

# Hewlett Packard (HPQ): Q3 FY06 Earnings Announcement

**August 16, 2006**

**HP Investor Relations**

<http://investor.hp.com>



# 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 April 30, 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 July 31, 2006. In particular, determining HP's actual tax balances and provisions as of July 31, 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

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 income, 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 income, 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 income 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.

# Results overview

## Q3 FY06 financials

- Net revenue of \$21.9B, growth of \$1.1B, up 5% Y/Y; or 6% in constant currency
- Non-GAAP operating profit of \$1.7B; up from \$1.2B in Q3 FY05
- Non-GAAP diluted EPS of \$0.52; up from \$0.36 in Q3 FY05
- GAAP operating profit of \$1.5B, up from \$0.9B in Q3 FY05
- GAAP diluted EPS of \$0.48; up from \$0.03 in Q3 FY05
- Cash flow from operations of \$2.6B
- Returned \$2.7B<sup>(2)</sup> to shareholders in share repurchases, and \$222M in dividends

## Q3 FY06 segments

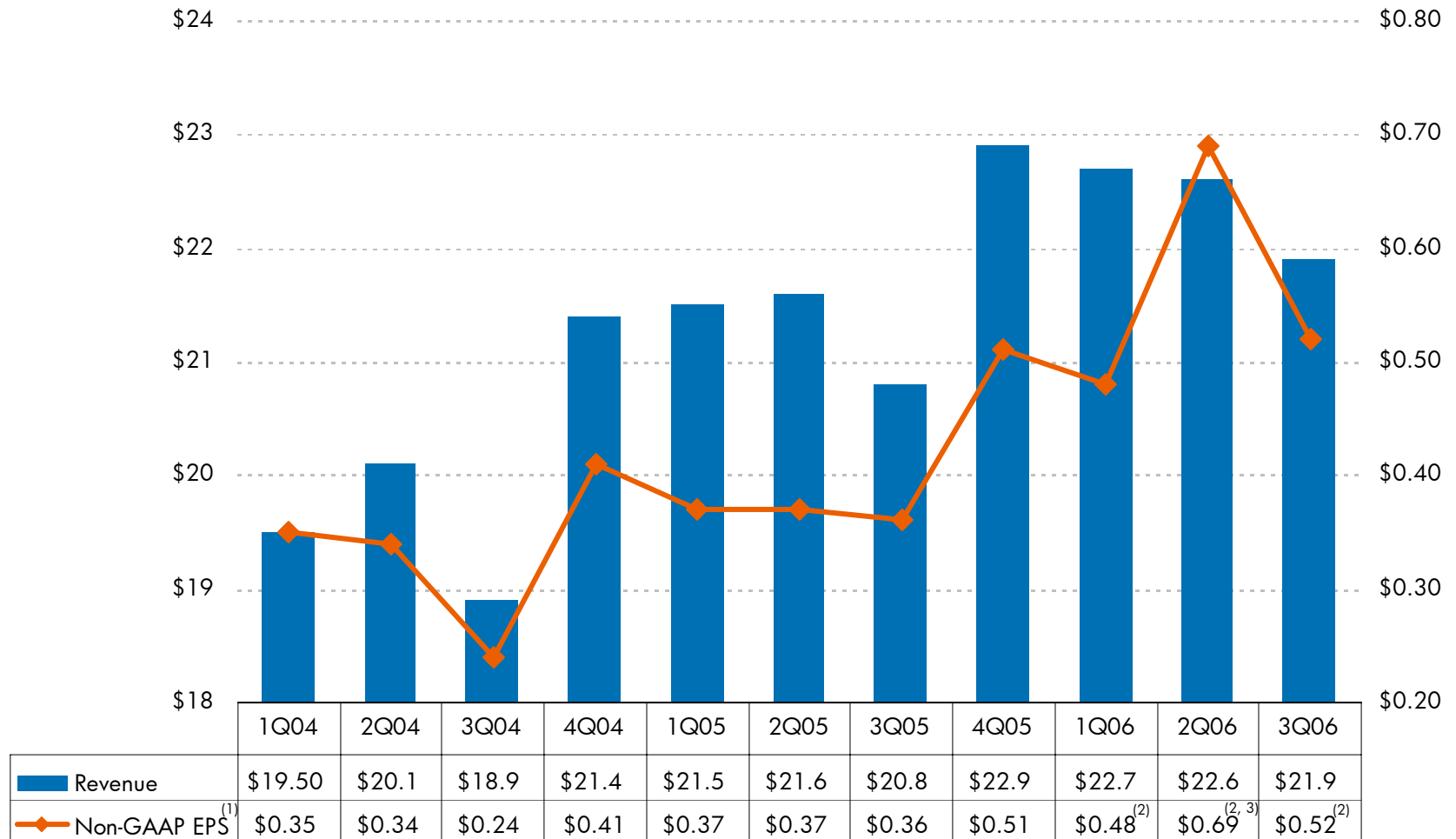
\$ in millions	Revenue	Growth Y/Y %	Operating profit	OP % of rev
Imaging and Printing Group	\$6,234	5%	\$884	14.2%
Personal Systems Group	\$6,917	8%	\$275	4.0%
Enterprise Storage and Servers	\$4,133	3%	\$296	7.2%
Software	\$318	30%	\$13	4.1%
Services	\$3,888	1%	\$364	9.4%
HP Financial Services	\$519	6%	\$35	6.7%
<b>Total HP</b>	<b>\$21,890</b>	<b>5%</b>	<b>\$1,668<sup>(1)</sup></b>	<b>7.6%</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 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. Q3 FY06 open market repurchases totaled \$2.3 billion. An additional 13 million shares were repurchased under the Q1 FY06 Prepaid Variable Share Repurchase plan for an approximate value of \$431 million.

# Revenue & EPS performance

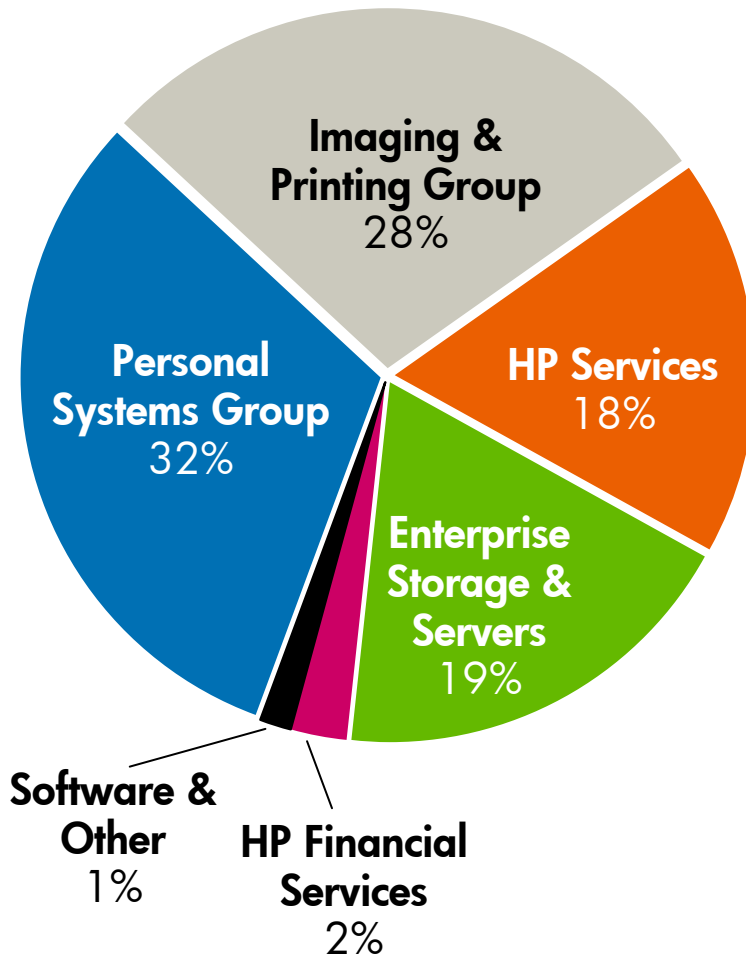
In billions



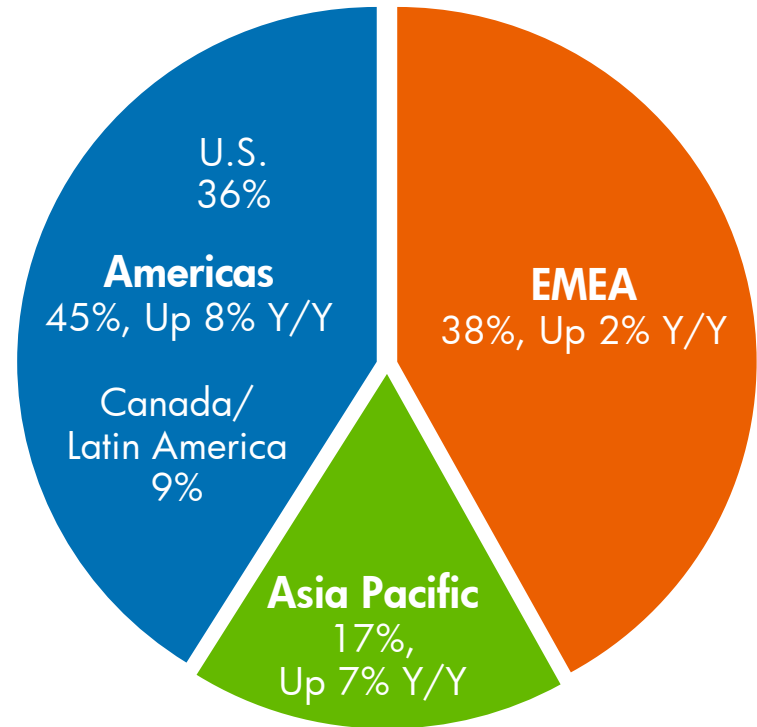
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2. Prior periods do not include the effects of stock-based compensation, which are included in FY06.
3. On June 6, HP upwardly revised Q2 FY06 earnings following the signing of a settlement agreement by the Internal Revenue Service resolving federal 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 Form 10-Q required this revision to HP's reported Q2 FY06 results.

# Q3 FY06 revenue

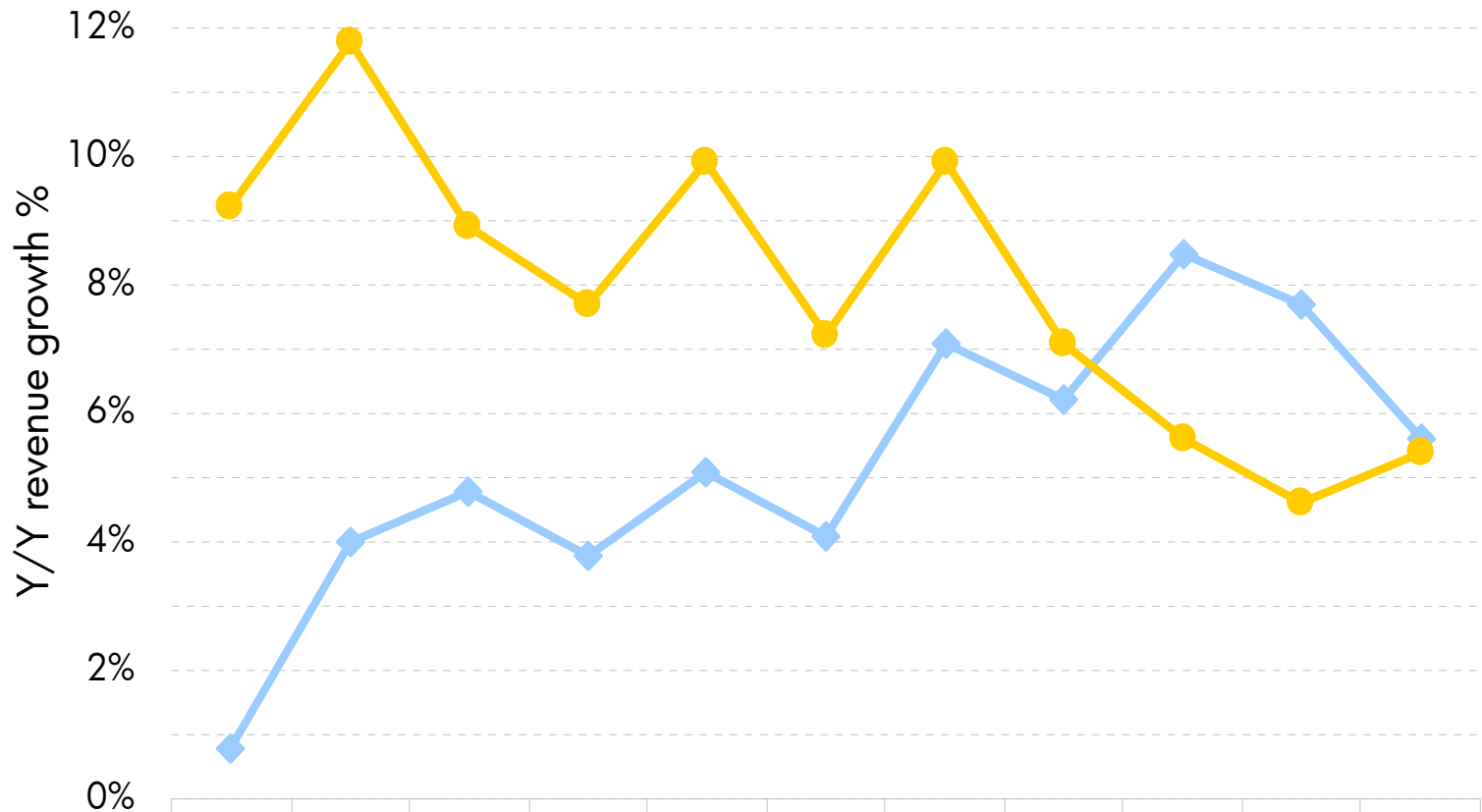
## By segment



## By region

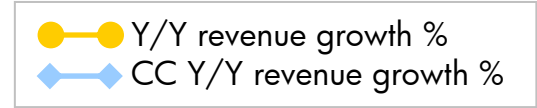


# Revenue growth

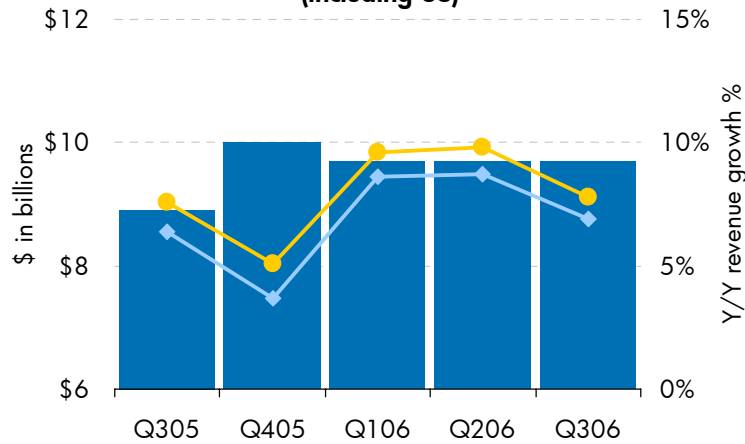


	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
◆ Constant currency	0.8%	4.0%	4.8%	3.8%	5.1%	4.1%	7.1%	6.2%	8.5%	7.7%	5.6%
● As reported	9.2%	11.8%	8.9%	7.7%	9.9%	7.2%	9.9%	7.1%	5.6%	4.6%	5.4%

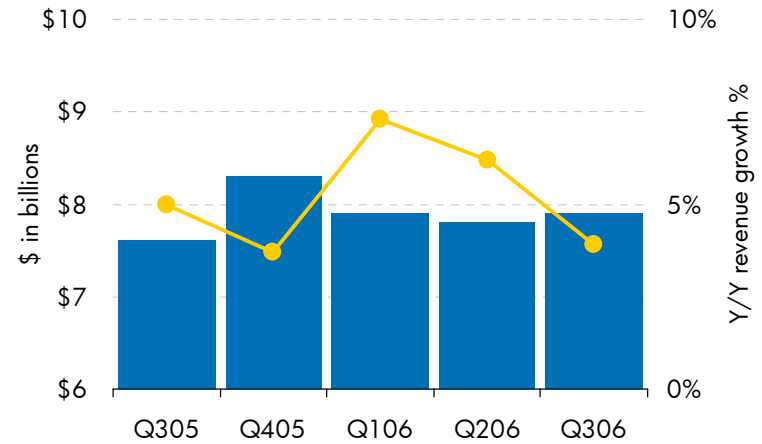
# Regional revenue trends



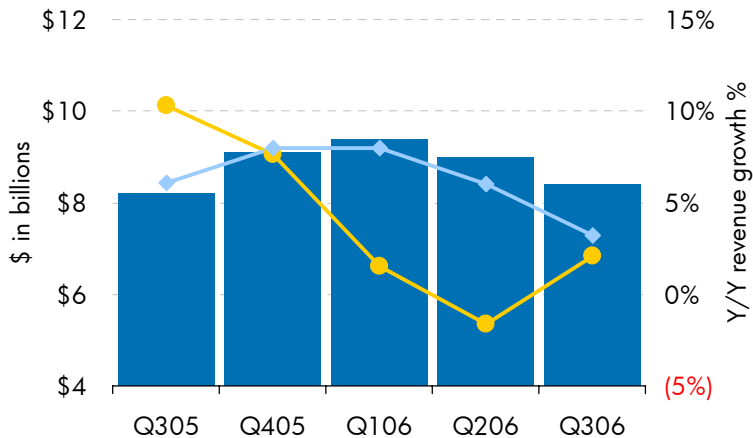
## Americas (including US)



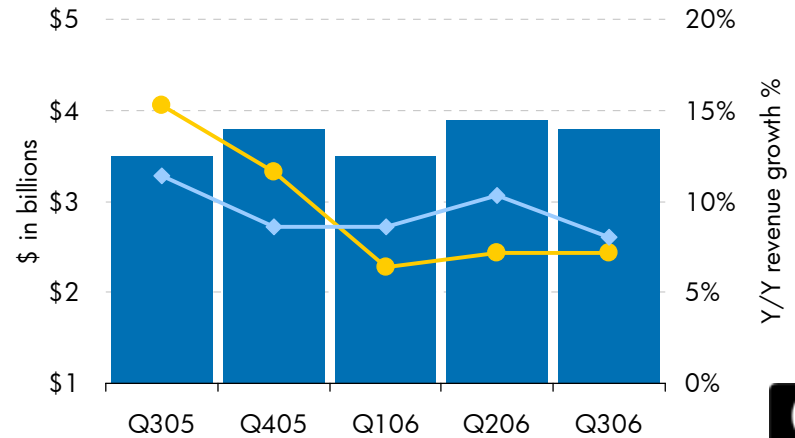
## United States



## EMEA

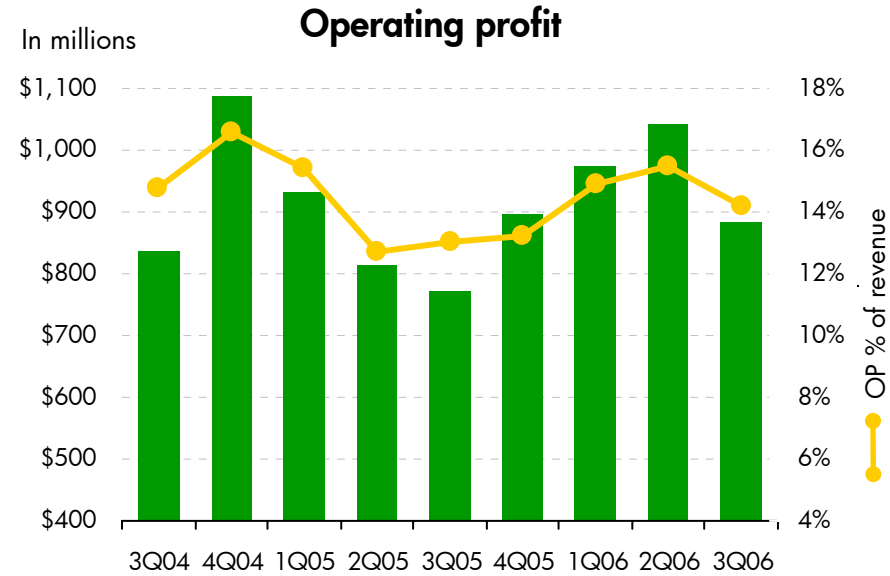
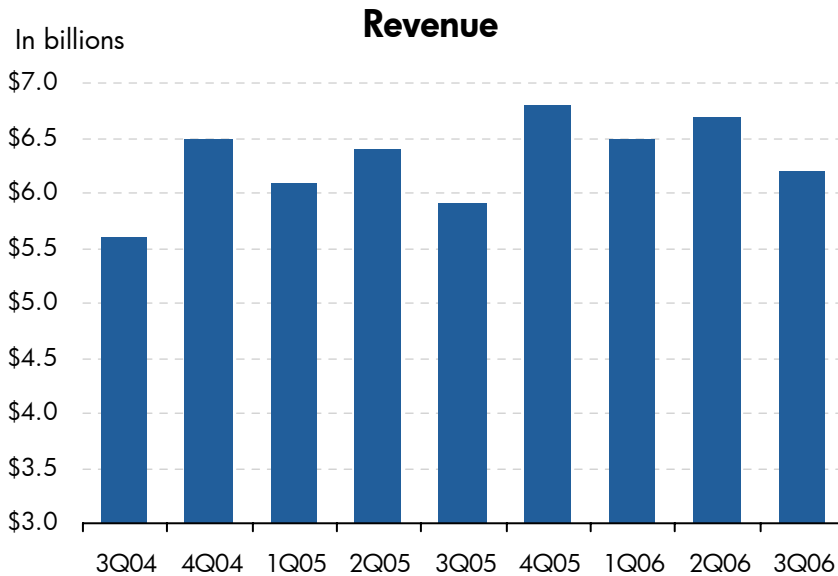


## Asia Pacific

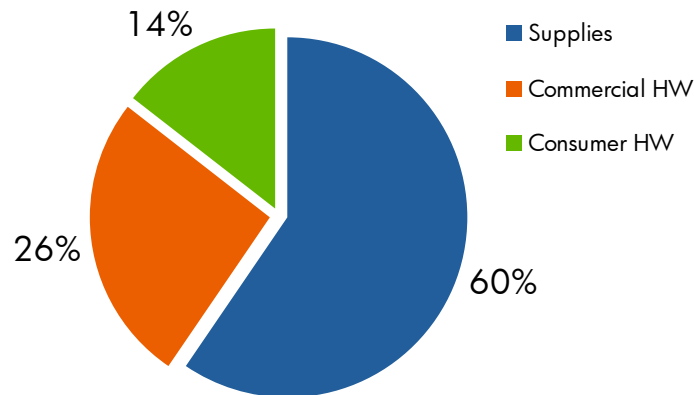




# Imaging and Printing Group (IPG)

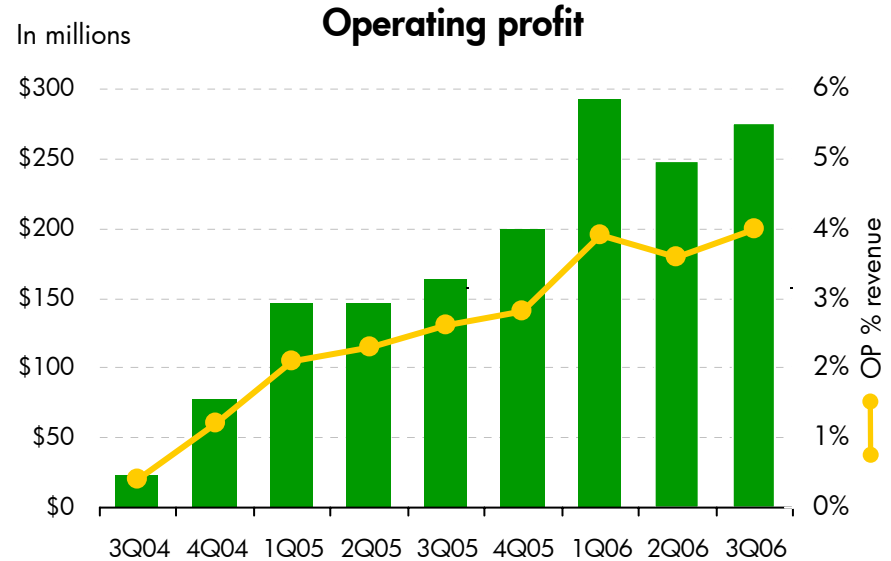
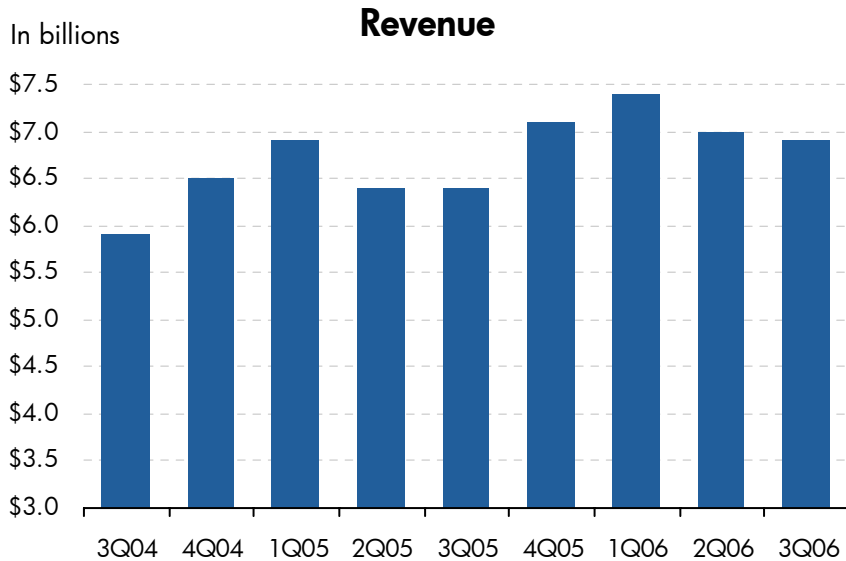


## Q3 FY06 revenue by business

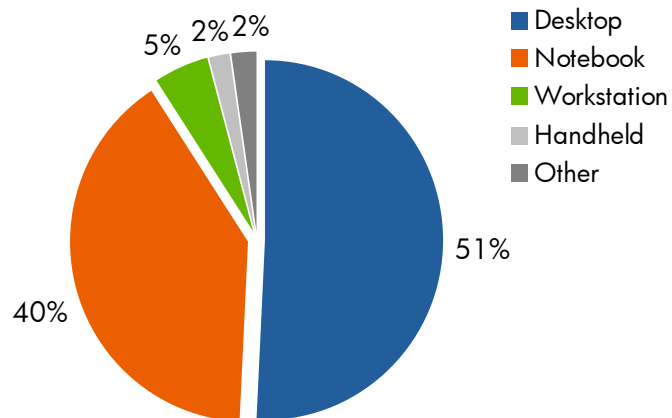


- IPG revenue of \$6.2B; up 5% Y/Y
- Operating profit of \$884M; 14.2% of revenue
- Total printer hardware units up 15% Y/Y;  
Consumer printer hardware units up 13%;  
Commercial printer hardware units up 23%
- Color LaserJet units up 70% Y/Y
- Printer-based MFPs units up 196% Y/Y
- Indigo digital press page volume up 37% Y/Y
- Supplies revenue up 9% Y/Y

# Personal Systems Group (PSG)

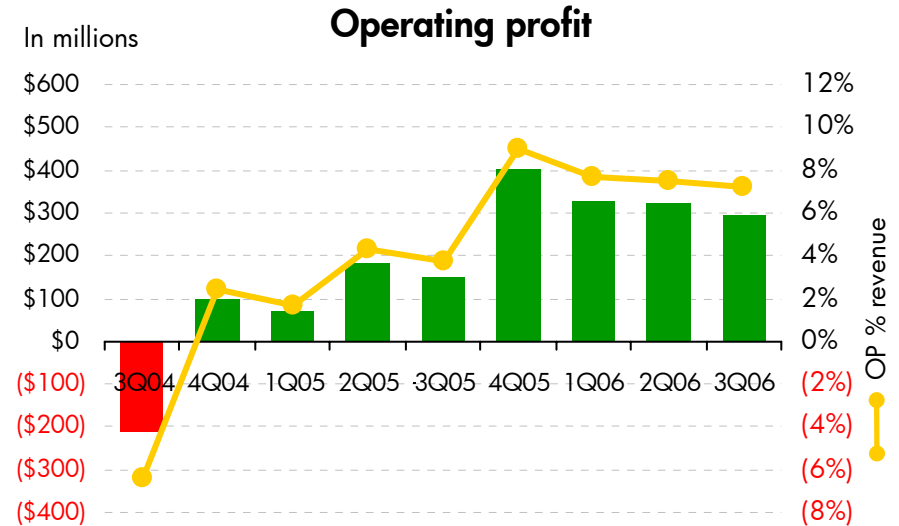
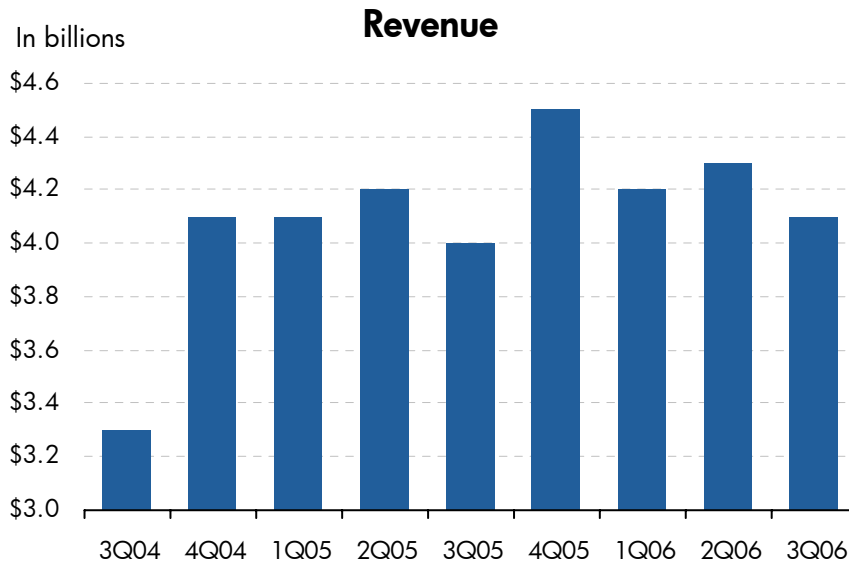


## Q3 FY06 revenue by business

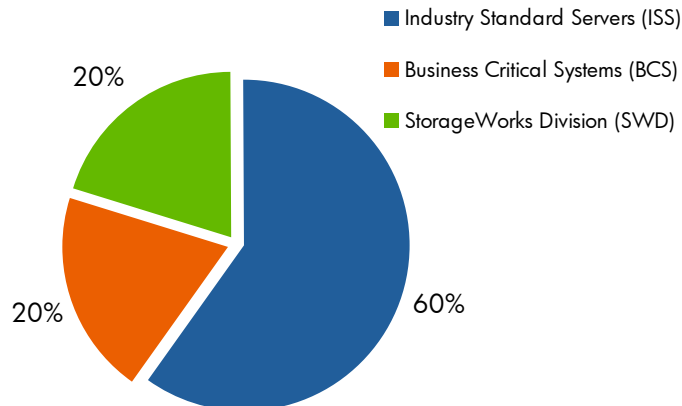


- PSG revenue of \$6.9B; up 8% Y/Y
- Operating profit of \$275M; 4.0% of revenue
- Total units up 14% Y/Y
- Desktop revenue up 5% Y/Y; units up 11%
- Notebook revenue up 14% Y/Y; units up 28%
- Consumer client revenue up 17% Y/Y;
- Commercial client revenue up 4% Y/Y

# Enterprise Storage and Servers (ESS)

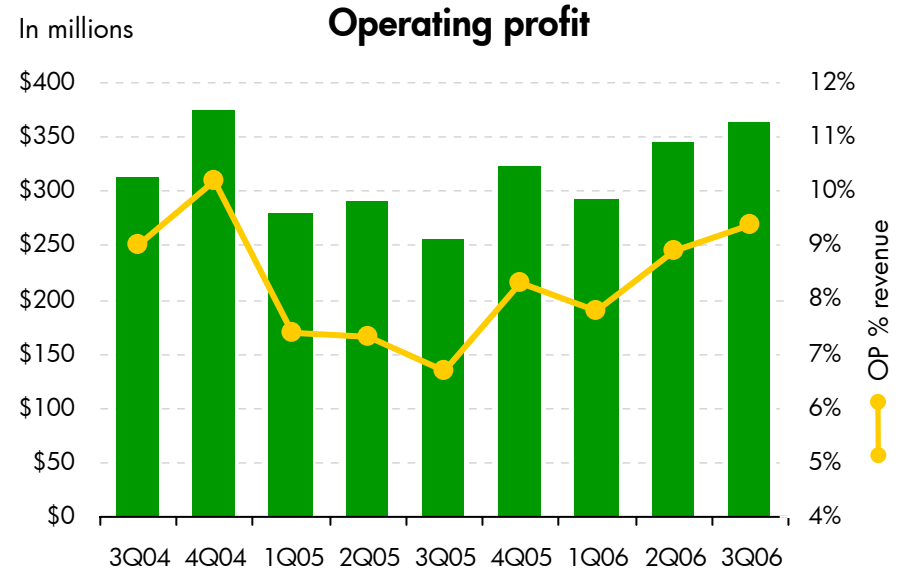
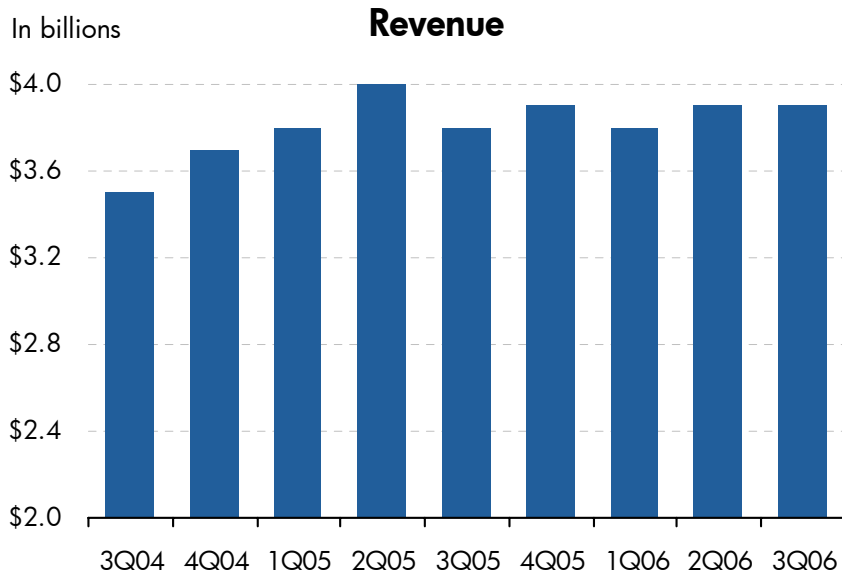


## Q3 FY06 revenue by business

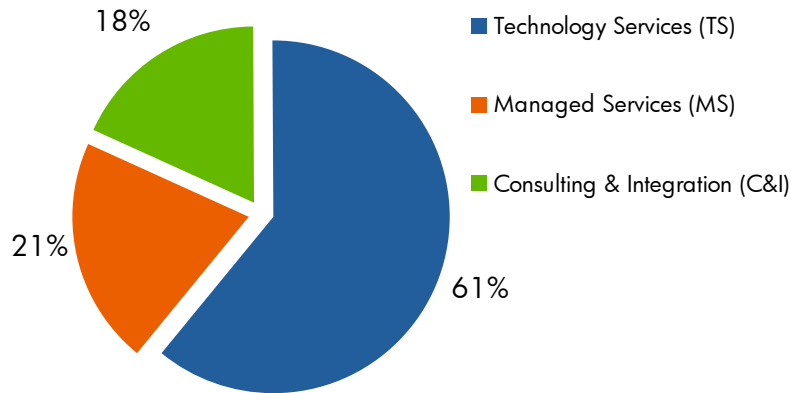


- ESS revenue of \$4.1B, up 3% Y/Y
- Operating profit of \$296M; 7.2% of revenue
- ISS revenue up 6% Y/Y; blade revenue up 37%
- BCS revenue down 6% Y/Y
- Integrity revenue up 76% Y/Y; 38% of BCS revenue
- Storage revenue up 5% Y/Y; mid-range storage arrays (EVA) up 17%; high-end storage (XP) up 19%

# HP Services (HPS)

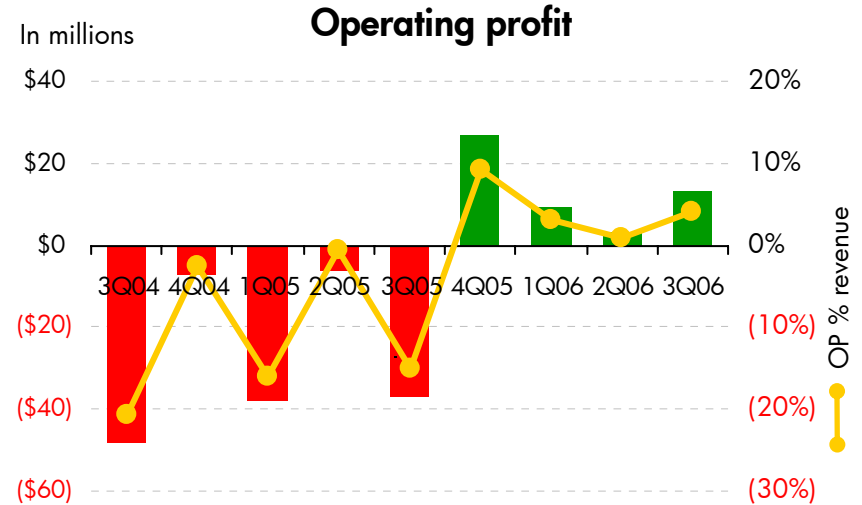
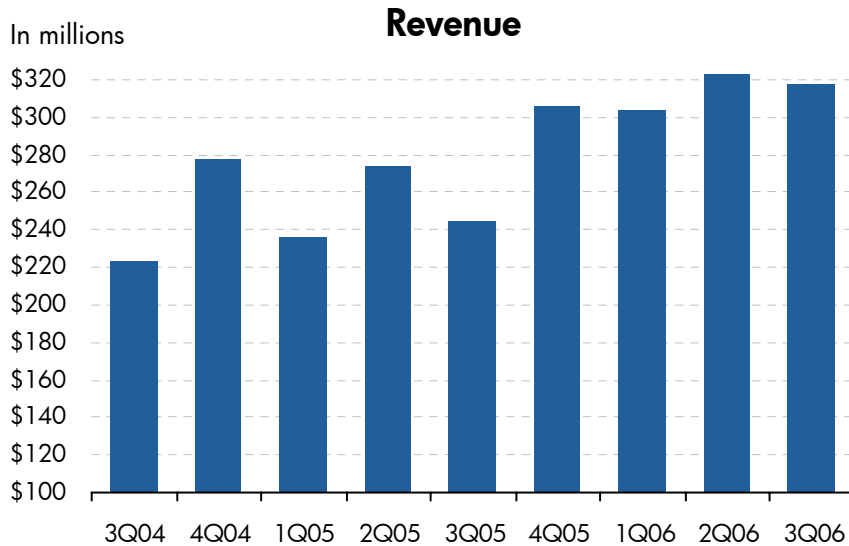


### Q3 FY06 revenue by business

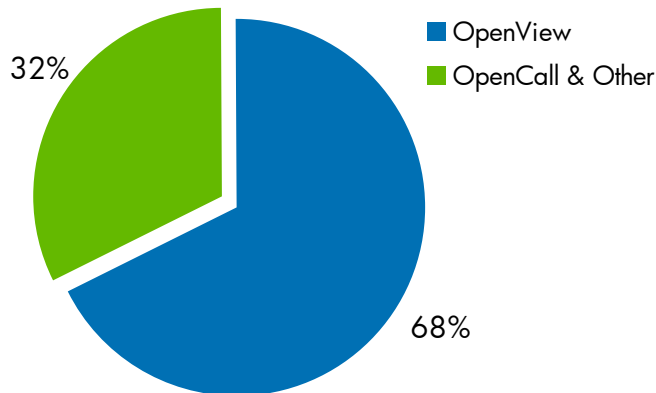


- HPS revenue of \$3.9B, up 1% Y/Y
- Operating profit of \$364M; 9.4% of revenue
- MS revenue up 9% Y/Y
- C&I revenue up 3% Y/Y
- TS revenue declined 1% Y/Y

# Software

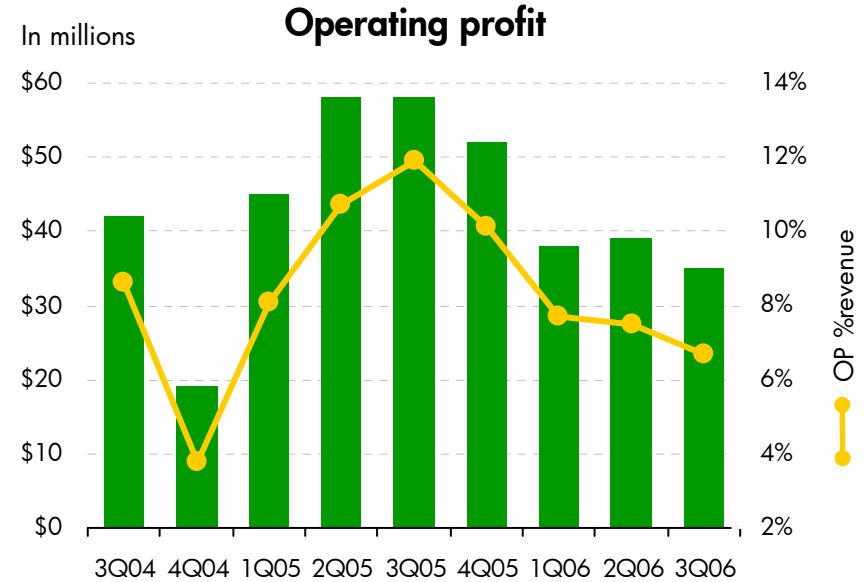
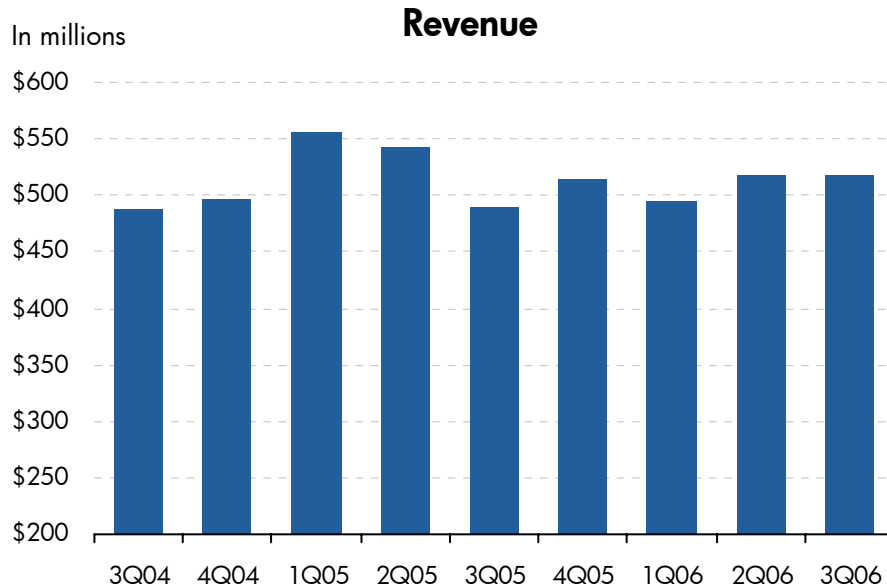


**Q3 FY06 revenue by business**

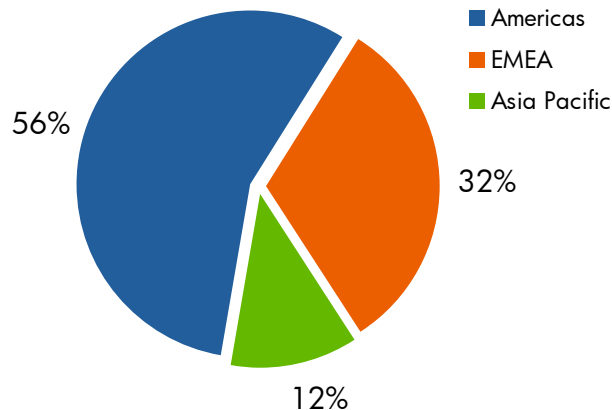


- Software revenue of \$318M, up 30% Y/Y
- Operating profit of \$13M; 4.1% of revenue
- HP OpenView revenue grew 34% Y/Y
- HP OpenCall revenue grew 21% Y/Y
- Announced intent to acquire Mercury Interactive for \$4.5B

# HP Financial Services (HPFS)



**Q3 FY06 revenue by region**



- HPFS revenue of \$519M, up 6% Y/Y
- Operating profit of \$35M; 6.7% of revenue
- Financing volume up 10% Y/Y
- Net portfolio assets \$7.1B, up 4% Y/Y

# HPFS supplemental data

In millions

	<b>Q3 FY06</b>	<b>Q3 FY05</b>	<b>Q2 FY06</b>
<b>Depreciation<sup>(1)</sup></b>	\$219	\$191	\$215
<b>Net capital expenditures<sup>(1)</sup></b>	\$256	\$66	\$259
<b>Increase (decrease) in net financing receivables</b>	(\$61)	(\$88)	(\$31)

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

# Q3 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.	Pension curtail- ment	<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>
Settlement	-						-
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>



# P&L

## Non-GAAP

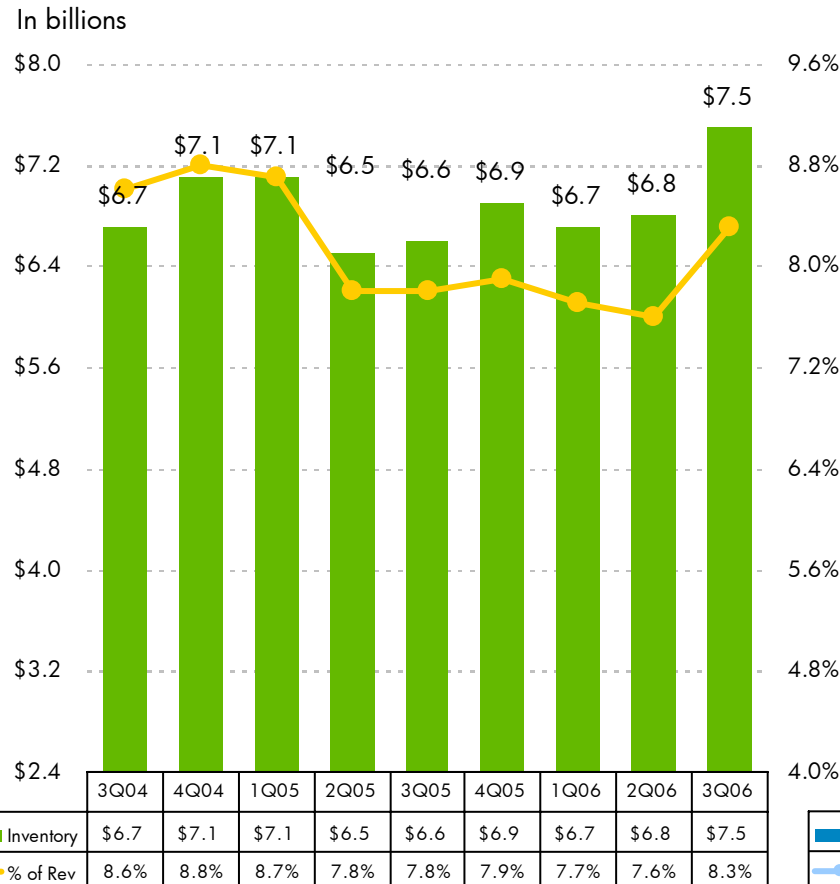
In millions except per share amounts	Q3 FY06 <sup>(1)</sup>		Q3 FY05		Q2 FY06 <sup>(1)</sup>	
	\$M	%	\$M	%	\$M	%
Revenue	\$21,890		\$20,759		\$22,554	
Cost of sales	16,472	75.2%	15,942	76.8%	16,970	75.2%
Total OpEx	3,750	17.2%	3,624	17.5%	3,788	16.8%
Operating profit	1,668	7.6%	1,193	5.7%	1,796	8.0%
Settlement	-		-		-	
Interest & other, net	221		126		157	
Pre-tax earnings	1,889	8.6%	1,319	6.3%	1,953	8.7%
Income tax	406		258		(43) <sup>(2)</sup>	
EPS	\$0.52		\$0.36		\$0.69 <sup>(2)</sup>	

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

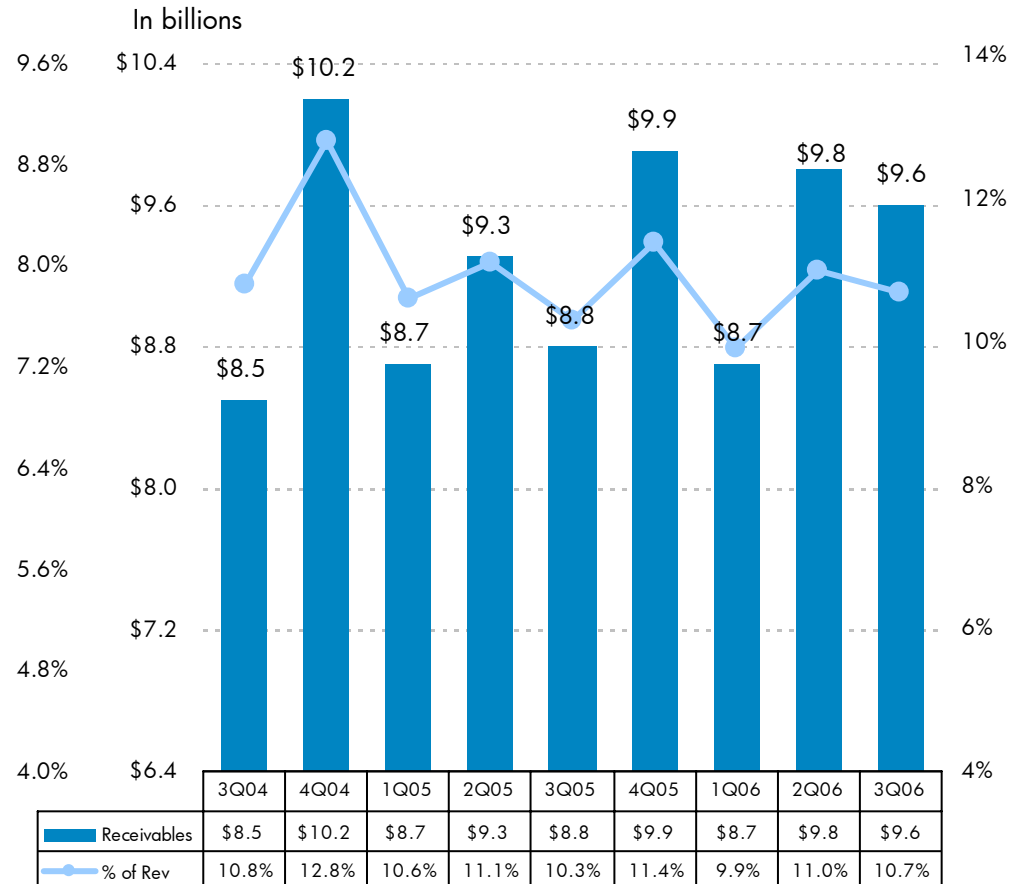
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# Inventory and accounts receivable

## Inventory



## Accounts receivable

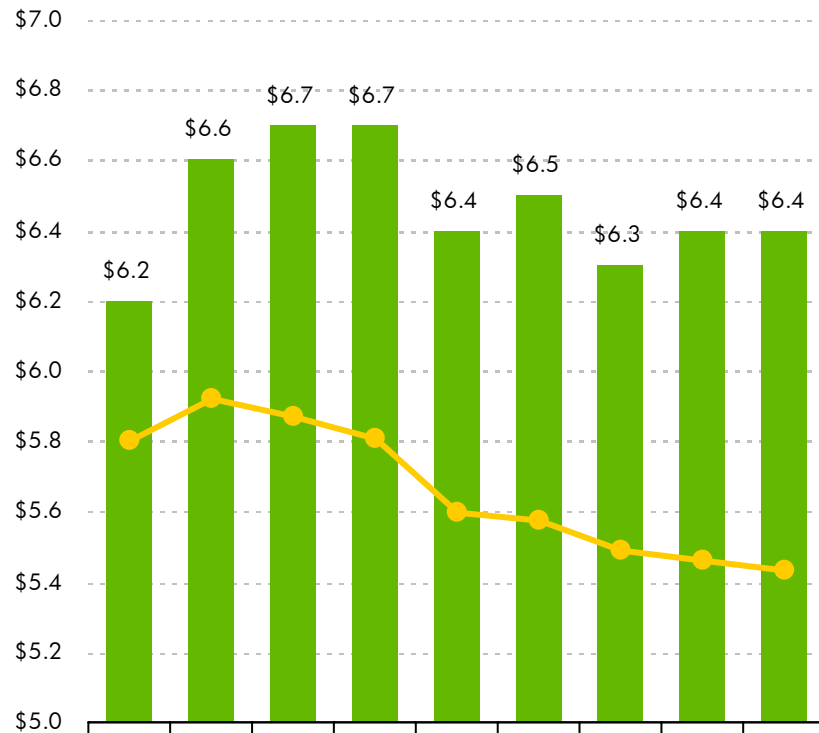


# PP&E and accounts payable

## Net PP&E

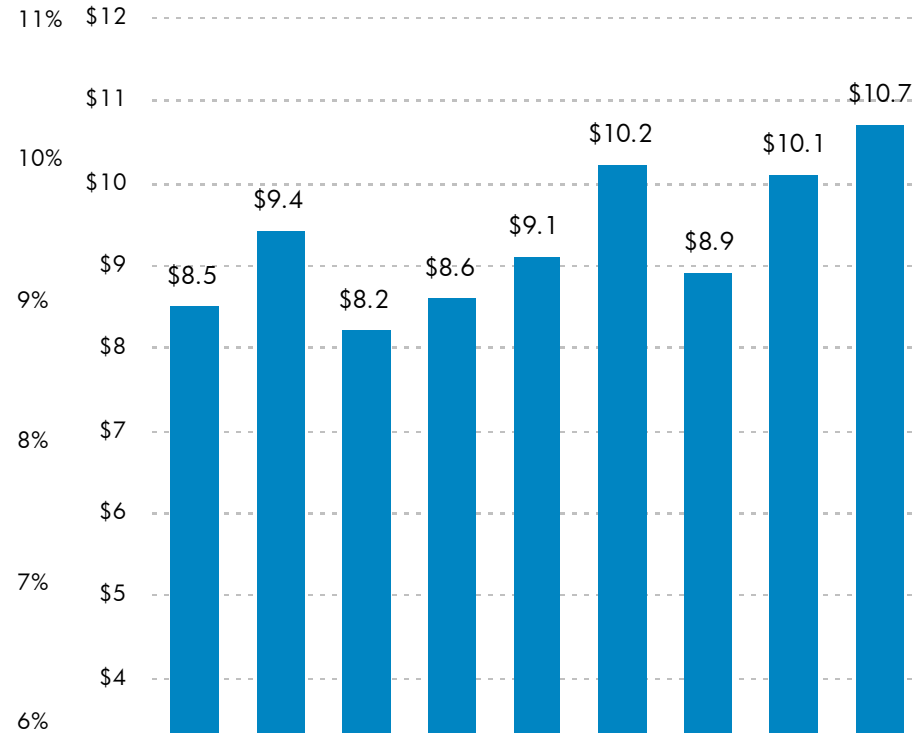
## Accounts payable

In billions



PP&E	\$6.2	\$6.6	\$6.7	\$6.7	\$6.4	\$6.5	\$6.3	\$6.4	\$6.4
% of Rev	8.0%	8.3%	8.2%	8.0%	7.5%	7.4%	7.2%	7.2%	7.1%

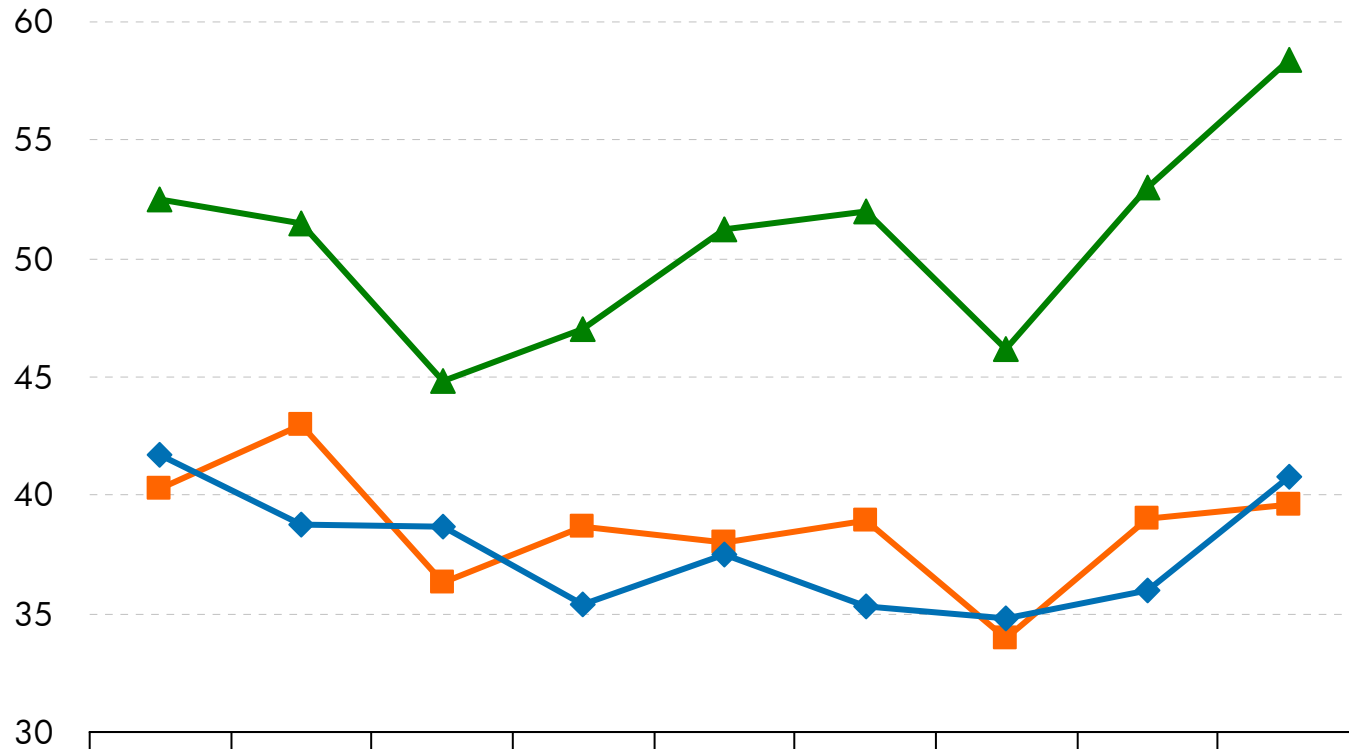
In billions



Payables	\$8.5	\$9.4	\$8.2	\$8.6	\$9.1	\$10.2	\$8.9	\$10.1	\$10.7
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# Working capital metrics

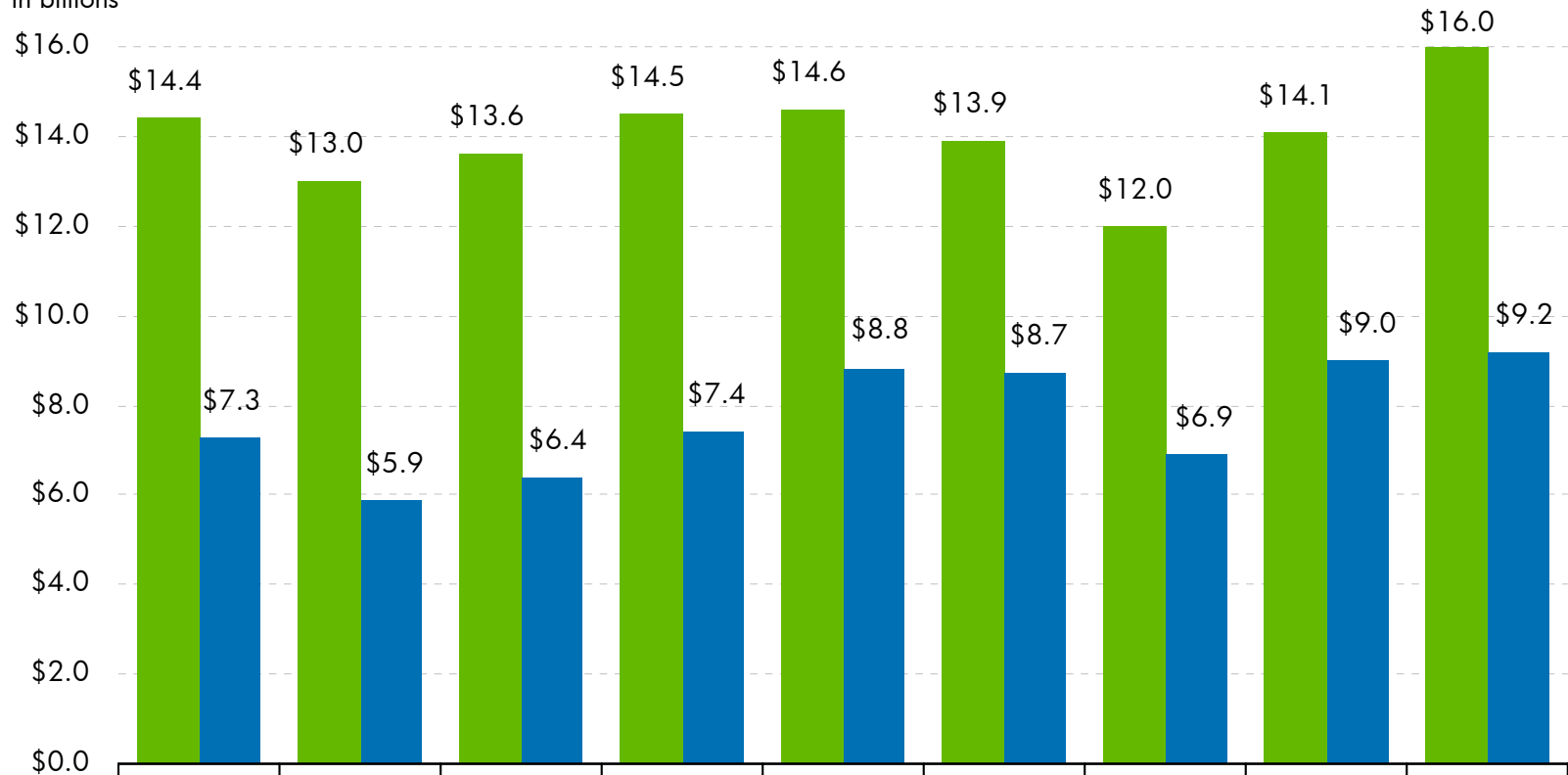
Days



	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
Days receivables	40	43	36	39	38	39	34	39	40
Days inventory	42	39	39	35	38	35	35	36	41
Days payable	53	52	45	47	51	52	46	53	58

# Gross cash and net cash

In billions



	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
Gross cash <sup>(1)</sup>	\$14.4	\$13.0	\$13.6	\$14.5	\$14.6	\$13.9	\$12.0	\$14.1	\$16.0
Net cash <sup>(2)</sup>	\$7.3	\$5.9	\$6.4	\$7.4	\$8.8	\$8.7	\$6.9	\$9.0	\$9.2

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

In millions  
\$3,000

\$2,500

\$2,000

\$1,500

\$1,000

\$500

\$0

- \$6.6B remaining in share repurchase authorization<sup>(1)</sup>
- \$2.7B in Q3 FY06 share repurchases
  - \$2.3B, or 72M shares, in open market repurchases
  - \$431M, or 13M shares, under the prepaid variable share repurchase<sup>(2)</sup>

\$1.3B accelerated stock repurchase program

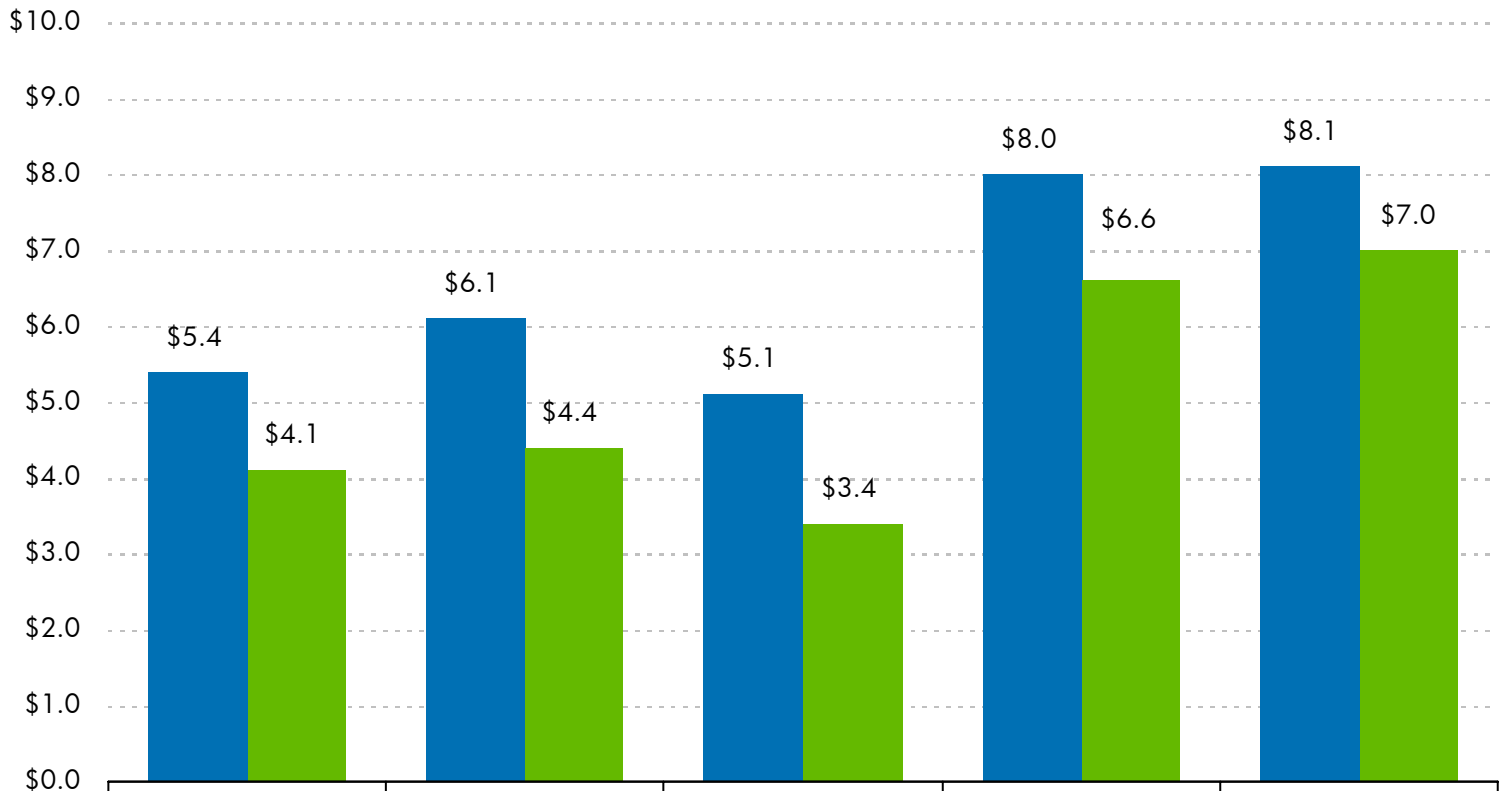
	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06
■ Prepaid Plan								\$232	\$431
■ Stock repurchase <sup>(2)</sup>	\$500	\$2,205	\$637	\$618	\$860	\$1,399	\$1,401	\$1,320	\$2,294

1. Includes the additional \$6.0B share repurchase authorization by the HP Board of Directors in August 2006.

2. 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 Form 10-Q for the period ended January 31, 2006 for more information.

# Cash flow

In billions



	FY02	FY03	FY04	FY05	YTD FY06
■ Cash flow from Operations	\$5.4	\$6.1	\$5.1	\$8.0	\$8.1
■ Free cash flow <sup>(1)</sup>	\$4.1	\$4.4	\$3.4	\$6.6	\$7.0

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



# Outlook

## Q4 FY06 guidance

Revenue	Approx. \$24.1 billion
GAAP EPS <sup>(1)</sup>	\$0.57 – \$0.59
Non-GAAP EPS <sup>(1)</sup>	\$0.61 – \$0.63

## Full year FY06 guidance

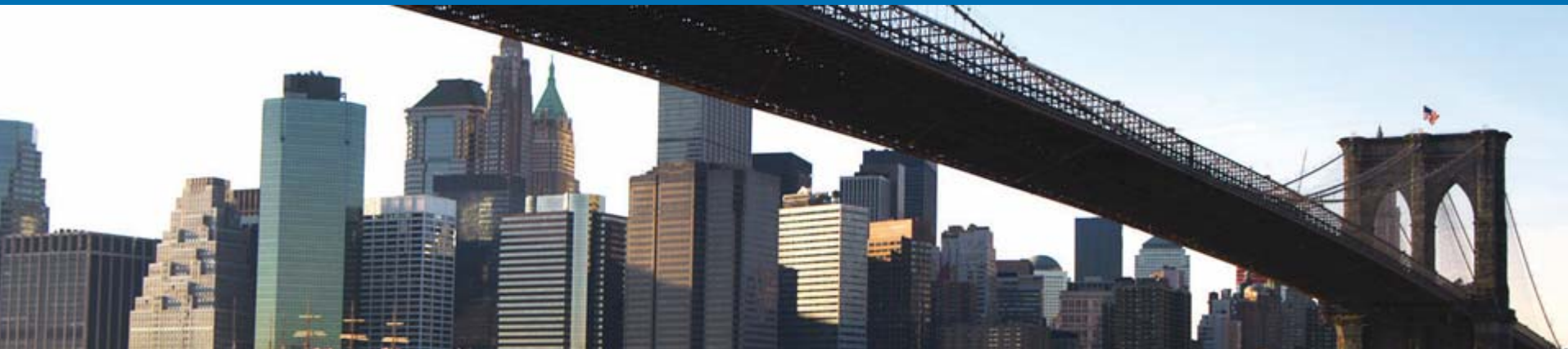
Revenue	Approx. \$91.2 billion
GAAP EPS <sup>(2)</sup>	\$2.14 – \$2.16
Non-GAAP EPS <sup>(2)</sup>	\$2.31 – \$2.33

1. Q4 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. Fourth quarter non-GAAP and GAAP diluted earnings per share estimates 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.



# Supplemental slides



# 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.	Pension curtail- ment	<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>
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 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.	Pension curtail- ment	<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>
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

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	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

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	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>
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

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	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>



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

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	G/L Invest.	<b>Non-GAAP</b>
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>

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Acq. related charges	In-process R&D	G/L Invest.	<b>Non-GAAP</b>
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>

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

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>

In millions except per share amounts	<b>GAAP</b>	Amort. of Intangibles	Re- structuring charges	Acq. related charges	G/L Invest.	<b>Non-GAAP</b>
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

