)</sup>	\$0.63 – \$0.64

## Full year FY07 guidance

Revenue	Approximately \$98.0 to \$99.0 billion
GAAP EPS <sup>(2,3)</sup>	\$2.35 – \$2.40
Non-GAAP EPS <sup>(2)</sup>	\$2.60 – \$2.65

1. Q2 FY07 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.06 per share, related primarily to the amortization of purchased intangible assets.
2. Full year FY07 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.25 per share, related primarily to the amortization of purchased intangible assets.
3. Q2 FY07 and full year FY07 GAAP diluted earnings per share estimates do not reflect the impact of the retirement plan modifications and the voluntary early retirement program because the level of participation in the retirement program is uncertain.



# Supplemental slides



# FY06 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	<b>Non-GAAP</b>
Revenue	<b>91,658</b>					<b>91,658</b>
Cost of sales	<b>69,427</b>					<b>69,427</b>
Total OpEx	<b>15,671</b>	(604)	(158)	(52)		<b>14,857</b>
Operating profit	<b>6,560</b>	604	158	52		<b>7,374</b>
Interest & other, net	<b>631</b>				(25)	<b>606</b>
Pre-tax earnings	<b>7,191</b>	604	158	52	(25)	<b>7,980</b>
Income tax	<b>993</b>	175	45		(10)	<b>1,203</b>
Tax rate	<b>13.8%</b>					<b>15.1%</b>
Net earnings	<b>6,198</b>					<b>6,777</b>
EPS	<b>\$2.18</b>					<b>\$2.38</b>

# Q4 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring	(G)/L Invest.	<b>Non-GAAP</b>
Revenue	<b>24,555</b>				<b>24,555</b>
Cost of sales	<b>18,593</b>				<b>18,593</b>
Total OpEx	<b>4,061</b>	(153)	(152)		<b>3,756</b>
Operating profit	<b>1,901</b>	153	152		<b>2,206</b>
Interest & other, net	<b>204</b>			(14)	<b>190</b>
Pre-tax earnings	<b>2,105</b>	153	152	(14)	<b>2,396</b>
Income tax	<b>408</b>	45	43	(5)	<b>491</b>
Tax rate	<b>19.4%</b>				<b>20.5%</b>
Net earnings	<b>1,697</b>				<b>1,905</b>
EPS	<b>\$0.60</b>				<b>\$0.68</b>

# Q3 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring	(G)/L Invest.	<b>Non-GAAP</b>
Revenue	<b>21,890</b>				<b>21,890</b>
Cost of sales	<b>16,472</b>				<b>16,472</b>
Total OpEx	<b>3,908</b>	(153)	(5)		<b>3,750</b>
Operating profit	<b>1,510</b>	153	5		<b>1,668</b>
Interest & other, net	<b>228</b>			(7)	<b>221</b>
Pre-tax earnings	<b>1,738</b>	153	5	(7)	<b>1,889</b>
Income tax	<b>363</b>	43	2	(2)	<b>406</b>
Tax rate	<b>20.9%</b>				<b>21.5%</b>
Net earnings	<b>1,375</b>				<b>1,483</b>
EPS	<b>\$0.48</b>				<b>\$0.52</b>

# Q2 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring	In-process R&D	(G)/L Invest.	<b>Non-GAAP</b>
Revenue	<b>22,554</b>					<b>22,554</b>
Cost of sales	<b>16,970</b>					<b>16,970</b>
Total OpEx	<b>3,927</b>	(151)	14	(2)		<b>3,788</b>
Operating profit	<b>1,657</b>	151	(14)	2		<b>1,796</b>
Interest & other, net	<b>163</b>				(6)	<b>157</b>
Pre-tax earnings	<b>1,820</b>	151	(14)	2	(6)	<b>1,953</b>
Income tax <sup>(1)</sup>	<b>(79)</b>	44	(4)		(4)	<b>(43)</b>
Tax rate <sup>(1)</sup>	<b>NM</b>					<b>NM</b>
Net earnings <sup>(1)</sup>	<b>1,899</b>					<b>1,996</b>
EPS <sup>(1)</sup>	<b>\$0.66</b>					<b>\$0.69</b>

1. On June 6, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal income tax matters for HP's 1996 through 1998 tax years. GAAP and Non-GAAP EPS for Q2 FY06 were previously reported as \$0.51 and \$0.54, respectively. Notification from the IRS on June 1 prior to the filing of HP's Q2 FY06 Form 10-Q required this revision to HP's reported Q2 FY06 results.

# Q1 FY06 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	<b>Non-GAAP</b>
Revenue	<b>22,659</b>					<b>22,659</b>
Cost of sales	<b>17,392</b>					<b>17,392</b>
Total OpEx	<b>3,775</b>	(147)	(15)	(50)		<b>3,563</b>
Operating profit	<b>1,492</b>	147	15	50		<b>1,704</b>
Interest & other, net	<b>36</b>				2	<b>38</b>
Pre-tax earnings	<b>1,528</b>	147	15	50	2	<b>1,742</b>
Income tax	<b>301</b>	43	4		1	<b>349</b>
Tax rate	<b>20%</b>					<b>20%</b>
Net earnings	<b>1,227</b>					<b>1,393</b>
EPS	<b>\$0.42</b>					<b>\$0.48</b>



# FY05 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Pension curtail- ment	AJCA Adj	<b>Non-GAAP</b>
Revenue	<b>86,696</b>							<b>86,696</b>
Cost of sales	<b>66,440</b>							<b>66,440</b>
Total OpEx	<b>16,783</b>	(622)	(1,684)	(2)		199		<b>14,674</b>
Operating profit	<b>3,473</b>	622	1,684	2		(199)		<b>5,582</b>
Settlement	<b>(106)</b>							<b>(106)</b>
Interest & other, net	<b>176</b>				13			<b>189</b>
Pre-tax earnings	<b>3,543</b>	622	1,684	2	13	(199)		<b>5,665</b>
Income tax	<b>1,145</b>	185	466		3	(54)	(788)	<b>957</b>
Tax rate	<b>32%</b>							<b>17%</b>
Net earnings	<b>2,398</b>							<b>4,708</b>
EPS	<b>\$0.82</b>							<b>\$1.62</b>

# Q4 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Pension curtail- ment	<b>Non-GAAP</b>
Revenue	<b>22,913</b>						<b>22,913</b>
Cost of sales	<b>17,532</b>						<b>17,532</b>
Total OpEx	<b>5,149</b>	(136)	(1,565)	(2)		199	<b>3,645</b>
Operating profit	<b>232</b>	136	1,565	2		(199)	<b>1,736</b>
Settlement	<b>3</b>						<b>3</b>
Interest & other, net	<b>146</b>				(14)		<b>132</b>
Pre-tax earnings	<b>381</b>	136	1,565	2	(14)	(199)	<b>1,871</b>
Income tax	<b>(35)</b>	40	429		(5)	(54)	<b>375</b>
Tax rate	<b>(9%)</b>						<b>20%</b>
Net earnings	<b>416</b>						<b>1,496</b>
EPS	<b>\$0.14</b>						<b>\$0.51</b>

# Q3 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	G/L Invest.	AJCA Tax Adj.	<b>Non-GAAP</b>
Revenue	<b>20,759</b>					<b>20,759</b>
Cost of sales	<b>15,942</b>					<b>15,942</b>
Total OpEx	<b>3,904</b>	(168)	(112)			<b>3,624</b>
Operating profit	<b>913</b>	168	112			<b>1,193</b>
Settlement	<b>7</b>					<b>7</b>
Interest & other, net	<b>113</b>			6		<b>119</b>
Pre-tax earnings	<b>1,033</b>	168	112	6		<b>1,319</b>
Income tax	<b>960</b>	50	34	2	(788)	<b>258</b>
Tax rate	<b>93%</b>					<b>20%</b>
Net earnings	<b>73</b>					<b>1,061</b>
EPS	<b>\$0.03</b>					<b>\$0.36</b>

# Q2 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	G/L Invest.	<b>Non-GAAP</b>
Revenue	<b>21,570</b>				<b>21,570</b>
Cost of sales	<b>16,429</b>				<b>16,429</b>
Total OpEx	<b>3,978</b>	(151)	(4)		<b>3,823</b>
Operating profit	<b>1,163</b>	151	4		<b>1,318</b>
Interest & other, net	<b>(84)</b>			(3)	<b>(87)</b>
Pre-tax earnings	<b>1,079</b>	151	4	(3)	<b>1,231</b>
Income tax	<b>113</b>	46	1	(2)	<b>158</b>
Tax rate	<b>10%</b>				<b>13%</b>
Net earnings	<b>966</b>				<b>1,073</b>
EPS	<b>\$0.33</b>				<b>\$0.37</b>

# Q1 FY05 GAAP to non-GAAP bridge

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	G/L Invest.	<b>Non-GAAP</b>
Revenue	<b>21,454</b>				<b>21,454</b>
Cost of sales	<b>16,537</b>				<b>16,537</b>
Total OpEx	<b>3,752</b>	(167)	(3)		<b>3,582</b>
Operating profit	<b>1,165</b>	167	3		<b>1,335</b>
Settlement	<b>(116)</b>				<b>(116)</b>
Interest & other, net	<b>1</b>			24	<b>25</b>
Pre-tax earnings	<b>1,050</b>	167	3	24	<b>1,244</b>
Income tax	<b>107</b>	49	2	8	<b>166</b>
Tax rate	<b>10%</b>				<b>13%</b>
Net earnings	<b>943</b>				<b>1,078</b>
EPS	<b>\$0.32</b>				<b>\$0.37</b>

