



# Q2 FY06 HP Earnings Announcement

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# 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, charges, earnings or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including execution of any restructuring plans; any statements concerning the expected development, performance or market share relating to products or services; 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; employee management issues; 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 workforce restructuring programs; 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, 2005, HP's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006 and other reports filed after that report. As in prior quarters, 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 April 30, 2006. In particular, determining HP's actual tax balances and provisions as of April 30, 2006 and for the fiscal quarter then ended 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

To supplement HP's consolidated condensed financial statements presented on a GAAP basis, HP provides non-GAAP operating expense, non-GAAP OI&E, non-GAAP operating profit, non-GAAP net income, non-GAAP diluted earnings per share, HP's non-GAAP tax rate, gross cash, net cash, and free cash flow. HP also provides forecasts of non-GAAP diluted earnings per share, non-GAAP OI&E and HP's non-GAAP tax rate. 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 in the attached materials.

HP's management uses non-GAAP operating expense, non-GAAP OI&E, non-GAAP operating profit, non-GAAP net income, non-GAAP diluted earnings per share, and HP's non-GAAP tax rate to evaluate and forecast HP's baseline performance before gains, losses or other charges that are considered by 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. Each of these non-GAAP measures is among the primary indicators management uses as a basis for planning and forecasting future periods. We believe that these non-GAAP measures provide both management and investors with a more complete understanding of the underlying operating results and trends and an enhanced overall understanding of HP's financial performance, liquidity and prospects for the future.

This additional non-GAAP information is not meant to be considered in isolation or as a substitute for operating expense, other income and expense, operating profit, net income, diluted earnings per share, HP's tax rate, cash and cash equivalents, or cash flow from operations prepared in accordance with GAAP. In addition, there may be limitations associated with the use of these non-GAAP financial measures. For example, items such as restructuring charges that are excluded from non-GAAP operating expense, non-GAAP operating profit, non-GAAP net income, non-GAAP diluted earnings per share and HP's non-GAAP tax rate can have a material impact on cash flows. There may be restrictions on our ability to liquidate the long-term investments included in gross cash and net cash, which may limit the usefulness of non-GAAP gross cash as a liquidity measure. In addition, a limitation of free cash flow is that it does not represent the total increase or decrease in the cash balance for the period. These effects are reflected in our GAAP financial statements, including our consolidated statements of cash flows. The non-GAAP financial information that we provide also may differ from the non-GAAP information provided by other companies.

# Q2 FY06 earnings highlights

- **Non-GAAP EPS of \$0.69 (reflects favorable settlement of a prior period tax audit<sup>(3)</sup> and includes stock compensation) versus \$0.37 in Q205<sup>(1)</sup>**
- **Revenue growth of \$984 million, 5% Y/Y; 8% in constant currency**
- **Operating margin of 8.0%, with margin expansion in key businesses**
  - IPG operating margin of 15.5%
  - ESS operating margin of 7.5%
  - PSG operating margin of 3.6%
  - HPS operating margin of 8.9%
- **Generated record cash flow**
  - Cash flow from operations of \$3.6 billion
  - Free cash flow of \$3.2 billion
- **Returned \$1.6 billion<sup>(2)</sup> to shareholders in share repurchases, and \$226 million in dividends**

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 in the GAAP to non-GAAP slides, included in 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. Q2 FY06 open market repurchases totaled \$1.3 billion. An additional 7 million shares were repurchased under the Q1 FY06 Prepaid Variable Share Repurchase plan for an approximate value of \$232 million.

3. 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. 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 10-Q required this revision to HP's reported Q2 FY06 results.

# Results overview

## Q2 FY06 Financials

- Net revenue of \$22.6 billion, growth of 5% year-over-year; or 8% in constant currency
- Non-GAAP operating profit of \$1.8 billion; up from \$1.3 billion in Q2 FY05
- Non-GAAP diluted EPS of \$0.69<sup>(2)</sup>; up from \$0.37 in Q2 FY05
- GAAP operating profit of \$1.7 billion, up from \$1.2 billion in Q2 FY05
- GAAP diluted EPS of \$0.66<sup>(2)</sup>; up from \$0.33 in Q2 FY05
- Cash flow from operations of \$3.6 billion

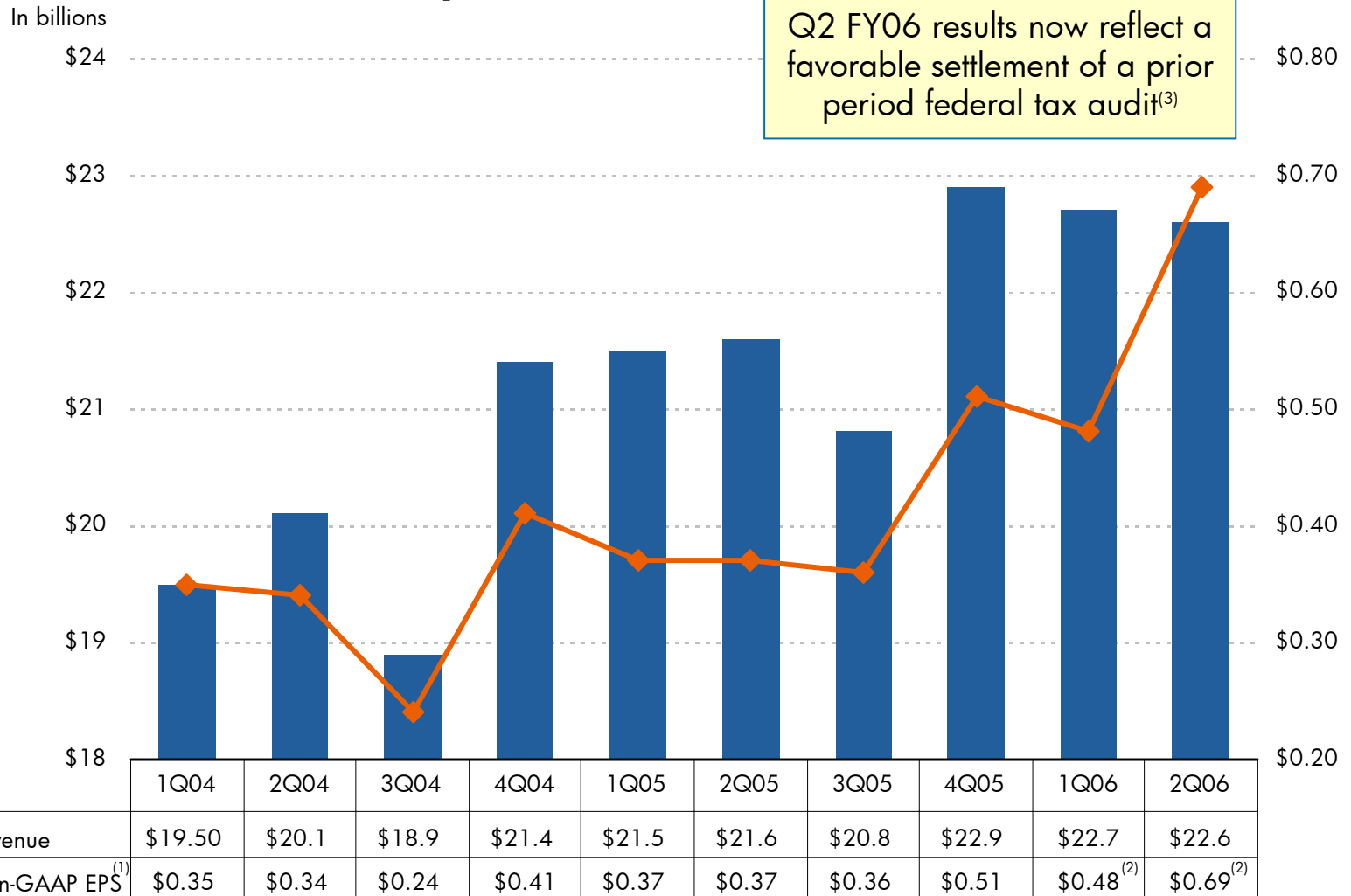
## Q2 FY06 Segments

\$ in millions	Revenue	Growth Y/Y %	Operating profit	OP % of rev
Enterprise Storage and Servers	\$4,265	2%	\$322	7.5%
Services	\$3,892	(2%)	\$345	8.9%
Software	\$330	20%	\$3	0.9%
Personal Systems Group	\$6,977	10%	\$248	3.6%
Imaging and Printing Group	\$6,724	5%	\$1,041	15.5%
HP Financial Services	\$518	(5%)	\$39	7.5%
<b>Total HP</b>	<b>\$22,554</b>	<b>5%</b>	<b>\$1,796<sup>(1)</sup></b>	<b>8.0%</b>

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# Revenue & EPS performance



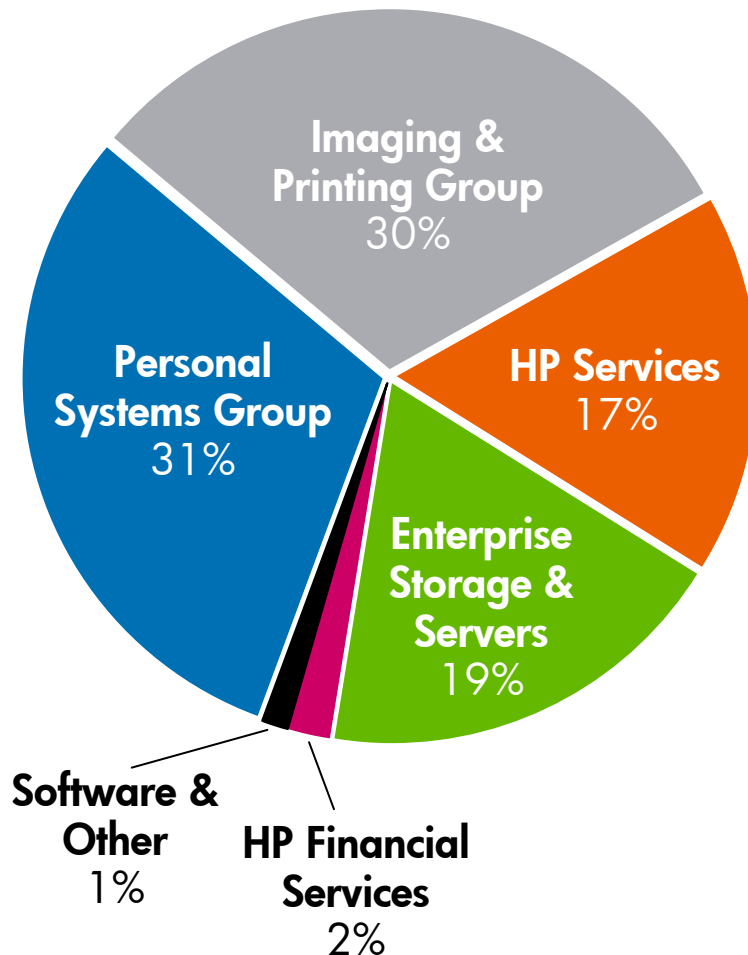
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2. Prior periods do not include the effects of stock-based compensation, which are included in FY06.

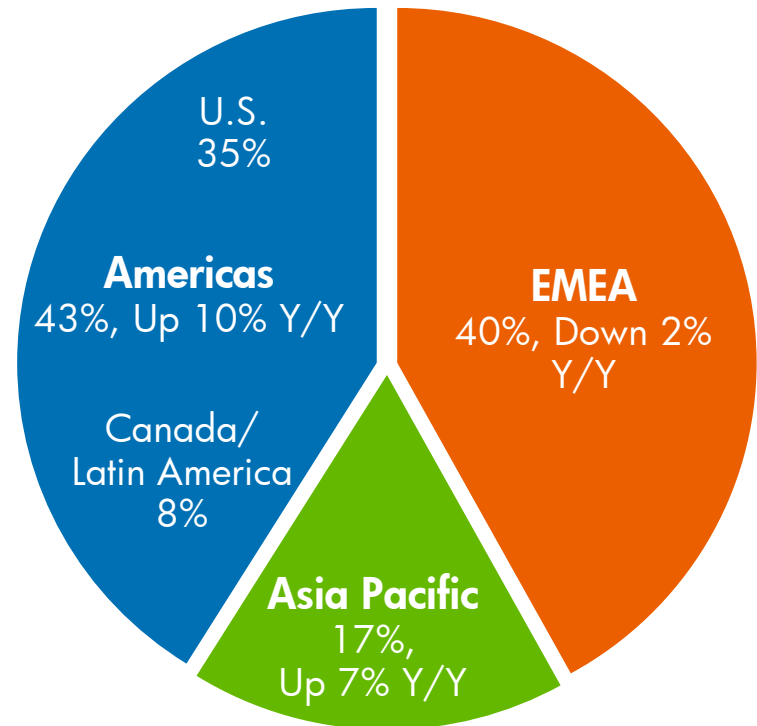
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# Q2 FY06 revenue

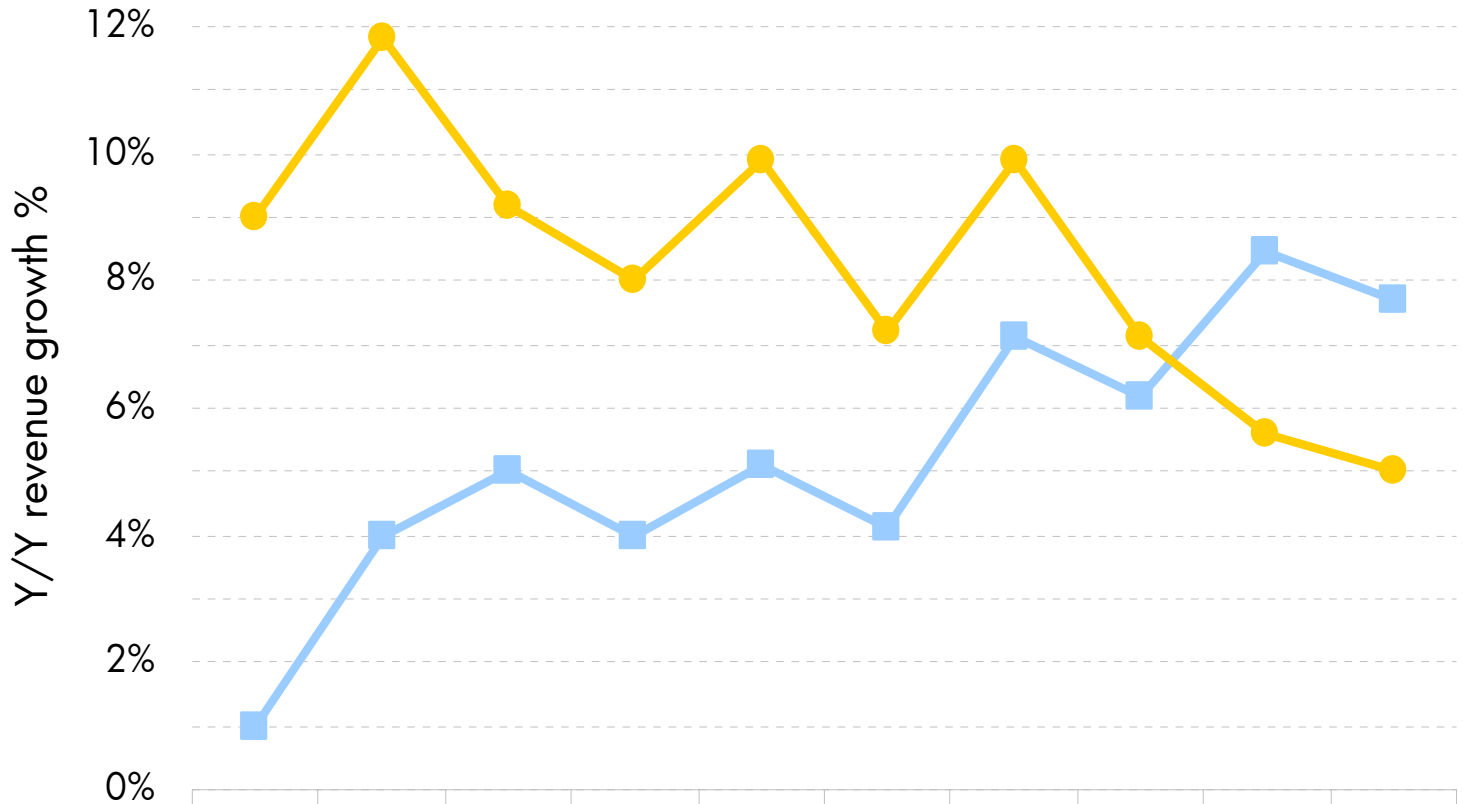
## By segment



## By region



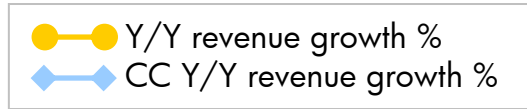
# Revenue growth



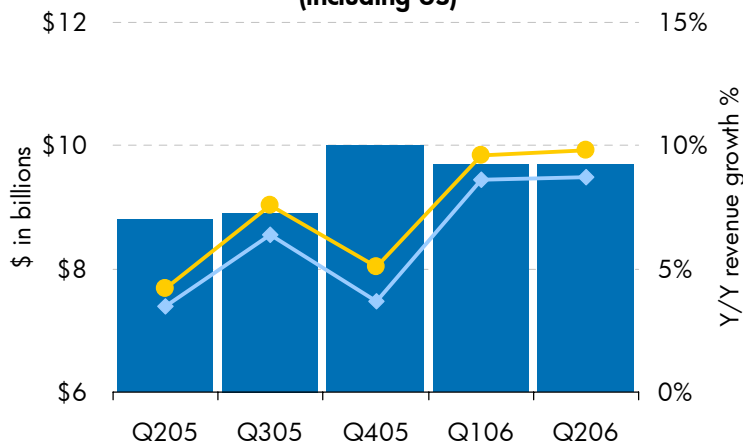
■ Constant currency	1%	4%	5%	4%	5%	4%	7%	6%	8%	8%
● As reported	9%	12%	9%	8%	10%	7%	10%	7%	6%	5%



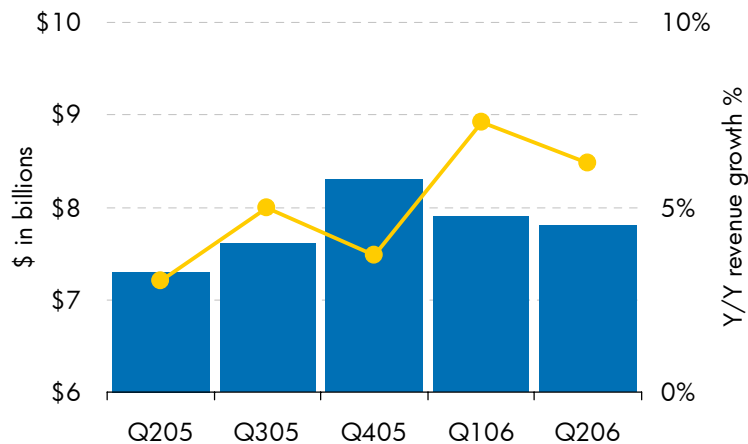
# Regional revenue trends



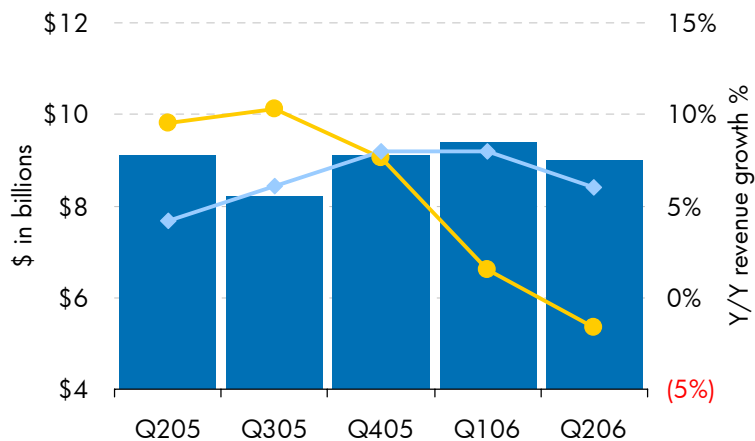
## Americas (including US)



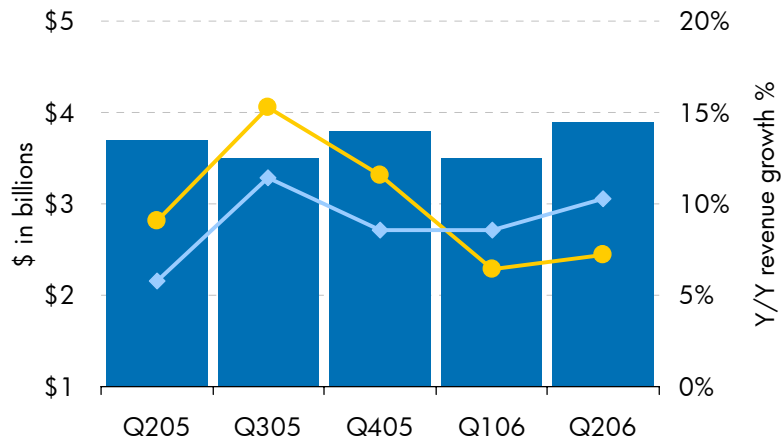
## United States



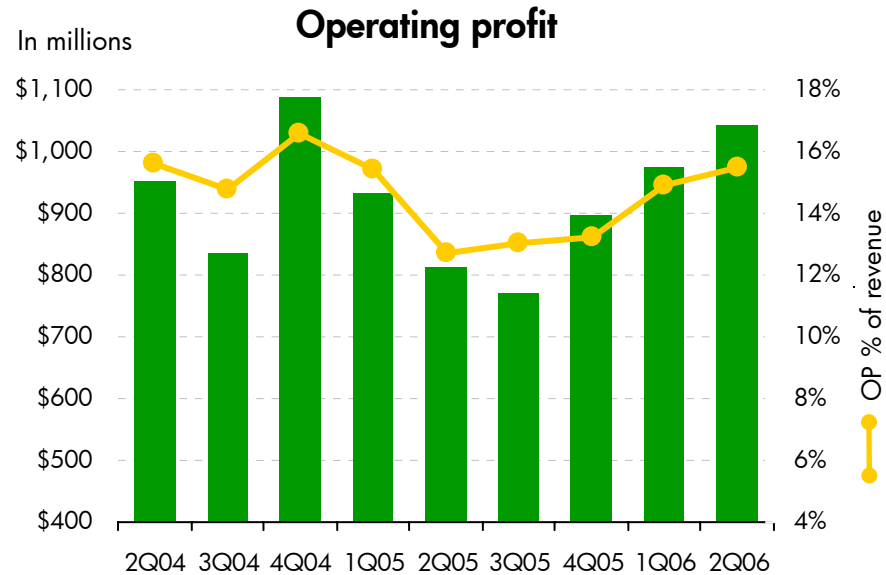
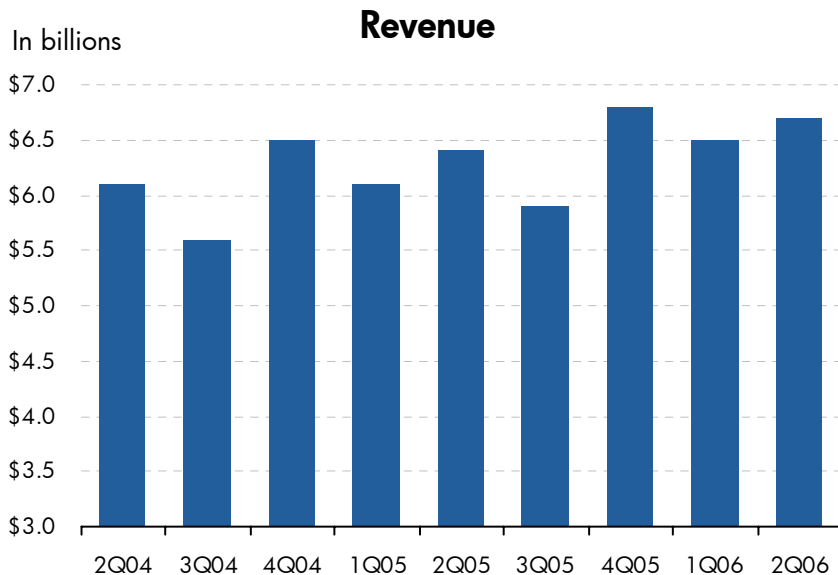
## EMEA



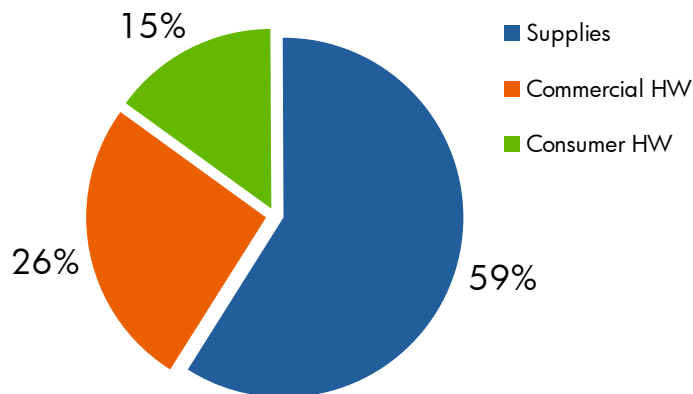
## Asia Pacific



# Imaging and Printing Group (IPG)

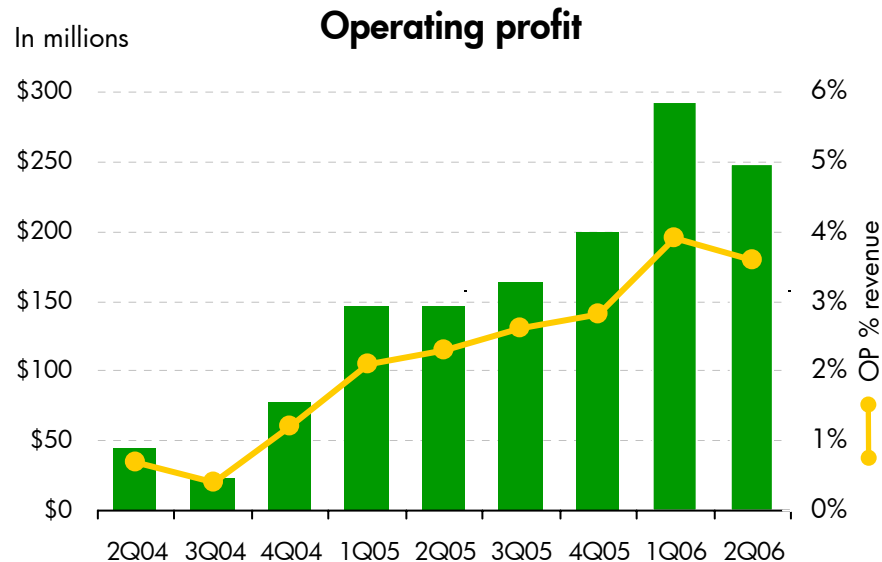
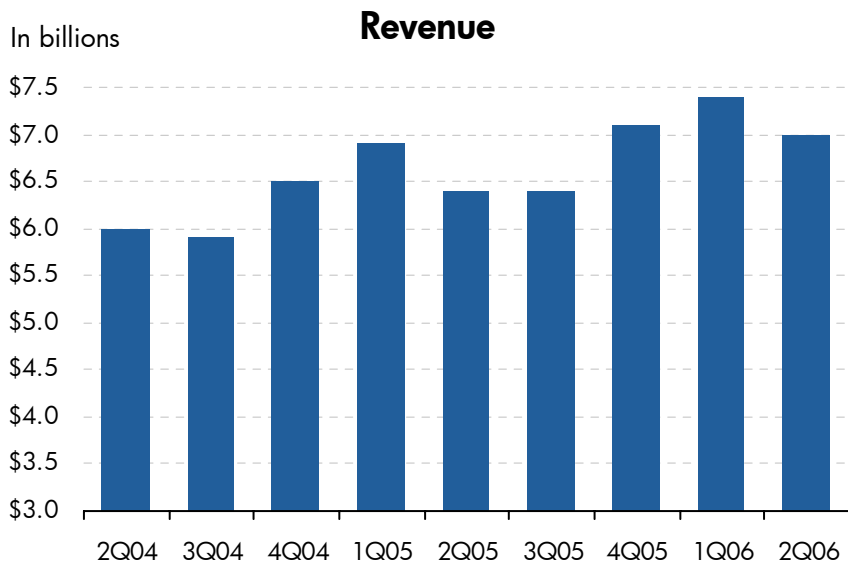


**Q2 FY06 revenue by business**

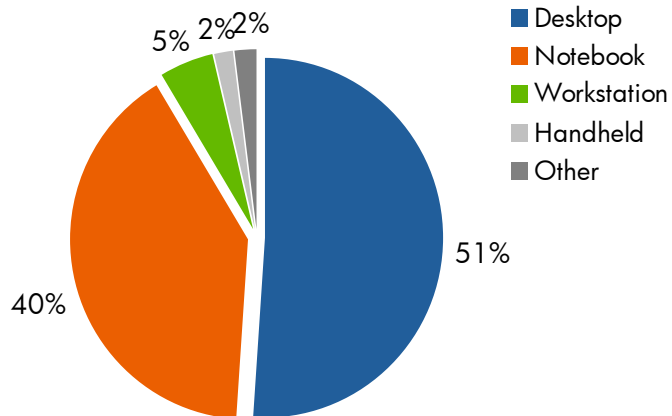


- IPG revenue of \$6.7B; up 5% Y/Y
- Operating profit of \$1,041M; 15.5% of revenue
- Total printer hardware units up 3% Y/Y; consumer units declined 1%; commercial units up 14%
- Color LaserJet units up 38% Y/Y
- Printer-based MFPs units up 44% Y/Y
- Indigo digital press page volume up 42% Y/Y
- Supplies revenue grew 10% Y/Y

# Personal Systems Group (PSG)

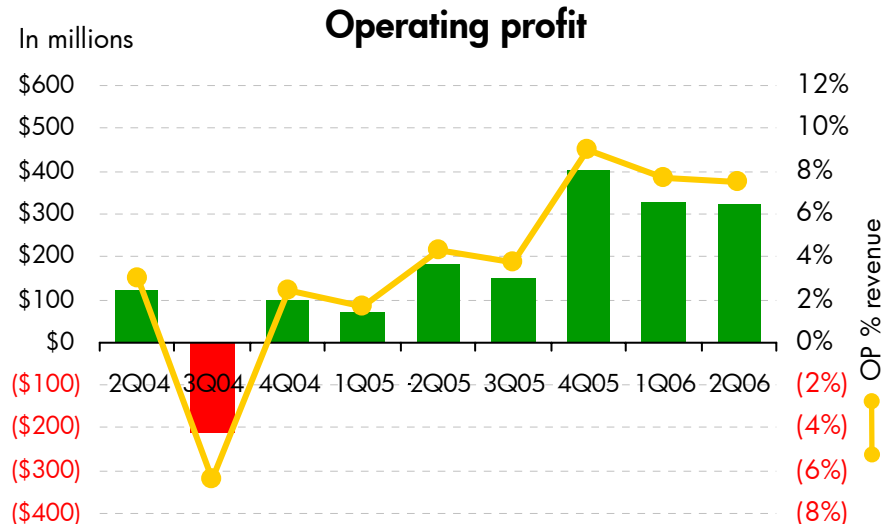
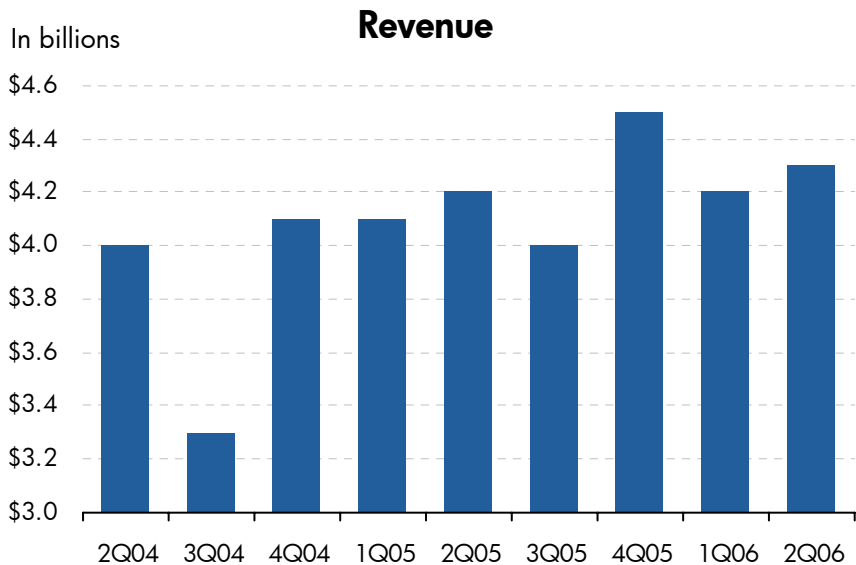


## Q2 FY06 revenue by business

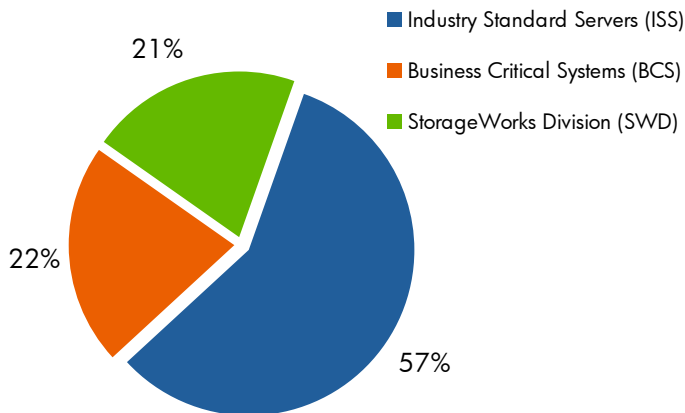


- PSG revenue of \$7.0B; up 10% Y/Y
- Operating profit of \$248M; 3.6% of revenue
- Total units up 16% Y/Y
- Desktop revenue up 1% Y/Y; units up 8%  
Notebook revenue up 27% Y/Y; units up 48%
- Consumer client revenue up 24% Y/Y;  
Commercial client revenue up 3% Y/Y

# Enterprise Storage and Servers (ESS)

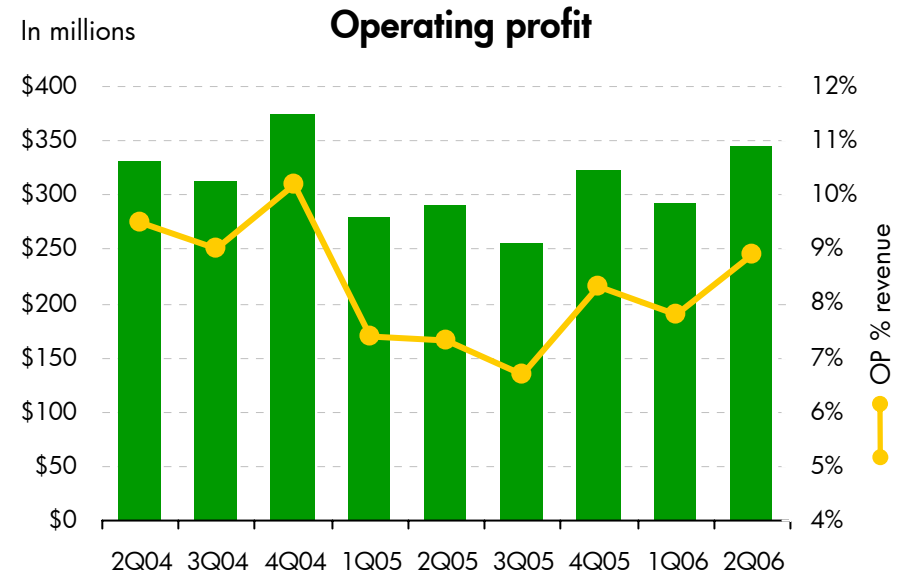
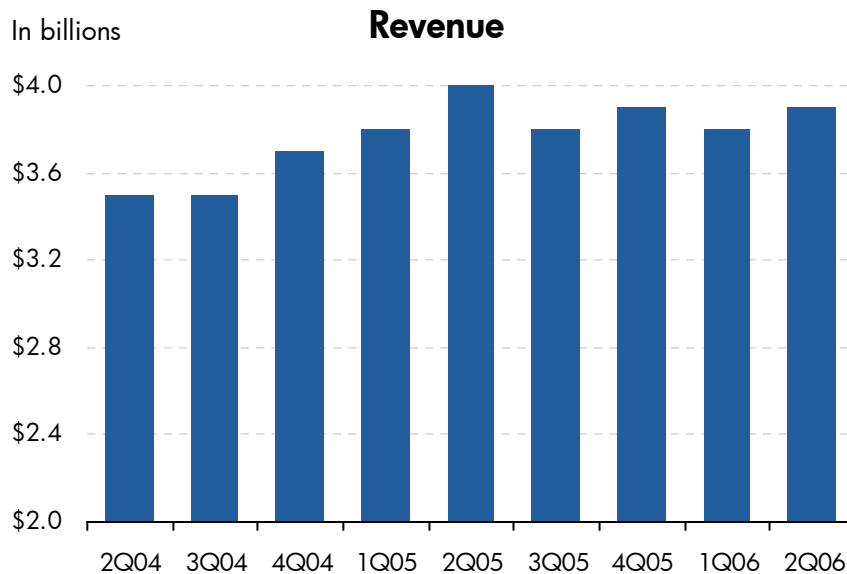


## Q2 FY06 revenue by business

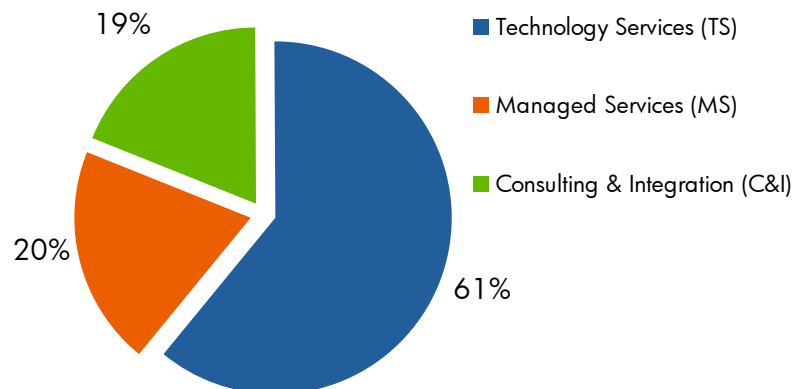


- ESS revenue of \$4.3B, up 2% Y/Y
- Operating profit of \$322M; 7.5% of revenue
- ISS revenue up 4% Y/Y; blade revenue up 60%
- BCS revenue down 7% Y/Y; HP-UX down 8%
- Integrity revenue up 93% Y/Y; 36% of BCS revenue
- Storage revenue up 8% Y/Y; mid-range storage arrays (EVA) up 46%; high-end storage (XP) up 8%

# HP Services (HPS)

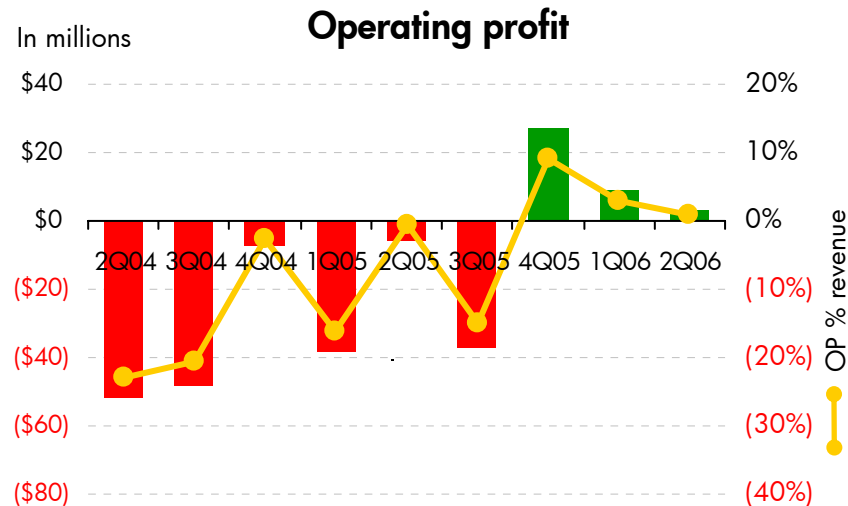
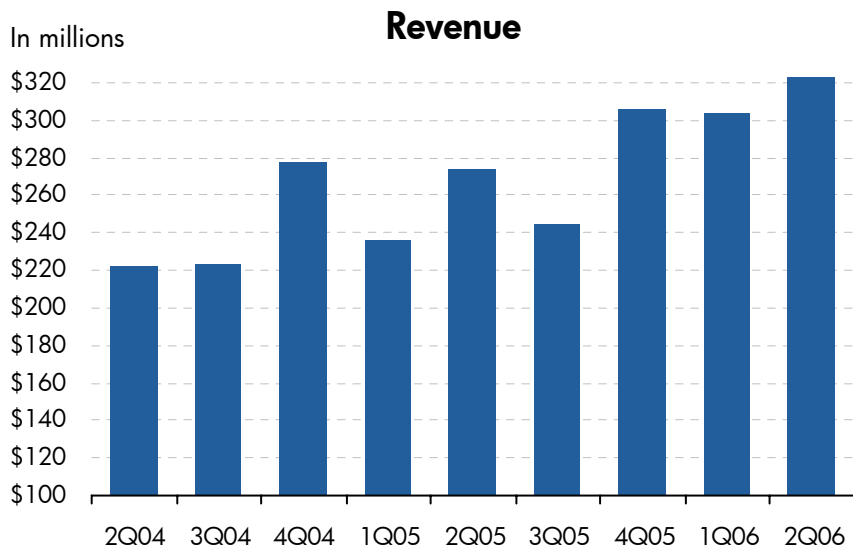


## Q2 FY06 revenue by business

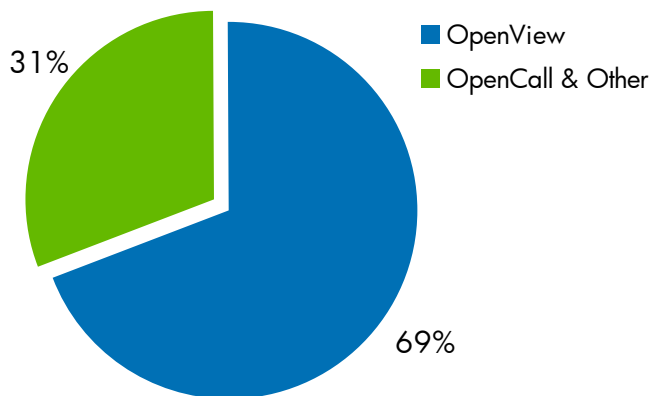


- HPS revenue declined 2% Y/Y; up 2% Y/Y in constant currency
- Operating profit of \$345M; 8.9% of revenue
- TS revenue declined 4% Y/Y; down 1% in constant currency
- MS revenue up 2% Y/Y; up 7% in constant currency
- C&I revenue declined 2% Y/Y; up 5% in constant currency

# Software

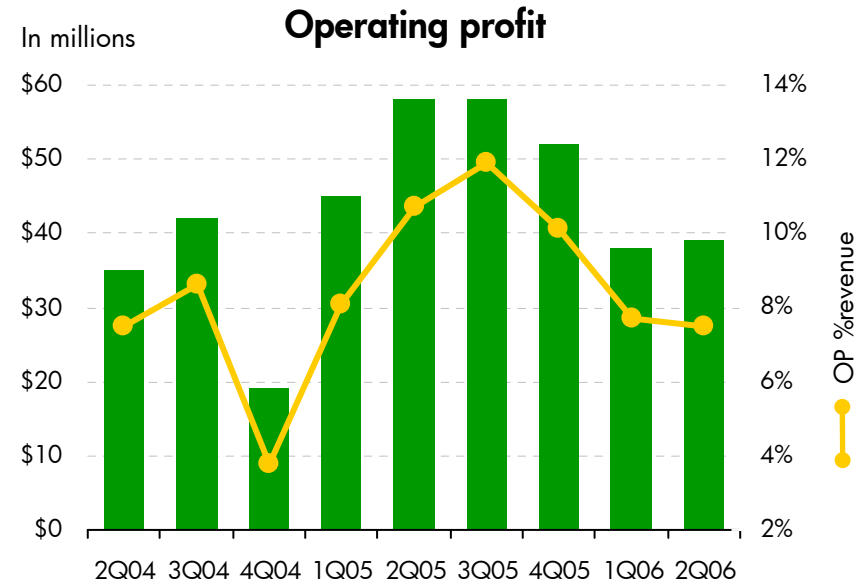
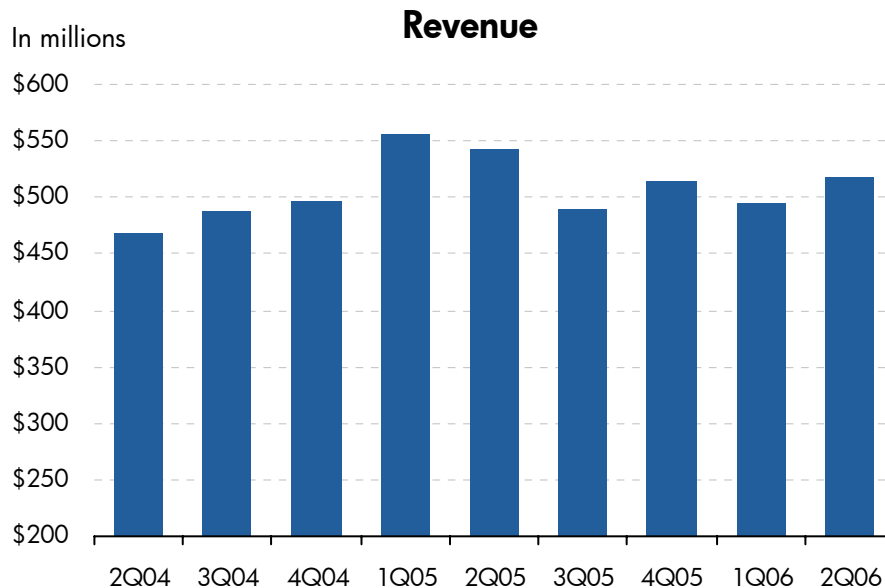


## Q2 FY06 revenue by business

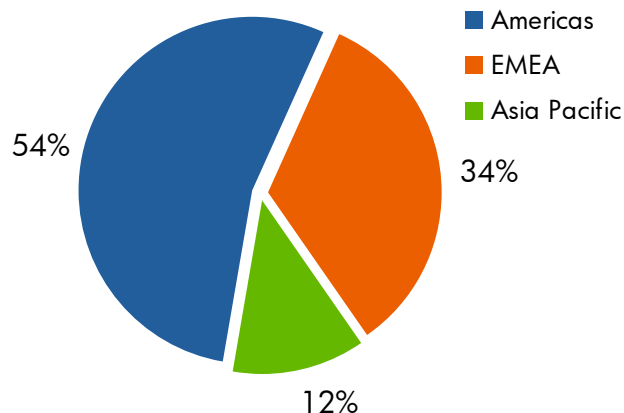


- Software revenue grew 20% Y/Y
- Operating profit of \$3M; 0.9% of revenue
- HP OpenView revenue grew 25% Y/Y, driven by strong performance in Peregrine related business
- HP OpenCall revenue grew 11% Y/Y

# HP Financial Services (HPFS)



## Q2 FY06 revenue by region



- HPFS revenue of \$518M, down 5% Y/Y
- Operating profit of \$39M; 7.5% of revenue
- Financing volume down 14% Y/Y
- Net portfolio assets \$7.1B, up 1% Y/Y

# HPFS supplemental data

In millions

	Q2 FY06	Q2 FY05	Q1 FY06
<b>Depreciation<sup>(1)</sup></b>	\$215	\$218	\$186
<b>Net capital expenditures<sup>(1)</sup></b>	\$259	\$202	\$257
<b>Increase (decrease) in net financing receivables</b>	(\$31)	(\$159)	\$77

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





# Q2 FY06 GAAP to non-GAAP bridge

All data in millions except per share amounts	GAAP	Amort. of Intangibles	Re-structuring	In-process R&D	(G)/L Invest.	Pension curtailment	Non-GAAP
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>
Settlement	-						-
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 10-Q required this revision to HP's reported Q2 FY06 results.

# P&L

## Non-GAAP



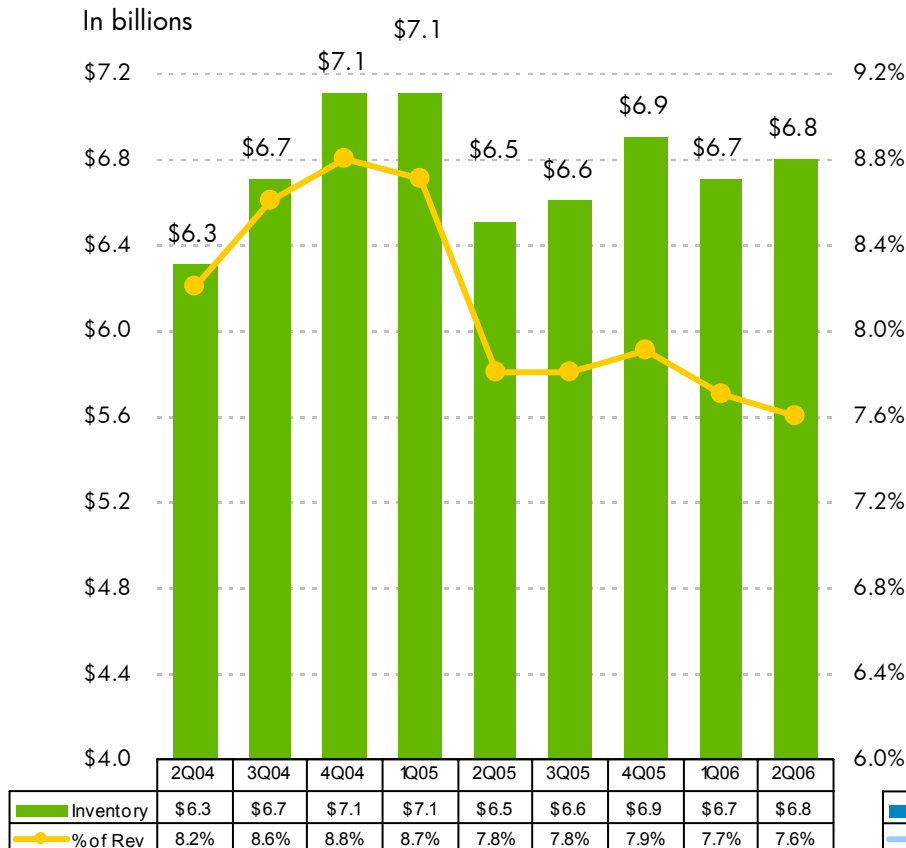
All data in millions except per share amounts	Q2 FY06 <sup>(1)</sup>		Q2 FY05		Q1 FY06 <sup>(1)</sup>	
	\$M	%	\$M	%	\$M	%
Revenue	22,554	100%	21,570	100%	22,659	100%
Cost of sales	16,970	75.2%	16,429	76.2%	17,392	76.8%
Total OpEx	3,788	16.8%	3,823	17.7%	3,563	15.7%
Operating profit	1,796	8.0%	1,318	6.1%	1,704	7.5%
Settlement	-		-		-	
Interest & other, net	157		(87)		38	
Pre-tax earnings	1,953	8.7%	1,231	5.7%	1,742	7.7%
Income tax	(43) <sup>(2)</sup>		158		349	
EPS	\$0.69 <sup>(2)</sup>		\$0.37		\$0.48	

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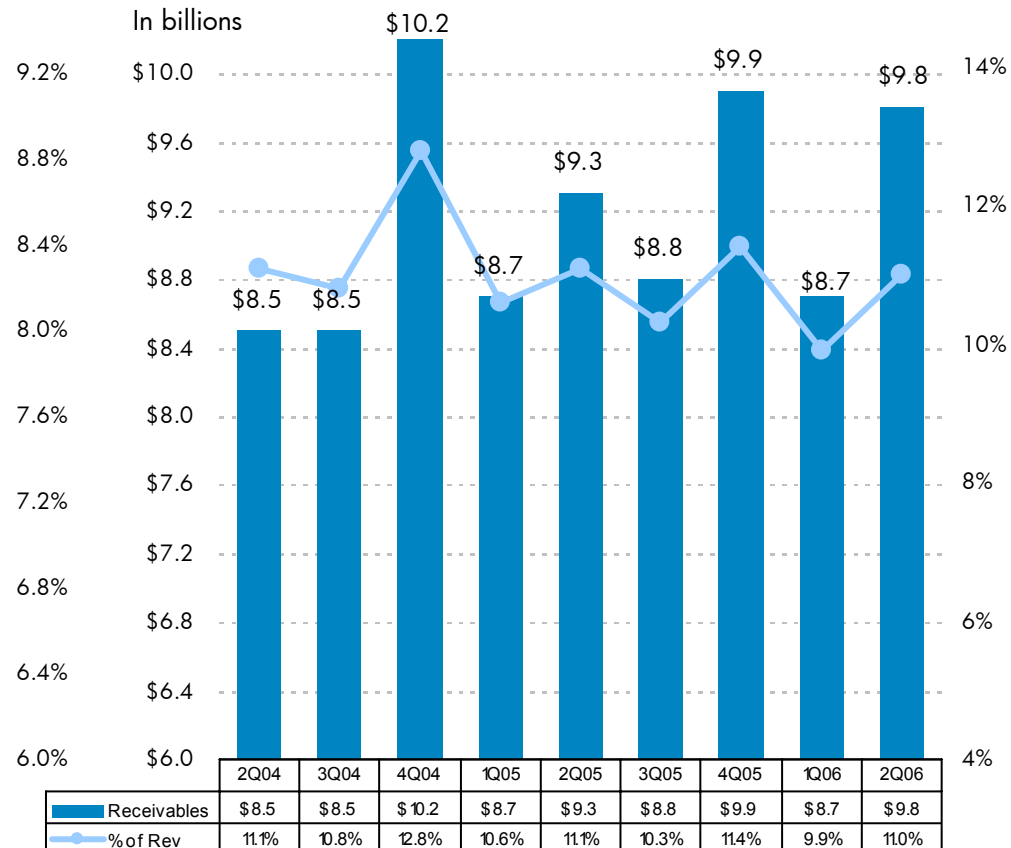
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# Inventory and accounts receivable

## Inventory

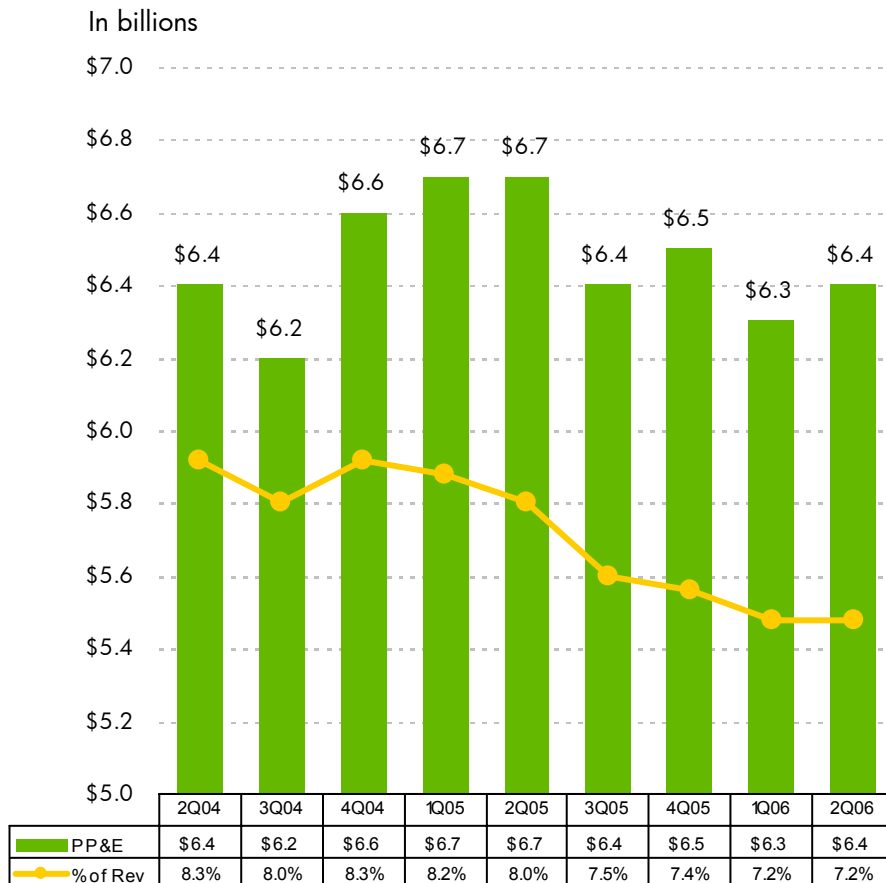


## Accounts receivable

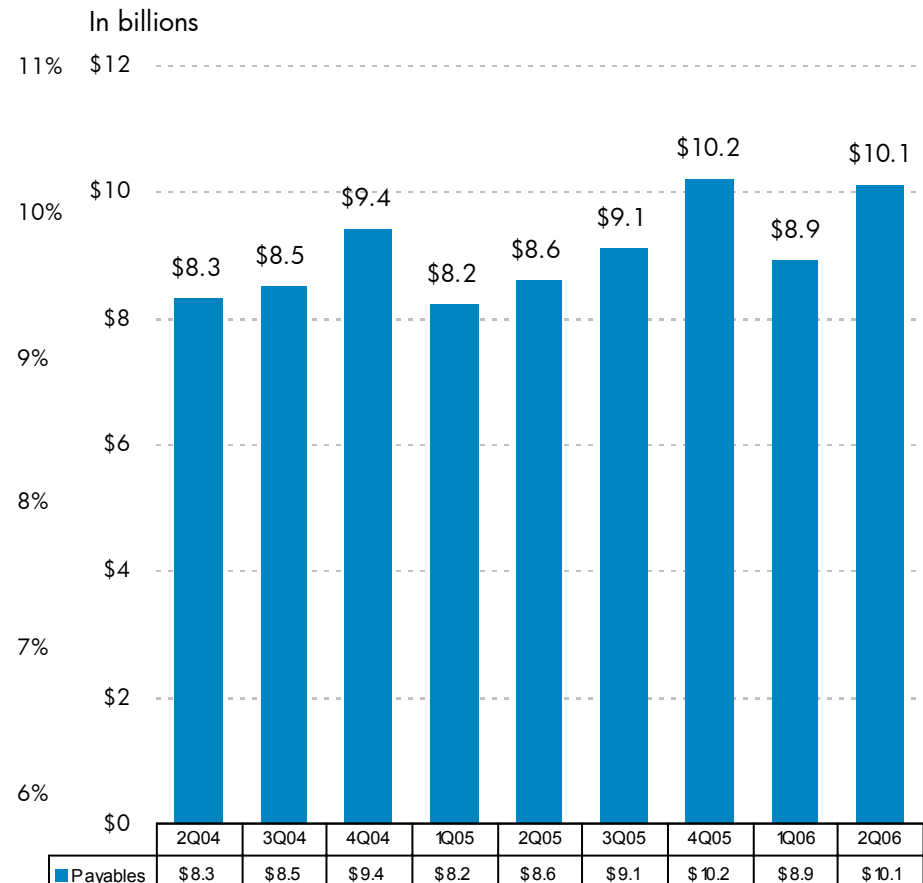


# PP&E and accounts payable

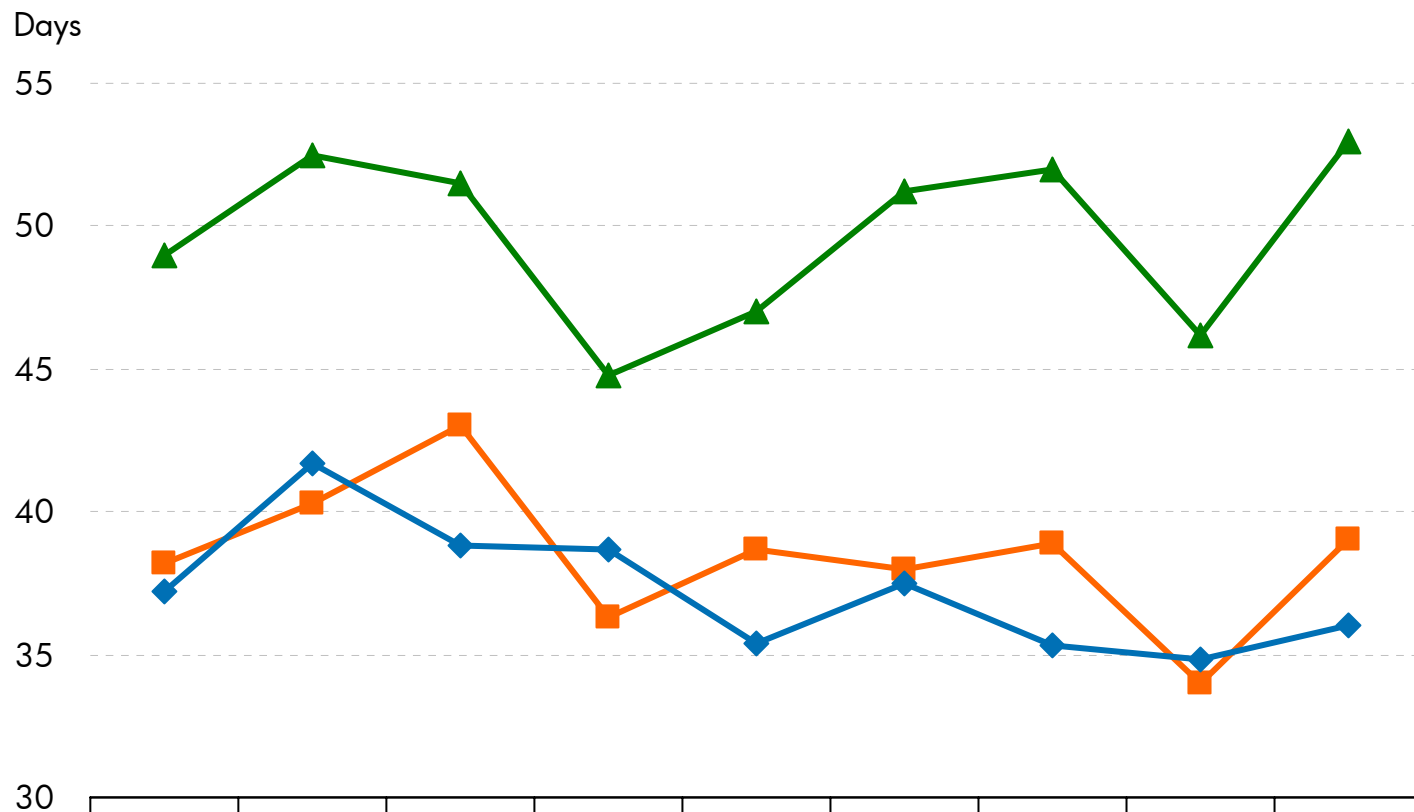
## Net PP&E



## Accounts payable

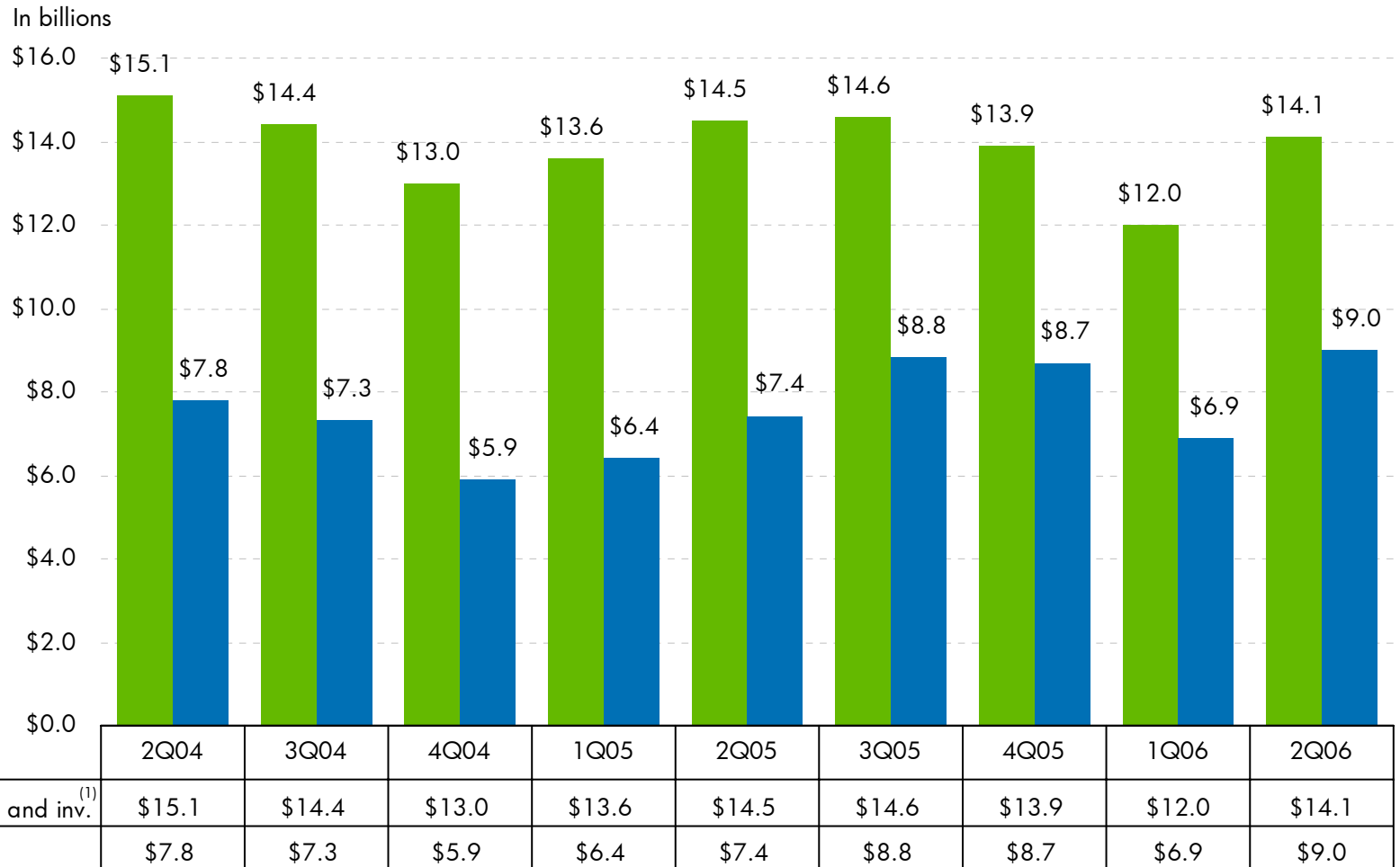


# Working capital metrics



	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06
Days receivables	38	40	43	36	39	38	39	34	39
Days inventory	37	42	39	39	35	38	35	35	36
Days payable	49	53	52	45	47	51	52	46	53

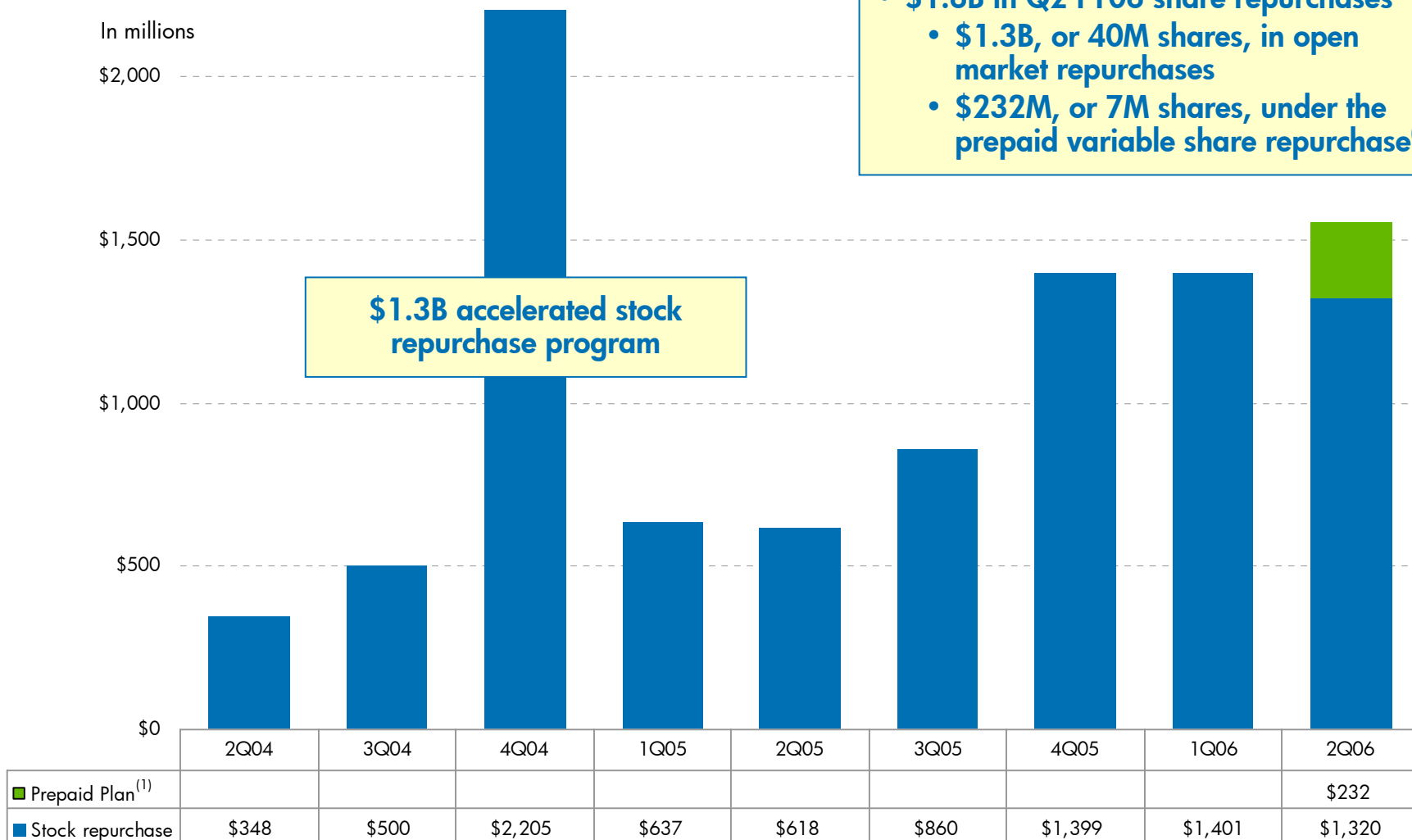
# Gross cash and investments



1. Includes cash and cash equivalents, short-term investments, and certain liquid long-term investments

2. Net cash is defined as gross cash and investments less total debt

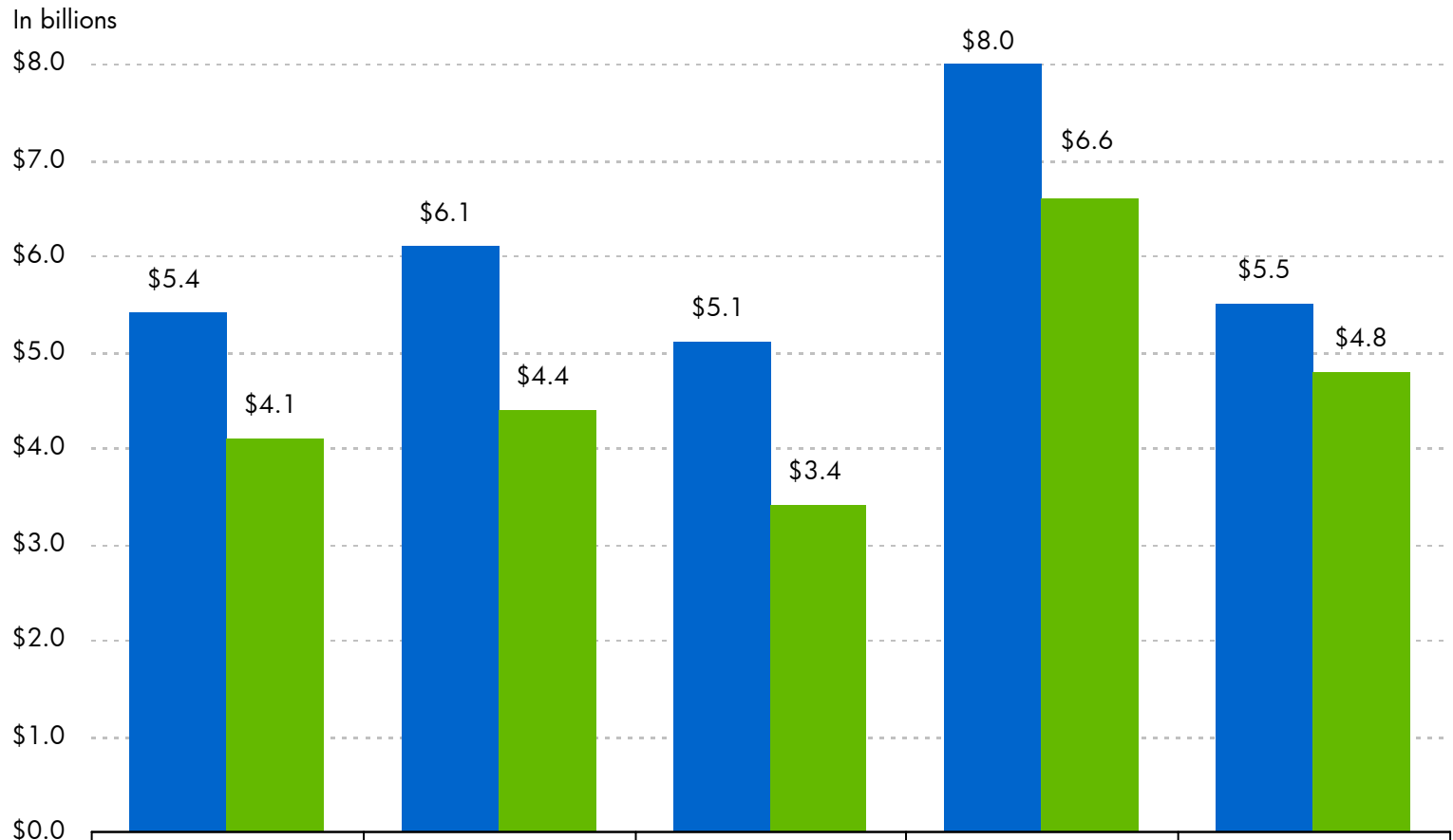
# Stock repurchase



- \$2.9B remaining in share repurchase authorization
- \$1.6B in Q2 FY06 share repurchases
  - \$1.3B, or 40M shares, in open market repurchases
  - \$232M, or 7M shares, under the prepaid variable share repurchase<sup>(1)</sup>

1. In Q1 FY06, HP entered into a prepaid variable share repurchase plan. \$1.7 billion in cash was used in Q1 FY06 to fully fund this plan. See our 10-Q for the period ended on January 31, 2006 for more information.

# Cash flow



■ Cash flow from Operations	\$5.4	\$6.1	\$5.1	\$8.0	\$5.5
■ Free cash flow <sup>(1)</sup>	\$4.1	\$4.4	\$3.4	\$6.6	\$4.8

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



# Outlook

## Q3 FY06 guidance

Revenue	Approx. \$21.750 billion
GAAP EPS <sup>(1)</sup>	\$0.41 – \$0.44
Non-GAAP EPS <sup>(1)</sup>	\$0.45 – \$0.48

## Full year FY06 guidance

Revenue	Approx. \$91.0 billion
GAAP EPS <sup>(2)</sup>	\$2.02 – \$2.06, reflects favorable settlement of prior period tax audit <sup>(3)</sup>
Non-GAAP EPS <sup>(2)</sup>	\$2.19 – \$2.23, reflects favorable settlement of prior period tax audit <sup>(3)</sup>

1. Q3 FY06 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.04 per share, related primarily to the amortization of purchased intangible assets. Third quarter non-GAAP and GAAP diluted earnings per share include \$0.03 of stock-based compensation expense.

2. Full year FY06 non-GAAP diluted earnings per share estimates exclude after-tax costs of approximately \$0.17 per share, related primarily to the amortization of purchased intangible assets. Full year FY06 non-GAAP and GAAP diluted earnings per share includes \$0.13 of stock-based compensation expense.

3. 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 10-Q required this revision to HP's reported Q2 FY06 results.

# Supplemental slides

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# Q1 FY06 GAAP to non-GAAP bridge

All data in \$Ms except per share amounts

1Q06	GAAP	Amort. of Intangibles	Re-structuring charges	In-process R&D	(G)/L Invest.	Pension curtailment	Non-GAAP
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>
Settlement	-						-
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

All data in \$Ms except  
per share amounts

FY05	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Pension curtail- ment	AJCA Adj	Non-GAAP
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

All data in \$Ms except  
per share amounts

4Q05	GAAP	Amort. of Intangibles	Re- structuring charges	In-process R&D	(G)/L Invest.	Pension curtail- ment	Non-GAAP
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

All data in \$Ms except per share amounts

3Q05	<b>GAAP</b>	Amort. of Intangibles	Re-structuring charges	Acq. related charges	In-process R&D	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

All data in \$Ms except per share amounts

2Q05	GAAP	Amort. of Intangibles	Re-structuring charges	Acq. related charges	In-process R&D	G/L Invest.	Non-GAAP
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>
Settlement	-						-
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

All data in \$Ms except per share amounts

1Q05	GAAP	Amort. of Intangibles	Re-structuring charges	Acq. related charges	In-process R&D	G/L Invest.	Non-GAAP
Revenue	21,454						21,454
Cost of sales	16,537						16,537
Total OpEx	3,752	(167)	(3)				3,582
Operating profit	1,165	167	3				1,335
Settlement	(116)						(116)
Interest & other, net	1					24	25
Pre-tax earnings	1,050	167	3			24	1,244
Income tax	107	49	2			8	166
Tax rate	10%						13%
Net earnings	943						1,078
EPS	\$0.32						\$0.37



# Q4 FY04 GAAP to non-GAAP bridge<sup>1</sup>

All data in \$Ms except  
per share amounts

4Q04	GAAP	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	G/L Invest.	Non-GAAP
Revenue	<b>21,389</b>						<b>21,389</b>
Cost of sales	<b>16,393</b>						<b>16,393</b>
Total OpEx	<b>3,707</b>	(165)	(13)	(24)			<b>3,505</b>
Operating profit	<b>1,289</b>	165	13	24			<b>1,491</b>
Interest & other, net	<b>1</b>					1	<b>2</b>
Pre-tax earnings	<b>1,290</b>	165	13	24		1	<b>1,493</b>
Income tax	<b>199</b>	49	4	4	10		<b>266</b>
Tax rate	<b>15%</b>						<b>18%</b>
Net earnings	<b>1,091</b>						<b>1,227</b>
EPS	<b>\$0.37</b>						<b>\$0.41</b>

1. Certain reclassifications have been made to prior year amounts in order to conform to fiscal 2005 presentation

# Q3 FY04 GAAP to non-GAAP bridge<sup>1</sup>

All data in \$Ms except  
per share amounts

3Q04	GAAP	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	G/L Invest.	Non-GAAP
Revenue	<b>18,889</b>						<b>18,889</b>
Cost of sales	<b>14,545</b>						<b>14,545</b>
Total OpEx	<b>3,687</b>	(146)	(9)	(6)	(28)		<b>3,498</b>
Operating profit	<b>657</b>	146	9	6	28		<b>846</b>
Interest & other, net	<b>21</b>					(1)	<b>20</b>
Pre-tax earnings	<b>678</b>	146	9	6	28	(1)	<b>866</b>
Income tax	<b>92</b>	41	3	2			<b>138</b>
Tax rate	<b>14%</b>						<b>16%</b>
Net earnings	<b>586</b>						<b>728</b>
EPS	<b>\$0.19</b>						<b>\$0.24</b>

1. Certain reclassifications have been made to prior year amounts in order to conform to fiscal 2005 presentation

# Q2 FY04 GAAP to non-GAAP bridge<sup>1</sup>

All data in \$Ms except  
per share amounts

2Q04	GAAP	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	G/L Invest.	Non-GAAP
Revenue	20,113						20,113
Cost of sales	15,182						15,182
Total OpEx	3,793	(148)	(38)	(9)	(9)		3,589
Operating profit	1,138	148	38	9	9		1,342
Interest & other, net	(73)					5	(68)
Pre-tax earnings	1,065	148	38	9	9	5	1,274
Income tax	181	44	13	3		1	242
Tax rate	17%						19%
Net earnings	884						1,032
EPS	\$0.29						\$0.34

1. Certain reclassifications have been made to prior year amounts in order to conform to fiscal 2005 presentation



# Q1 FY04 GAAP to non-GAAP bridge<sup>1</sup>

All data in \$Ms except  
per share amounts

1Q04	GAAP	Amort. of Intangibles	Re- structuring charges	Acq. related charges	G/L Invest.	Non-GAAP
Revenue	<b>19,514</b>					<b>19,514</b>
Cost of sales	<b>14,691</b>					<b>14,691</b>
Total OpEx	<b>3,680</b>	(144)	(54)	(15)		<b>3,467</b>
Operating profit	<b>1,143</b>	144	54	15		<b>1,356</b>
Interest & other, net	<b>20</b>				(9)	<b>11</b>
Pre-tax earnings	<b>1,163</b>	144	54	15	(9)	<b>1,367</b>
Income tax	<b>227</b>	42	17	5	(4)	<b>287</b>
Tax rate	<b>20%</b>					<b>21%</b>
Net earnings	<b>936</b>					<b>1,080</b>
EPS	<b>\$0.30</b>					<b>\$0.35</b>

1. Certain reclassifications have been made to prior year amounts in order to conform to fiscal 2005 presentation



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